



**CORPORATE GOVERNANCE 2018**

# Enabling modern life

# Metso's Annual Report 2018

## Information about Metso's Annual Report 2018

Metso enables modern life. Business opportunities arise when we collaborate closely with our customers in developing sustainable solutions for their business challenges. By growing and improving profitability we create value for all our stakeholders. By demanding sustainability from ourselves and our partners alike, we contribute to the building of trust.

Metso's Annual Report 2018 consists of four report sections: Business Overview, Financial Review, Corporate Governance and GRI Supplement. In this Annual Report we apply integrated reporting elements.

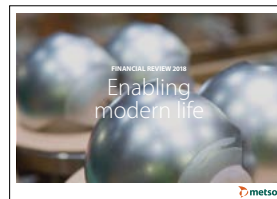
## Metso's channels

- > [metso.com](http://metso.com)
- > [twitter.com/metsogroup](https://twitter.com/metsogroup)
- > [facebook.com/metsoworld](https://facebook.com/metsoworld)
- > [youtube.com/metsoworld](https://youtube.com/metsoworld)
- > [instagram.com/metsoworld](https://instagram.com/metsoworld)



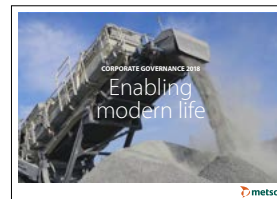
### 1. Business Overview

Strategy, value creation, sustainability and risk management



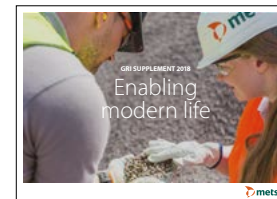
### 2. Financial Review

Board of Directors' Report, Financial Statements and investor information



### 3. Corporate Governance

Corporate Governance Statement including remuneration

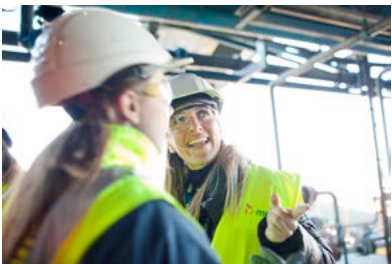


### 4. GRI Supplement

Externally assured sustainability information according to the GRI Standards

All Annual Report sections are available in English and in Finnish. They are downloadable on our Annual Report website at [www.metso.com/2018](http://www.metso.com/2018).

# Contents



<b>Corporate Governance principles</b> .....	2
<b>Metso's governance structure</b> .....	3
<b>Management structure</b> .....	8
<b>Compliance management and Code of Conduct</b> .....	9
<b>Compliance management in the supply chain</b> .....	9
<b>Risk management</b> .....	10
<b>Internal controls</b> .....	10
<b>Audit</b> .....	12
<b>Remuneration</b> .....	14
<b>Metso's Board of Directors</b> .....	19
<b>Metso's Executive Team</b> .....	21

**About this section** / Metso's Annual Report 2018 consists of four report sections. This is full Corporate Governance, including the remuneration.

# Metso Corporate Governance Statement 2018

Metso Corporate Governance Statement, including the Remuneration statement, has been prepared in accordance with the current regulation and is issued separately from the Board of Directors' report. Metso Corporate Governance Statement has been reviewed by the Board of Directors' Audit Committee.

Metso follows the Finnish Corporate Governance Code 2015 (Code) issued by the Securities Market Association, publicly available at [www.cgfinland.fi](http://www.cgfinland.fi). Metso complies with the Code in its entirety and doesn't deviate from its recommendations. Financial reports, including consolidated financial statements, are prepared in accordance with the International Financial Reporting Standards (IFRS), IFRIC Interpretations as adopted by the European Union, as well as the Financial Supervision Authority's regulations and Nasdaq Helsinki Ltd.'s Rules of the Exchange.

## Important rules and policies that influence Corporate Governance at Metso

### Significant internal rules and policies:

- Articles of Association
- Code of Conduct
- Corporate Governance principles
- Board charter and Board committee charters
- Internal Audit charter

### Significant external rules (also taken into consideration in the preparation of this statement):

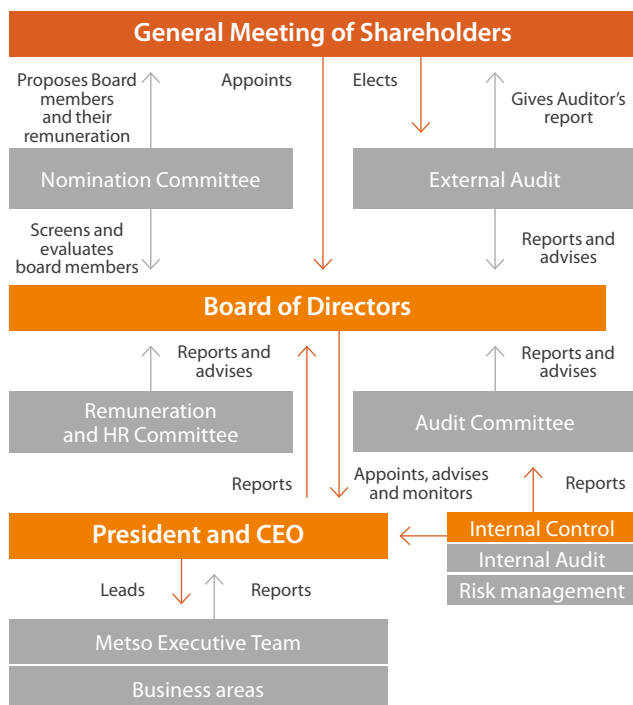
- Finnish Companies Act
- Accounting Act
- Finnish Securities Markets Act
- Market Abuse Regulation ((EU) N:o 596/2014 ("MAR"))
- Finnish Corporate Governance Code 2015
- Rules, regulations and guidelines of Nasdaq Helsinki and the Finnish Financial Supervisory Authority

Updated information about our governance is available at [www.metso.com/governance](http://www.metso.com/governance).



# Metso's governance structure

Metso's supreme decision-making body is the General Meeting of Shareholders. The Board of Directors (Board) and the President and CEO assisted by the Metso Executive Team are responsible for the management of the company. Metso has two reporting segments, Minerals and Flow Control. Metso's seven business areas are accountable for their performance and are responsible of the operations with the market areas. The Board is responsible for ensuring compliance with good corporate governance principles.



## General Meeting of Shareholders

The Annual General Meeting of Shareholders (AGM) is held once a year before the end of June. The AGM decides on the matters laid out in the Finnish Companies Act and the Articles of Association. Important decisions falling within the exclusive domain of the General Meeting of Shareholders are as follows:

- Approval of the financial statements
- Decision on the use of profit, such as dividends
- Election of the Chair, Vice Chair and other members of the Board and the decision on their remuneration
- Discharging the members of the Board and the President and CEO from liability
- Election of the Auditor and the decision on the Auditor's compensation
- Other proposals made by the Board or a shareholder, such as:
  - Amendments to the Articles of Association
  - Special authorizations to the Board (e.g. authorization to decide on payment of an additional dividend, on a share issue or on the repurchase of the company's own shares)

At the General Meeting, the decisions are primarily made by a simple majority of vote. According to the Code, the Chair of the Board, other Board members, the President and CEO, and the Auditor are recommended to be present at the General Meeting. If new members are proposed to the Board, they should also attend.

A notice of the General Meeting is published as a stock exchange release three weeks to three months before the General Meeting. The agenda, decision-making proposals and other meeting documents are available afterwards at [www.metso.com/agm](http://www.metso.com/agm).

Shareholders who are listed in Metso's shareholder register maintained by Euroclear Finland Ltd by the record date of the General Meeting have the right to participate. Each share entitles its holder to one vote. Instructions for participation by nominee registered holders are available in the notice of the General Meeting.

Shareholders are entitled to have an issue put on the General Meeting's agenda, if it requires a decision by the General Meeting according to the Finnish Companies Act. The request must be submitted to the Board in writing early enough to be included in the notice of the General Meeting. The latest possible date for submission is announced on our website at [www.metso.com/annual-general-meeting](http://www.metso.com/annual-general-meeting).

### Annual General Meeting in 2018

The Annual General Meeting (AGM) 2018 was held in Helsinki on March 22, 2018. A total of 1,426 shareholders representing 60 percent of the company's votes participated either in person or by proxy. The AGM approved the Financial Statements for 2017, decided on the payment of a dividend of EUR 1.05 per share for the 2017 financial year, elected the members of Board to continue for the next term, elected Antti Mäkinen as a new member, elected the Auditor, and approved their remuneration. The AGM discharged the members of the Board of Directors and the President and CEOs from liability for the 2017 financial year. The AGM also approved the proposal to authorize the Board to decide on a repurchase of Metso shares as well on the issuance of shares and special rights entitling to shares. The dividend was paid on April 4, 2018, in accordance with the AGM's decision.

