

Metso Remuneration Policy

February 2020



Metso Remuneration Policy

This Remuneration Policy (the Policy) describes remuneration principles and framework for the President and CEO and for the members of the Board of Directors of Metso. The Policy will also be applied to any deputy CEO should such deputy be appointed.

In accordance with the implementation of the amended European Shareholder Rights Directive (SRD) in Finland, Metso will put forward the Remuneration Policy at the Annual General Meeting (AGM) on March 20, 2020 for a shareholder vote. The AGM resolution is advisory, but all remuneration shall be in line with the Remuneration Policy presented to shareholders. The Policy is intended to remain in place for four years until 2024 AGM.

This Remuneration Policy has been developed in accordance with Metso's remuneration principles, 2020 Finnish Corporate Governance Code issued by Finnish Securities Market Association, and the requirements set forth by the amended EU Shareholders' Rights Directive, which has been implemented in Finland mainly into the Limited Liability Companies Act, Securities Markets Act, Decree of the Ministry of Finance.

Metso's remuneration principles

Metso's remuneration philosophy is to offer compensation which considers relevant market and industry practices and supports performance differentiation. Metso's variable pay programs and performance measures are developed with these principles in mind and in the best interest of the company and its shareholders.

Remuneration Policy links remuneration to successful execution of Metso's strategy and long-term shareholder value creation. Short-term incentive (STI) targets are determined annually to reflect key performance indicators, which measure the successful execution of Metso's strategy. The usage of financial and non-financial STI performance measures further contributes to alignment between

the Policy, our values and our vision to be the best choice for sustainable processing and flow of natural resources company. The long-term incentive (LTI) plan aims to drive and reward long-term company success, competitiveness and shareholder value creation.

These principles that are applied to the CEO are also applied to other key employees, and the Remuneration and HR Committee considers key employee pay, conditions, short-term incentives and engagement across the Metso group to ensure a consistent approach is taken to remuneration across Metso.



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The remuneration principles and practices applied to the Board are described in the Board Remuneration Policy section.

All Metso's shareholders are encouraged to attend the Annual General Meeting (AGM) to express their views on our Remuneration Policy and its implementation. Metso reviews and considers all shareholder feedback received in relation to the AGM, and any other feedback received during investor meetings or from any correspondence as part of our annual review of the Remuneration Policy.

Remuneration governance

Remuneration-related decision-making process at Metso involves the Shareholders' Nomination Board, the AGM, the Board of Directors and the Board's Remuneration and HR Committee.

The Shareholders' Nomination Board proposes to the AGM the remuneration payable to the Board of Directors. Upon the recommendation of the Remuneration and HR Committee the Board of Directors submits, the Remuneration Policy (at least within every 4 years) and Remuneration Report (annually starting in 2021) to the AGM and approves annually the compensation of the President and CEO within the confines of this Remuneration Policy.

In order to avoid any conflict of interest, the Remuneration and HR Committee shall consist of non-executive Board members only. The Committee also has the power in its sole discretion to retain external advisors to assist the Committee in evaluating executive compensation.

Remuneration of the Board of Directors

Shareholders convened at the AGM resolve annually on the Board remuneration based on the proposal made by the Shareholders' Nomination Board.

The Shareholders' Nomination Board proposes to the AGM remuneration payable to the Board of Directors. Prior to making its proposal, the Shareholders' Nomination Board annually reviews the remuneration for the Chair and members of the Board and its competitiveness against peer companies of similar size and complexity. The aim is to ensure that Metso can attract and retain Board member composition consisting of relevant skills, competencies and experience required to exercise its duties and responsibilities efficiently in the best interest of the company and its shareholders.

Given the nature of the Board's duties and responsibilities, the Board members shall not be covered by Metso's bonus plans, share-based incentive schemes or pension plans. They receive fixed remuneration only which can be paid in cash or shares, or a combination of cash and shares.

Details of the Board's actual annual remuneration are reported each year in the Remuneration Report.

The Chair of the Board of Directors, who acts as an expert member of the Shareholders' Nomination Board, does not take part in the preparation or decision-making in the Shareholders' Nomination Board that relate to remuneration to be proposed to be paid to the Board of Directors.

Remuneration of the President and CEO

The remuneration of the President and CEO (including deputy CEO if such is appointed) may consist of fixed salary (base salary and fringe benefits in Finland), of variable elements such as short-term incentives (STI) and long-term incentives (LTI), pension and of other benefits and programs.

