

Corporate  
Governance  
2014



# Metso Corporate Governance Statement

We have prepared this Corporate Governance Statement in accordance with current legislation, such as the Finnish Companies Act, the Accounting Act and the Finnish Securities Markets Act, and the company's Articles of Association. We also observe the rules, regulations and guidelines of NASDAQ OMX Helsinki Ltd and the Finnish Financial Supervisory Authority, and we adhere to the Finnish Corporate Governance Code (publicly available on [www.cgfinland.fi](http://www.cgfinland.fi)). Metso complies with the Code entirely and has not deviated from its recommendations.

This statement is issued separately from the Board of Director's report. We provide updated information about our governance issues on our website at [www.metso.com](http://www.metso.com).

The Audit Committee of Metso's Board of Directors has reviewed this Corporate Governance Statement.

## Governing bodies of Metso

Metso's supreme decision-making body is the Annual General Meeting of Shareholders. The Board of Directors (Board) and the President and CEO are responsible for the management of Metso. Other Metso executives have an assisting and supporting role. The Board seeks to ensure the compliance of good corporate governance principles within Metso.

## Annual General Meeting of Shareholders

The General Meeting is the supreme decision-making body of Metso. The Annual General Meeting of Shareholders is held once a year before the end of June. It decides on the matters stipulated in the Finnish Companies Act and the Articles of Association.

Such issues include:

- Adoption of the financial statements
- Use of the profit shown on the balance sheet
- Election of the Chairman, Vice Chairman and members of the Board and the decision on their remuneration
- Discharging from liability the members of the Board and the President and CEO
- Election of the Auditor and the decision on compensation
- Proposals made by the Board or a shareholder (e.g. amendments of the Articles of Association, the repurchase of the company's own shares, share issues, special authorizations)



We publish a notice of the Annual General Meeting no more than three months and no less than three weeks before the meeting on the company's website and in one or more widely circulated newspapers or we deliver it directly to shareholders when required by law. Additionally, we publish the meeting notice as a stock exchange release immediately after the Board has decided on the convening of the Annual General Meeting. The Annual General Meeting agenda, decision-making proposals and meeting documents are available on our website at least three weeks prior to the meeting.

All shareholders registered by the record date in the company's list of shareholders maintained by Euroclear Finland Ltd have the right to attend the Annual General Meeting. Each share entitles the holders to one vote. Shareholders are entitled to have an issue put on the Annual General Meeting's agenda, provided that the issue requires a decision by the Annual General Meeting according to the Finnish Companies Act. The request must be submitted in writing to the Board early enough so that the issue can be included in the meeting notice. On our website we announce the date by which the shareholder must notify the Board of an issue to be added to the Annual General Meeting agenda.

Decisions are primarily made by a simple majority of votes; such decisions include the approving of the financial statements, payment of dividends, election of Board members and auditors and their remuneration, and discharging from liability the members of the Board and the President and CEO.

#### 2014

The Annual General Meeting was held in Helsinki on March 26, 2014. A total of 1,410 shareholders representing about 49.6 percent of the company's votes participated in it either in person or by power of attorney. The Annual General Meeting approved the financial statements and discharged the members of the Board of Directors and the company's President and CEO from liability for the financial year 2013. The meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.00 per share. The minutes of the meeting and other related documents can be found on Metso's website at [www.metso.com/AGM](http://www.metso.com/AGM).

#### Shareholders' Nomination Board

The Shareholders' Nomination Board (Nomination Board), a permanent corporate body established by the Annual General Meeting, prepares proposals regarding the composition of the Board and remuneration to its members for the Annual General Meetings. The Nomination Board consists of representatives appointed by the four largest shareholders on September 1. In addition, the Nomination Board includes the Chairman of the Board as an expert member. The Chairman of the Board convenes the Nomination Board, which elects its chairman from among its members.

#### Nomination Board ahead of 2015 AGM

Metso's four largest shareholders announced on September 2, 2014, the following representatives for the Nomination Board: Jonas Synnergren, Partner of Cevian Capital (chairman); Kari Järvinen, Managing Director, Solidium Oy; Risto Murto, President and CEO of Varma Mutual Pension Insurance Company; and Harri Sailas, President and CEO of Ilmarinen Mutual Pension Insurance

Company. Metso's Chairman of the Board Mikael Lilius served as the Nomination Board's expert member.