The minutes of the meeting and other related documents are available at [www.metso.com/agm-2018](http://www.metso.com/agm-2018).

## Shareholders' Nomination Board

The Shareholders' Nomination Board (Nomination Board) is a permanent corporate body, established by the Annual General Meeting in 2011. It prepares proposals to the Annual General Meeting regarding the composition and remuneration of the Board. The Nomination Board consists of the representatives appointed yearly by the four largest registered shareholders as of September 1. The Chair of the Board convenes the Nomination Board and serves as its expert member. More information, e.g. the Nomination Board charter, is available at [www.metso.com/nomination-board](http://www.metso.com/nomination-board).

### Nomination Board ahead of the 2019 Annual General Meeting

The Nomination Board was appointed on September 3, 2018, by the following four largest registered shareholders as of September 1, 2018<sup>1)</sup>:

Shareholder	Share of voting rights and capital as of September 1
Solidium Oy (Chair)	14.9%
Cevian Capital Partners Ltd	13.8%
Varma Mutual Pension Insurance Company	2.5%
Ilmarinen Mutual Pension Insurance Company	2.4%

<sup>1)</sup> Chair of the Board, Mikael Lilius, serves as an expert member

### Nomination Board composition and competence

The Nomination Board consists of Petter Söderström of Solidium, the Chair, Niko Pakalen of Cevian Capital, Risto Murto of Varma and Mikko Mursula of Ilmarinen with the following professional background:

#### Petter Söderström

Investment Director of Solidium

**Education:** M.Sc. (Econ)

Investment Director at Solidium since 2009. Member and Chair of Metso's Nomination Board since September 2018.

#### Niko Pakalen

Partner at Cevian Capital AB

**Education:** M.Sc. (Econ)

Partner at Cevian since 2011. Member of Metso's Nomination Board since 2016 and Chair in September 2017-March 2018.

#### Risto Murto

President and CEO at Varma Mutual Pension Insurance Company

**Education:** Ph.D. (Econ)

President and CEO of Varma since 2014. Member of Metso's Nomination Board since 2014

Chair of the Board of University of Oulu

Member of the Board of Sampo Plc

Member of the Board of Wärtsilä Corporation

#### Mikko Mursula

Chief Investment Officer at Ilmarinen Mutual Pension Insurance Company

**Education:** MA (Econ)

Chief Investment Officer at Ilmarinen since 2014. Member of Metso's Nomination Board since 2015

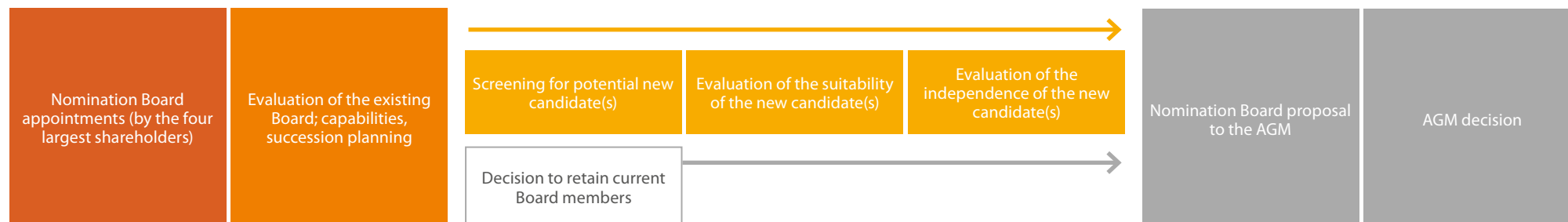
The Nomination Board convened 2 times and made 1 unanimous decision without convening. All meetings were attended by all Nomination Board members. On January 23, 2019, the Nomination Board provided Metso's Board with its proposal for the Annual General Meeting to be held on April 25, 2019.

### Nomination Board proposals for the 2019 AGM

Nomination Board will propose to the next Annual General Meeting, to be held on April 25, 2019, that the Board of Directors should have eight members and that Mikael Lilius, Christer Gardell, Peter Carlsson, Lars Josefsson, Nina Kopola, Antti Mäkinen and Arja Talma should be re-elected. Mr. Kari Stadigh will be proposed as a new Board member. Ozey K. Horton, Jr. is not available for re-election after having served as Metso's Board member since 2011.

Mikael Lilius will be proposed to continue as Chair and Christer Gardell as Vice Chair of the Board.

### Nomination process



Kari Stadigh (Master of Science, Eng., Bachelor of Business Administration, born 1955, Finnish citizen) is Group CEO and President of Sampo Group, Chairman of the Board of If P&C Insurance Holding Ltd, Chairman of the Board of Mandatum Life Insurance Company Limited and Board member of Nokia Corporation and Waypoint Group Holdings SA.

All candidates have given their consent to be elected and have been assessed as being independent of the company and its significant shareholders, except for Christer Gardell and Antti Mäkinen, who have been assessed to be independent of the company but not independent of a significant shareholder.

The Nomination Board proposes that remuneration of the Board members will be as follows:

- Chair – EUR 120,000
- Vice Chair – EUR 66,000
- Other members – EUR 53,000

Additional remuneration:

- Chair of the Audit Committee – EUR 20,000
- Members of the Audit Committee – EUR 10,000
- Chair of the Remuneration and HR Committee – EUR 10,000
- Members of the Remuneration and HR Committee – EUR 5,000

Meeting fees (excl. committee meetings) are paid based on residence:

- Nordic countries – EUR 800
- Other European countries – EUR 1,600
- Outside Europe – EUR 3,200

As a condition for the remuneration, 40% of the fixed annual remuneration is to be used for purchasing Metso's shares.

The Nomination Board notes that a personnel representative will participate as an external expert in the Board meetings also during the next Board term within the limitations imposed by Finnish law and with no voting rights or legal liability for the Board's decisions.

## Board of Directors and its committees

The Board oversees the management and operations of Metso. It also decides on significant matters related to strategy, investments, organization and finances. The Board's main responsibility is to evaluate the strategic direction of Metso and the effectiveness of the operations and performance of management. The Board must always act in good faith with the best interest of Metso and all of its shareholders in mind. The Board may not undertake actions that are

### Organization of Board work

#### Board of directors

5–8 members and employee representative (including Chair)  
Majority independent of the company  
At least two independent of significant shareholders

Meets regularly, ten times a year on average, according to a schedule decided in advance.

Has quorum when more than half of the members are present and one of them is the Chair or the Vice Chair.

Decisions are carried by a majority of vote. In case of a tie, the Chair has the casting vote.

#### Key responsibilities:

To decide on:

- targets and strategy
- investments, acquisitions and divestments
- organizational structure and approval of the appointment and dismissal of the MET members
- financial guarantees
- principles for the incentive systems
- key corporate policies

To ensure:

- supervision of accounting and financial matters
- proper preparation of financial reports
- adequacy of bookkeeping and financial planning, information and control systems, and risk management

To appoint, dismiss and evaluate performance and remuneration of the President and CEO.

likely to result in an unjust benefit to a shareholder at the cost of the company or another shareholder.

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

#### Remuneration and HR Committee

3 members (including Chair)  
All independent of the company

#### Key responsibilities:

To prepare and/or make proposals on:

- compensation and benefits of the President and CEO

To review and monitor:

- competitiveness of remuneration systems
- development of talent management
- successor planning of Metso's senior management

#### Audit Committee

3 members (including Chair)  
All independent of the company  
At least one:

- independent of significant shareholders
- with expertise specifically in accounting, bookkeeping or auditing

#### Key responsibilities:

To prepare:

- election of independent auditors

To assess:

- financial reporting and management estimates, draft financial reports
- accounting, tax, treasury as well as risk management policies and procedures

To approve:

- internal and external audit plans
- external auditors' fees
- non-audit services provided by external auditor

The Board's and its committees' main duties are listed in more detail in the charters available at [www.metso.com/board](http://www.metso.com/board).

## Board authorizations

The Annual General Meeting has granted the Board with below authorizations. The Board has not exercised these authorizations in 2018.

Authorization	Maximum number	Validity	Purpose of use
Repurchase and conveyance of the company's own shares	10 million shares (6.7% of shares)	Until June 30, 2019	1. Development of the company's capital structure 2. Financing or carrying out acquisitions, investments or other business transactions 3. Management's incentive plans
Issuance of shares and issuance of special rights entitling to shares	15 million shares (10% of shares)	Until June 30, 2020	Same as above. A directed share issue may be executed without consideration only if there is an especially weighty financial reason to do so, taking the interests of all shareholders into account.

## Board of Directors and Committee work in 2018

The Annual General Meeting held on March 22, 2018, elected eight members to the Board. Members and their CV's are presented on pages 20–21.

In addition to the duties specified in the Board's charter, the Board focused on the election of the new President and CEO, who joined Metso on November 1, 2018, and on effective strategy implementation. In addition to the duties specified in the charter,

the Remuneration and HR Committee's work was linked to the selection process and election of the new President and CEO.

