

CORPORATE GOVERNANCE

General Governance Issues

The duties of the various bodies within Metso Corporation and its subsidiaries (Metso) are determined by the Finnish laws and regulations and by Metso's corporate governance, which complies with the Finnish Companies Act and Finnish Securities Market Act. Further, Metso adheres to good governance practices and local laws applicable to its subsidiaries.

Metso follows Finnish Corporate Governance Code issued by the Finnish Securities Market Association.

Metso further complies with

- (i) the Guidelines for Insiders published by the NASDAQ OMX Helsinki Exchanges, Central Chamber of Commerce and Confederation of Finnish Industries and
- (ii) the Helsinki Takeover Code issued by Securities Market Association.

The Board of Directors (hereinafter the "Board") and the President and Chief Executive Officer (hereinafter the "CEO") are responsible for the management of Metso. Other governance bodies have an assisting and supporting role. The Board shall assure good corporate governance practice within Metso.

Board

The Board consists of no less than five and no more than eight members elected by the Annual General Meeting of Shareholders for the term which expires at the end of the first Annual General Meeting of Shareholders following the election. Currently, the Board consists of seven members.

The Board shall evaluate the independence of its members and report which Board members it determines to be independent of the company and which Board members it determines to be independent of significant shareholders.

The Board supervises the operation and management of Metso and decides on significant matters relating to strategy, investments, organization and finance.

The following are the main duties of the Board:

- To approve Metso's long term goals and strategies for achieving them.
- To approve Metso's annual business and other major action plans.
- To approve Metso's organizational structure and the main principles for the incentive systems.

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- To appoint the CEO, Presidents of reporting segments and other members of the Metso Executive Team.
- To approve Metso's corporate policies in key management areas, like corporate governance, risk management, financial control, treasury, internal control, information security, corporate communications, human resources, environment and disclosure policy and code of conduct.
- To ensure, that supervision of the book-keeping and the financial matters is properly organized, and to ensure proper preparation of the interim and the yearly financial statements.
- To ensure the adequacy of planning, information and control systems for monitoring results and managing risks in operations.
- To monitor and evaluate the performance of the CEO and to decide upon his remuneration and benefits.
- To decide on which matters the Board delegates to the CEO for decision.
- To make proposals for and convene the General Meetings of Shareholders.
- To decide upon other matters not belonging to the day to day operations, such as major investments, acquisitions and divestitures, and major joint ventures and loan agreements. The Board also decides upon guarantees given by Metso Corporation as separately defined by the Board.
- To decide upon other matters in accordance with the provisions in the Companies Act.

The Board shall draw up a charter for its work. The Company shall describe the essential contents of the Board charter.

Board Committees

The Board will have two permanent committees, i.e. an Audit Committee (hereinafter the "AC") and a Remuneration and HR Committee (hereinafter "RHRC").

The Board will supervise the activities of these committees. The committees shall regularly report on their work to the Board.

Audit Committee

The AC consists of the committee's chairman and at least two other members, who all are elected by the Board from among its members who are independent of the company and at least one of the members shall be independent of significant shareholders. The AC members shall have qualifications necessary to perform the responsibilities of the AC, and at least one member shall have expertise specifically in accounting, book-keeping or auditing.

The Board shall define the duties of the AC in the charter confirmed for the committee. The company shall describe the essential contents of the AC charter. Duties of the AC include:

- Review of financial reporting by
 - monitoring the reporting process of financial statements
 - reviewing of draft financial statements and interim reports and of Metso's accounting principles and
 - reviewing of significant or exceptional business transactions and of the management's assessments,
- Review of compliance with
 - laws and provisions and
 - code-of-conduct procedures and assessment,
- Review of internal control and risk management by
 - assessment and monitoring the efficiency of Metso's internal control, internal audit systems and
 - assessment and monitoring the efficiency of Metso's risk management systems,
- Review of internal audit by
 - assessment of the internal audit and approval of the audit plan and
 - follow-up of internal audit reporting,
- Review of Corporate Governance Statement
- Matters relating to auditors such as
 - preparation of the proposal for the election of auditors
 - assessment of the audit plan
 - monitoring the statutory audit of the financial statements and consolidated financial statements
 - thorough study of the auditor's reports and discussion about these with the auditors
 - assessment of the quality and scope of the audit

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- evaluation of the independence of the auditors, particularly the provision of related services to Metso

Remuneration and HR Committee

The RHRC consists of the committee's chairman and at least two other members, who all are elected by the Board from among its members who are independent of the company.

The Board shall define the duties of the RHRC in the charter confirmed for the committee. The company shall describe the essential contents of the RHRC charter.

The RHRC shall review and monitor (i) the competitiveness of the remuneration and incentive systems within Metso, prepare and make proposals to the Board for the remuneration and benefits of the CEO and decide upon the remuneration and benefits of the MET members and (ii) the development of the Human Resources related issues such as competence and talent development and successor planning of Metso's senior management.

