

The background of the page is a close-up photograph of vibrant green leaves, split into two triangular sections by a white diagonal line. The leaves are detailed, showing their veins and texture, and are set against a light blue sky.

Remuneration Report **2022**

Introduction

Valmet's Remuneration Report describes the remuneration of the Board of Directors and the President and CEO of Valmet in 2022. The report has been prepared by Valmet's Remuneration and HR Committee to openly communicate the practices and processes Valmet uses to ensure fair and consistent remuneration, drive performance and secure the Company's long-term financial success.

The remuneration of the Board of Directors and the President and CEO is implemented in accordance with Valmet's Remuneration Policy, which was approved for the ongoing four-year cycle by Valmet's shareholders at the Annual General Meeting in June 2020. Due to the four-year cycle ending in 2024, Valmet will review its Remuneration Policy during 2023 and bring it to the AGM for a vote in the spring of 2024.

This report shows that the remuneration practices set by the Remuneration and HR Committee continue to be effective in driving Valmet's long-term business performance and supporting the implementation of the Company's key strategic priorities.

This report follows the requirements outlined in the EU Shareholder Rights Directive (SRD) and the Finnish Corporate Governance Code 2020 and is presented each year at the Company's Annual General Meeting for an advisory vote.

Comments on Valmet's Remuneration Report 2021

The Remuneration Report 2021 was presented at the Annual General meeting on March 22, 2022, for an advisory vote, and it was approved by the majority of shareholders.

Valmet's remuneration approach

Valmet's remuneration approach is built around the principles of driving high performance, competitive remuneration

Valmet's remuneration approach is built around the principles of driving high performance, competitive remuneration to retain talent with the best fit, as well as fairness and sustainability.

to retain talent with the best fit, as well as fairness and sustainability. We are committed to developing a strong pay-for-performance culture for employees at all levels and corners of the organization, combined with a healthy mix of non-monetary rewarding practices. This leads to truly engaged and performance-driven teams – and ultimately, a more successful and profitable company.

The President and CEO's remuneration package is aligned with and supported by our pay-for-performance culture. A significant portion of the President and CEO's remuneration package is based on variable pay in the form of short- and long-term incentives. This ensures we maintain a strong connection between the Company's financial performance and CEO remuneration, because the predefined performance targets for our short- and long-term incentives are directly linked to Valmet's business result. In addition, the President and CEO is expected to build and maintain a minimum shareholding in the Company to further support and align shareholder interest with management interest.

Chairman's foreword

Dear Shareholder,

2022 has been an exceptional year for Valmet. In April, we successfully completed the merger with Neles and began to integrate the Flow Control business into Valmet, a move that strengthened our offering and Valmet as a company. However, during the year, Valmet's operations were also impacted by high inflation, the Ukraine war, supply chain disruptions and the energy crisis, which contributed to a decrease in Valmet's relative profitability for the first time in the Company's history. Efforts to mitigate the impacts through price increases, component spot buys, the pooling of logistics and cost competitiveness actions started to show satisfactory effects in the latter part of the year.

Valmet has a strong set of remuneration principles which have successfully guided remuneration at all levels of Valmet. The Board of Directors, through the Remuneration and HR Committee, works to ensure that remuneration is structured to drive business performance, motivate and engage key personnel, support strategy implementation, and meet shareholder expectations. To this effect, Valmet operates a long-term incentive plan for its Executive Team, including the President and CEO. The plan is designed to drive performance based on long-term strategic and financial performance measures set for a three-year period to support the Company in achieving its strategic targets, while aligning the interests of management and our shareholders.

Valmet's most recent long-term incentive plans are good examples of taking shareholder interest – for example, in ESG performance – into account in our share-based plans. Specifically, the reward for the performance period 2022–2024 is based in part on ESG performance as measured by the progress of the implementation of Valmet's Sustainability Agenda and Climate Program, and the reward for the performance period 2023–2025 is based in part on the development of a valuation multiple of Valmet's share in

comparison to a peer group. Both reward periods also include targets supporting Valmet's long-term strategic and financial development.

The President and CEO's total earned remuneration in 2022 was approximately EUR 2 million, of which 55 percent was in the form of variable pay. The variable pay percentage is directly affected by the 2022 financial result, where absolute comparable EBITA and comparable EBITA margin were both within their targeted ranges, and stable business orders received were above the targeted level. The President and CEO's shareholding in Valmet at the end of 2022 was six times the recommended minimum for Executive Team members, which is set at 100 percent of annual base salary.