The Audit Committee focused on financial reporting process as well as following that effective compliance and risk management procedures are in place and that development work is proceeding. Other things on the agenda in 2018 were tax, treasury and internal and external audit. Audit Committee

also continued to review the development initiatives regarding mining project execution, followed ERP development and the implementation progress of new IFRS requirements.

Board members' meeting attendance rates and their remuneration in 2018 are presented in the following tables:

## Members of the Board of Directors, meeting attendance in 2018

	Position	Board	Audit Committee	Remuneration and HR Committee
Mikael Lilius	Chair, Chair of Remuneration and HR Committee	10/10	–	4/4
Christer Gardell	Vice Chair	10/10	–	4/4
Peter Carlsson	Member	9/10	–	–
Ozey K. Horton, Jr.	Member	10/10	–	1/4
Lars Josefsson	Member	10/10	1/5	3/4
Nina Kopola	Member	10/10	5/5	–
Antti Mäkinen <sup>1)</sup>	Member	8/10	4/5	–
Arja Talma	Member, Chair of Audit Committee	10/10	5/5	–
Raimo Brand	Personnel representative	10/10	–	–

<sup>1)</sup> Since AGM 2018

## Members of the Board of Directors, remuneration in 2018\*

Member	Position	Total annual fee, EUR <sup>1)</sup>	Number of Metso shares received <sup>2)</sup>	Total shareholding as of Dec 31, 201 <sup>8)</sup>
Mikael Lilius	Chair	139,000	1,794	34,238
Christer Gardell	Vice Chair	80,000	980	7,176
Peter Carlsson	Member	58,600	731	2,310
Ozey K. Horton, Jr.	Member	89,000	731	5,520
Lars Josefsson	Member	67,000	800	3,833
Nina Kopola	Member	73,600	869	3,949
Antti Mäkinen	Member	69,400	869	869
Arja Talma	Member	83,600	1,007	3,060

<sup>1)</sup> Total fee paid partly in cash, partly in shares

<sup>2)</sup> Shares were acquired on April 30, 2018

\* Remuneration paid to members of the Board who are not employees of Metso



# Diversity of the Board of Directors

Diversity supports the Board's competence profile, which enables the Board to support Metso in achieving its strategic goals now and in the future. Important diversity factors for Metso's Board of Directors are:

- mutually complementary expertise
- educational background
- experience in different professional areas and industrial sectors
- experience in businesses in various stages of development
- experience in international operating environments
- leadership experience
- personal capabilities
- cultural background
- age and gender breakdown

When planning Board composition, the Nomination Board takes into consideration the needs and development phases of Metso's businesses and the competence areas required by the Board and its committees. In addition, individuals must be qualified for the position, a good fit with the Board's competence profile and able to allocate enough time to carry out their responsibilities. To achieve a balanced representation of genders within the Board, the Nomination Board seeks to include representatives of both genders in the Board candidate search and evaluation process. The status and progress of diversity is monitored by the Nomination Board in its self-assessment. There is no specific order of appointment of the Board members.

More about Board diversity is available at [www.metso.com/board](http://www.metso.com/board).

## Diversity of the Board in 2018

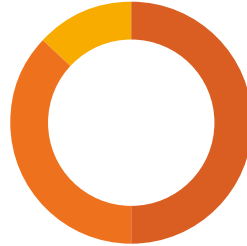
The Board of Directors in 2018 represents adequate diversity related to nationalities, professional competencies and gender. The Board has vast experience in different businesses as well as financials and financing. The Board members share different industry backgrounds. In 2018 the Board consisted of<sup>1)</sup>:

### Diversity of the Board <sup>1)</sup>



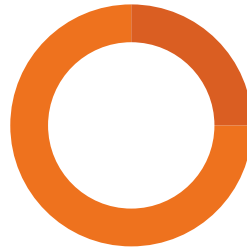
#### By age group

- <30: 0%
- 30–50: 12%
- >50: 88%



#### Nationality

- Finnish: 50%
- Swedish: 37%
- U.S.: 13%



#### Gender

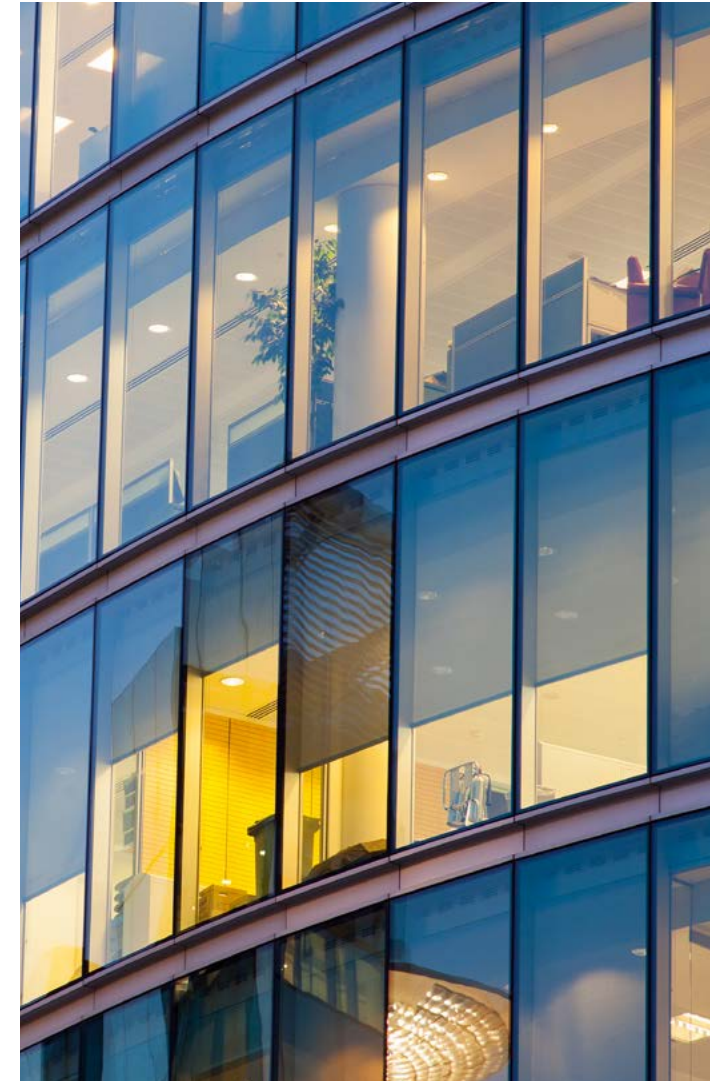
- Women: 25%
- Men: 75%



#### Tenure

- Less than 2 years: 37%
- 2–5 years: 37%
- 6–10 years: 13%
- Over 10 years: 13%

<sup>1)</sup> Composition after AGM 2018.



# Management structure

## President and CEO and Metso Executive Team (MET)

The main responsibility of Metso's President and CEO is to lead the daily operations of Metso with the assistance of the Metso Executive Team (MET). The MET is comprised of the President and CEO, CFO, Business Area Presidents, SVP Human Resources and Chief Digital Officer.

The MET assists the President and CEO in the preparation of business matters, such as business plans, strategy, policies and other matters of joint importance. The MET members report directly to the President and CEO, and their main task is to lead the daily operations of their related businesses or corporate functions.

The CFO's main areas of responsibility include financial and group control, treasury, taxes, finance development, IT as well as communications and stakeholder relations. The Business Area heads are responsible for business strategy, financial development and position, operational performance, operating environment development, customers and competitive situation of their respective business areas. They are also responsible for implementing group initiatives, policies and guidelines within their business areas, and for collaboration across other business areas. The Senior Vice President, Human Resources is responsible for developing all people matters in cooperation with the business areas. The Chief Digital Officer leads Metso's Digital Office organization and is responsible for developing and executing Metso's digital strategy in collaboration with each business area.

Metso's current President and CEO Pekka Vauramo has been in the position since November 1, 2018. The appointment was announced on May 21, 2018. Eeva Sipilä, CFO, acted as Interim President and CEO from February 3 to October 31, 2018, after the previous President and CEO Nico Delvaux left his duties on February 2, 2018.

SVP, Human Resources, Merja Kamppari, left her position after the reporting period on January 31, 2019, as originally announced on August 22, 2018. Hannele Järvisistö has acted as interim SVP, Human Resources, as of February 1, 2019.

Metso Executive Team members as of December 31, 2018 are presented on pages 21–23.

