

Remuneration
Statement

2018



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

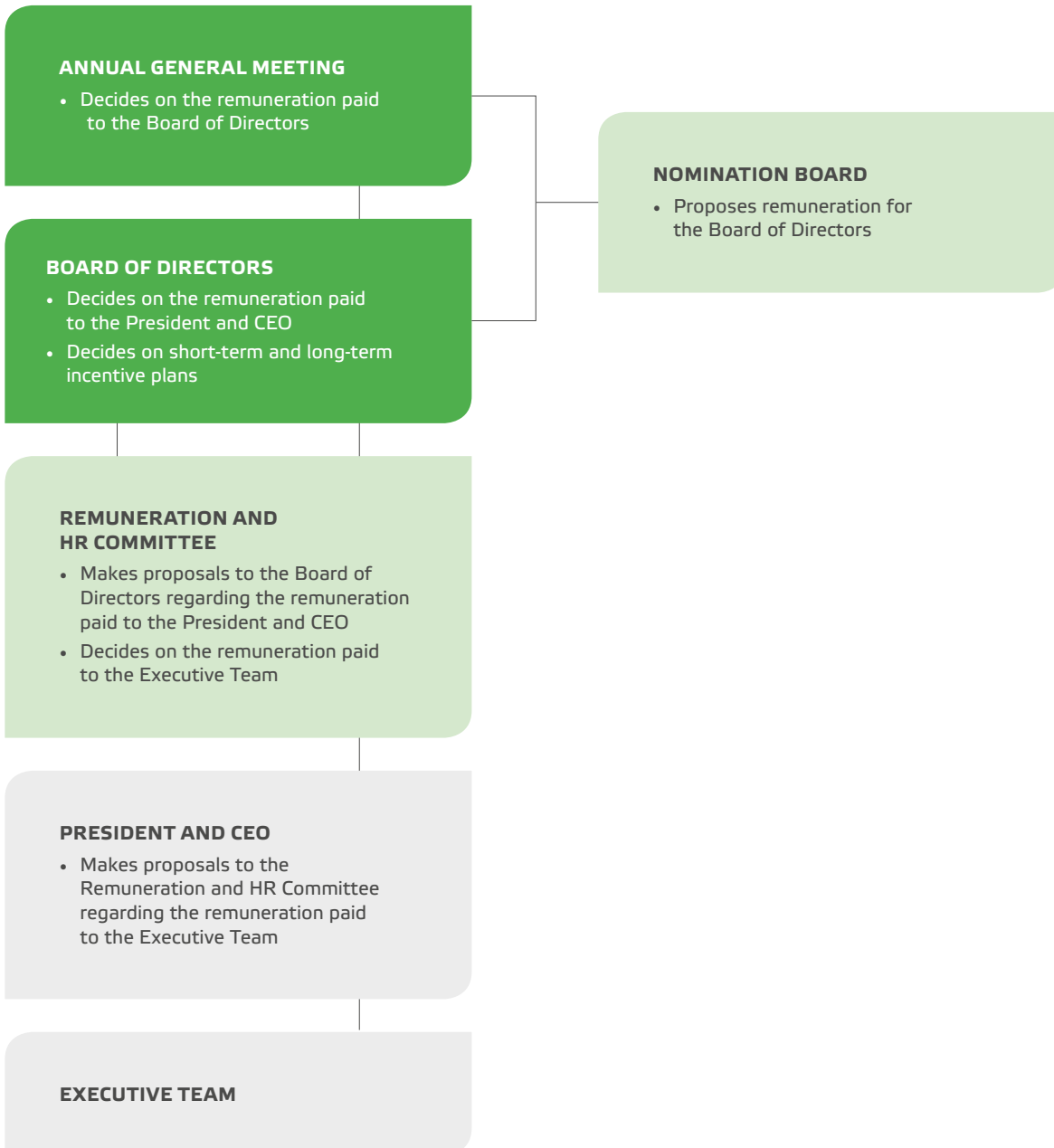
Linking remuneration to the role, local salary market and individual and/or team performance, Valmet aims to ensure equal treatment and fair remuneration of all employees.

Valmet's remuneration approval principles are designed to ensure that changes in pay are always subject to grandfather approval. This supports the equality and impartiality 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 21, 2018, 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 stock exchange main list of upheld by Nasdaq Helsinki Ltd- 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 21, 2018, 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 the Company. This number of shares shall be included in the aggregate numbers of shares above mentioned in the 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.

All of the above authorizations shall stay in force until the next Annual General Meeting.

In 2018 the Company repurchased 246,400 Valmet shares by way of a directed repurchase in preparation to meet the obligations arising from the Company's long-term incentive plan.

