

# Corporate Governance Statement 2017





# Valmet Oyj Corporate Governance Statement

February 6, 2018

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

This Corporate Governance Statement is issued separately from the report of the Board of Directors. It has been prepared in accordance with the requirements for Corporate Governance reporting of the Code and it also covers other key corporate governance areas that Valmet wants to highlight to investors. The Audit Committee of the Board of Directors has reviewed this Corporate Governance Statement in its meeting on February 5, 2018. This Corporate Governance Statement and updated information on the governance and remuneration of the Company is available on the Company's website at [www.valmet.com](http://www.valmet.com).

## Regulatory Framework

The duties of Valmet's bodies are governed by Finnish legislation and the duties of its subsidiaries' bodies by the legislation of their respective places of business. In addition to the Code, Valmet complies with the Corporate Governance principles defined by the Board of Directors. These principles are based on the Finnish Companies Act and the Finnish Securities Markets Act. Valmet's decision-making and governance also complies with other Finnish legislation and regulations, the Market Abuse Regulation, the Company's Articles of Association, the Guidelines for insiders of Listed Companies published by Nasdaq Helsinki Ltd (the Helsinki Stock Exchange) as well as the Helsinki Take-over Code published by the Securities Market Association.

Valmet prepares Consolidated Financial Statements and Interim Reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, the Finnish Securities Markets Act as well as the applicable Finnish Financial Supervision Authority's standards and the rules of the Helsinki Stock Exchange. The report of the Board of Directors of Valmet's financial statements is prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board.

## Annual General Meeting of Shareholders

The Annual General Meeting is the highest governing body of Valmet in which all the shareholders of the Company can participate in the supervision, decision-making and control of the Company and exercise their right to speak and vote. The Annual General Meeting is held once a year before the end of June on a date determined by the Board of Di-

rectors. It decides on the matters stipulated in the Finnish Companies Act and the Articles of Association. Such issues include:

- Adoption of the financial statements;
- Use of the profit shown on the balance sheet;
- Election of the Chairman, Vice Chairman and members of the Board of Directors and the decision on their remuneration;
- Discharging the members of the Board of Directors and the President and CEO from liability; and
- Election of the Auditor and the decision on the Auditor's compensation.

Participation in the Annual General Meeting requires that the shareholder is registered in Valmet's shareholder register on the record date of the meeting, which is eight business days before the meeting, and that he/she registers for the meeting by the date mentioned in the meeting notice. The holder of a nominee-registered share may be entered temporarily in the shareholder register for participation in the Annual General Meeting, if the shareholder based on his/her holding has the right to be registered in the shareholder register on the record date. In addition, participation requires advance notice of participation at the latest by the date mentioned in the meeting notice.

Valmet publishes a notice of the Annual General Meeting no more than three months and no less than three weeks before the meeting on the Company's website or in one or more widely circulated newspapers or delivers it directly to shareholders when required by law. Additionally, Valmet publishes the meeting notice as a stock exchange release immediately after the Board of Directors has decided on the convening of the Annual General Meeting. The agenda of the Annual General Meeting, decision-making proposals and meeting documents are available on Valmet's website at least three weeks prior to the meeting.

Shareholders are entitled to have an issue put on the agenda of the Annual General Meeting, provided that the issue can be decided upon by the Annual General Meeting according to the Finnish Companies Act. The request must be submitted in writing to the Board of Directors early enough so that the issue can be included in the meeting notice. The date by which the shareholder must notify the Board of Directors of an issue to be added to the agenda of the Annual General Meeting will be announced on Valmet's website. In 2017 this date was January 20, 2017. The request is always deemed submitted early enough if the Board of Directors has been notified about it at least four weeks prior to the delivery of the meeting notice.

## Annual General Meeting in 2017

The Annual General Meeting was held in Helsinki on March 23, 2017. A total of 846 shareholders representing a total of 84,832,043 shares and votes were present at the meeting. All Board members, all candidates for Board membership and the auditors of the Company were present at the meeting. The Annual General Meeting documents are available on the Company's website at [www.valmet.com](http://www.valmet.com).