### Metso Executive Team in 2018

The MET has consisted of the following persons during 2018:

President and CEO	Pekka Vauramo	November 1 – December 31, 2018
President and CEO	Nico Delvaux	January 1 – February 2, 2018
Interim President and CEO, Chief Financial Officer	Eeva Sipilä	February 3 – October 31, 2018
Chief Financial Officer, Deputy to CEO	Eeva Sipilä	January 1 – February 2 and November 1 – December 31, 2018
President, Mining Equipment	Victor Tapia	January 1 – December 31, 2018
President, Aggregates Equipment	Markku Simula	January 1 – December 31, 2018
President, Minerals Services	Mikko Keto	January 1 – December 31, 2018
President, Minerals Consumables	Sami Takaluoma	January 1 – December 31, 2018
President, Recycling	Uffe Hansen	January 1 – December 31, 2018
President, Valves and Pumps	John Quinlivan	January 1 – December 31, 2018
Senior Vice President, Human Resources	Merja Kamppari	January 1 – December 31, 2018
Chief Digital Officer	Jani Purohanta	January 1 – December 31, 2018

The key themes for the MET during 2018 were the implementation of the profitable growth strategy and the execution of the related action plans in all business areas. The MET also focused on ensuring the successful launch of the new operational model and related people topics. In addition, MET spent time on reviewing the updated sustainability agenda that consists of Metso's most material sustainability topics based on a thorough materiality analysis. Read more about the updated agenda in the Business Overview on pages 13 and 27–40.

# Compliance management and Code of Conduct

Metso's Code of Conduct is the key corporate standard to follow above the policies and guidelines. With this standard Metso commits to responsibility, sustainability and compliance in all its operations. The Code of Conduct is a globally applicable set of rules for all Metso's employees and business associates, ensuring consistent decision making in the everyday working environment and making Metso a good corporate citizen and an eligible business partner. Metso's Code of Conduct summarizes topics that are important to compliant and ethical business under a single document, covering a broad range of areas like integrity, anti-corruption, human rights, safety and information disclosure.

In addition, Metso is committed to the following global initiatives that guide the compliance management:

## Global Initiatives:

- UN Global Compact
- UN Sustainable Development Goals
- OECD Guidelines for Multinational Enterprises
- ILO Declaration of Fundamental Principles and Rights at work
- International Chamber of Commerce Business Charter for Sustainable Development
- UN Declaration of Human Rights
- UN Guiding Principles for Business and Human Rights

Metso respects and supports human rights. All employees are entitled to be treated with respect and no discrimination, harassment, or illegal threats are tolerated. Metso does not accept or use any form of compulsory, forced or child labor, and respects applicable national laws and regulations regarding working hours and employee compensation. Metso's Anti-Corruption Policy underlines zero-tolerance towards bribery and corruption, including facilitation payments. All Metso employees have responsibility for compliance and there is a range of internal controls in place to ensure compliance. These are described more in detail on pages 10–12. Third-party agreements in place require that the suppliers, business partners and other stakeholders also follow similar standards.

Compliance management and the related policies are also discussed in Financial Review on pages 8–12. More information about Metso's Code of Conduct can be found at [www.metso.com/code-of-conduct](http://www.metso.com/code-of-conduct).

## Compliance management in 2018

During the first half of the year, the project to prepare for the new GDPR regulation in EU was completed and a separate Privacy office was established for privacy training and managing issues

related to GDPR compliance going forward. Code of Conduct trainings were continued as a part of the induction process of new employees. In 2018, almost 300 new employees, 100% of all employees, were trained on Code of Conduct in India in only four weeks after a successful acquisition. Next Code of Conduct training for all employees will be arranged as planned every second year and the next training takes place in 2019. Legal function arranged several e-learnings in the areas of e.g. trade sanctions and anti-corruption and bribery. During the second half of the year a new contractual document lifecycle management project was kicked off and a new tool platform for electronic contract management was created.

# Compliance management in the supply chain

Due to the cyclical nature of Metso's customer industries, a business model of outsourcing the manufacturing plays an important role. 80 percent of the cost of goods sold derives from our suppliers, and Metso has established processes to continuously develop and monitor this cooperation.

Metso's Code of Conduct and sustainable development criteria for suppliers set Metso's supply chain standards. Risk mapping within the existing supplier base enables a focus on the suppliers with the highest potential risks in their operations. For this, different sources of data are utilized to identify risks related

to the categories of Human Security, Labor Rights and Protection, Civil and Political Rights, Access to Remedy and Development and Environment. In addition, supplier type and spend is taken into account.

Based on the supplier assessments for both existing and new suppliers, the need for third-party or internal sustainability supplier audits as well as other further actions is defined. Screening new suppliers is included in procurement's ongoing processes, with a target to evaluate all new direct suppliers in high-risk countries against Metso's sustainability criteria.

To improve the suppliers' performance, after an audit has been performed, corrective action plans are agreed upon between Metso and the supplier. Suppliers are asked to provide Metso with evidence that these actions have been implemented and are subject to a possible re-audit.

In 2018, 16 third-party sustainability supplier audits were conducted in higher-risk areas. In addition to the third-party audits, Metso's procurement and Quality Assurance conducted 83 sustainability supplier audits in 2018.

# Risk management

At Metso, a systematic and structured approach to risk management across the businesses and processes is in place to support the achievement of strategic targets and business objectives, ensure continuity of the operations and secure the company's assets. Key risks and opportunities are identified against business targets and are an integral part of the businesses' long- and

short-term planning. Risk management principles are explained in Metso's Risk Management Policy, which also guides our control environment. As a principle, business areas are responsible for their own risk management. The risk management function has the ultimate oversight throughout the company to ensure visibility of risks and risk management activities covering all risks

from strategic and operational to financial. To monitor Metso's risk management performance, several auditing processes – both internal and external ones – are in place. The Board oversees these risk analysis and assessments. More information about our risk management is available in the Business Overview on pages 41–44 and on our website at [www.metso.com/risks](http://www.metso.com/risks).

# Internal controls

Metso internal control mechanism ensures compliance with legislation, regulations and our operating principles as well as the reliability of financial and operational reporting. In addition, it safeguards our assets and ensures effective and efficient operations to meet our strategic, operational and financial targets.

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

Metso internal control and risk management operating model related to financial reporting is designed to provide sufficient assurance regarding the reliability of the 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

Metso's control standards are regularly updated to be in line with the Committee of Sponsoring Organizations (COSO) framework and Metso's business control environment.

## Control environment

The Board of Directors bears the overall responsibility for the internal control over financial reporting. The Audit Committee's task is to ensure that established principles for financial reporting, risk management and internal control are followed. The President and CEO is responsible, with the assistance of Internal Audit, for maintaining an effective control environment and for the ongoing work on internal control regarding financial reporting. The Internal Audit function reports all relevant findings to the Audit Committee, the President and CEO, the CFO and the responsible MET members.

The internal steering instruments for the internal control of financial reporting at Metso primarily consist of:

- Metso's Code of Conduct
- Internal Control Policy and standards
- Treasury Policy
- Our accounting policies and reporting instructions

The Audit Committee is regularly informed about the financial reporting control environment, including:

- Information on the development of fundamental risk areas
- Activities executed and planned for these essential risk areas
- Measures to mitigate risks



## Risk assessment

Risk assessment regarding financial reporting aims to identify and evaluate the most significant threats at the group, reporting segment, group companies, functions and process levels.

The assessment of risks includes e.g. risks related to fraud and unlawful activities, as well as the risk of loss or misappropriation of assets. Risk assessments result in control targets through which we seek to ensure that the fundamental requirements placed on financial reporting are fulfilled.

## Control activities

Metso's control activities are based on the corporate standards, policies, guidelines, instructions and Metso's responsible leadership model to ensure that management directives are carried out and that necessary action is taken to address risks related to the achievement of financial reporting objectives. Metso Compliance Program seeks to ensure compliance with our governance principles in all our units as well as the correctness of our financial reporting. The program is designed to create a coherent control environment by implementing proper internal control principles for different business processes and by sharing internal control-related best practices.

