

Enabling modern life



Metso's Annual Report 2019

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 build trust.

Metso's Annual Report 2019 consists of four sections: Business Overview, Financial Review, Corporate Governance and GRI Supplement. All Annual Report sections are available in English and in Finnish. They are downloadable on our Annual Report website at www.metso.com/2019. In this Annual Report we apply integrated reporting elements.

More information

The following symbol guides you to more information on our website or in this report:



Metso's channels

- › metso.com
- › twitter.com/metsogroup
- › facebook.com/metsoworld
- › youtube.com/metsoworld
- › instagram.com/metsoworld

Disclaimer

A plan to combine Metso's Minerals Business and Outotec is currently expected to be registered on June 30, 2020. The combined future Metso Outotec will be leading company in process technology, equipment and services serving the minerals, metals and aggregates industries.

As a result, Metso's Flow Control business will become the continuing business of the currently listed Metso, which will be subsequently renamed Neles, an independent listed company supplying flow control products and services.

Figures in this Annual Report are calculated based on the 2019 Metso Group structure unless otherwise stated. They

present Metso's operations before the partial demerger and planned combination with Outotec. In the Financial Statements, figures for continuing operations are also presented. They have been calculated presenting the future Neles as a single economic entity, using the same accounting principles and carrying amounts as in the Metso Group in accordance with the International Financial Reporting Standards ("IFRS") accounting and valuation principles as adopted by the EU. The future Neles figures presented here include some carve-out impacts that are not included in the reported figures of Metso's Flow Control segment.



Business Overview

Strategy, value creation and sustainability



Financial Review

Board of Directors' Report, Financial Statements and investor information



Corporate Governance

Corporate Governance Statement including remuneration



GRI Supplement

Externally assured sustainability information compliant with the GRI Standards

About this section

Metso's Annual Report 2019 consists of four report sections. This is Metso's full Corporate Governance Statement for 2019, including the remuneration statement.



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Metso Corporate Governance Statement 2019

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. This statement has been reviewed by the Board of Directors' Audit Committee.

Metso follows the Finnish Corporate Governance Code 2020 ("Code") issued by the Securities Market Association, available at www.cgfinland.fi. Metso complies with the Code in its entirety, except for the composition of the Board's Audit Committee. At the end of 2019, the Audit Committee had only two members, as Nina Kopola resigned from the Board and its Audit Committee at the beginning of August. 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 Supervisory Authority's regulations and Nasdaq Helsinki's rules.

Important rules and policies that influence Metso's Corporate Governance

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):

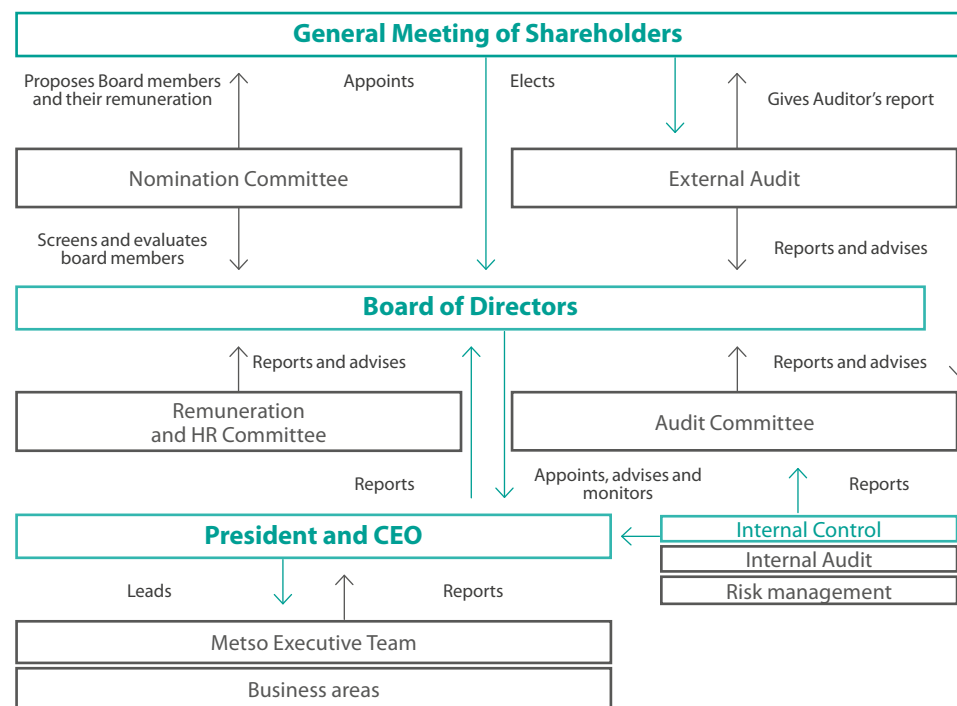
- Finnish Companies Act
- Accounting Act
- Finnish Securities Markets Act
- Market Abuse Regulation ((EU) N:o 596/2014 ("MAR"))
- Finnish Corporate Governance Code 2020, rules, regulations and guidelines of Nasdaq Helsinki and the Finnish Financial Supervisory Authority

Updated information about our governance is available at www.metso.com/governance.

Metso's governance structure

The General Meeting of Shareholders is Metso's supreme decision-making body. 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 external reporting segments, Minerals and Flow Control. Metso's seven business areas together with the market areas are responsible of the company's business operations. The Board is responsible for ensuring compliance with good corporate governance principles.

Governing bodies of Metso



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, among others, 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
- Remuneration Policy of the Governing Bodies
- 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)

The decisions are primarily made by a simple majority vote at the General Meeting. According to the Code, the Chair of the Board, other Board members, the President and CEO, and the Auditor are required 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.

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 in the meeting. Each share entitles its holder to one vote. Instructions for participation by nominee registered shareholders 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.

Annual General Meeting in 2019

The Annual General Meeting (AGM) 2019 was held in Helsinki on April 25, 2019. A total of 1,535 shareholders representing 61 percent of the company's votes participated either in person or by proxy.

The AGM approved the financial statements and discharged the members of the Board of Directors and the President & CEOs from liability for the financial year 2018. The AGM also approved the Board of Directors' proposal to pay a dividend of EUR 1.20 per share in two installments. The first dividend installment of EUR 0.60 per share was paid on May 7, 2019, and the second dividend installment of EUR 0.60 per share was paid on November 5, 2019.

The AGM confirmed the number of Board members as eight and re-elected Mikael Lilius as Chair and Christer Gardell as Vice Chair of the Board. Peter Carlsson, Lars Josefsson, Nina Kopola, Antti Mäkinen and Arja Talma were re-elected as members for a new term. Kari Stadigh was elected as a new member.