The Nomination Board convened four times and the participation rate of its members was 95 percent. On January 14, 2015, the Nomination Board provided Metso's Board with its proposal for the Annual General Meeting to be held on March 27, 2015. The Nomination Board proposes the re-election of Mikael Lilius, Christer Gardell, Wilson Brumer, Ozey K. Horton, Jr., Lars Josefsson, Nina Kopola and Eeva Sipilä. It is proposed to re-elect Mikael Lilius as Chairman of the Board of Directors and Christer Gardell as Vice Chairman of the Board of Directors.

The Nomination Board proposes that the members of the Board of Directors be paid the following annual remuneration: to the Chairman EUR 110,000; to the Vice Chairman EUR 62,000; to the other members EUR 50,000 each; to the member of the Board to be elected in the position of Chairman of the Audit Committee an additional remuneration of EUR 15,000; and to the member of the Board to be elected in the position of Chairman of HR and Remuneration Committee an additional remuneration of EUR 5,000. The Nomination Board further proposes that for each meeting of the Board of Directors or the committees of the Board of Directors a fee of EUR 700 be paid to the members of the Board that reside in the Nordic countries, a fee of EUR 1,400 be paid to the members of the Board that reside in other European countries and a fee of EUR 2,800 be paid to the members of the Board that reside outside Europe. As a condition for the annual remuneration, the members of the Board are obliged to use 40% of the fixed annual remuneration for purchasing Metso shares.

The Nomination Board notes that a personnel representative will participate as an external expert in the Board meetings also in the next Board term within the limitations imposed by Finnish law. The new Board of Directors will invite the personnel representative as its external expert in its assembly meeting after the Annual General Meeting.

#### Board of Directors

The Board oversees the management and operations of Metso. It also decides on significant matters related to strategy, investments, organization and finances.

Metso's Board consists of five to eight members, which the Annual General Meeting elects for a term that lasts until the end of the next Annual General Meeting. Pursuant to the Finnish Act on Personnel Representation in the Administration of Undertakings, a personnel representative participates in the meetings as an invited expert with no voting rights or legal liability for the Board's decisions. There is no specific order of appointment of Board members.

The Board is convened by the Chairman, or if the Chairman is unavailable, by the Vice Chairman. The Board has a quorum when more than half of the members are present and one of these is the Chairman or the Vice Chairman. A decision of the Board shall be carried by a majority of those present or, in the case of a tie, the Chairman shall have the casting vote. Matti Kähkönen, Metso's President and CEO, and Harri Nikunen, CFO, participate in the Board meetings, and Aleksanteri Lebedeff, General Counsel, acts as Secretary of the Board. Other Metso Executive Team members and other executives participate in the meetings when needed.

### Main duties of the Board of Directors

The Board's main duties include the following:

- To approve Metso's long-term goals and strategy
- To approve annual business and other major action plans
- To approve Metso's organizational structure and the principles for the incentive systems
- To appoint and to dismiss the President and CEO; to approve the appointment and dismissal of the Deputy to the CEO, the Metso Executive Team members and the Presidents of the reporting segments based on proposal by the President and CEO
- To monitor and evaluate the performance of the President and CEO and to decide upon his/her remuneration and benefits
- To ensure that the supervision of the accounting and financial matters is properly organized, and to ensure proper preparation of the interim and annual financial statements
- To ensure the adequacy of planning, information and control systems for monitoring the bookkeeping and handling of financial matters and risk management
- To make proposals for and convene the Annual General Meeting of Shareholders and Extraordinary Meetings of Shareholders
- To decide upon other matters that do not belong to day-to-day operations or matters that are of major importance, such as major investments, acquisitions and divestitures, major joint ventures and loan agreements as well as major financial guarantees. The Board also decides upon principles, within the framework of which Metso's management can make decisions on investments, business acquisitions and divestitures, and financial guarantees
- 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. Metso's President and CEO approves more detailed and supplementary guidelines for the application of the Board approved policies.