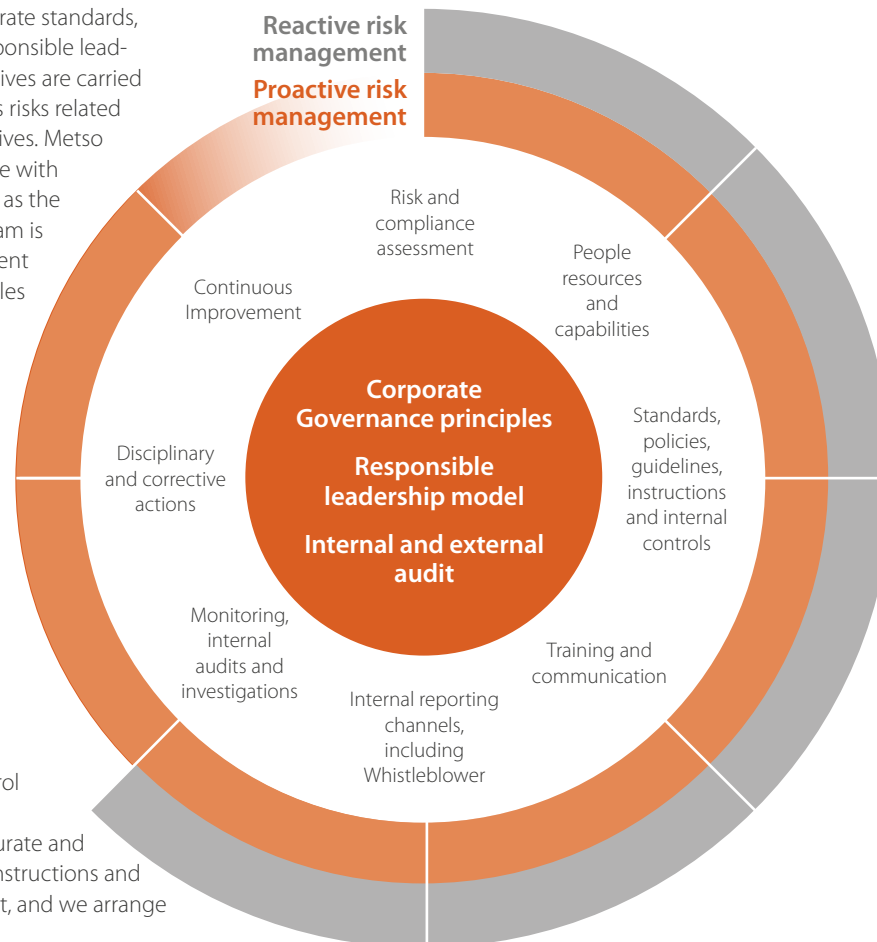
The control standards define the minimum level for internal controls that all units must achieve. All units are required to perform an annual control self-assessment to ensure they are compliant with the minimum control standards. In addition, our Internal Audit function is responsible for evaluating the operating effectiveness of these controls according to the annual audit plan.

## Information and communication

To secure an effective and efficient internal control environment, Metso's internal and external communication must be open, transparent, accurate and timely. Accounting policies, financial reporting instructions and the disclosure policy are available on our intranet, and we arrange

regular training for our people regarding internal control issues and tools. The Head of Internal Audit reports the results of the evaluation of internal controls as a standing item on the Audit Committee agenda. The results of the Audit Committee's work in the form of observations, recommendations, as well as proposed decisions and measures are reported to the Board after every Audit Committee meeting.

### Compliance framework (Metso Compliance Program)



## Monitoring

The effectiveness of internal control related to financial reporting is monitored by the Board of Directors and the Audit Committee. The President and CEO, Group management, Internal Audit, and the management of the Business Areas and Group companies are responsible for compliance and maintaining effective and efficient control environment. This 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 assesses the effectiveness of Metso's operations and the adequacy of risk management annually and reports the risks and weaknesses related to the internal control processes to the management and the Audit Committee.

## Reporting of suspected financial misconduct

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

In 2018, the Whistleblower channel was expanded to include also other than financial misconduct. 10 reports of suspected financial misconduct and 17 reports of suspected other than financial misconduct were received via the Whistleblower channel in 2018. By the end of year, a total of 27 reports had been received and they were all investigated. In addition to Whistleblower, Internal Audit received 11 direct contacts. Therefore, a total of 38 cases were investigated. The cases of misconduct were reviewed by the Audit Committee in line with Metso's guidelines on reporting misconduct. None of the cases had a significant impact on Metso's financial results.



# Audit

## Internal Audit

The role of Metso's internal audit function is to provide independent, objective assurance and consulting services that add value by contributing to the improvement of operations. Internal audit offers a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control.

The operating principles of internal audit have been defined in the Internal Audit Charter approved by the Board's Audit Committee. The Audit Committee also approves the annual internal audit plan, which is developed taking into consideration the corporate risk assessment, plans of the business areas and input both from senior management and the Audit Committee. The Head of Internal Audit reports functionally to the Audit Committee and administratively to the CFO.

In 2018, the following internal audits and risk assessments were conducted:

- Metso Risk Management evaluations, 6 in total
- Internal Audits according to the annual audit plan approved by the Board Audit Committee, 33 in total, with the addition of Whistleblower and other investigations, 38 in total
- Risk engineering audits, 10 in total

## External audit

According to the Articles of Association, Metso has one auditor, which must be a firm of authorized public accountants. The aggregate duration of the consecutive terms of a principal auditor may not exceed seven years. This means that Metso's principal auditor Mikko Järventausta can act in that capacity until the end of the audit of the 2023 financial period.

According to the EU's statutory audit directive, the same audit firm can be engaged as the company's auditor for a maximum period of 10 consecutive years, after which the company must put its auditing out to tender. If the same audit firm is reselected through tendering, it can be re-engaged as the auditor for up to a further 10 consecutive years, after which the audit firm must be changed.

This means that Ernst & Young Oy can act as Metso's auditor until the end of the 2021 financial year. After this, Metso must put its auditing out to tender. If Ernst & Young Oy is reselected in the tendering, it can be re-engaged as Metso's auditing firm consecutively until 2031 at maximum, after which Metso must change its audit firm.

The auditor's statutory obligation is to audit the company's accounting, financial statements and administration for the financial year. The parent company's auditor must also audit the consolidated financial statements and other mutual relationships between Group companies. In conjunction with our annual financial statements, the auditor gives Metso's shareholders an Auditor's Report as required by law. It is available in the Financial Review on pages 82–85.

The auditor reports primarily via the Audit Committee and at least once a year to the Board. The Audit Committee evaluates the performance and services of the independent auditors each year and decides if there is a need to arrange an open tender process.

Metso pre-approval policy ensures that the Audit Committee monitors and approves all non-audit related services provided by the external auditor, including the scope and estimated fees for these services.

The 2018 Annual General Meeting of Shareholders elected Authorized Public Accountant Ernst & Young Oy as the auditor, with Mikko Järventausta as principal auditor. The fees related to auditing work in 2018 amounted to EUR 1.9 million and for tax and other services EUR 0.1 million.

Auditors' fees, EUR million	2018	2017
Audit services	1.9	1.9
Tax services	0.0	0.3
Other services	0.1	0.1
Total	2.0	2.3

In addition to Internal and External Audit, there are several other auditing measures in place to secure efficient risk management.

## Insider management

The primary legal framework for insider issues consists of:

- Guidelines for Insiders issued by the Nasdaq Helsinki
- Insider laws and regulations, including Market Abuse Regulation (MAR)

In compliance with the MAR, effective since July 2016, Metso maintains project-specific insider lists. An insider list is drawn up for all projects containing inside information. Insiders are given written notification of their status as insiders and instructions on the obligations that apply to insiders.

Metso observes a 30-day closed window period prior to the publication of financial reports. During this period, the members of the Board of Directors and MET as well as pre-defined Metso employees who participate in preparing financial reports are not permitted to buy or sell Metso-issued securities. In addition, trading with Metso financial instruments is prohibited if a person is in possession of inside information or is considered a project-specific insider, for the duration of the project until it is published or terminated.

A list of employees who have regular access to Metso's unpublished financial information based on their position, access rights, duties or a service agreement is maintained by the legal function.

Metso's legal function is responsible for controlling insider compliance and for the duties regarding insider management, among others as follows:

- Controlling insider matters and keeping track of changes in the regulation
- Sharing information on insider matters and notifying management of their obligations, e.g. Market Abuse Regulation (MAR)
- Organizing trainings on insider compliance topics to make sure insiders understand their responsibilities and restrictions related to inside information in their possession
- Drawing up and maintaining the insider list and a list of managers and their closely associated persons for the use of by both the company, e.g. in managerial transaction notifications, and the Financial Supervision Authority when required so by the regulation, such as MAR

More information about insider management is available at [www.metso.com/insiders](http://www.metso.com/insiders).

## Insider transactions

Metso's insiders include the members of the Board of Directors, the President and CEO and MET, their close family members, as well as companies in which these individuals exercise control. Metso maintains a register of the related parties.

Insiders are obliged to notify both the company and Finnish Financial Supervision Authority of their transactions with Metso's share. A stock exchange release on these transactions is published when the transactions reach a threshold of EUR 5,000 (without netting) on a yearly level. Published management transactions are available at [www.metso.com/managers-transactions](http://www.metso.com/managers-transactions).

Instructions are in place and insider transactions are assessed and monitored to ensure that potential conflicts of interest are identified and adequately considered in the decision making.

## Disclosure practices

Communications at Metso is based on facts. Both positive and negative issues are communicated equally and simultaneously to all stakeholders with an aim to give a fair and correct view of Metso's operations. Metso does not comment on market rumors, the development of our own or competitors' share price, the actions of specific competitors or customers, or analyst estimates.

Regulated disclosures include information about financial performance, which is released according to a schedule announced in advance. Any inside information that directly concerns Metso is made public as soon as possible and a business matter containing inside information is disclosed to the market at the time when it is deemed to become inside information. More information about disclosure practices and Metso's Disclosure Policy is available at [www.metso.com/disclosure-policy](http://www.metso.com/disclosure-policy).