The Authorized Public Accountant firm Ernst & Young was elected as Metso's Auditor with Mikko Järventausta as principal responsible auditor. In addition, the AGM approved the proposals of the Board of Directors to authorize the Board to decide on both the repurchase of Metso shares as well as the issuance of shares and special rights entitling to shares. The Nomination Board's proposal concerning Board members' remuneration was also approved.

Metso's Board of Directors held its organizing meeting after the AGM. In the meeting the Board elected members of the Audit Committee and the Remuneration and HR Committee from among its members as follows:

- Audit Committee: Arja Talma (Chair), Nina Kopola and Antti Mäkinen
- Remuneration and HR Committee: Mikael Lilius (Chair), Christer Gardell and Lars Josefsson

Nina Kopola resigned from Metso's Board of Directors as of August 1, 2019 due to her appointment as Director General of Business Finland. Her resignation was originally announced on July 25, 2019. As of August 1, 2019, the Board continued with seven members and the Audit Committee with two members.

The minutes of the meeting and other related documents are available at www.metso.com/agm-2019.

Extraordinary General Meeting in 2019

An extraordinary General Meeting (EGM) was held in Helsinki on October 29, 2019. The EGM approved the demerger plan as proposed by the Board of Directors and decided on Metso's partial demerger and combination with Outotec. The EGM also approved the amendment of Metso's Articles of Association and a decrease in Metso's share capital. A total of 2,052 shareholders representing approximately 63 percent of the company's votes participated either in person or by proxy.

As a result of the EGM's decision, all such Metso's assets, rights, debts and liabilities that relate to, or primarily serve, Metso Minerals Business will transfer, without liquidation of Metso, to Outotec Oyj. No shareholder of Metso voted against the partial demerger or demanded redemption of his/her/its demerger consideration mentioned in Chapter 17, Section 13 of the Companies Act. The decisions of the EGM will be effective as of the registration date for the completion of the partial demerger.

Shareholders' Nomination Board

The Shareholders' Nomination Board ("Nomination Board") is a permanent corporate body, established by the Annual General Meeting in 2011. The Nomination Board is responsible for succession planning and realization of diversity principles of the Board. 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 Metso's 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.

The Nomination Board was appointed on September 2, 2019 by the following four largest registered Metso shareholders as of August 30, 2019¹⁾:

Shareholder	Share of voting rights and capital as of August 30, 2019
Solidium Oy (Chair)	14.88%
Cevian Capital Partners Ltd	13.84%
Ilmarinen Mutual Pension Insurance Company	2.95%
Varma Mutual Pension Insurance Company	1.89%

¹⁾ Chair of the Board, Mikael Lilius, serves as an expert member

Nomination Board composition and competence

As of the publication of this statement, the Nomination Board consisted of Petter Söderström of Solidium, the Chair, Niko Pakalén of Cevian Capital, Mikko Mursula of Ilmarinen and Risto Murto of Varma. Their professional backgrounds are as follows.

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 Pakalén

Partner at Cevian Capital AB
Education: M.Sc. (Econ)
Partner at Cevian since 2011. Member of Metso's Nomination Board since 2016 and Chair from September 2017–March 2018.

Mikko Mursula

Deputy CEO of Ilmarinen Mutual Pension Insurance Company
Education: MA (Econ)
Deputy CEO of Ilmarinen since 2019. Chief Investment Officer at Ilmarinen 2014–2019. Member of Metso's Nomination Board since 2018.

Risto Murto

President and CEO of Varma Mutual Pension Insurance Company
Education: Ph.D. (Econ)
President and CEO of Varma since 2014. Member of Metso's Nomination Board since 2014.
Chairman of the Board of University of Oulu
Member of the Board of Sampo Plc and Wärtsilä Corporation.

Nomination Board proposals for the 2020 AGM

In 2019, the Nomination Board convened six times and made one unanimous decision without convening. Nomination Board's meeting attendance was at 97%. On January 16, 2020, the Nomination Board provided Metso's Board with its proposal for the Annual General Meeting to be held on March 20, 2020.

Metso's Board composition and remuneration

The Board's term of office will commence at the end of the Annual General Meeting and will expire at the registration of the completion of the partial demerger of Metso Corporation. The Nomination Board proposes that the Board of Directors should have seven members and that Mikael Lilius, Christer Gardell, Lars Josefsson, Kari Stadigh, Antti Mäkinen and Arja Talma should be re-elected. Mikael Lilius is proposed to continue as Chair and Christer Gardell as Vice Chair of the Board. Emanuela Speranza is proposed as a new member. Peter Carlsson had notified the Nomination Board that he will not be available for re-election.

Other 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 the same fixed annual remuneration to the Board members as in the previous term. The remuneration to be paid will be calculated pro rata to the length of the term of office based on the following annual remuneration:

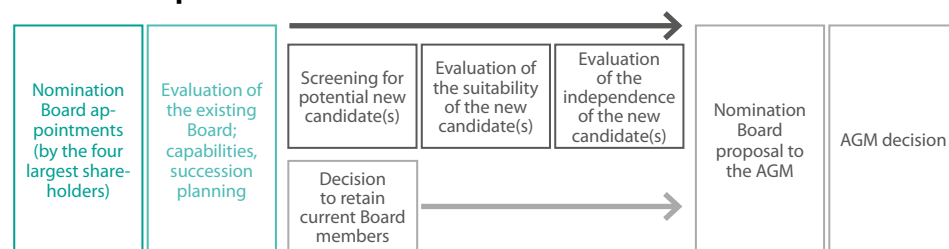
- Chair – EUR 120,000
- Vice Chair – EUR 66,000
- Other members – EUR 53,000

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

The Nomination Board proposes that the fixed annual remuneration be paid to the members of the Board of Directors in cash within two weeks after the expiry of their term of office.

Nomination process



Board composition and remuneration of the future Neles Corporation

The term of office of the Neles Board will commence at the registration of the completion of the partial demerger of Metso and will expire at the end of the next Annual General Meeting of Neles. The Nomination Board proposes that the Board of Directors of the future Neles Corporation should have seven members. Jukka Moisio is proposed to be elected as Chair, Mark Vernon as Vice Chair, and Britta Giesen, Anu Hämäläinen, Niko Pakalén, Teija Sarajärvi and Petter Söderström as members of the Board.

All member candidates have given their consent to their election and have been assessed to be independent of the company and its significant shareholders, except for Petter Söderström and Niko Pakalén, who have each been assessed to be independent of the company but not independent of a significant shareholder.