### 2014

The Annual General Meeting held on March 26, 2014 elected seven members to Metso's Board: Chairman Mikael Lilius, Vice Chairman Christer Gardell, Wilson Brumer, Ozey K. Horton, Jr., Lars Josefsson, Nina Kopola and Eeva Sipilä. The terms of office of the Board of Directors will continue until the closing of the Annual General Meeting 2015. The Board convened 14 times and made 2 unanimous resolutions without convening. The participation rate of its members was 95 percent. Each member's attendance is shown in the table below.

The key themes of the Board's agenda were the development and approval of Metso's new strategy, organizational structure and operating model. The Board concluded to continue Metso's transformation after the demerger by adopting a new strategy focusing on growth in the higher-margin services and product businesses in the minerals processing and oil & gas industries as Metso's core customer industries. In line with the new strategy, the Board also carried out a study for strategic alternatives for Metso's process automation systems (PAS) business, which serves primarily the pulp, paper and power industry. As result, the Board decided to streamline Metso's business portfolio by way of a divestment of the PAS business. The Board carried out a thorough assessment of a proposal for commencing a discussion regarding a potential combination of Metso's business made by Weir, PLC, and decided to reject the proposal.

The Board carried out a self-assessment of its performance. The assessment, consisting of a questionnaire and an interview of the Board members, conducted by the Chairman, covered issues like the composition of the Board, the efficiency and quality of the Board and its committees' work, the Board's strategy work, collaboration between the Board and operative management, and quality of the information, materials, and reporting and control systems provided to and used by the Board. The results of the assessment are used in developing the Board work.

### Board committees

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

#### Audit Committee

The Board's Audit Committee monitors the company's financial reporting and prepares issues for the Board related to the monitor-

### Members of the Board of Directors and meeting attendance

Members	Independent of the company	Independent of major shareholders	Board	Audit Committee	Remuneration and HR Committee
Mikael Lilius	yes	yes	Chairman 14/14	-	Chairman 4/4
Christer Gardell	yes	no	Vice chairman 14/14	-	3/4
Wilson Brumer	yes	yes	Member 12/14	-	-
Ozey K. Horton Jr.	yes	yes	Member 14/14	-	4/4
Lars Josefsson	yes	yes	Member 14/14	6/6	-
Nina Kopola	yes	yes	Member 12/14	6/6	-
Eeva Sipilä	yes	yes	Member 14/14	Chairman 6/6	-
Juha A. Lehtonen	yes	yes	Personnel representative 13/14	-	-

ing of Metso's financial situation, financial reporting, auditing, and risk management. The Audit Committee convenes at least four times per year. It consists of the committee's Chairman and two members, all of whom are elected by the Board from among the members independent of the company. At least one of the members must be independent of significant shareholders. The Audit Committee members must have the qualifications necessary to perform the responsibilities of the committee and at least one member must have expertise specifically in accounting, bookkeeping or auditing.

Among other things, the Audit Committee:

- Assesses Metso's draft financial statements and interim reports, accounting policies, accounting principles of significant or exceptional business transactions, management forecasts and statements relating to Metso's short-term outlook
- Assesses compliance with laws and provisions and with internal instructions, as well as assesses the efficiency of internal control and risk management
- Reviews Metso's Corporate Governance Statement
- Approves the audit plans of internal and external auditors and follows up reporting related to these plans
- Prepares for the election of independent auditors, monitors the statutory auditing of the financial statements and consolidated financial statements, assesses and reviews the auditors' reports with the auditors, and assesses the quality and scope of the audit. Additionally, it assesses the independence of the auditors, particularly any impact on independence arising from other services they offer to Metso
- Assesses Metso's financial reporting and reporting methods in collaboration with the company's management, internal audit and an external auditor or other external experts
- Approves the procurement principles for external auditing services and an external auditor's annual auditing fees
- Maintains procedures enabling the receiving and processing of complaints related to accounting, internal control and internal auditing, and the possible anonymous and confidential reporting of misconduct, fraud, and accounting and auditing issues

#### 2014

The Audit Committee convened 6 times. The members and their meeting attendance are presented in the Members of the Board of Directors table. In addition to its regulatory duties, among other things, the Audit Committee discussed the development of Metso's finance organization, the implementation and follow up of Metso's anti-bribery policy, controls and procedures related to customer risk in large projects. Also Metso's legal structure simplification project was followed up. The Audit Committee did not use any external advisors.