The Remuneration and HR Committee reviews market benchmark data for executive remuneration to determine the right compensation level for the President and CEO. Based on the most recent benchmark survey, the base salary for the President and CEO was increased by 10 percent as of January 1, 2022, to be closer to the market level and reflect the size of Valmet's business after the merger with Neles.

In 2023, the remuneration of the President and CEO will continue to be closely tied to stable business growth and the achievement of targeted profitability levels – both of which have developed significantly over the years. Valmet's profitability target window has evolved from 6–9 percent to 12–14 percent since 2014, and Valmet's stable business has grown from a 1-billion-euro services business to a 2.8-billion-euro stable business through organic growth, mergers and acquisitions, making the Company less cyclical and even more resilient to changes in the business environment – a path the Company aims to continue in the future.




Mikael Mäkinen
Chairman of the Board of Directors

Remuneration linked to long-term business performance

Valmet's business performance has been consistent, with a steady, year-on-year improvement in net sales each year during Valmet's history. Stable business orders received have been growing steadily over the years, only declining in 2020 due to COVID-19 restrictions but bouncing back in 2021 to pre-covid levels and beyond with continuing growth in 2022. Our stable business order intake has grown significantly over the years, reaching EUR 2.8 billion in 2022, fueled by the merger with Neles, which took place in April. Comparable EBITA continued to develop favorably in 2022, though our Comparable EBITA margin took a hit because of cost inflation, the Ukraine war, supply chain disruptions and increasing energy prices, which we were unable to mitigate fully through price increases in 2022.

The merger with Neles resulted in an increase in the size and scope of the Company in terms of industry reach, product range and geographical presence. In line with our remuneration policy, this resulted in a compensation adjustment for both the Board of Directors and the President and CEO. Consequently, the ratio

between the paid-out compensation for the President and CEO and the average Valmet employee increased over the past year. Overall, the President and CEO's remuneration increased in 2022, which reflects the impact of variable pay, i.e., short- and long-term incentives, on the President and CEO's total remuneration. Since our performance targets for short- and long-term incentives are linked to our business result, the business performance is directly reflected in the variable incentives paid to the President and CEO.

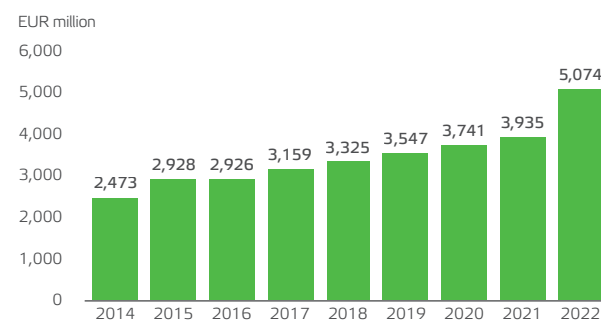
The table presents the paid compensation for the last five years for the members of the Board of Directors, the President and CEO

and the Average Valmet employee. For members of the Board of Directors, paid-out compensation is significantly impacted by meeting fees. During COVID-19, meeting fees were not paid out in full due to meetings being held remotely. The fluctuation in the compensation to the President and CEO is driven by annual changes in short- and long-term incentive achievement linked to business performance. The development of our Average Valmet employees' compensation is based on all personnel expenses without indirect employee costs divided by the average number of personnel during the year and impacted by the changes in our employee structures globally.

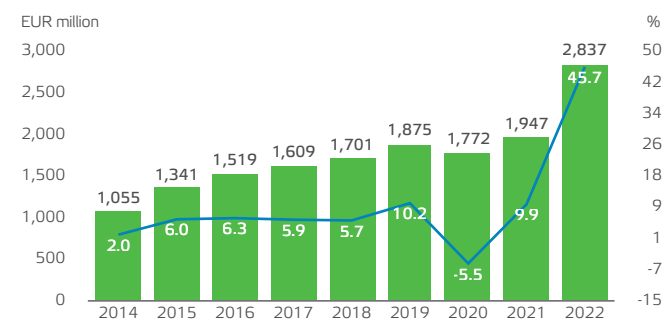
Paid compensation (in EUR)