The Nomination Board proposes the following fixed annual remuneration for the Board of Directors of the future Neles. The remuneration to be paid will be calculated pro rata to the length of the term of office based on the following annual remuneration:

- Chair EUR 115,000
- Vice Chair EUR 65,000
- Other members EUR 50,000

Additional remuneration

- Chair of the Audit Committee EUR 15,000
- Member of the Audit Committee EUR 7,500
- Chair of the Remuneration and HR Committee EUR 7,500
- Member of the Remuneration and HR Committee EUR 3,750

As a condition for the remuneration, 40 percent of the fixed annual remuneration is to be used for purchasing Neles Corporation shares.

Meeting fees

Meeting fees for each meeting of the Board of Directors of Metso Corporation and the future Neles Corporation and their Committees, are proposed to be paid as follows:

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

Personnel representative

The Nomination Board notes that, also during the commencing term of office of the Board of Directors, a personnel representative will participate as an external expert in the meetings of the Board of Metso, within the limitations imposed by Finnish law. The Board of Metso will invite the personnel representative in its organizing meeting after the AGM 2020.

Board of Directors and Board committees

The Board oversees the management and operations of Metso. It also decides on significant matters related to strategy, investments, organizational structure and finances. The Board's main responsibility is to evaluate the strategic direction of Metso, the effectiveness of Metso's operations and the performance of the 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 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. The committees have Board approved charters.

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

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 simple majority of votes. 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 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.

Follow-up and evaluation of insider transactions. Board decides on transactions that do not fall within Metso's established business or are not fulfilled according to normal terms and conditions, and ensures that possible conflicts of interests being dealt with accordingly and taken into consideration in the decision making.

Remuneration and HR Committee

3 members (including Chair)

All independent of the company

Key responsibilities:

To prepare and/or make proposals on:

- remuneration policies for the governing bodies and related instructions for the Board as well as being responsible for answering related questions in the General Meeting
- appointments and succession planning of Metso's CEO and other senior management
- development of personnel remuneration and talent management.

To review and monitor:

- competitiveness of remuneration systems

Audit Committee

3 members (including Chair)¹⁾

All independent of the company

At least one:

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

Key responsibilities:

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

Key responsibilities also include mandatory duties concerning auditing and related to the preparations for the selection of the auditor, follow-up on the services provided by the auditor, quality control of the auditing, evaluating the independence of the auditors and the auditing process.

¹⁾ From August 1 onwards only 2 members, following Nina Kopola's resignation from the Board and its Audit Committee.

Board authorizations

The Annual General Meeting has granted the Board with the authorizations below. A total of 79,040 of treasury shares were conveyed under the terms and conditions of the Performance Share Plan 2016–2018.

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, 2020	1. Development of the company's capital structure 2. Financing or carrying out acquisitions, investments or other business transactions 3. As part of management's incentive plans
Issuance of shares and issuance of special rights entitling to shares	15 million shares (10.0% 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 and Committee work in 2019

The Annual General Meeting held on April 25, 2019, elected eight members to the Board. Nina Kopola resigned from Metso's Board of Directors as of August 1, 2019, due to her appointment as Director General of Business Finland. Her resignation was originally announced on July 25, 2019. As of August 1, 2019, the Board continued with seven members and the Audit Committee with two members. Current members and their CVs are presented on pages 21–22. Raimo Brand, personnel representative is a Director but participates in the Board meetings as an invited expert with the rights and limitations as set out in the Act on Personnel Representation.

In addition to the duties specified in the Board charter, the Board focused on the portfolio review, which resulted in the planned combination of Metso and Outotec, the related demerger of Metso to create the independent new flow control focused valve company Neles and the acquisition of McCloskey. The Remuneration and HR Committee focused on the duties specified in the charter and on preparatory topics related to the planned combination of Metso and Outotec

and the related demerger of Metso to create the independent new flow control focused valve company Neles.

The Audit Committee focused on the duties specified in the charter and on monitoring the preparation and audit of carve-out financials for the demerger of Metso Minerals Business as well as preparation of financial information related to the Metso Outotec prospectus. Other agenda items in 2019 were following up on the development initiatives in finance, tax and compliance functions.

The meeting attendance of Board members and their remuneration in 2019 are presented in the following tables:

Members of the Board of Directors, meeting attendance in 2019

Member	Position	Board	Audit Committee	Remuneration and HR Committee
Mikael Lilius	Chair, Chair of Remuneration and HR Committee	16/16	–	4/4
Christer Gardell	Vice Chair	16/16	–	4/4
Peter Carlsson	Member	15/16	–	–
Ozey K. Horton, Jr. ¹⁾	Member	4/4	–	–
Lars Josefsson	Member	16/16	–	4/4
Nina Kopola ²⁾	Member	10/10	3/3	–
Antti Mäkinen	Member	16/16	6/6	–
Kari Stadigh ³⁾	Member	12/12	–	–
Arja Talma	Member, Chair of Audit Committee	15/16	6/6	–

¹⁾ Metso Board member until April 25, 2019

²⁾ Resigned from Metso's Board as of August 1, 2019

³⁾ Elected to Metso's Board on April 25, 2019

Members of the Board of Directors, remuneration in 2019

Member	Position	Total annual fee, EUR ¹⁾	Number of Metso shares received ²⁾	Total shareholding as of Dec 31, 2019
Mikael Lilius	Chair	140,400	1,543	35,781
Christer Gardell	Vice Chair	81,400	688	7,864
Peter Carlsson	Member	57,500	629	2,939
Ozey K. Horton, Jr. ³⁾	Member	12,800	–	1,000
Lars Josefsson	Member	68,400	688	4,521
Nina Kopola ⁴⁾	Member	43,950	748	4,697
Antti Mäkinen	Member	73,400	748	1,617
Kari Stadigh ⁵⁾	Member	60,200	783	10,783
Arja Talma	Member	82,600	866	3,926

¹⁾ Total fee paid partly in cash, partly in shares

²⁾ Shares were acquired on April 29, 2019

³⁾ Metso Board member until April 25, 2019

⁴⁾ Resigned from Metso's Board as of August 1, 2019

⁵⁾ Elected to Metso's Board on April 25, 2019

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 between Board members
- 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. In the nomination process, the Nomination Board also takes into account the requirements of the Code about the relevant and sufficient competence of the Audit Committee members. More about Board diversity is available at www.metso.com/board.