### Silent period

Metso observes a 21-day silent period prior to the publication of our financial results. During this time, Metso does not comment on the financial performance, markets or outlook or meet with capital markets representatives or the financial media.

### Insider management and disclosure of information in 2018

In total 9 managerial transaction notifications were published during 2018 and they are available at [www.metso.com/managers-transactions](http://www.metso.com/managers-transactions).

The members of the Board of Directors, the President and CEO, the Interim President and CEO, and the members of the Metso Executive Team that have acted in the duty during 2018 have confirmed for 2018 that neither they nor their related parties have engaged in business transactions with Metso.



# Remuneration

## Letter from the Chair of the Board

### **Dear Shareholders,**

Last year we continued to accelerate our profitable growth strategy implementation and strengthen its execution with a new operating model and organization. We took into use new ways of working and reinforced the accountability of our business and market areas to speed up growth and enable stronger customer focus.

Metso's short and long-term incentive models were refined for 2018, with the emphasis on aligning incentives to support the implementation of the profitable growth strategy and operating model. The annual target-setting was brought closer to individual employee's work, and additionally a new LTI plan for senior management and key employees was introduced. In the new plan, the reward is based both on business results and Metso's share price development. We are going to continue with this approach also in 2019.

Metso's focus on renewal and growth will continue. Our workforce is diverse; Metso has employees in over 50 countries, representing people from different generations and cultures. As a result, we have a multi-cultural, inspiring and innovative workplace, and total remuneration models that help to attract, retain and reward employees. Thanks to our talented employees, competitive products and effective total remuneration, we are able to provide world-class solutions to our customers.

Our Remuneration Statement presents Metso's remuneration principles and structures, remuneration and employment terms and conditions of the President and CEO, and remuneration of the other Executive Team members. In addition, the Remuneration Statement includes a description of the short and long-term incentive plans offered to the management and employees. The Remuneration Statement has been prepared in accordance with the Finnish Corporate Governance Code.

Mikael Lilius  
Chair of the Board of Directors  
Chair of the Remuneration and HR Committee



## Remuneration and employment terms of the President and CEO

The remuneration paid to the President and CEO is determined by the Metso Board. Metso's President and CEO is entitled to participate in short- and long-term incentive programs. The terms and conditions of these programs are decided by the Board.

Metso's current President and CEO, Pekka Vauramo, has been in the position since November 1, 2018. Eeva Sipilä acted as interim President and CEO between February 3 and October 31, 2018, after Nico Delvaux left his duties on February 2, 2018.

### Employment terms and conditions of President and CEO Pekka Vauramo

<b>Salary</b>	Total annual salary EUR 750,000 including fringe benefits.
<b>Short-term incentive (annual performance bonus)</b>	Annual bonus can be earned in accordance with terms approved by the Board. The maximum bonus is 75 percent of the total annual salary.
<b>Long-term incentives</b>	According to the Long-term Performance Share Plan, the maximum share allocation for the President and CEO corresponds to 150 percent of total annual salary. The purpose of the plan is to align the interests of Metso's management and shareholders in creating shareholder value. In addition, the President and CEO is entitled to participate in a share matching program.
<b>Pension</b>	The retirement age for the President and CEO is 65 years, unless otherwise to be agreed by the Company and the President and CEO. The President and CEO is entitled to participate in a supplementary defined contribution pension plan. The supplementary pension contribution is equivalent to 25 percent of the total annual salary.
<b>Termination of assignment</b>	The notice period for both parties is six (6) months. Severance pay is the full monthly salary multiplied by twelve (12) if the agreement is terminated by the company.

## Remuneration for Executive Team members

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. The total remuneration comprises a total annual salary, customary fringe benefits, pension as well as short- and long-term incentives.

Participation in variable compensation programs is based on the respective terms and conditions of the program. The Remuneration and HR Committee evaluates the achievement of the targets for the Executive Team members other than the President and CEO.

## Remuneration summary for 2018

Total remuneration of the President and CEO's and the Interim President and CEO amounted to EUR 819,238 during 2018. The remuneration of other Executive Team members amounted to a total of EUR 2,571,251. The tables below include the bonuses paid to the Executive Team, including the President and CEO's and the Interim President and CEO, amounting to a total of EUR 664,138.

Executive Team benefits also include a supplementary defined contribution pension plan. In 2018, pension insurance premium payments totaled EUR 273,372 (in 2017: EUR 1,219,566).

EUR	Salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
President and CEO Pekka Vauramo <sup>1)</sup>	120,073	–	4,927	–	125,000
Interim President and CEO Eeva Sipilä <sup>2)</sup>	382,817	84,240	180	–	467,237
President and CEO Nico Delvaux <sup>3)</sup>	66,428	157,500	3,073	–	227,001
Other Executive Team members	2,122,015	422,398	26,838	–	2,571,251
<b>Total</b>	<b>2,691,333</b>	<b>664,138</b>	<b>35,018</b>	<b>0</b>	<b>3,390,489</b>

<sup>1)</sup> President and CEO between November 1 – December 31, 2018

<sup>2)</sup> Interim President and CEO between February 3 – October 31, 2018

<sup>3)</sup> President and CEO between January 1 – February 2, 2018

EUR	Salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
President and CEO Nico Delvaux <sup>1)</sup>	299,408	–	9,128	–	308,536
President and CEO Matti Kähkönen <sup>2)</sup>	406,765	135,000	12,544	66,824	621,133
Other Executive Team members	2,307,889	161,517	19,205	138,207	2,626,818
<b>Total</b>	<b>3,014,062</b>	<b>296,517</b>	<b>40,877</b>	<b>205,031</b>	<b>3,556,487</b>

<sup>1)</sup> President and CEO between August 1 – December 31, 2017

<sup>2)</sup> President and CEO between January 1 – July 31, 2017

## Short-term incentives

The short-term incentive plan, Metso Bonus, covers approximately 7,000 employees globally, including the Executive team. The Board approves the Group level terms and targets for the Metso Bonus annually. In addition, the Board annually sets and approves the President and CEO's short-term incentive plan.

The Metso Bonus payout, if any, is mainly based on the achievement of predefined financial targets. For 2018, the financial targets were cash flow, orders received, and operative value added for the Metso Group or Business Area in question. In addition to the financial targets, individual, team and business bonus performance targets are used.

### Maximum Metso Bonus payout, % of total annual salary

	Maximum Bonus payout
President and CEO	75%
Other Executive Team members	40–60%
Other Metso employees	40% (at highest, maximum varies based on role)

In addition to the Metso Bonus, local productivity plans are designed to drive and support the performance of various production units. Targets for local productivity plans are mainly based on productivity, quality and safety KPIs. Local mandatory bonus plans are defined by local legislative requirements and are typically profit-sharing plans.

According to Metso's Performance and Reward Policy, an employee can participate in a one bonus plan at a time.

## Long-term incentives

The Board decides on and implements Metso's long-term incentive plans. The purpose of these plans is to align the interests of the management and Metso's shareholders. The plans also aim to ensure long-term commitment of management and to offer them a competitive reward scheme.

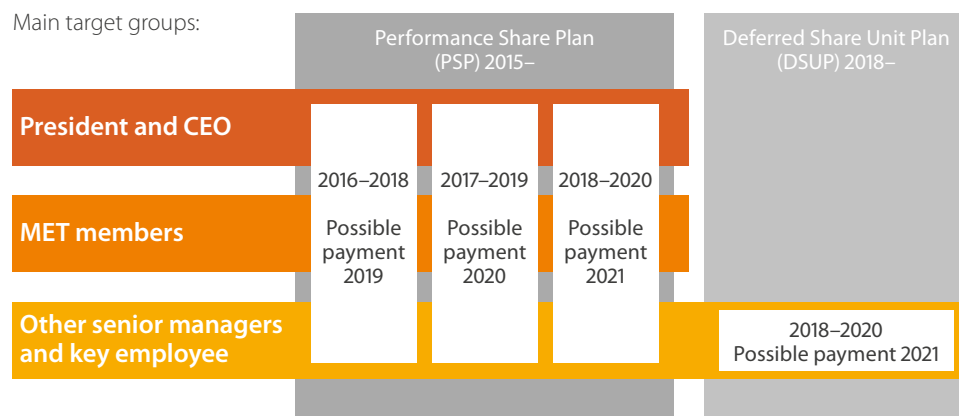
Any shares to be potentially rewarded in these incentive plans are acquired through public trading, and therefore have no diluting effect on the share value. Share repurchase, and share issue authorizations are obtained from the Annual General Meeting. Current valid authorizations are presented on our website at [www.metso.com/board](http://www.metso.com/board) and on page 6. There are no options outstanding or available from any of Metso's prior option programs.