	2018	2019	2020	2021	2022
Chairman of Board of Directors	123,440	123,004	137,836	141,005	167,260
Vice-Chairman of the Board of Directors	72,784	79,522	87,332	89,198	81,558
Other members of the Board of Directors (average)	65,627	75,357	85,665	78,633	83,047
President and CEO	1,813,633	1,948,234	1,756,724	1,868,841	2,669,525
Average Valmet employee	57,375	59,470	57,784	59,182	61,801

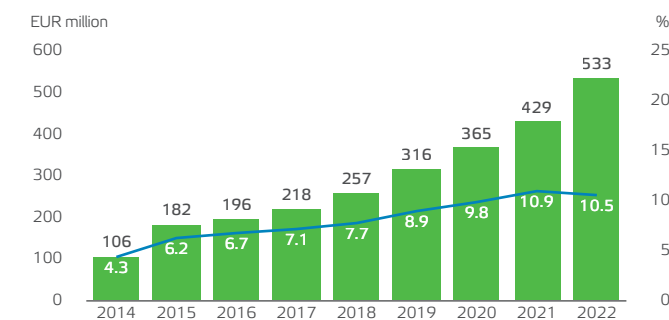
Net sales



Stable business orders received and growth, %



Comparable EBITA and EBITA margin, %



■ Stable business orders received
— Stable business orders received growth

■ Comparable EBITA
— Comparable EBITA margin

Remuneration Policy for the Board of Directors

The remuneration of the Board of Directors is decided for one term of office at a time by the General Meeting, based on the proposal of the Shareholders' Nomination Board. The remuneration of the members of the Board of Directors consists of an annual fee and a fee per meeting. An additional annual fee is paid to the members of the Board's committees. Board members' travel expenses and

daily allowances are also compensated in accordance with Valmet's travel expense policy. The Board of Directors' personnel representative is entitled to a meeting fee for the meetings which they have been invited to attend and have attended.

Remuneration of the Board of Directors for the previous financial year

Board of Directors' compensation in 2022 (in EUR)

Name	Total annual fee ¹	Share reward portion	Cash portion	Committee fee	Meeting fees	Total
Aaro Cantell	64,164.40	25,649.92	38,514.48	4,000.00	15,000.00	83,164.40
Jaakko Eskola ²	77,808.20	31,107.90	46,700.30	0.00	3,750.00	81,558.20
Anu Hämäläinen ²	62,246.55	24,881.20	37,365.35	7,000.00	8,250.00	77,496.55
Pekka Kempainen	63,780.80	25,496.18	38,284.62	7,000.00	13,500.00	84,280.80
Per Lindberg	63,780.80	25,496.18	38,284.62	0.00	9,750.00	73,530.80
Monika Maurer	63,780.80	25,496.18	38,284.62	4,000.00	18,750.00	86,530.80
Mikael Mäkinen	144,260.00	57,680.30	86,579.70	8,000.00	15,000.00	167,260.00
Eriikka Söderström	63,780.80	25,496.18	38,284.62	16,000.00	13,500.00	93,280.80
Tarja Tyni ³	0.00	0.00	0.00	0.00	3,750.00	3,750.00
Rogério Ziviani ³	0.00	0.00	0.00	0.00	2,250.00	2,250.00
Total	603,602.35	241,304.04	362,298.31	46,000.00	103,500.00	753,102.35

¹ Total annual fee consists of a Share reward portion, transfer tax and a Cash portion.

² Board member as of April 1, 2022.

³ Board member until March 22, 2022.

Compensation of the Board of Directors' personnel representative in 2022 (in EUR)

Name	Total annual fee	Share reward portion	Cash portion	Committee fee	Meeting fees	Total
Juha Pöllänen	0.00	0.00	0.00	0.00	8,250.00	8,250.00

The Shareholder's Nomination Board reviews benchmark data for board remuneration annually to determine the right market compensation levels for the Chairman of the Board, the Vice-Chairman of the Board and the members of the Board. The merger with Neles resulted in an increase in the size and scope of the Company in terms of industry reach, product range and geographical presence. In line with our remuneration policy, this resulted in a compensation adjustment for the Board of Directors in 2022. Based on the decision of the Annual General Meeting, 40 percent of the Board's annual fees were reinvested to buy Valmet shares from the market. No special terms or conditions are associated with share ownership.

Remuneration Policy for the President and CEO at a glance

The Remuneration Policy provides a remuneration structure that aligns the remuneration for the President and CEO with the Company's long-term value creation and the achievement of its strategic objectives in accordance with its remuneration principles. The table below describes the policy's content at a glance.