Diversity of the Board in 2019

The Board of Directors in 2019 represents adequate diversity related to nationalities, professional competencies and gender. The Board has vast experience in different businesses and industrial sectors as well as financials and financing. In 2019 the Board consisted of ¹⁾:

Board diversity ¹⁾



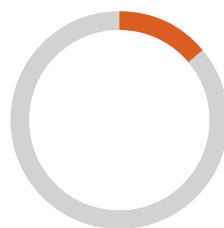
By age group

- 30–50: 14%
- >50: 86%



Nationality

- Finnish: 57%
- Swedish: 43%



Gender

- Women: 14%
- Men: 86%



Tenure

- Less than 2 years: 25%
- 2–5 years: 37%
- 6–10 years: 25%
- Over 10 years: 13%

¹⁾ Board members as of December 31, 2019

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 the 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.

Changes in the management structure in 2019

Merja Kamppari, SVP, Human Resources, left her position on January 31, 2019. Hannele Järivistö has acted as interim SVP, Human Resources, as of February 1, 2019. She is not a member of the executive team but takes part in the MET work.

On June 18, 2019, Metso's Board of Directors appointed Olli Isotalo as President, Valves business area. He started in his position on July 15, 2019, and also became a member of the Metso Executive Team. John Quinlivan, the previous President of the Valves business area, continued as Senior Adviser until the end of 2019 to support Olli Isotalo during the transition period.

On July 26, 2019, it was announced that Stephan W. Kirsch was appointed President, Mining Equipment business area and a member of Metso's Executive Team from August 1, 2019, onwards. The previous President of Metso's Mining Equipment business area and a member of Metso's Executive Team, Victor Tapia, left the company in 2019.

Mikko Keto, the President of Metso's Minerals Services and Pumps business areas left his position after the reporting period on January 1, 2020. Giuseppe Campanelli has acted as President, Minerals Services business area and Kalle Sipilä as President, Pumps business area from January 2, 2020 onwards.

Change in the reporting segments in 2019

Metso announced on February 11, 2019, that it has moved the Pumps business area from its Flow Control segment to the Minerals segment. The change was backdated to January 1, 2019. Restated figures for 2018 based on the new segment structure were announced on March 26, 2019. Simultaneously, Mikko Keto was appointed as the President of the Pumps business area.

Metso Executive Team and main duties in 2019

MET composition in 2019

Vauramo, Pekka	President and CEO	January 1 – December 31
Sipilä, Eeva	Chief Financial Officer, Deputy to CEO	January 1 – December 31
Hansen, Uffe	President, Recycling	January 1 – December 31
Isotalo, Olli	President, Valves	July 15 – December 31
Kamppari, Merja	Senior Vice President, Human Resources	January 1 – January 31
Keto, Mikko ¹⁾	President, Minerals Services and Pumps	January 1 – December 31 February 11 – December 31
Kirsch, Stephan W.	President, Mining Equipment	August 1 – December 31
Puroranta, Jani	Chief Digital Officer	January 1 – December 31
Simula, Markku	President, Aggregates Equipment	January 1 – December 31
Takaluoma, Sami	President, Minerals Consumables	January 1 – December 31
Tapia, Victor	President, Mining Equipment	January 1 – July 31
Quinlivan, John	President, Valves and Pumps	January 1 – February 10
	President Valves only	February 11 – July 14

¹⁾ Mikko Keto terminated his employment with Metso on January 1, 2020.

Metso Executive Team members, as of publication of this statement, are presented in more detail on pages 23–25.

The key themes for the MET during 2019 were the implementation of the profitable growth strategy and the proposed Metso Outotec and Neles transaction, as well as the execution of the related action plans in all business areas. These were among others various organic growth initiatives, including the acquisition of McCloskey, as well as structural and footprint development-related initiatives.

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 responsible and trusted business partner. Metso's Code of Conduct summarizes in a single document the topics that are important in terms of compliance and integrity, anti-corruption, human rights, safety and information disclosure.

In addition, Metso is committed to following global initiatives that guide 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 supports human rights. All employees are entitled to be treated with respect and discrimination, harassment, and illegal threats are not tolerated. Metso does not accept or use any form of compulsory, forced or child labor, and respects applicable local 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 a responsibility for compliance and there is a range of internal controls in place to ensure compliance. These are described more in detail on pages 13–16. Third-party agreements in place require that suppliers, business partners and other stakeholders also follow similar standards.

Compliance management and the related policies are also discussed in the Board of Directors' report in the Financial Statements for 2019 under non-financial information, pages 12–15. More information about Metso's Code of Conduct can be found at

www.metso.com/code-of-conduct.

Compliance management in 2019

All Metso employees are required to complete Code of Conduct trainings every two years. In 2019, 99.2 percent of all employees had completed the training in the given timeframe. Code of Conduct training is also part of onboarding for all new employees. Moreover, in 2019, the Compliance team organized several face-to-face trainings on anti-corruption and trade sanctions for Metso's employees, agents, and distributors. Metso has also launched online training opportunities for its representatives.

Compliance management in the supply chain

Metso's Code of Conduct and Supplier Code of Conduct define 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. Metso uses different sources of data to identify risks related to the categories of Human Rights, Labor Rights, Civil and Political Rights, Legal Remedies, and Health, Safety and Environment. In addition, supplier type and spend is taken into account.

Based on the supplier assessments for existing and new suppliers, the need for third-party or internal supplier sustainability audits as well as other further actions are defined. Assessing 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.

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

In 2019, 17 third-party supplier sustainability audits were conducted in high-risk areas. In addition to the third-party audits, Metso's procurement and Quality Assurance conducted 106 supplier sustainability audits.

Risk management

Risk management supports the achievement of Metso's strategic goals and business objectives. It ensures the continuity of operations and secures Metso's assets also in changing circumstances. Key risks and opportunities are identified and proportioned against business targets and are an integral part of the businesses' long- and short-term planning. 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 – are in place. In 2019, the following internal audits and risk assessments were conducted:

- Metso Risk Management Evaluations, 6 in total
- Internal audits, 27 in total, with the addition of Whistleblower and other investigations, 56 in total
- Risk engineering audits, 10 in total

The Board oversees these risk analyses and assessments. More information about our risk management is available in the Financial Statements for 2019, pages 12–14 and 71–74 and on our website at www.metso.com/risks.

Most significant threats and opportunities

Metso systematically assesses the significance and development of various risks in the annual risk assessment. The table on the next page describes the strategic average impacts of different types of risks, identified in the risk assessment for the strategic period 2020–2022. Three significant risks creating threats and opportunities for Metso are described in more detail below. The lists are meant to be indicative only and should not be considered exhaustive.

Mergers and acquisitions

The plan to merge Metso Minerals Business with Outotec Oyj, and to separate Metso Flow Control business into a separate business, may, for example, be discontinued, delayed or implemented unsuccessfully. Similarly, there are risks related to the integration of the service division of the Chilean mining engineering, construction and technology company and the McCloskey International Ltd. This could postpone or reduce realization of the intended synergies and weaken profitability and competitiveness. Metso reduces its risks by conducting a due diligence analysis, thorough integration planning and implementation under direct management oversight.