## Board of Directors

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

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

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

## Main Duties

The duties of the Board are defined in the Finnish laws and regulations, Valmet's Articles of Association, Finnish Corporate Governance Code and Valmet's Corporate Governance and in the Charters of the Board. The main duties and working principles of the Board of Directors are defined in a written charter and include the following:

- To approve Valmet's long-term goals and strategy;
- To approve the annual business plan and other major action plans;
- To approve Valmet's organizational structure and the principles for the incentive systems;
- To appoint – and, if necessary, to dismiss – the President and CEO;
- To monitor and evaluate the performance of the President and CEO and to decide upon his/her remuneration and benefits;
- To ensure that the supervision of the accounting and financial matters is properly organized, and to ensure proper preparation of the interim and annual financial statements;
- To ensure the adequacy of planning, information and control systems for monitoring results and managing risks in operations;
- To make proposals for and convene the General Meetings of Shareholders;

- To decide upon other matters not belonging to the day-to-day operations, such as major investments, acquisitions and divestitures, and major joint ventures and loan agreements;
- To approve Valmet's corporate policies in key management areas, such as corporate governance, risk management, financial control, treasury, internal control, corporate communications, human resources, environment, disclosure policy, and code of conduct;
- To conduct an annual evaluation of its operations and working methods; and
- To decide on other matters falling under the Board's responsibility by law.

## Board of Directors in 2017

The 2017 Annual General Meeting elected seven members to Valmet's Board of Directors.

- Bo Risberg, born 1956, was re-elected the Chairman of the Board of Directors. His main occupation is chairman of the board of directors. Mr. Risberg holds a Bachelor of Science degree in Mechanical Engineering and MBA.
- Jouko Karvinen, born 1957, was elected the Vice Chairman of the Board of Directors. His main occupation is to act as a board professional. Mr. Karvinen holds a Master of Science degree (Tech.).
- Aaro Cantell, born 1964, was re-elected a member of the Board of Directors. He is an entrepreneur and Chairman of the Board in Normet Group Oy. Mr. Cantell holds a Master of Science degree (Tech.).
- Lone Fønss Schrøder, born 1960, was re-elected a member of the Board of Directors. Her main occupation is to act as a board professional. Ms. Fønss Schrøder holds a Master of Science degree in Accounting.
- Eriikka Söderström, born 1968, was elected a member of the Board of Directors. She is the Chief Financial Officer in F-Secure Corporation. Ms. Söderström holds a Master of Science degree (Econ.).
- Tarja Tyni, born 1964, was re-elected as a member of the Board of Directors. She is Senior Vice President, Corporate Clients and Business Development in Mandatum Life Insurance Company Limited. Ms. Tyni holds a Master of Laws degree, LL.M.
- Rogério Ziviani, born 1956, was re-elected a member of the Board of Directors. His main occupation is to act as a board professional. Mr. Ziviani holds a Bachelor of Science degree in Business Management and a Master of Science degree in Business Administration.
- Eija Lahti-Jäntti, born 1963, was invited by the Board as the personnel representative to act as an invited expert. Her main occupation is Customer Services Coordinator at Valmet Technologies Oy.

In its organizing meeting, all elected Board members were assessed by the Board of Directors independent of the company and of significant shareholders, except Aaro Cantell, who was assessed to be independent of the Company and not-independent of a significant shareholder in accordance with the recommendation in the Code.

Mikael von Frenckell, born 1947, main occupation to act as a board professional, served as the Vice Chairman of the Board until the An-

nual General Meeting in 2017. Friederike Helfer, born 1976, Partner at Cevian Capital, served as a Board member until the Annual General Meeting in 2017.

In 2017 the Board convened 9 times with a total attendance rate of 95.2% and an individual attendance as follows: Bo Risberg (9/9), Mikael von Frenckell (2/2), Jouko Karvinen (9/9), Lone Fønss Schröder (6/9), Friederike Helfer (2/2), Rogério Ziviani (9/9), Aaro Cantell (9/9), Eriikka Söderström (7/7), Tarja Tyni (9/9) and Eija Lahti-Jäntti (9/9).

In 2017 the main focus of the Board of Directors was on Valmet's long-term strategy and succession planning of Valmet in order to ensure sustainable value creation.

### Board evaluation

The Valmet Board of Directors has undertaken annual evaluations of the Board's work, its committees and directors. In 2017 an external follow-up evaluation was conducted to the externally supported Board evaluation done in 2016. The evaluation concluded that the board felt there had been a positive improvement in its work and performance on the key issues arising from the 2016 evaluation.

### Principles concerning the diversity of the Board

Valmet recognizes the importance of diversity, including gender, nationality, age, background and education, at the board and all levels of the group and is committed to increasing diversity across all its operations.