Main principles of board and executive remuneration

Main principles of board remuneration

On March 21, 2018 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 2018 was EUR 52,660.00 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 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 in 2018 was 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 in 2018 was 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>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. For the President and CEO, the reward for each period did not exceed 120 percent of the annual base salary.</p> <p>The long-term incentive plan 2018–2020 approved by Valmet's Board of Directors, includes three performance periods, namely the calendar years 2018, 2019, and 2020. For the President and CEO, the reward for each period is capped at grant to a maximum number of shares calculated based on 130% of the annual base salary.</p>
	Clawback provision	To provide terms and conditions in case of unethical or unlawful behavior	The Board shall have the right to cancel the reward or recollect paid rewards that are subject to transfer restriction, fully or partly, if the long-term incentive plan participant has acted against the law or against the ethical guidance of the Company or otherwise unethically.
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 the 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, as of January 2019, the maximum annual short-term incentive is 60–80 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 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.

The rewards from the plan were paid partly in Company shares and partly in cash. The cash portion was 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 could not exceed 120 percent of the key employee's annual base salary. As a rule, no reward was paid, if the key employee's employment or service ended 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 (Transfer Restriction). 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.

As part of the share-based incentive program, members of Valmet Executive Team 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 was tied to continued employment or service of the Valmet Executive Team member upon reward payment.

The Board has the right to cancel the reward or recollect paid rewards that are subject to the Transfer Restriction, fully or partly, if the long-term incentive plan participant has acted against the law or against the ethical guidance of the Company or otherwise unethically.

Long-term incentive plan for 2018–2020

The Board of Directors of Valmet Oyj decided in December 2017 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 percent of the groups' internal average annual base salary.

The potential reward is purely performance-based for all plan participants. The rewards from the plan are paid partly in Company shares and partly in cash. The cash portion is dedicated to cover taxes and tax-related payments arising from the reward to the plan participants. The rewarded shares may not be transferred during the restriction period, which will end two years after the end of the performance period. As a rule, no reward is paid if the plan participant's employment or service at Valmet ends before reward payment. Should a plan participant'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 Board has the right to cancel the reward or recollect paid rewards that are subject to the Transfer Restriction, fully or partly, if the long-term incentive plan participant has acted against the law or against the ethical guidance of the Company or otherwise unethically.

The below table summarizes the key attributes of the 2015–2017 and 2018–2020 long-term incentive plans

Performance period	2015	2016	2017	2018	2019
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	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	In spring 2019	In spring 2020
Total gross number of shares earned (including the matching share rewards)	540,035 shares	556,049 shares	390,820 shares	As at December 31, 2018 a total of 357,940 shares were allotted to participants.	The rewards to be paid are capped to an approximate maximum of 465,000 shares in Valmet.
Vesting period	February 2015 to December 2017	February 2016 to December 2018	February 2017 to December 2019	February 2018 to December 2020	February 2019 to December 2021

Restricted Shares Pool

As part of total remuneration, for example for retention purposes, the Board of Directors decided on an additional incentive element for 2019, the Restricted Shares Pool, from which shares can be granted to selected key employees. Restricted share pools are intended to be annually commencing, but any future restricted shares pool is subject to separate approval by the Board of Directors. In 2019 a maximum of 70,000 Company shares can be allocated to possible participants in the Restricted Shares Pool. As a rule, the restriction period for these shares is three years. Plan nominations as well as detailed terms of allocation will be proposed by the President and CEO to the Remuneration and HR Committee Chairman for approval. A precondition for the payment of the share reward based on the Restricted Shares Pool is that

the employment relationship of the individual participant with Valmet continues until the payment date of the reward.

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 has 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.

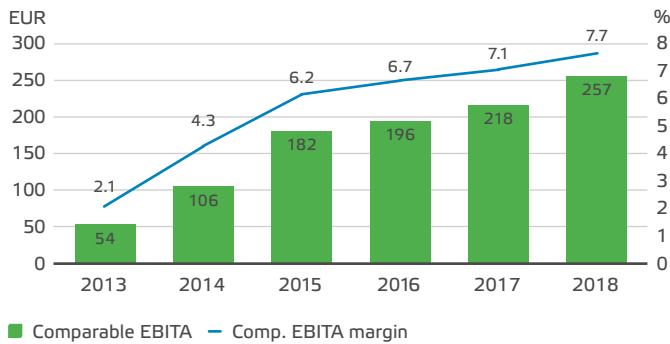
Executive Team members' current shareholdings