Business environment risks

Economic slowdown and geopolitical tensions impact the demand for Metso's products and services. A potential slowdown in the United States, China or the EU, and fears of an escalating trade war may have negative impact on global economic activity in general. Metso's business is cyclical and follows customer industries. Economic cycles affect the availability and price of commodities such as metals, oil, gas, pulp and paper. Commodity prices have an impact on Metso's business. Investments in road infrastructure affect our aggregates customers' businesses.

Due to the cyclical nature of customer industries, a business model of outsourcing the manufacturing plays an important role.

Metso's service business represents a strong share of Metso's sales thereby reducing its exposure to economic cycles. In general, the services business is less volatile than the equipment business.

Metso's extensive geographical market presence makes its less vulnerable to local economic cycles. Metso also mitigates the risk by broadening its product and service offerings to meet customers' increasingly diverse needs.

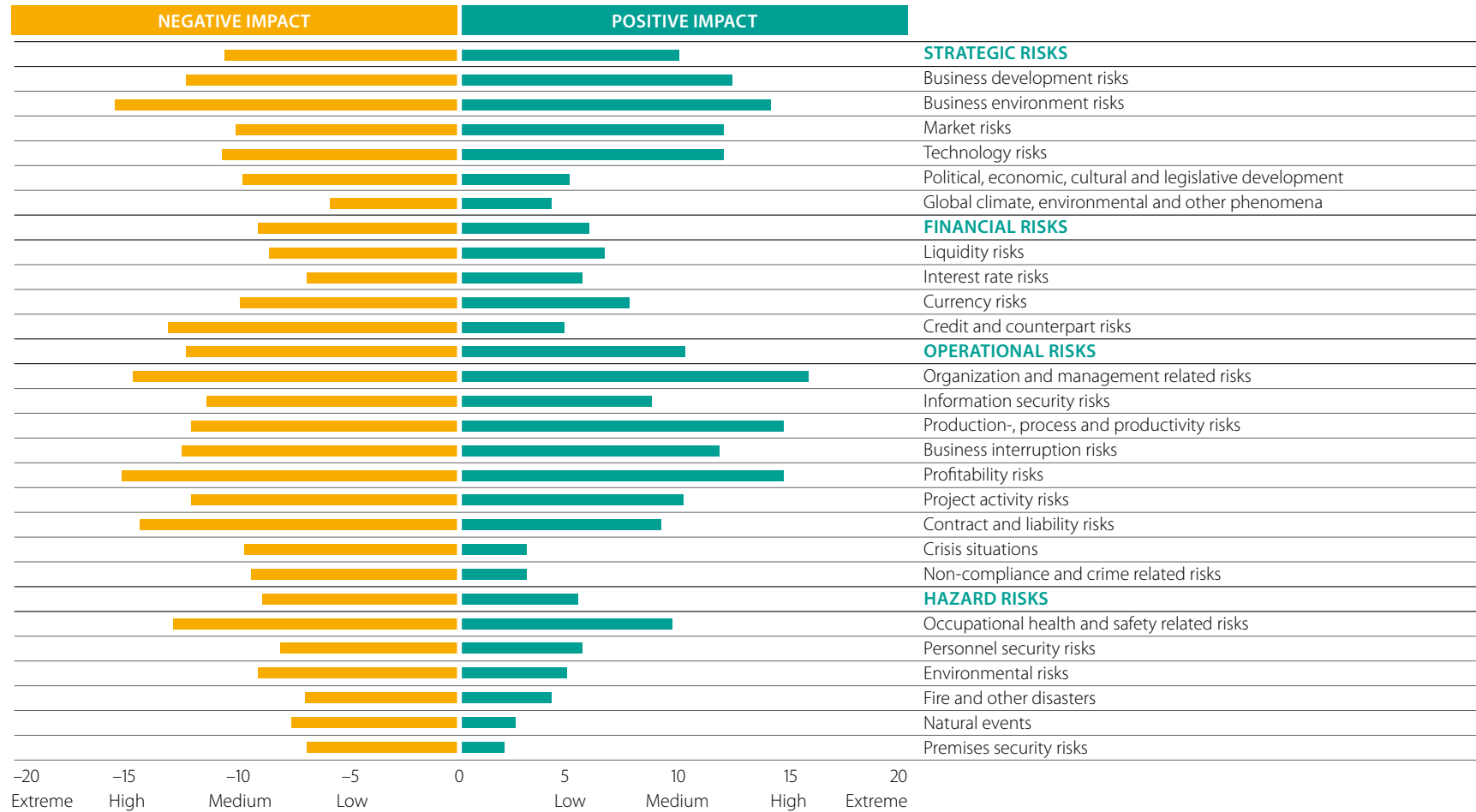
Competitiveness

Changes in demand in Metso's customer industries could negatively affect the company's operations and competitive position in the market. There is a risk that Metso is not capable to meet future customer needs in terms of price, quality, technology and delivery requirements, which may weaken its competitive position.

In order to meet customer needs, Metso follows market trends closely. Metso's R&D spending has increased over past two years. Metso's recent acquisitions of HighService Service, the service division of the Chilean mining engineering, construction and technology company HighService Corp., and McCloskey International Ltd., and the remaining shares of Shaorui Heavy Industries will broaden its product and service offerings to meet customers' increasingly diverse needs. Moreover, Metso has increased its focus on customer satisfaction and customer relationship management.