The Valmet Nomination Board has reviewed and confirmed the principles for Board diversity. Valmet's principles of board diversity include, amongst others, promoting experience and varied educational background, relevant qualifications, balanced gender diversity and adequate commitment with regards to time contribution, availability and engagement. These objectives can be achieved with thorough and early preparation when considering the Board composition. These objectives regarding diversity are considered to be met in sufficient quantity. Sufficient diversity at the Board of Directors level is relevant for ensuring the efficient and optimal work and performance of the Board of Directors. The principles of Board diversity are available on the Company's website at [www.valmet.com](http://www.valmet.com).

### Committees

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

### Audit Committee

The Audit Committee monitors the Company's financial reporting and prepares issues for the Board of Directors related to the monitoring of Valmet's financial situation, financial reporting, auditing, and risk management. Based on the Corporate Governance Policy and the charter, the Audit Committee, among other things:

- Assesses Valmet's draft financial statements and interim reports, accounting policies, accounting principles of significant or exceptional business transactions, management forecasts and statements relating to Valmet's short-term outlook;
- Assesses compliance with laws and provisions and with internal instructions, as well as assesses the efficiency of internal control and risk management;
- Approves the audit plans of internal and external auditors and follows up reporting related to these plans;
- Prepares for the election of external auditors, monitors the statutory auditing of the financial statements and consolidated financial statements, assesses and reviews the auditors' reports with the auditors, and assesses the quality and scope of the audit. Additionally, it assesses the independence of the auditors, particularly any impact on independence arising from other services they offer to Valmet. Pre-approves all non-audit services provided by the external auditors;
- Assesses Valmet's financial reporting and reporting methods in collaboration with the Company's management, internal audit and an external auditor or other external experts;
- Reviews Valmet's Corporate Governance Statement
- Approves the procurement principles for external auditing services and an external auditor's annual auditing fees under the guidance given by the shareholders at the Annual General Meeting and;
- Maintains procedures enabling the receipt and processing of complaints related to accounting, internal control and internal auditing, and the potential anonymous and confidential reporting by employees of misconduct, fraud, and accounting and auditing issues.

The Audit Committee convenes at least four times a year, consisting of members elected by the Board of Directors from among its members independent of the company. The majority of the members must be independent of the Company and at least one member shall be independent of the Company's significant shareholders. The members of the Audit Committee must have the qualifications necessary to perform the responsibilities of the committee and at least one member must have expertise specifically in accounting, bookkeeping or auditing.

### Audit Committee in 2017

The Audit Committee comprised Lone Fønss Schröder (Chairman), Friederike Helfer (until the Annual General Meeting), Tarja Tyni and Eriikka Söderström (as of the Board organizing meeting) as members. The Audit Committee held five meetings in 2017 and the total attendance rate was 93.3%. Friederike Helfer (1/1), Tarja Tyni (5/5) and Eriikka Söderström (4/4) attended all meetings. Lone Fønss Schröder (4/5) was excused for one meeting. All committee members were independent of the company and of the significant shareholders.

As in previous years, the Audit Committee has conducted a self-assessment survey of the Audit Committee work and performance and will utilize the survey results to further improve and develop the identified development areas.

In 2017 the main focus was on monitoring the new IFRS regulations, the execution of the new Enterprise Resource Planning (ERP) system and project management.

### Remuneration and HR Committee

The Remuneration and HR Committee focuses on the development of remuneration plans of the President and CEO and the other executives as well as the remuneration principles in general observed by the Company and in accordance with its charter, the Remuneration and HR Committee among other things:

- Reviews and monitors the competitiveness of Valmet's remuneration and incentive systems and the development of personnel related issues, such as competence and talent development and successor planning of Valmet's senior management;
- Evaluates the performance and compensation of the President and CEO;
- Prepares and makes proposals to the Board of Directors for the compensation and benefits of the President and CEO;
- Makes proposals to the Board of Directors for the appointment of the Valmet Executive Team members, based on the President and CEO's preparation; and
- Decides upon the remuneration and benefits of the Valmet Executive Team members.

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, excluding those situations, in which the agenda item relates to him.

### Remuneration and HR Committee in 2017

The Remuneration and HR Committee comprised of Bo Risberg (Chairman), Mikael von Frenckell (until the Annual General Meeting), Jouko Karvinen and Aaro Cantell (as of the Board organizing meeting) as members. The committee had 6 meetings in 2017 with a total attendance rate of 100%. The committee members were independent of the company and of significant shareholders, except for Aaro Cantell who is assessed to be independent of the Company and not-independent of a significant shareholder in accordance with the recommendation in the Corporate Governance Code.

In 2017 the main focus of the Remuneration and HR Committee was in succession planning.