Remuneration Element	Purpose and link to long-term strategy	Description and operation
<p>Fixed salary</p> <p>Definition of fixed salary varies per country based on local legislation and market practice.</p>	<p>To compensate for daily job responsibilities</p>	<p>Fixed salary is typically reviewed annually. In Finland, practice normally includes base salary inclusive of fringe benefits.</p> <p>The Board may consider various factors when determining any fixed salary changes, including the level of salary increases for Metso's employees globally, external market benchmark data, business performance, role scope and individual performance.</p> <p>The actual fixed salary and annual increases will be reported in the annual Remuneration Report.</p>
<p>Short-term incentive (STI)</p>	<p>To reward business, individual/team success</p>	<p>The short-term incentive can range from 0%-100% of fixed salary.</p> <p>Performance measures, weightings and targets for the selected measures are set annually by the Board of Directors to ensure they continue to support Metso's short-term business strategy. These can vary from year to year to reflect business priorities and typically include a balance of Group's financial performance measures (for example cash flow, orders received, and profitability) and non-financial measures (for example key operational, strategic, environmental, social, governance or other sustainability related measures) provided that in any given year majority of weighting will be on financial performance measures.</p> <p>Details of actual performance measures applied for each year and how they support the business strategy will be disclosed in the annual Remuneration Report.</p> <p>Following the end of the year, the Board of Directors reviews the performance and determines the extent to which each of the targets have been achieved, to determine the final pay-out level.</p> <p>Audit committee reviews STI outcome. The Board has discretion to adjust the formulaic STI outcome in changed circumstances to improve the alignment of pay and to ensure the outcome is a fair reflection of the company performance.</p>
<p>Long-term incentive (LTI)</p>	<p>To reward sustainable multi-year performance, and to link reward to shareholder value creation</p>	<p>The long-term incentive can range from 0%-200% of fixed salary.</p> <p>Long-term incentive reward is typically paid in the form of performance shares with a three-year performance period.</p> <p>Performance measures, weightings and targets for these selected measures are set annually by the Board of Directors to ensure they continue to support Metso's long-term strategy. Performance measures may include, but are not limited to, financial and share-price related measures. Details of performance measures for each performance period and how they support the long-term strategy and shareholder value creation will be disclosed in the annual Remuneration Report.</p> <p>Following the end of the performance period, the Board of Directors reviews the performance and determines the extent to which each of the targets have been achieved, to determine the final pay-out level.</p> <p>The Board has discretion to adjust the formulaic LTI outcome in changed circumstances to improve the alignment of pay with value creation for shareholders, and to ensure the outcome is a fair reflection of the company performance.</p>



Remuneration Element	Purpose and link to long-term strategy	Description and operation
Pension	To provide a competitive retirement plan in line with market practice	Pension arrangements reflect the relevant market practice and may evolve year on year. The President and CEO may participate in pension programs reflecting the market practice in the country of employment.
Other benefits and programs	Provides a competitive level of benefits	<p>Benefits will be provided in line with appropriate levels indicated by market practice and may evolve year on year.</p> <p>Other benefits may include phone, company car, health insurance, private accident, life and disability insurance, business travel and director's and officers' liability insurance.</p> <p>Additional benefits and allowances may be offered in certain circumstances such as relocation or international assignment in line with Metso's long-term assignment guideline. President and CEO is also eligible to participate in programs which may be offered to Metso's other employees.</p>
Clawback and malus provision	To ensure pay for performance	All incentive awards are subject to malus (adjustment before pay-out) and clawback (reclaimed after pay-out) provisions, which can be applied in case of material misstatement and misconduct or in any other circumstance as determined by the Board at its discretion and in accordance with the terms and conditions of the relevant incentive arrangement. Clawback is defined in President and CEO's Managing director service agreement.
Shareholding recommendation	To encourage to build a meaningful shareholding in Metso	The President and CEO is required to accumulate and maintain a shareholding which is equivalent to the annual fixed salary.

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Managing Director service contract and severance pay

The terms of managing director contract of the President and CEO shall be specified in writing in managing director's contract. The contract shall be approved by the Board of Directors and specify the financial benefits of the President and CEO including severance package and other compensation.

The notice period of the managing director contract is determined to be in line with the market practices existing at the time of entering into the contract. Also the possible fixed salary during the notice period, and potential severance pay, are determined in line with the market practices existing at the time of entering into the managing director contract.

The treatment of incentive awards will depend on the circumstances of departure. For resignation and involuntary termination, unvested award will be forfeited. For other reasons, awards typically will continue to vest on their normal vesting date, subject to the achievement of performance measures. These awards will be pro-rated based on the length of time served between the start of the performance period and the date of cessation.

Deviations

The Board of Directors upon recommendation of the Remuneration and HR Committee may temporarily deviate from any sections of this Policy based on its full discretion in the circumstances described below:

- Upon change of the President and CEO and the Deputy CEO (if applicable),
- Upon material changes in Company structure, organization, ownership and business (for example merger, takeover, demerger, acquisition, etc.),
- Upon change of the relevant legislation or legal praxis (including changes in taxation), and
- In any other circumstance where the deviation may be required to serve the long-term interests and sustainability of the company or to assure its viability.

Metso's approach to recruitment is to offer a compensation package which is sufficient to attract, retain and motivate the individual with the right skills for the required role. When determining remuneration for a new President and CEO,

the Board of Directors upon recommendation of the Remuneration and HR Committee will consider the requirements of the role, the needs of the business, the relevant skills and experience of the individual and the relevant external market for talent.

Where an individual is recruited externally as the President and CEO, Metso will consider the remuneration package of that individual in their prior role. Generally, the Board of Directors will seek to align the new President and CEO's remuneration package to Metso's Remuneration Policy. On occasion, Metso may offer upon hire one-time supplementary rewards payable in cash or shares in comparable value to the arrangements forfeited by the candidate by joining Metso. The rationale and detail of any such award will be disclosed in the Remuneration Report.

Where an individual is appointed to the President and CEO as a result of internal promotion or following a corporate transaction (e.g. following an acquisition), the Board of Directors retains the ability to honour any legally binding legacy arrangements agreed prior to the individual's appointment.

In addition, where necessary, additional benefits may also be provided such as, but not limited to, relocation support, expatriate allowance, tax equalization and other benefits which reflect local market practice and relevant legislation.



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