Risk management

Average impact risk number



Internal controls

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

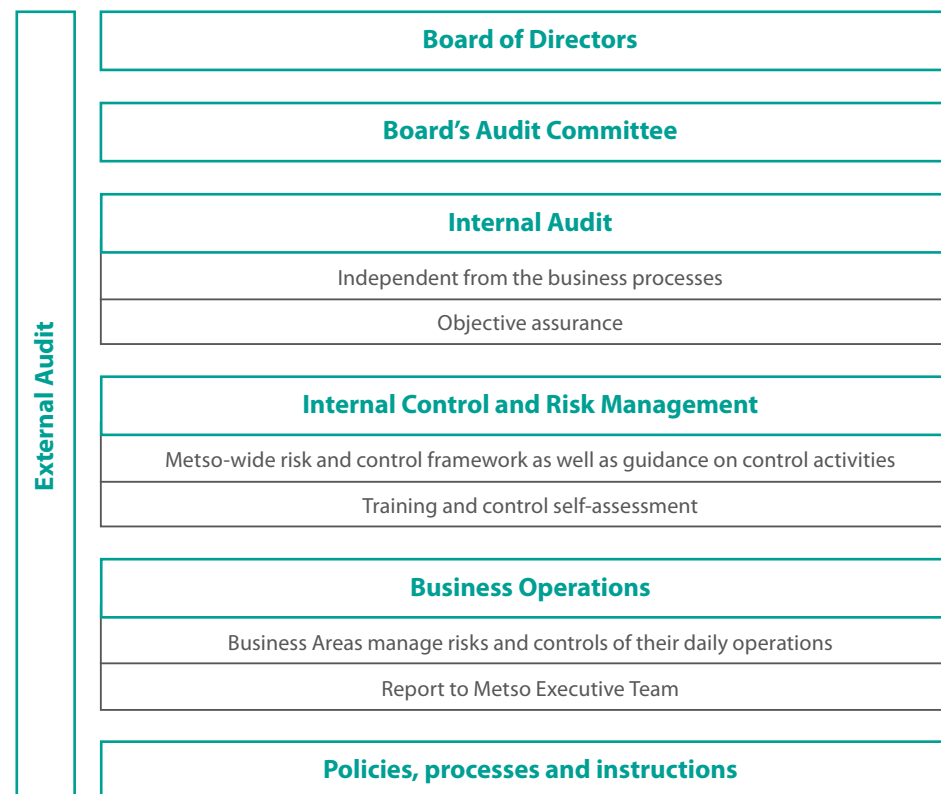
The Board of Directors bears the overall responsibility for the internal control over financial reporting. The Audit Committee’s task is to ensure that established principles for financial reporting, risk management and internal control are followed. The President and CEO, with assistance from Internal Audit, is responsible for maintaining an effective control environment and for the ongoing work on internal control regarding financial reporting. The Internal Audit function reports all relevant issues 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
- 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 planned and executed for these risk areas, and
- other measures to mitigate risks.



Risk assessment

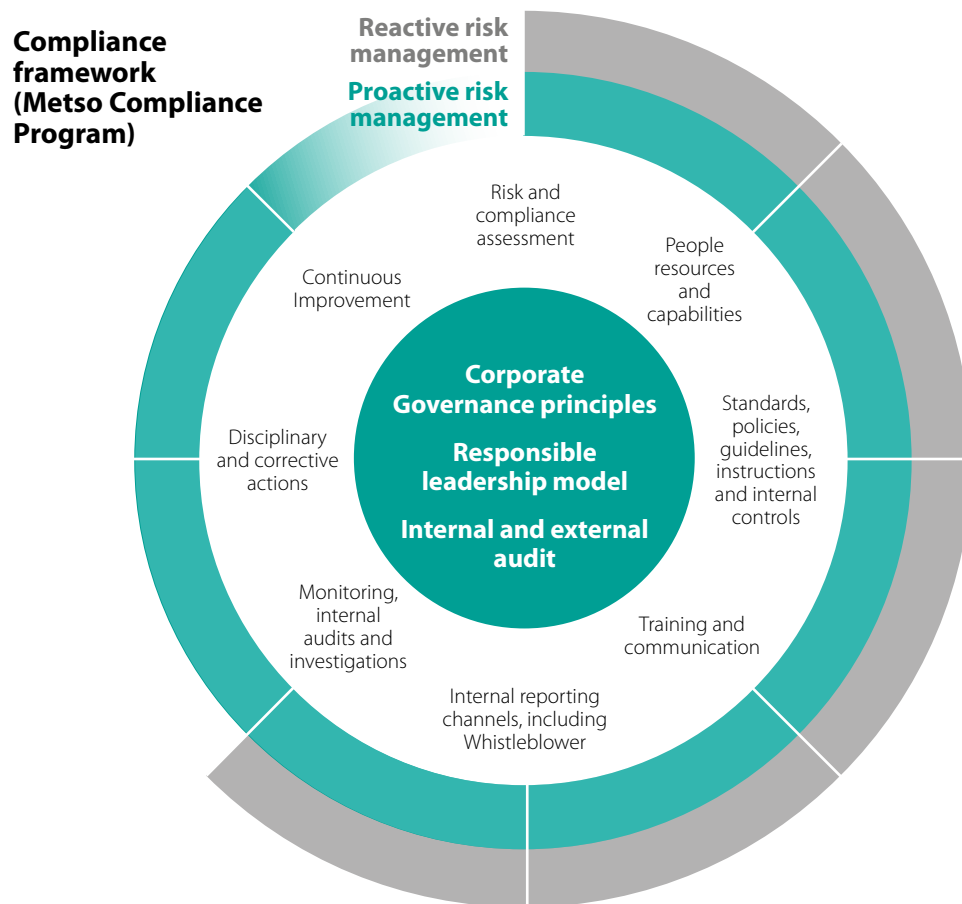
A risk assessment related to financial reporting aims to identify and evaluate the most significant threats at the Group, business area, Group companies, functions and process levels.

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 Metso seeks to ensure that the fundamental requirements placed on financial reporting are fulfilled.

Control environment

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. The Metso Compliance Program seeks to ensure compliance with our governance principles and Code of Conduct 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 self-assessment to ensure they are compliant with the minimum control standards. In addition, the 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 the intranet, and regular trainings regarding internal control issues and the related tools is arranged for employees. The Head of Internal Audit reports the results of the evaluation of internal controls regularly to the as Audit Committee. 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.

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 an effective and efficient control environment. This includes follow-up of monthly financial reports, review of 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 to the Audit Committee.

Reporting of suspected financial misconduct

Metso's guidelines on the prevention of financial and other misconduct define how suspected misconduct should be reported, how it is investigated and how the issue proceeds. All employees are encouraged to report suspected misconduct to their own supervisors, to other management, or, if necessary, directly to Internal Audit. Additionally, they can report suspicions of financial and other 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.

11 reports of suspected financial misconduct and 35 reports of suspected non-financial misconduct were received via the Whistleblower channel in 2019. In addition to Whistleblower, 10 reports were investigated after they had been submitted directly to Internal Audit. 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 Audit Committee. The Audit Committee also approves the annual internal audit plan, which is developed taking into consideration the corporate risk assessment, business area plans 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 2019, 27 internal audits, with the addition of 56 Whistleblower and other investigations were conducted.

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, which is available in The Financial Review on pages 106–109.

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's 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.

Audits in 2019

The 2019 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 2019 amounted to EUR 2,2 million and for tax and other services EUR 1,0 million. The increase in audit services and other services in 2019 is due to the mandatory work to support the Metso demerger process as well as the preparation of prospectus information on Metso Outotec.