#### Remuneration and HR Committee

The Remuneration and HR committee convenes at least twice a year and consists of the committee chairman and at least two members. All the members are independent of the company. The President and CEO participates in the meetings, except when the agenda includes items relating to him. Among other things, the Remuneration and HR Committee

- Reviews and monitors the competitiveness of Metso's remuneration and incentive systems and the development of Human Resources related issues, such as competence and talent development and the successor planning of Metso's senior management
- Evaluates the performance and compensation of the President and CEO
- Prepares and makes proposals to the Board for the compensation and benefits of the President and CEO
- Makes proposals to the Board for the appointment of the Metso Executive Team members, based on the President and CEO's preparations
- Decides upon the remuneration and benefits of the Metso Executive Team members. The committee may authorize its Chairman to decide upon the remuneration and benefits of these officers. The President and CEO submits the proposed remuneration and benefits of the other officers reporting to the President and CEO to the committee Chairman for approval

#### 2014

The Remuneration and HR Committee convened 4 times. The members and their meeting attendance are presented in the Members of the Board of Directors table.

In 2014 the main tasks of Remuneration and HR Committee included preparation of new share-based incentive plan (Performance Share Plan) for the Group's senior management as well as renewal of Metso's performance bonus plan framework and plan for 2015. The committee used external advisors relating to the share-based incentive scheme and has ensured that the advisors were not simultaneously advisors to the HR department or the operating management.

### Management Structure

#### President and CEO

The President and CEO manages Metso's operations in accordance with the Finnish Companies Act, corporate governance rules and the instructions given by the Board. The President and CEO is appointed – and, if necessary, dismissed – by the Board, and he reports to the Board about, e.g. Metso's financial situation, business environment and other significant issues. The President and CEO prepares the matters on the agenda of the Board and its committees and implements their decisions. Additionally,

the President and CEO acts as Chairman of the Metso Executive Team (MET).

### Metso Executive Team (MET)

The President and CEO and other members appointed by the Board on the President and CEO's proposal constitute the Metso Executive Team. The MET assists the President and CEO in the preparation of matters, such as business plans, strategy, policies and other matters of joint importance.

### Business area management

The heads of the business areas report to Metso's President and CEO and provide him with information about their respective business's financial development and position, operational performance, operating environment development, customers and competitive situation. They are also responsible for the development of business line operations and strategy, for implementing Metso's plans, strategies and operating policies within the business lines, and for collaboration between the business lines.

### Subsidiary boards

The subsidiary boards ensure that operations in all Metso companies are managed in accordance with prevailing laws, regulations and operating policies. Metso's President and CEO, as Chairman, and two to four other members appointed by the President and CEO, generally from the Metso Executive Team, constitute the boards of the major subsidiaries. The President and CEO decides on the possible additional responsibilities of the boards of holding and other similar companies belonging to Metso Group.

### 2014

The Metso Executive Team met 16 times during the year. Its main tasks included monitoring financial development, estimates and external guidance, preparation of the strategy, preparation of major operating model and organization changes, as well as planning and follow up of key acquisitions and Metso wide projects.

Members of the Metso Executive Team on  
December 31, 2014:

- Matti Kähkönen, President and CEO and Chairman of the Metso Executive Team
- Harri Nikunen, CFO and Deputy to the CEO
- João Ney Colagrossi, President, Minerals
- Juha Silvennoinen, President, Services (October 1, 2014 onwards)
- Perttu Louhiluoto, President, Flow Control
- Merja Kamppari, Senior Vice President, Human Resources
- Simo Sääskilahti, Senior Vice President, Strategy and Business Development

## Controls

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

The internal control mechanism seeks to ensure the company's compliance with applicable EU laws, regulations and our operating principles as well as the reliability of financial and operational reporting. Furthermore, the internal control mechanism seeks to safeguard the company's assets and to ensure overall effectiveness and efficiency of operations to meet Metso's strategic, operational and financial targets. Internal control practices are aligned with Metso's risk management process. The goal of risk management is to support Metso's strategy and the achievement of objectives by anticipating and managing potential business threats and opportunities.

Metso's operating model of internal control and risk management related to financial reporting is designed to provide sufficient assurance regarding the reliability of financial 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. The control standards are regularly updated to be in line with the Committee of Sponsoring Organizations (COSO) framework and the company's business control environment.