### Nomination Board

Valmet has a Nomination Board, which annually prepares a proposal regarding the composition of the Board and remuneration to its members for the Annual General Meetings. According to the Nomination Board charter, the Nomination Board shall also seek prospective successor candidates for the members of the Board of Directors.

The Nomination Board consists of the representatives of Valmet's four largest shareholders, registered in Euroclear on September 1, who accept the assignment. In addition, the Nomination Board includes the

Chairman of the Board who acts as an expert member of the Nomination Board. The Chairman of the Board of Directors shall convene the first meeting of the Nomination Board and the Nomination Board shall elect a chairman from among its members. The Nomination Board shall give its proposal to the Board of Directors annually no later than January 31 preceding the next Annual General Meeting.

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

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

### Nomination Board in 2017

Shareholder representatives on the Nomination Board in 2017 were Solidium Oy, Elo Mutual Pension Insurance Company, Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company represented by the following individuals: Antti Mäkinen (Chairman), Managing Director of Solidium Oy; Satu Huber, CEO of Elo Mutual Pension Insurance Company; Risto Murto, CEO of Varma Mutual Pension Insurance Company; Timo Ritakallio, CEO of Ilmarinen Mutual Pension Insurance Company and Bo Risberg, Chairman of the Valmet Board of Directors, served as an expert member.

Upon its appointment, the Nomination Board convened 5 times with an attendance as follows: Antti Mäkinen (5/5), Satu Huber (5/5), Risto Murto (5/5) Timo Ritakallio (5/5) and Bo Risberg (5/5). The Nomination Board has submitted its proposals regarding Board composition and remuneration to Valmet's Board, and the Board has incorporated these proposals into the notice announcing the Valmet 2018 Annual General Meeting to be held on March 21, 2018.

## Operational Management

### President and CEO

The President and CEO manages Valmet's operations in accordance with the Finnish Companies Act, corporate governance rules and the instructions given by the Board of Directors. The President and CEO guides and supervises the operations of Valmet and its businesses. The President and CEO is appointed – and, if necessary, dismissed – by the Board of Directors, and he reports to the Board of Directors about, for example, Valmet's financial situation, business environment and other significant issues. The President and CEO prepares the matters on the agenda of the Board of Directors and its committees and implements their decisions. Additionally, the President and CEO acts as chairman of the Executive Team.

Pasi Laine, born 1963, serves as the President and CEO of Valmet. Mr. Laine holds a Master of Science degree in Engineering.

## Executive Team

The President and CEO and other members appointed by the Board of Directors constitute the Executive Team of Valmet. The Executive Team assists the President and CEO in the preparation of matters, such as Valmet's business plan, strategies, policies and other operative matters of joint importance. In 2017 Valmet's Executive Team consisted of:

- Pasi Laine, President and CEO, born 1963, MSc. (Eng.)
- Kari Saarinen, CFO, born 1961, MSc. (Accounting and Finance)
- Jukka Tiitinen, Business Line President, Services until September 30, 2017 and Area President, Asia Pacific as of October 1, 2017, born 1965, MSc. (Eng.)
- Sakari Ruotsalainen, Business Line President, Automation, born 1955, MSc. (Eng.)
- Bertel Karlstedt, Business Line President, Pulp and Energy, born 1962, MSc. (Eng.)
- Jari Vähäpesola, Business Line President, Paper, born 1959, MSc. (Eng.), Diploma in International Marketing Management
- David King, Area President, North America, born 1956, B. Sc. (Eng.)
- Celso Tacla, Area President, South America, born 1964, MBA., Production Engineer, Chemical Engineer
- Vesa Simola, Area President, EMEA, born 1967, MSc. (Eng.)
- Aki Niemi, Area President, China until September 30, 2017 and Business Line President, Services as of October 1, 2017, born 1969, MSc. (Eng.)
- Xiangdong Zhu, Area President, China as of October 1, 2017, born 1967, B.Sc. (Eng.), MBA
- Hannu T. Pietilä, Area President, Asia Pacific until September 30, 2017, born 1962, B.Sc. (Mechanical Engineering)
- Julia Macharey, SVP, Human Resources, born 1977, B.A. (Intercultural Communication) M.Sc. (Econ.)
- Juha Lappalainen, SVP, Strategy and Operational Development, born 1962, MSc. (Eng.)
- Anu Salonsaari-Posti, SVP, Marketing and Communications, born 1968, MSc. (Econ.) MBA

## Main features of internal control and risk management related to the Financial Reporting Process

Valmet's internal control mechanism seeks to ensure the Company's compliance with the Code, applicable EU laws, regulations and the Company's operating principles as well as the reliability of financial and operational reporting. Furthermore, the internal control mechanism seeks to safeguard the Company's assets and to ensure overall effectiveness and efficiency of operations to meet Valmet's strategic, operational and financial targets.