The table below summarizes the elements of the President and CEO's remuneration:

Remuneration element	Purpose and link to strategy	Operation
Fixed base salary	Core reward for the role at an appropriate level to attract and retain.	Valmet follows the peer company market median to set the President and CEO's base salary level, considering experience and performance. The base salary is normally reviewed annually with effect from January 1. Salary market movement and Company performance, as well as individual performance, are considered when determining any salary increase, which is approved by the Board of Directors.
Pension and insurance benefits	Provides a retirement benefit in addition to the statutory pensions in line with local market practices and supports employee recruitment, engagement, and retention.	Pension arrangements for the President and CEO follow local market practice and legislation: Finland has a statutory pension system (Finnish TyEL) in which the President and CEO participates. Under the Finnish TyEL pension, base salary, short-term incentives and other taxable benefits are included in the definition of earnings, while gains from share-based plans are not. According to local market practice, the President and CEO has an additional pension benefit in the form of a defined contribution pension plan of 20 percent of annual fixed base salary. The President and CEO's retirement age is 63, which was the statutory retirement age at the commencement of the President and CEO's employment. Other insurance benefits will be provided in line with appropriate levels indicated by the local market practice and requirements in the country of employment.
Short-term Incentive	To incentivize and recognize the achievement of specific annual financial and business objectives in support of the Company's strategy.	The short-term incentive is an annual performance bonus for which the Board of Directors sets the annual maximum incentive opportunity (as a percentage of the base salary), performance measures and target levels for the President and CEO. The short-term incentive performance criteria include Company-level key financial targets with a significant weight and strategic individual targets defined by the Board of Directors.
Long-term incentive	To align the objectives of shareholders and executives to increase the value of the Company, commit executives to the Company, and offer a competitive reward plan based on a long-term shareholding in Valmet.	The President and CEO is included in share-based incentive plans decided and implemented by the Board of Directors, and for which share repurchase and share issue authorizations are obtained from the General Meeting. The plan mainly follows a three-year earning period with Company-level strategic and financial performance targets. The long-term incentive plan's performance targets are determined and decided annually by the Board of Directors. Performance targets are measurable, and the achievement of these targets determines the payout level of the share-based incentive plan. For the President and CEO, the reward for each performance period is capped at grant to a maximum number of shares.

Remuneration of the President and CEO for the previous financial year

President and CEO total compensation in 2022 (in EUR)

	Fixed Annual Salary (incl. taxable benefits)	Variable Compensation		Post-retirement benefit	Total Compensation
		Short-term incentive payment	Share-based incentive payment	Supplementary pension	
President and CEO	766,817.10	663,910.92	1,085,434.46	153,363.00	2,669,525.48

The Total Compensation for the President and CEO in 2022 refers to the paid compensation based on the 2021 performance period, whereas the sum on page 3 in the Chairman's foreword refers to the total earned remuneration for the 2022 performance period.

Valmet follows a peer company market median to set the base salary level for the President and CEO, considering experience and performance. Salary market movement and Company performance, as well as individual performance, are considered when determining any salary increase, which is approved by the Board of Directors. The President and CEO's remuneration and other terms of the agreement are in accordance with Valmet's Remuneration Policy.

The merger with Neles resulted in an increase in the size and scope of the Company in terms of industry reach, product range and geographical presence. In line with our remuneration policy, this resulted in a compensation adjustment of 10 percent to the President and CEO's base salary.

In 2022, the President and CEO's monthly fixed compensation was EUR 60,859. The fixed salary includes a company car and phone allowance as fringe benefits.

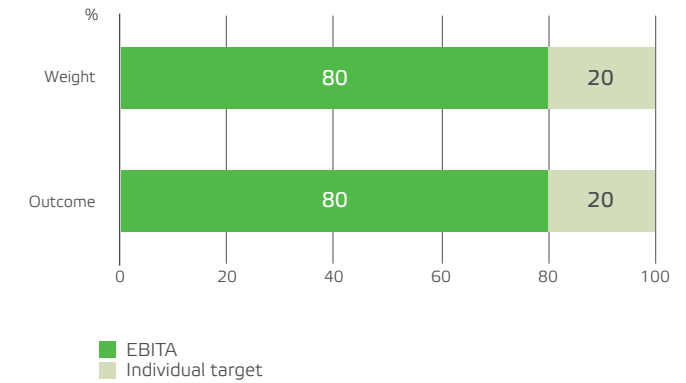
Variable pay, meaning short- and long-term incentives, constitutes a substantial part of the President and CEO's total remuneration. In 2022, the paid short- and long-term incentives corresponded to approximately 65 percent of total compensation, and the fixed annual salary to 29 percent. The supplemental pension paid to the President and CEO corresponded to approximately 6 percent of total remuneration. Variable pay paid in 2022 is based on the performance period corresponding to the calendar year 2021. The President and CEO received no other financial benefits in 2022.