Metso has a share ownership recommendation policy for the members of the Executive Team including President and CEO. In accordance with this policy, at least 50% of the share rewards (net shares after deduction of the applicable payroll tax) received by these individuals under the Performance Share Plans shall be retained until the share ownership of the individual Metso participant amounts to his/her annual gross base salary.

If the participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid from the long-term incentive plans.

### Metso Long-term incentives

Main target groups:





## Performance and Restricted Share Plans

The commencement of each new Performance Share Plan (PSP) and Restricted Share Plan (RSP) and the earnings criteria for each new PSP plan will be subject to a separate decision by the Board. The PSP consists of an annually commencing plan, each with a three-year earning period, and the complementary RSP consists of an annually commencing plan, each with a three-year vesting period. The possible rewards are paid partly in Metso's shares and partly in cash.

The potential share reward payable under the PSP 2019–2021 is based on the total shareholder return of Metso's share during 2019–2021. The plan covers a total of 11 employees, including the President and CEO, Executive Team members and selected key management nominated by the Board. The PSP 2019–2021 will comprise a maximum of 190,000 reward shares (gross before deduction of the applicable payroll tax).

According to the Board's decision, the maximum number of shares that may be allocated and delivered within the RSP 2019–2021 totals 60,000 reward shares (gross before deduction of the applicable payroll tax). The Remuneration and HR Committee approves nominations for the RSP plan based on the President and CEO's proposal.

The delivery of the Performance Share Plan 2015–2017 was due in spring 2018. However, no shares were delivered in 2018, as the total shareholder return target was not met.

## Status of the ongoing Performance Share Plans as of December 31, 2018

Performance Share Plans	PSP 2016–2018	PSP 2017–2019	PSP 2018–2020
Performance criteria: Total shareholder return of Metso's share	2016–2018	2017–2019	2018–2020
Share delivery year	2019	2020	2021
Current number of participants	83	91	11
Maximum number of gross shares to be paid <sup>1)</sup>			
CEO	–	–	26,016
Other executive team	59,600	76,800	109,400
Other participants	307,588	258,786	4,000
Total maximum number of gross shares to be paid <sup>1)</sup>	367,188	335,586	139,416

<sup>1)</sup> Maximum number of gross shares, taxes included, payable if the performance criteria is achieved in full

## Status of the ongoing Restricted Share Plans as of December 31, 2018

Restricted Share Plans	RSP 2016–2018	RSP 2017–2019	RSP 2018–2020
Share delivery year	2019	2020	2021
Current number of participants	0	5	1
Number of gross shares nominated <sup>1)</sup>			
Other executive team	–	12,500	15,000
Other participants	–	3,400	–
Total number of gross shares nominated	–	15,900	15,000

<sup>1)</sup> Maximum number of gross shares, taxes included

### Deferred Share Unit Plan

Deferred Share Unit Plan is a long-term share value-based incentive plan that aligns and rewards the employee's performance and Metso share value development during a performance period. The 2019–2021 plan consists of approximately 140 key employees and is payable after three years of the program commencing if the terms of payment are met.

Any potential rewards from DSUP 2019–2021 will be paid in 2022. The maximum amount of rewards payable based on the plan for the years 2019–2021, based on the average price of the Metso share on February 4, 2019, is approximately EUR 9 million (gross before the deduction of applicable payroll tax). The final value of this individual plan will depend both on the achievement of the performance targets set by the Board of Directors for 2019 and the development of Metso's share price during 2020–2021. Metso Executive Team members aren't eligible to participate in DSUP plan.

### Status of the ongoing Deferred Share Unit Plan as of December 31, 2018

Deferred Share Unit Plan	DSUP 2018–2020
Possible payout year	2021
Current number of participants	115

### Matching Share Plan

Metso has one active Matching Share Plan for President and CEO Vauramo. According to the Matching Share Plan, President and CEO Vauramo is entitled to receive in total 18,750 gross shares on the condition that he has personally invested into 7,500 Metso shares.

The matching shares will be delivered in three equal installments and are subject to fulfill the performance criterion adjusted EBITA for each installment. President and CEO is not entitled to any matching share delivery if his service relationship as the Managing Director of Metso is terminated or a notice regarding its termination is delivered.

## Remuneration of the Board

The Annual General Meeting decides on the remuneration to the members of the Board for one term of office at a time.

According to the decision of the 2018 Annual General Meeting, the annual fees paid to Board members in 2018 were:

- Chair – EUR 120,000
- Vice Chair – EUR 66,000
- Other members – EUR 53,000

Additional remuneration:

- Chair of the Audit Committee – EUR 20,000
- Members of the Audit Committee – EUR 10,000
- Chair of the Remuneration and HR Committee – EUR 10,000
- Members of the Remuneration and HR Committee – EUR 5,000

Meeting fees (excl. committee meetings) are paid based on residence:

- Nordic countries – EUR 800
- Other European countries – EUR 1,600
- Outside Europe – EUR 3,200

Compensation for travel expenses and daily allowances was paid in accordance with our travel policy.

As a condition for the remuneration, 40% of the fixed annual remuneration is to be used for purchasing Metso's shares. Altogether, 7,781 shares were acquired on April 26, 2018. There are no special terms or conditions associated with owning these shares.

The Board members, none of whom are employees of Metso, were paid annual remuneration and meeting fees totaling EUR 660,200 during the financial year that ended December 31, 2018. The Board members are not covered by Metso's bonus plans, share-based incentive schemes or pension plans. Fees paid to the Board in 2018 are presented more in detail on page 6.

# Metso's Board of Directors

December 31, 2018



## Mikael Lilius

Chair of the Board since December 2013  
Member of the Board since March 2013

**Nationality:** Finnish

**Born:** 1949

**Education:** B.Sc. (Econ.)

Chair of the Remuneration and HR Committee  
Independent of the company  
Independent of significant shareholders

**Main occupation:** Several positions of trust

**Remuneration in 2018**

139,000 EUR including 1,794 shares

**Meeting attendance in 2018**

10/10 Board meetings

4/4 Remuneration and HR Committee meetings

**Shareholding as of Dec 31, 2018**

34,238 shares

**Other positions of trust:**

Chair of the Board: Wärtsilä Oyj Abp  
& Ahlström Capital Oy

Member of the Board: Evli Bank Oyj

Supervisory Board member: Ab Kelonia Oy



## Christer Gardell

Vice Chair of the Board since 2013  
Member of the Board since 2006

**Nationality:** Swedish

**Born:** 1960

**Education:** MBA

Member of the Remuneration and HR Committee

Independent of the company

Not independent of significant shareholders

**Main occupation:** Managing Partner and

co-founder, Cevian Capital

**Remuneration in 2018**

80,000 EUR including 980 shares

**Meeting attendance in 2018**

10/10 Board meetings

4/4 Remuneration and HR Committee meetings

**Shareholding as of Dec 31, 2018**

7,176 shares

**Other positions of trust:**

Member of the Board: Vesuvius Plc



## Peter Carlsson

Member of the Board since 2016

**Nationality:** Swedish

**Born:** 1970

**Education:** M.Sc. (Economics, Production & Quality Control)

Independent of the company

Independent of significant shareholders

**Main occupation:** CEO, Northvolt

**Remuneration in 2018**

58,600 EUR including 731 shares

**Meeting attendance in 2018**

9/10 Board meetings

**Shareholding as of Dec 31, 2018**

2,310 shares

**Other positions of trust:**

Member of the Board: Gränges, Orbital Systems AB, Q-Group



## Ozey K. Horton, Jr.

Member of the Board since 2011

**Nationality:** U.S. citizen

**Born:** 1951

**Education:** MBA, BSE

Independent of the company

Independent of significant shareholders

**Main occupation:** Board professional, independent advisor

**Remuneration in 2018**

89,000 EUR including 731 shares

**Meeting attendance in 2018**

10/10 Board meetings

**Shareholding as of Dec 31, 2018**

5,520 shares

**Other positions of trust:**

Member of the Board: Louisiana-Pacific Corporation (U.S.), Worthington Industries (U.S.), Spoleto Festival (U.S.), Medical University of South Carolina (MUSC) Hollings Cancer Center and Rubicon, Ltd (NZ)