Risk management processes are aligned with Valmet's internal control practices. The goal of risk management is to support Valmet's strategy and the achievement of objectives by anticipating and managing potential business threats and opportunities.

Valmet's operating model of internal control and risk management related to financial reporting is designed to provide reasonable assur-

ance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles (IFRS) and other requirements for listed companies.

The overall system of internal control in Valmet is based upon the framework issued by the Committee of Sponsoring Organizations (COSO) and comprises five principal components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring.

## Control Environment

The Board of Directors has established a written formal working order that clarifies its responsibilities and regulates the internal distribution of work of the Board of Directors and its committees. The Board of Directors bears the overall responsibility for the internal control over financial reporting. Furthermore, the Board of Directors has appointed the Audit Committee, the primary task of which is to ensure that established principles for financial reporting, risk management and internal control are adhered to and that appropriate relations are maintained with the Company's auditors. The responsibility for maintaining an effective control environment and the ongoing work on internal control as regards the financial reporting is delegated to the President and CEO. The Internal Audit function reports all relevant issues to the Audit Committee and the President and CEO.

The control environment sets the tone of internal control in Valmet, influencing the control awareness of its people. It provides discipline and structure for all the other components of internal control. Valmet's control environment is based on Valmet's corporate culture: the integrity, values, ethical behavior and competence of Valmet's personnel, as well as the attention and direction provided to the personnel by the Board of Directors. Valmet's values and control environment provide the Board of Directors and Valmet's management the basis for reasonable assurance of Valmet achieving the objectives for internal control. The President and CEO and the Executive Team define Valmet's values and ethical principles (reflected in the Code of Conduct) and set the example for the corporate culture, which create the basis for the control environment. The same parties, together with Services, Automation, Pulp and Energy and Paper business lines (the Businesses) are responsible for communicating Valmet's values to the organization.

## Risk Assessment

Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Valmet's risk assessment as regards financial reporting aims to identify and evaluate the most significant threats affecting the financial reporting at all levels. The risk assessment results in control targets through which Valmet seeks to ensure that the fundamental requirements placed on financial reporting are fulfilled. Information on the development of essential risk areas and the activities executed and planned in these areas as well as the measures to mitigate them are communicated regularly to the Audit Committee.

## Control Activities

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks related to the achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Valmet Internal Control Standards are designed to ensure that local management in every Valmet unit designs and effectively implements the most important monitoring procedures related to selected key financial and business administration processes in all Valmet units. For each of these processes, the tasks that must be segregated are also listed. The units document the control activities in use for each of their respective key business process.

## Internal Control and Risk Management in 2017

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

Coordinated Risk Management processes and practices were executed during the course of the year to ensure that enterprise risk management activities are performed in a consistent and an on-going manner in accordance with governance and business needs. Risk management evaluations were carried out to monitor the risk management performance in the most significant units globally. The evaluations emphasized on strategic, operational, hazard and financial risks as well as business interruption, logistics and property damage risks.

## Information and Communication

In order to secure an effective and efficient internal control environment, Valmet seeks to ensure that the Company's internal and external communication is open, transparent, accurate and timely. Information regarding internal steering instruments for financial reporting, that is, accounting principles, financial reporting instructions and the disclosure policy, are available on Valmet's intranet. Valmet arranges training for the Company's personnel regarding internal control issues and tools. In this way Valmet management gives a clear message to all personnel that the internal controls and related responsibilities are taken seriously. Valmet's CFO and the Head of Internal Audit report the results of the work on internal control as a standing item on the agenda of the Audit Committee. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are reported to the Board of Directors after every Audit Committee meeting.

## Monitoring

The effectiveness of internal control related to financial reporting is monitored by the Board of Directors, the Audit Committee, the President and CEO, Corporate management and the management of the reporting businesses and affiliates. Corporate Internal Audit provides

a reasonable assurance regarding the effectiveness of internal control related to financial reporting.

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

Internal Audit annually assesses the effectiveness of Valmet's operations and the adequacy of risk management. Internal Audit compiles an annual audit plan, the status and findings of which it regularly reports to Valmet management, external auditors and the Audit Committee. Furthermore, Valmet's Internal Audit and external auditors meet regularly to coordinate the assessment efforts.