Performance outcomes

Short-term incentives for 2021, paid in 2022

The maximum short-term incentive for the President and CEO corresponded to 100 percent of the annual base salary for 2021. The short-term incentive is based on the Company's comparable EBITA development with an 80 percent weight and strategic targets set by the Board of Directors with a 20 percent weight. The outcome of the 2021 Valmet-level comparable EBITA target was 100 percent of the min/max range. In 2021, the Board of Directors set individual targets for the President and CEO Pasi Laine related to sustainability progress and other strategic actions. President and CEO Pasi Laine's individual targets were achieved in full in 2021 (100 percent). The accrued incentives for 2021 were paid in March 2022. The graph on the right presents the STI target setting and outcome for the President and CEO Pasi Laine for the financial year 2021.

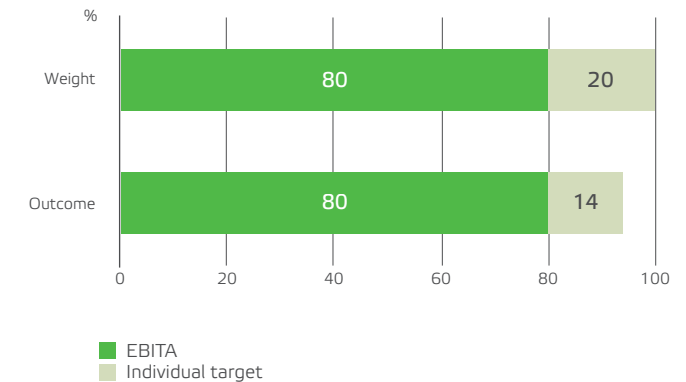
Short-term incentives for 2021, paid in 2022



Short-term incentives for 2022, payable in 2023

The maximum short-term incentive for the President and CEO corresponds to 100 percent of the annual base salary for 2022. The short-term incentive is based on the Company's comparable EBITA development with an 80 percent weight and strategic targets set by the Board of Directors with a 20 percent weight. The outcome of the 2022 Valmet-level Comparable EBITA target was 100 percent of the min/max range. In 2022, the Board of Directors set individual targets for the President and CEO Pasi Laine related to sustainability development and other strategic actions. President and CEO Pasi Laine's individual target achievement in 2022 reached 70 percent. The accrued incentives for 2022 will be paid in March 2023. The graph on the right presents the STI target setting and outcome for the President and CEO Pasi Laine for the financial year 2022.

Short-term incentives for 2022, payable in 2023



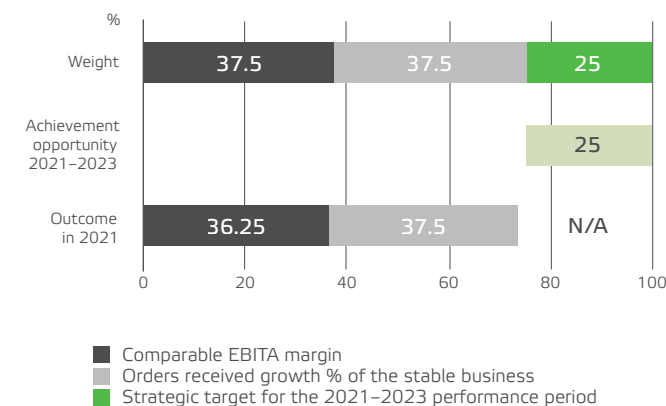
Performance Share Plan 2021–2023 (PSP 2021–2023), paid partly in 2022 and payable partly in 2024