Auditors' fees, EUR million	2019	2018
Audit services	2,2	1,9
Tax services	0,1	0,0
Other services	0,9	0,1
Total	3,1	2,0

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, among others, for the duties regarding insider management as follows:

- Controlling insider matters and keeping track of regulatory changes
- 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 use by both the company, e.g. in managerial transaction notifications and the Financial Supervisory Authority, when required so by MAR and other regulation.

Insider transactions

Metso's insiders include the members of the Board of Directors, the President and CEO, the MET. Their related parties include spouse and other family members, as well as companies in which these individuals exercise control. Metso maintains a register of insiders as well as their related parties. Insiders and their related parties are required to notify both the company and the Finnish Financial Supervisory Authority of their transactions with the securities of Metso. Metso publishes a stock exchange release on these transactions 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.

Metso's disclosure practices

Metso's communications are 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 are available at www.metso.com/disclosure-policy.

Silent period

Metso observes a 21-day silent period prior to the publication of its financial results. During this time, Metso does not comment on the financial performance, markets or outlook nor does it meet with capital markets representatives or the financial media.

Metso's transactions between its management or their related parties in 2019

The members of the Board of Directors, the President and CEO, and the Metso Executive Team members during 2019 have confirmed for 2019 that neither they nor their related parties have engaged in business transactions with Metso.

Metso has published instructions regarding transactions between Metso and its management and assesses and monitors these transactions to ensure that potential conflicts of interest are identified and adequately considered in the company's decision making. Metso's Board of Directors evaluates and follows these transactions and ensures that possible interests of conflict are adequately taken into account in the decision making.

Remuneration

Letter from the Chairman of the Board

Dear Shareholders,

Metso teams worked hard in 2019, delivering results and supporting our customers. Our committed and highly professional employees, in addition to our quality products, have enabled the success this past year. We have continued the execution of Metso's profitable growth strategy by strengthening our offering through the acquisition of a mining service company in Chile and a mobile aggregates equipment supplier McCloskey in Canada. During 2019, we also introduced plans to combine Metso's Minerals business with Outotec and to create an independent valves-focused company Neles.

Metso's incentive principles, which were introduced for 2018, have successfully supported our strategy execution during past years. We believe that accountability, speed of implementation and Metso's long-term success can be supported by fair and competitive rewarding. Our remuneration reporting is aligned with the Finnish Corporate Governance Code, providing us with a way to illustrate to our stakeholders how we utilize rewarding and drive performance through our executive team.

The Finnish Corporate Governance Code has been updated for 2020 to align with the European Union's Shareholders Rights Directive. The first concrete development of the update, a Remuneration Policy for the President and CEO and Board of Directors will be made available for the Annual General Meeting in March 2020. The policy increases transparency and shareholder influence on the remuneration structures and elements the company may utilize. For the Annual General Meeting in 2021, companies are also expected to further develop their remuneration reporting.

Metso's Remuneration Statement has been prepared in accordance with the Finnish Corporate Governance Code. It 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.

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

Employment terms and conditions of President and CEO Pekka Vauramo

Salary	Total annual salary EUR 825,000 including fringe benefits.
Short-term incentive (annual performance bonus)	Annual bonus can be earned in accordance with terms approved by the Board. The maximum bonus is 100 percent of the total annual salary.
Long-term incentives	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.
Pension	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.
Termination of assignment	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 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 2019

Total remuneration of the President and CEO amounted to EUR 752,574 during 2019. The remuneration of other Executive Team members amounted to a total of EUR 3,755,660. The tables below include the bonuses paid to the Executive Team, including the President and CEO, amounting to a total of EUR 885,588.

Executive Team benefits also include a supplementary defined contribution pension plan. In 2019, pension insurance premium payments totaled EUR 465,515 (in 2018: EUR 273,372).

2019

EUR	Salary	Fringe benefits	Paid performance bonus	Share-based payment	Total
President and CEO Pekka Vauramo	719,886	32,688	–	–	752,574
Other Executive Team members	2,201,113	27,513	885,588	641,446	3,755,660
Total	2,920,999	60,201	885,588	641,446	4,508,234

2018

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

¹⁾ President and CEO from November 1 – December 31, 2018

²⁾ Interim President and CEO from February 3 – October 31, 2018

³⁾ President and CEO from January 1 – February 2, 2018

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 2019, 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 in 2019, % of total annual salary

Maximum Bonus payout	
President and CEO	75%
Other Executive Team members	60%
Other Metso employees	40% (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 Metso's operative 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) and on page 7 of this Corporate Governance Statement. There are no options outstanding or available from any of Metso's prior option programs.

Metso applies a share ownership recommendation policy for the members of the Executive Team and for the President and CEO. In accordance with this policy, at least 50 percent 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.

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 delivery of the Performance Share Plan 2016–2018 took place in March 2019. A total of 79,040 shares were delivered to 80 key individuals.

Status of the ongoing Performance Share Plans as of December 31, 2019

Performance Share Plans	2017–2019	2018–2020	2019–2021
Current number of participants	84	9	9
Maximum number of gross shares to be paid ¹⁾			
President and CEO	–	26,016	46,200
Other Executive Team	33,000	60,000	74,400
Other participants	273,492	19,870	13,254
Total maximum number of gross shares to be paid ¹⁾	306,492	105,886	133,854
Performance criteria: Total shareholder return of Metso's share	2017–2019	2018–2020	2019–2021
Share delivery year	2020	2021	2022

¹⁾ Total maximum number of gross shares, taxes included, to be paid, if the performance criteria is achieved in full

Status of the ongoing Restricted Share Plans as of December 31, 2019

Restricted Share Plans	2017–2019	2018–2020	2019–2021
Current number of participants	3	1	3
Number of gross shares nominated ¹⁾			
Other executive team	–	15,000	25,000
Other participants	14,500	–	–
Total number of gross shares nominated ¹⁾	14,500	15,000	25,000
Share delivery year	2020	2021	2022

¹⁾ Total maximum number of gross shares, taxes included, to be paid

Deferred Share Unit Plan

Deferred Share Unit Plan (DSUP) 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 reward is payable after three years of the program commencing if the terms of payment are met. Metso Executive Team members aren't eligible to participate in the DSUP plan.

Status of the ongoing Deferred Share Unit Plan as of December 31, 2019

Deferred Share Unit Plan	2018–2020	2019–2021
Current number of participants	109	124
Possible payout year	2021	2022

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 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. The President and CEO is not entitled to any matching share delivery if his service relationship as the President and CEO 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 2019 Annual General Meeting, the annual fees paid to Board members in 2019 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

In 2019, compensation for travel expenses and daily allowances was paid in accordance with Metso's travel policy.