# Metso's Board of Directors

December 31, 2018



## Lars Josefsson

Member of the Board since 2013

**Nationality:** Swedish

**Born:** 1953

**Education:** M.Sc. (Eng. Physics)

Member of the Remuneration and HR Committee

Independent of the company

Independent of significant shareholders

**Main occupation:** Independent consultant

### Remuneration in 2018

67,000 EUR including 800 shares

### Meeting attendance in 2018

10/10 Board meetings

3/4 Remuneration and HR Committee meetings

### Shareholding as of Dec 31, 2018

3,833 shares

### Other positions of trust:

Chair of the Board: Ouman Oy and Timezynk AB

Vice Chairman of the Board: Vestas Wind Systems

Member of the Board: Holmen AB



## Nina Kopola

Member of the Board since 2013

**Nationality:** Finnish

**Born:** 1960

**Education:** M.Sc. (Chemical Eng.), Technology

Licentiate

Member of the Audit Committee

Independent of the company

Independent of significant shareholders

**Main occupation:** Board professional

### Remuneration in 2018

73,600 EUR including 869 shares

### Meeting attendance in 2018

10/10 Board meetings

5/5 Audit Committee meetings

### Shareholding as of Dec 31, 2018

3,949 shares

### Other positions of trust:

Member of the Board: Finnish Textile and Fashion and Traffic Management Finland Oy

Supervisory Board member: Ilmarinen Mutual Pension Insurance Company



## Antti Mäkinen

Member of the Board since 2018

**Nationality:** Finnish

**Born:** 1961

**Education:** Master of Laws

Member of the Audit Committee

Independent of the company

Not independent of significant shareholders

**Main occupation:** CEO, Solidium

### Remuneration in 2018

69,400 EUR including 869 shares

### Meeting attendance in 2018

8/10 Board meetings

4/5 Audit Committee meetings

### Shareholding as of Dec 31, 2018

869 shares

### Other positions of trust:

Member of the Board at Rake Oy

Member of the Board at Sampo PLC

Member of the Board at Stora Enso



## Arja Talma

Member of the Board since 2016

**Nationality:** Finnish

**Born:** 1962

**Education:** M.Sc. (Finance), eMBA

Chair of the Audit Committee

Independent of the company

Independent of significant shareholders

**Main occupation:** Board professional

### Remuneration in 2018

83,600 EUR including 1,007 shares

### Meeting attendance in 2018

10/10 Board meetings

5/5 Audit Committee meetings

### Shareholding as of Dec 31, 2018

3,060 shares

### Other positions of trust:

Chair of the Board: Onvest Oy and Serena Properties AB

Member of the Board: Aktia Bank Plc, Posti Group Oyj and Verkkokauppa.com Oyj

# Metso's Executive Team

December 31, 2018



## **Pekka Vauramo**

President and CEO

**Nationality:** Finnish

**Born:** 1957

**Education:** M. Sc. (Tech.) Mining Engineering

Joined the company in 2018

Member of the Executive Team since 2018

**Shareholding as of Dec 31, 2018**

10,500 shares

### **Key experience:**

President and CEO, Finnair Corporation, 2013–2018

Several leading positions at Cargotec Corporation, 2007–2013

Several leading positions at Sandvik AB, 1995–2007

Several leading positions at Tamrock Corporation, 1985–1995

Mine Design Engineer, Outokumpu Corporation, 1983–1985

### **Key positions of trust:**

Member of the Board, Nokian Tyres plc, 2018–

Member of the Board, Boliden Minerals AB, 2016–



## **Eeva Sipilä**

Chief Financial Officer, Deputy to CEO

**Nationality:** Finnish

**Born:** 1973

**Education:** M.Sc. (Econ.), CEFA

Joined the company in 2016

Member of the Executive Team since 2016

**Shareholding as of Dec 31, 2018**

7,661 shares

### **Key experience:**

CFO, Cargotec Corporation, 2008–2016

Senior Vice President, Investor Relations and Communications, Cargotec Corporation, 2005–2008

Vice President, Investor Relations, Metso Corporation, 2002–2005

Equity Analyst, Mandatum, Sampo-Leonia and Leonia Bank, 1999–2002

### **Key positions of trust:**

Member of the Board and Audit Committee, Outokumpu Corporation, 2017–



## **Uffe Hansen**

President, Recycling

**Nationality:** Danish

**Born:** 1969

**Education:** Master Sc. B.A.

Joined the company in 2016

Member of the Executive Team since 2018

**Shareholding as of Dec 31, 2018**

515 shares

### **Key experience:**

Senior Vice President, Recycling business line, Metso, 2016–2017

Chief Commercial Officer, Triax A/S, 2013–2016

Vice President, Global Sales and Service, Metso Recycling, 2011–2013

Various management positions, Stibo Group, 1996–2011



## **Merja Kamppari**

Senior Vice President, Human Resources

**Nationality:** Finnish

**Born:** 1958

**Education:** M.Sc. (Econ.)

Joined the company in 2009 (in the company until January 31, 2019)

Member of the Executive Team since 2011

**Shareholding as of Dec 31, 2018**

8,207 shares

### **Key experience:**

Head of Operational Excellence, HR and Head of Global HR, Nokia Siemens Networks, 2007–2009

Vice President, Human Resources, Nokia Networks 2005–2007

Several international managerial HR positions, Nokia Networks, 1998–2005



# Metso's Executive Team

December 31, 2018



## **Mikko Keto**

President, Minerals Services

**Nationality:** Finnish

**Born:** 1967

**Education:** M.Sc. in Economics

Joined the company in 2010

Member of the Executive Team since 2018

**Shareholding as of Dec 31, 2018**

No shares

### **Key experience:**

Senior Vice President, Spare Parts business line, Metso, 2016–2017

Several management positions in different services functions, Metso, 2010–2015

Head of Sales, Maintenance business unit, KONE Corporation, 2008–2009

Various international management and sales positions, Nokia Networks, 1994–2007



## **Jani Puronta**

Chief Digital Officer

**Nationality:** Finnish

**Born:** 1974

**Education:** M.Sc. Economics, MBA (INSEAD)

Joined the company in 2016

Member of the Executive Team since 2016

**Shareholding as of Dec 31, 2018**

No shares

### **Key experience:**

Director for Analytics and Product Strategy, Bilot, 2014–2016

Managing Director and CEO, Alekstra, 2011–2013

CEO Wulff Oy 2008–2011



## **John Quinlivan**

President, Valves, and Pumps

**Nationality:** US

**Born:** 1961

**Education:** B.S. Mechanical Engineering

Joined the company in 1989

Member of the Executive Team since 2015

**Shareholding as of Dec 31, 2018**

3,103 shares

### **Key experience:**

Senior Vice President, Global Operations, Metso Flow Control and Metso Automation, 2012–2015

President, Metso Automation and Field Systems North America, 2004–2012



## **Markku Simula**

President, Aggregates Equipment

**Nationality:** Finnish

**Born:** 1966

**Education:** M.Sc. in Engineering

Joined the company in 1991

Member of the Executive Team since 2018

**Shareholding as of Dec 31, 2018**

3,941 shares

### **Key experience:**

Senior Vice President, Aggregates business line, Metso, 2016–2017

Senior Vice President, Oil and Gas business line, Metso, 2014–2015

President, Flow Control business unit, Metso, 2008–2014

Various international management positions, Metso Automation, Neles Automation, Neles Controls and Neles-Jamesbury, 1991–2008

# Metso's Executive Team

December 31, 2018



## **Sami Takaluoma**

President, Minerals Consumables

**Nationality:** Finnish

**Born:** 1973

**Education:** M.Sc. in Engineering

Joined the company in 1997

Member of the Executive Team since 2018

**Shareholding as of Dec 31, 2018**

91 shares

### **Key experience:**

Vice President, Market area Nordics, Metso, 2014–2017

General Manager, Market Area UK & Ireland, Metso, 2010–2014

Various management positions, Wears Business line, Metso, 2003–2010



## **Victor Tapia**

President, Mining Equipment

**Nationality:** Peruvian

**Born:** 1966

Joined the company in 2017

Member of the Executive Team since 2017

**Education:** Bachelor in Geology, Engineering

Geologist

**Shareholding as of Dec 31, 2018**

No shares

### **Key experience:**

President, Surface and Exploration Drilling, Atlas Copco AB, 2013–2016

President, Geotechnical and Exploration, Atlas Copco AB, 2011–2013

General Manager, Atlas Copco Mining and Construction in Mexico, 2007–2011

Business Development Manager, Atlas Copco Mining and Construction in Argentina, 2005–2007

### **Further Information about Governance**

- Further information about our governance can be found at [www.metso.com/governance](http://www.metso.com/governance)
- Annual General Meeting information at [www.metso.com/annual-general-meeting](http://www.metso.com/annual-general-meeting)
  - Registration details
  - Notice
  - Resolutions
  - Information from previous meetings (2010 onwards)
- Remuneration information at [www.metso.com/remuneration](http://www.metso.com/remuneration)
- Corporate Governance Statements at [www.metso.com/cg-statements](http://www.metso.com/cg-statements)
- Disclosure Policy at [www.metso.com/disclosure-policy](http://www.metso.com/disclosure-policy)
- Board and Committee charters at [www.metso.com/board](http://www.metso.com/board)



**Metso Corporation**

Töölönlahdenkatu 2  
PO Box 1220, FI-00100 Helsinki, Finland  
Tel: +358 20 484 100  
metso.com

**About this report**

Concept, design and production:  
KREAB