The maximum long-term incentive reward for the President and CEO was 150 percent of annual base salary determined as a number of shares with the average share price of December 2020. The maximum reward corresponds to 45,879 shares. The potential reward for the 2021–2023 performance period is based on achieving a predefined strategic performance measure, as well as measures supporting Valmet’s long-term strategic and financial development. The strategic performance measure drives the Company’s strategic development and growth through successful business-relevant mergers and acquisitions. The performance measures supporting long-term strategic and financial development are set for the full three-year period. They are comparable EBITA margin and orders received growth (%) of the stable business, that is, Services and Automation. The outcome for the 2021 performance period was 98.34 percent of the maximum, driven by strong profitability development and a recovery of the stable business order intake after COVID-19 impacts in 2020. The strategic performance measure’s outcome will be determined after the full 2021–2023 performance period. Part of the total reward was paid in the spring of 2022, followed by a two-year restriction period, which determines the final value of this portion of the share reward, while a portion based on the strategic performance measure will be paid out in the spring of 2024 after the performance measure’s final outcome has been determined. The aggregate reward based on the Performance Share Plan 2021–2023 will be available in the spring of 2024.

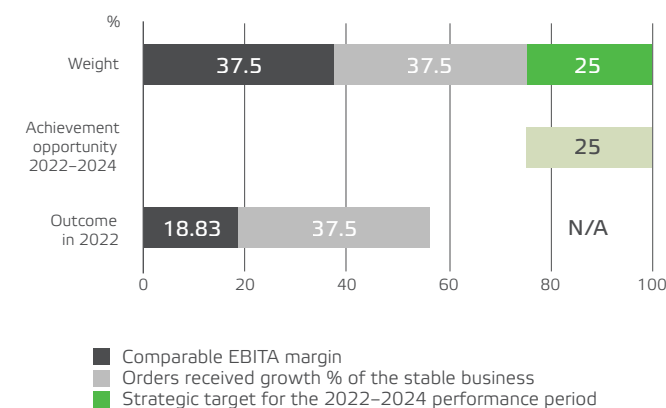
Performance Share Plan 2022–2024 (PSP 2022–2024), payable in 2023 and 2025

The maximum long-term incentive reward for the President and CEO was 150 percent of annual base salary determined as a number of shares with the average share price of December 2021. The maximum reward corresponds to 31,279 shares. The potential reward for the 2022–2024 performance period is based on achieving a predefined strategic ESG performance measure, as well as measures supporting Valmet’s long-term strategic and financial development. The strategic performance measure is linked to the progress of Valmet’s comprehensive Sustainability Agenda and Climate Program and rewards plan participants for achieving our ambitious environmental, social and governance targets. The performance measures supporting long-term strategic and financial development are set for the full three-year period. They are comparable EBITA margin and orders received growth (%) of the stable business, that is, the Services and Automation segments. The outcome for the 2022 performance period was 75.1 percent of the maximum, driven by a strong stable business order intake. The strategic performance measure’s outcome will be determined after the full 2022–2024 performance period. Part of the total reward will be paid in the spring of 2023, followed by a two-year restriction period, which will determine the final value of this portion of the share reward, while a portion based on the strategic performance measure will be paid out in the spring of 2025 after the performance measure’s final outcome has been determined. The aggregate reward based on the Performance Share Plan 2022–2024 will be available in the spring of 2025.

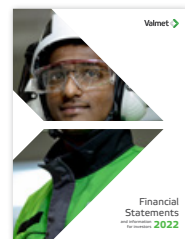
Performance Share Plan 2021–2023 (PSP 2021–2023), paid partly in 2022 and payable partly in 2024



Performance Share Plan 2022–2024 (PSP 2022–2024), payable in 2023 and 2025



Valmet reports 2022



FINANCIAL STATEMENTS 2022 AND INFORMATION FOR INVESTORS

The report includes Valmet's Financial Statements for 2022 and information about its share, shareholders and management.



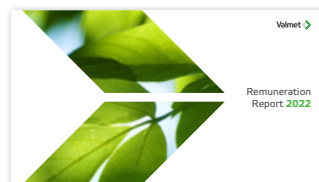
ANNUAL REVIEW 2022

The report covers Valmet's market environment and the progress of its strategy, operations and sustainability in 2022.



GRI SUPPLEMENT 2022

The report includes Valmet's sustainability reporting indicators and principles, and its alignment with the Global Reporting Initiative (GRI) Standards framework in 2022.



REMUNERATION REPORT 2022

The report covers Valmet's remuneration principles and remuneration in 2022.



CORPORATE GOVERNANCE STATEMENT 2022

The report covers Valmet's governance principles and activities, Board of Directors and management in 2022.

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