### Control environment

The Board of Directors bears the overall responsibility for the internal control over financial reporting. The Board has established a written formal working order that clarifies the Board's responsibilities and regulates the Board's and its committees' internal distribution of work. The Audit Committee's task is to ensure that established principles for financial reporting, risk management and internal control are adhered to. The President and CEO 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 and the President and CEO. The function focuses on developing and enhancing internal control over the financial reporting in Metso by proactively concentrating on the internal control environment and by monitoring the effectiveness of the internal control. Our internal steering instruments for financial reporting primarily comprise Metso's Code of Conduct, Internal Control Policy, Internal Control Standards, Treasury Policy and our accounting policies and reporting instructions, which define the accounting and reporting rules, and Metso's definition of processes and minimum requirements for internal control over financial reporting.

### Risk assessment

Metso's risk assessment as regards financial reporting aims to identify and evaluate the most significant threats affecting the financial reporting at the Group, reporting segment, unit, function and process levels. The assessment of risk includes, for example, risks related to fraud and unlawful activities, as well as the risk of loss or misappropriation of assets. The risk assessment results in control targets through which we seek to ensure that the fundamental requirements placed on financial reporting are fulfilled. Information on

the development of essential risk areas and the activities executed and planned in these areas as well as the measures to mitigate them are communicated regularly to the Audit Committee.

### Control activities

We have established an internal Metso Compliance Program to ensure the correctness and credibility of our financial reporting and compliance with our governance principles in all our units. Its purpose is to create a coherent control environment at Metso by implementing proper internal control principles for different business processes and to share internal control related best practices. Our control standards define the basic level for internal controls that all units must achieve. Our Internal Audit function, assisted by trained Metso testers from different parts of our organization, is responsible for the testing of the units. Unlike with the SOX system, independent auditors do not issue a separate statement on the functionality of our internal controls, although in their work they do widely utilize the documentation created in conjunction with the Metso Compliance Program.

Our Internal Control Standards are designed to ensure that local management in every Metso unit designs and effectively implements the most important monitoring procedures related to selected key financial and business administration processes in all Metso units. This is complemented with proper segregation of key duties and management oversight controls in the organizations. Properly established internal control mechanisms safeguard us also from possible misconduct. Internal Control Standards list the control standards for selected business processes, which are sales and project business, procurement, payroll, inventory, treasury, financial reporting, fixed assets and IT systems. For each of these processes, the tasks that must be segregated are also listed. The units document the control activities in use for each of their respective key business processes. In Metso's Compliance Program, the effectiveness of the monitoring procedures are assessed and tested. The program also requires the correction of any shortcomings.

#### 2014

During the year new Compliance Process tools were introduced. Today the process is based on web-based self-instructive tool set, which is used for self-assessment, validation and auditor testing. The starting points for assessment are corporate and business based policy requirements, which are used for setting controlling standards. The target is also to promote harmonization across the organization. The new tool allows up-to-date and highly transparent status monitoring.

The program was launched in autumn 2014 and actual site testing will be restarted in beginning of 2015. The program will be an annual process from now on, and all units are asked to perform their self-assessment exercise each year.

### Information and communication

In order to secure an effective and efficient internal control environment, we seek to ensure that Metso's internal and external communication is open, transparent, accurate and timely. Information regarding internal steering instruments for financial reporting, i.e. accounting principles, financial reporting instructions and the

disclosure policy are available on Metso's intranet. We arrange training for our personnel regarding internal control issues and tools. Metso's CFO and the head of Internal Audit report the results of the internal control work as a standing item on the agenda of the Audit Committee. The results of the Audit Committee's work in the form of observations, recommendations, and 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, the Audit Committee, the CEO, Group management, internal audit, and the management of the reporting segments and Group companies. Monitoring includes the follow up of monthly financial reports, review of the rolling estimates and plans, as well as reports from Internal Audit and quarterly reports by independent auditors. Our Internal Audit annually assesses the effectiveness of Metso's operations and the adequacy of risk management and reports the risks and weaknesses related to the internal control processes. Internal Audit compiles an annual audit plan, the status and findings of which it regularly reports to Metso management, auditors and the Audit Committee. Furthermore, our Internal Audit and independent auditor meet regularly to coordinate the monitoring efforts.