ET member	Title	Shareholding (PCS)
Pasi Laine	President and CEO	116,244
Aki Niemi	Business Line President, Services	44,136
Sami Riekkola	Business Line President, Automation	3,657
Bertel Karlstedt	Business Line President, Pulp&Energy	34,217
Jari Vähäpesola	Business Line President, Paper	41,116
David King	Area President, North America	18,691
Celso Tacla	Area President, South America	65,970
Vesa Simola	Area President, EMEA	33,003
Xiangdong Zhu	Area President, China	11,480
Jukka Tiitinen	Area President, Asia Pacific	70,760
Kari Saarinen	CFO	32,671
Julia Macharey	SVP, Human Resources	22,036
Juha Lappalainen	SVP, Strategy & Operational Development	29,444
Anu Salonsaari-Posti	SVP, Marketing & Communications	16,752

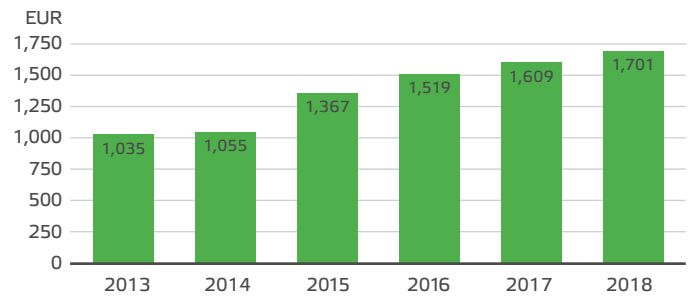
Remuneration Report

Rewarding linked to business performance

Comparable EBITA development



Stable business orders received development



Share price development



Valmet has achieved consistent business progress during the past years. 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 perfor-

mance-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.

President and CEO 2018

EUR	Annual salaries and other short-term benefits	2017 performance bonus	Post-retirement benefits	Share-based payment	Termination benefits	Total
President and CEO	663,516	279,991	288,854	581,272		1,813,633

Other Executive Team members 2018

EUR	Annual salaries and other short-term benefits	2017 performance bonus	Post-retirement benefits	Share-based payment	Termination benefits	Total
Other Executive Team members ¹	3,190,088	963,129	1,230,883	2,969,561		8,353,661

¹ Sakari Ruotsalainen until August 31, 2018 and Sami Riekkola as of September 1, 2018

Board of Directors' compensation 2018

Name	Total Annual Fee	Share reward portion of annual fee	Cash portion of annual fee	Committee Annual Fee	Meeting fees	Total
Aaro Cantell	60,383.98	24,383.33	36,000.65	4,000.00	8,400.00	72,783.98
Lone Fønss Schrøder ¹					1,400.00	1,400.00
Jouko Karvinen ²					4,200.00	4,200.00
Pekka Kempainen ¹	48,307.04	19,497.06	28,809.98	7,000.00	6,300.00	61,607.04
Monika Maurer ¹	48,307.04	19,497.06	28,809.98	4,000.00	12,600.00	64,907.04
Bo Risberg	100,639.81	40,628.22	60,011.59	6,000.00	16,800.00	123,439.81
Eriikka Söderström	48,307.04	19,497.06	28,809.98	14,000.00	7,700.00	70,007.04
Tarja Tyni	48,307.04	19,497.06	28,809.98	7,000.00	8,400.00	63,707.04
Rogério Ziviani	48,307.04	19,497.06	28,809.98		19,600.00	67,907.04
Total	402,558.99	162,496.85	240,062.14	42,000.00	85,400.00	529,958.99

¹ as of March 21, 2018

² until March 21, 2018

Compensation of the Board of Directors' personnel representative 2018

Name	Total Annual Fee	Share reward portion of annual fee	Cash portion of annual fee	Committee Annual Fee	Meeting fees	Total
Eija Lahti-Jäntti					700.00	700.00
Riina Vilander					4,200.00	4,200.00

Valmet reports 2018



ANNUAL REVIEW 2018

The report describes Valmet's market environment and the progress of its strategy, operations and sustainability in 2018.



FINANCIAL STATEMENTS 2018 AND INFORMATION FOR INVESTORS

The report includes Valmet's Financial Statements for 2018 and information about its shares, shareholders and management.



GRI SUPPLEMENT 2018

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



CORPORATE GOVERNANCE STATEMENT 2018

The report covers Valmet's governance principles and activities, Board and management in 2018.



REMUNERATION STATEMENT 2018

The report covers Valmet's remuneration principles and remuneration in 2018.

Contacts

VISITING ADDRESS

Valmet Oyj
Keilasatama 5
FI-02150 Espoo, Finland

POSTAL ADDRESS

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

Tel. +358 (0)10 672 0000

firstname.lastname@valmet.com

WWW.VALMET.COM

MEDIA CONTACTS

media@valmet.com

SUSTAINABILITY CONTACTS

sustainability@valmet.com

INVESTOR RELATIONS

ir@valmet.com

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Valmet Oyj

Keilasatama 5 / PO Box 11
FI-02151 ESPOO, FINLAND
www.valmet.com