As a condition for the remuneration, 40 percent of the fixed annual remuneration is to be used for purchasing Metso's shares. Altogether, 6,693 shares were acquired on April 29, 2019. 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 620,650 during the financial year that ended December 31, 2019. The Board members are not covered by Metso's bonus plans, share-based incentive schemes or pension plans. Fees paid to the Board are presented more in detail on page 7.

Metso's Board of Directors as of December 31, 2019



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 2019

EUR 140,400 including 1,543 shares

Meeting attendance in 2019

16/16 Board meetings
4/4 Remuneration and HR Committee meetings

Shareholding as of December 31, 2019

35,781 shares

Other positions of trust:

Chairman of the Board: Wärtsilä Oyj Abp and Ahlström Capital Oy
Member of the Board: Evli Bank Oyj



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 2019

EUR 81,400 including 688 shares

Meeting attendance in 2019

16/16 Board meetings
4/4 Remuneration and HR Committee meetings

Shareholding as of December 31, 2019

7,864 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 2019

EUR 57,500 including 629 shares

Meeting attendance in 2019

15/16 Board meetings

Shareholding as of December 31, 2019

2,939 shares

Other positions of trust:

Member of the Board: Gränges, Cleantech Invest, Ketra Lighting US, Orbital Systems AB



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 2019

EUR 68,400 including 688 shares

Meeting attendance in 2019

16/16 Board meetings
4/4 Remuneration and HR Committee meetings

Shareholding as of December 31, 2019

4,521 shares

Other positions of trust:

Chairman of the Board: Ouman Oy and Timezynk AB
Vice Chairman of the Board: Vestas Wind Systems
Member of the Board: Holmen AB

Metso's Board of Directors as of December 31, 2019



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 2019
EUR 73,400 including 748 shares

Meeting attendance in 2019
16/16 Board meetings
6/6 Audit Committee meetings

Shareholding as of December 31, 2019
1,617 shares

Other positions of trust:
Member of the Board: Rake Oy, Sampo PLC
and Stora Enso Oyj.



Kari Stadigh

Member of the Board since 2019

Nationality: Finnish

Born: 1955

Education: Master of Science (Eng.), BBA
Independent of the company
Independent of significant shareholders

Main occupation: Group CEO and President,
Sampo Group

Remuneration in 2019
EUR 60,200 including 783 shares

Meeting attendance in 2019
12/12 Board meetings

Shareholding as of December 31, 2019
10,783 shares

Other positions of trust:
Member of the Board, Member of the
Personnel Committee and Member of the
Corporate Governance and Nomination
Committee, Nokia Corporation
Member of the Board, Waypoint Capital Group
Holdings SA



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 2019
EUR 82,600 including 866 shares

Meeting attendance in 2019
15/16 Board meetings
6/6 Audit Committee meetings

Shareholding as of December 31, 2019
3,926 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 Executive Team as of January 2, 2020



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 December 31, 2019
10,500 shares

Key experience:

President and CEO, Finnair Corporation, 2013–2018
Several leading positions, Cargotec Corporation, 2007–2013
Several leading positions, Sandvik AB, 1995–2007
Several leading positions, Tamrock Corporation, 1985–1995
Mine Design Engineer, Outokumpu Corporation, 1983–1985

Key positions of trust:

Vice Chair of the Board, Technology Industries of Finland, 2019–
Member of the Board: Nokian Tyres plc, 2018–



Eeva Sipilä

Chief Financial Officer

Nationality: Finnish

Born: 1973

Education: M.Sc. (Econ.), CEFA
Joined the company in 2016
Member of the Executive Team since 2016

Shareholding as of December 31, 2019
11,213 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:

Chairman of the Audit Committee, 2019– and member of the Board, 2017–, Outokumpu Corporation



Stephan W. Kirsch

President, Mining Equipment

Nationality: German and Australian

Born: 1962

Education: M.Sc. (Eng.) Mining/Minerals Processing
Joined the company in 2018
Member of the Executive Team since 2019

Shareholding as of December 31, 2019
No shares

Key experience:

Several managerial positions, Mining Equipment and Minerals Services, Metso, 2018–2019
CEO, Hofmann Engineering Group Australia, 2014–2018
Managing Director, ThyssenKrupp Polysius Australia, 2006–2014



Kalle Sipilä

President, Pumps

Nationality: Finnish

Born: 1979

Education: M.Sc. in Engineering
Joined the company in 2010
Member of the Executive Team since 2020

Shareholding as of December 31, 2019
No shares

Key experience:

Head of Pumps business area, Metso, since 2019;
SVP Finance and business control, Minerals Services business area, 2019–
SVP Finance and business control, Metso Flow Control, 2014–2018
Several finance leadership roles, Metso, 2010–2014
Consultant & project manager, Accenture, 2003–2010

Metso Executive Team as of January 2, 2020



Giuseppe Campanelli
President, Minerals Services

Nationality: Canadian

Born: 1969

Education: Bachelor of Engineering
Joined the company in 1995
Member of the Executive Team since 2020

Shareholding as of December 31, 2019
No shares

Key Experience:
Member of Minerals Services business area Management Team, Metso, since 2018;
Senior Vice President of Professional Services, Metso
Vice President of Life Cycle Services, Metso, 2014–2017
Head of Life Cycle Services Sales, Metso, 2010–2014
Various Engineering and Product Management roles, Valmet and Metso Paper, 1995–2007



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 December 31, 2019
5,025 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



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 December 31, 2019
628 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



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 December 31, 2019
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

Metso Executive Team as of January 2, 2020



Olli Isotalo
President, Valves

Nationality: Finnish

Born: 1959

Education: M.Sc., engineering
Joined the company in 2019
Member of the Executive Team since 2019

Shareholding as of December 31, 2019
865 shares

Key experience:
CEO, Patria Oyj, 2016–2019
Several top management positions, Cargotec (Kalmar, MacGregor, Bromma Conquip AB), 2005–2016
Several business management positions, Sisu Terminal Systems Oy and Kalmar Industries AB, 1997–2005
Several production management positions, Valmet Corporation (Paper Machines, Diesel), 1984–1997



Jani Purooranta
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 December 31, 2019
No shares

Key experience:
Director for Analytics and R&D, Bilot, 2014–2016
Managing Director and CEO, Alekstra, 2011–2013
Managing Director, Wulff Oy Ab, 2008–2011

Further Information about Governance available on our website

Further information about our governance can be found at

www.metso.com/governance:

- Annual General Meeting information, registration details, notice to the meeting, resolutions and information from previous meetings (2010 onwards)
- Remuneration information
- Corporate Governance Statements
- Articles of Association
- Disclosure Policy
- Board and Committee Charters

Metso Corporation

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About this report

Concept, design and production:

KREAB