The RHRC (i) evaluates the performance and compensation of the CEO and prepares and makes proposals to the Board for appointment and compensation of the CEO and (ii) based on the preparation by the CEO makes proposals to the Board for the appointment of MET members.

The RHRC may authorize its Chairman to decide upon the remuneration and benefits of these officers. The CEO proposes to the Chairman of RHRC for approval the remuneration and benefits to other officers reporting to the CEO.

CEO

The Board appoints and, if needed, dismisses the CEO, who shall be in charge of the management of Metso in accordance with the provisions in the Companies Act, Corporate Governance rules and instructions given to him by the Board.

The CEO reports to the Board and keeps the Board sufficiently informed of Metso's business environment such as customers, competition and markets as well as of the financial and other status of Metso.

The CEO prepares the matters on the agenda of the Board and Board committees and implements the decisions made by the Board and Board committees if not otherwise decided by the Board in particular.

The CEO shall guide and supervise the operations of Metso and its businesses.

The CEO will also act as chairman for Metso Executive Team.

Metso Executive Team

The CEO, Presidents of reporting segments and other members designated by the Board form Metso Executive Team (hereinafter the “MET”).

MET assists the CEO in preparation of matters such as Metso plan, strategies, policies and other matters as requested by the CEO.

MET will convene when called by the CEO.

Reporting segment Presidents

Reporting segments consist of business lines and market areas integrated within the reporting segment. The business line Presidents and market area Presidents report to President of the reporting segment. The business line President may also have a dotted line reporting directly to the CEO. The Presidents of reporting segments report to the CEO and keep him informed of the financial and operational performance of the reporting segment, segment’s business environment, its customers and the competition.

The CEO shall actively engage in the business and direct the reporting segment Presidents, who are in charge of

- (i) the financial and operational performance of the reporting segment,
- (ii) the business and strategy development of the reporting segment (and its business lines and market areas),
- (iii) implementation of Metso plans, strategies and policies within the reporting segment (and its business lines and market areas) and
- (iv) talent development within the reporting segment, together with the CEO
- (v) the effective co-operation and adequate alignment of the operations of the business lines and market areas of the segment and with other segments in the best interest of Metso Group.

Boards of Metso subsidiaries

The Boards of Metso subsidiaries will ascertain that operations in all companies within Metso are managed in accordance with the prevailing laws, regulations and Metso policies.

The Boards of Metso subsidiaries consist of three to five Board members designated by the CEO, as a main rule, among the persons belonging to the Metso management. The CEO is the Chairman of the Boards of Metso’s major subsidiaries.

The specific responsibilities of the boards of holding and other similar companies within Metso will be defined by the CEO.

Legal Compliance and Ethical Standards

It is a strong commitment on Metso's part to conduct business under policies and procedures, which incorporate high ethical standards and compliance with applicable laws.

Metso is subject to a wide range of legal requirements, which in many cases may be quite complex. Each of the Metso's businesses is expected to implement and adhere to a code of ethical conduct and initiate appropriate procedures to assure legal compliance. These should extend to all appropriate matters, including particularly laws governing environment, workplace safety and product safety, anti-bribery, antitrust and unfair trade practices, employment discrimination and harassment, and improper use of confidential information.

Guidelines should be in place, which ensure that employees are familiar with those laws, which apply to their activities, that they conduct themselves in compliance with those laws, and that those who have questions as to their legal or ethical obligations seek appropriate clarification from a designated senior officer.

Nomination Board

General Meeting has established a Shareholders' Nomination Board to prepare proposals concerning the election and remuneration of the members of the Board of Directors to the General Meetings and has adopted the Charter of the Shareholders' Nomination Board.

Nomination Board comprises representatives nominated by the four largest shareholders of the company and the Chairman of the Board of Directors. The right to nominate representatives shall be vested with the four shareholders of the Company having the largest share of the votes represented by all the shares in the Company annually on September 1 based on the company's shareholders' register held by Euroclear Finland Ltd. However, if a shareholder who has distributed his/her holdings e.g. into several funds and has an obligation under the Finnish Securities Markets Act to take these holdings into account when disclosing changes in share of ownership makes a written request to such effect to the Chairman of the Board of Directors no later than on August 31, such shareholder's holdings in several funds or registers will be combined when calculating the share of votes which determines the nomination right. Should a shareholder not wish to exercise his/her nomination right, the right shall be transferred to the next largest shareholder who otherwise would not be entitled to nominate a member.

The Chairman of the Board of Directors shall convene the first meeting of the Nomination Board and the Nomination Board shall elect a chairman from among its members. The Nomination Board shall give its proposal to the Board of Directors annually no later than January 31 preceding the next Annual General Meeting. The term of office of the members of the Nomination Board expires annually after the new Nomination Board has been appointed.



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Approved by the Board on March 26, 2014

Effective Date

Metso's Corporate Governance rules shall become effective and enter into force as of March 26, 2014 and replace the Corporate Governance rules approved by the Board of Directors on January 24, 2014.