## Monitoring in 2017

Valmet has processes for monitoring projects with potential risks starting from the sales phase to project completion. Valmet management has actively and specifically monitored the large projects and the project related process development.

## Compliance with Laws and the Code of Conduct

In all its operations Valmet seeks to comply with applicable laws and statutes as well as generally accepted practices. Additionally, the Company's operations are guided by Valmet's Code of Conduct, internal policies and guidelines as well as the Company values. Valmet's Code of Conduct describes the Company's corporate culture, commonly accepted practices and commitment to compliance with laws and regulations.

In addition to the laws and regulations, the foundation of Valmet's Code of Conduct is the UN Universal Declaration of Human Rights, the UN Global Compact initiative, which the Company has endorsed, and the International Labor Organization's (ILO) declaration on Fundamental Principles and Rights at Work. When applicable, the OECD's Guidelines for Multinational Enterprises are also incorporated into Valmet's Code of Conduct. Valmet requires that each one of the Company's employees is familiar with the legislation and operating guidelines of their own areas of responsibility. Business management is responsible for the internal control of the operations in their respective sector. Valmet strives to ensure that everyone in the Company is familiar with and compliant with the laws, regulations and principles relating to their own work. In addition to Valmet's management, the due course of operations is monitored by the Audit Committee, which reports any misconduct to the Board of Directors.

## Reporting of Suspected Misconduct

Valmet's guidelines on the prevention of misconduct define how suspected misconduct should be reported, how it is investigated and how the issue proceeds. Valmet employees are encouraged to report suspected misconduct to their own supervisors, the Human Resources function, to other management or, if necessary, directly to Legal Affairs and Corporate Internal Audit. Valmet employees and third parties can also report suspected misconduct anonymously either by telephone or through a web-based channel managed by an external service provider.

Allegations are investigated confidentially without undue delay. Valmet has enforced a principle that there is no retaliation to the one who reports. This is monitored by the Audit Committee. The Head of Internal Audit reports the related cases regularly to the Audit Committee. The Legal Affairs and HR functions together implement any measures consequential to the misconduct.

### Internal Audit

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

### Internal Audit in 2017

The Internal Audit completed the annual internal audit program 2017 approved by the Audit Committee in addition to its consultative assignments. Additionally, the Company was informed of 4 cases through the anonymous web-based reporting channel TrustLine, which the Internal Audit either investigated by itself or coordinated the investigation through the Company's Compliance Organization. None of the cases investigated have a significant impact on Valmet's financial results.

### Related party transactions

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

### Main procedures relating to insider administration

Valmet adheres to the Nasdaq Helsinki Ltd's Guidelines for Insiders of Listed Companies, the Market Abuse Regulation (596/2014/EU) and other applicable laws and regulations relating to insiders. This is supplemented with internal insider guidelines approved by the Board of Directors. The internal insider guidelines include provisions on; what is inside information, insider groups, restrictions on trading, insider projects and on the management of insider issues, i.e. specifying tasks of management and the person in charge of the insider issues, advance evaluation and supervision of insider issues.

Valmet's members of the Board of Directors, the CEO and members of the Executive Team ("Managers") have a duty to notify any transaction with financial instruments as defined in the guidelines.

The Company maintains a list of the Managers and persons closely associated with them.

### Auditors

According to the Articles of Association, Valmet has one auditor, which must be a firm of public accountants certified by the Finland Chamber of Commerce. The Audit Committee prepares the auditor selection process.

The auditor's statutory obligation is to audit the Company's accounting, the Board of Directors' report, financial statements and administration for the financial year. The Company's auditor must also audit the consolidated financial statements and other mutual relationships between group companies.

In conjunction with Valmet's Financial Statements, the auditor gives the Company's shareholders an Auditor's Report as required by law. The auditor reports primarily via the Audit Committee and at least once a year to the Board of Directors. The Audit Committee evaluates the performance and services of the independent auditors each year and decides if there is a need to arrange an open tender process.

Authorized Public Accountant PricewaterhouseCoopers Oy with Jouko Malinen as principal auditor was elected as Valmet's auditor by the Annual General Meeting 2017. Authorized Public Accountant PricewaterhouseCoopers Oy has been Valmet's auditor since the Annual General Meeting in 2014.

The fees paid to companies in the PricewaterhouseCoopers chain for 2017 were EUR 1,5 million for auditing and EUR 0,9 million for non-audit related services, e.g. tax and other consulting services.

# Contacts

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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.

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