#### 2014

During 2014 Internal Audit performed several large audit programs covering IPR management, newly acquired companies, and key operational processes (sales, procurement, logistics). Much attention was given to compliance with Metso Anti-Bribery Policy.

### Compliance management and Code of Conduct

In all our operations we seek to comply with applicable laws and statutes as well as generally accepted practices. Additionally, our operations are guided by Metso's Code of Conduct, internal policies and guidelines as well as values. They support Metso's responsible operations, sustainability and our success. Our Code of Conduct describes Metso's corporate culture, commonly accepted practices and commitment to compliance with laws and regulations. The foundation of our Code of Conduct is the UN Universal Declaration of Human Rights, the UN Global Compact initiative, which we have endorsed, and the International Labor Organization's (ILO) declaration on Fundamental Principles and Rights at Work. When applicable, the OECD's Guidelines for Multinational Enterprises are also incorporated into our Code of Conduct.

We require that each one of our employees is familiar with the legislation and operating guidelines of their respective areas of responsibility. Business management is responsible for the internal control of the operations in their respective sector. In conjunction with internal audits, we strive to ensure that everyone in the unit being audited is familiar with and compliant with the laws, regulations and principles relating to their respective work. In addition to Metso's management, the due course of operations is monitored by the Board's Audit Committee, which reports any misconduct to the Board.

## Reporting of suspected financial misconduct

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

### 2014

We received 3 reports of suspected financial misconduct via the Whistleblower channel. Additionally, Internal Audit received 10 direct contacts. A total of 17 cases were investigated, 5 of the suspicions were classifiable as misconduct. There were also cases of misconduct revealed in conjunction with internal audits. The cases of misconduct were reviewed by the Audit Committee in line with our guidelines on reporting misconduct. The cases did not have a significant impact on our financial results.

## Audit

### Internal Audit

Metso's Internal Audit assesses the efficiency and appropriateness of our operations and examines the functioning of internal controls. It seeks to ensure the correctness of financial and operational reporting, compliance with applicable laws and regulations, and proper management of the company's assets.

Additionally, Internal Audit proactively encourages the development of risk management in Metso's various operations. The head of Internal Audit reports administratively to the CFO, but has direct access also to the President and CEO and to the Chairman of the Audit Committee.

## External audit

According to the Articles of Association, Metso has one auditor, which must be a firm of public accountants certified by the Finnish Central Chamber of Commerce. The aggregate duration of the consecutive terms of a principal auditor may not exceed seven years. This means that Metso's principal auditor Roger Rejström can act in that capacity no later than for the audit of financial period 2018. There are no term limits regarding the duration of the auditing firm.

The auditor's statutory obligation is to audit the company's accounting, the Board of Directors' report, 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. 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.

### 2014

The 2014 Annual General Meeting of Shareholders elected Authorized Public Accountant Ernst & Young Oy as the auditor, with Roger Rejström as principal auditor. The fees related to auditing work in 2014 amounted to EUR 1.8 million.

## Insider management

We comply with the NASDAQ OMX Helsinki Guidelines for Insiders. Our permanent insiders are not permitted to trade in Metso's issued securities during the 21 days immediately prior to the publication of a Metso interim review or financial statements release. The ownership of Metso securities by statutory insiders (insiders subject to the disclosure obligation) and their interest parties is public. Statutory insiders include the Chairman, Vice Chairman and members of the Board of Directors, the President and CEO and his deputy, the principally responsible auditor of a firm of public accountants and Executive Team members.

Additionally, Metso also has permanent company-specific insiders and separately identified project-specific insiders whose securities ownership is not public. We maintain the register of our statutory insiders in the Euroclear Finland Ltd's Sire system, where information on the ownership of securities can be obtained directly from the book-entry system.

## Audit fees

EUR million	2010	2011	2012*	2013*	2014
Audit	2.5	2.6	2.6	2.5	1.8
Tax services	2.0	2.0	1.5	0.9	0.5
Other services	1.0	1.1	0.5	0.4	0.6
<b>Total</b>	<b>5.5</b>	<b>5.7</b>	<b>4.6</b>	<b>3.8</b>	<b>2.9</b>

\* 2012 and 2013 figures describe Metso's continuing operations. In addition, other services related to the demerger EUR 1.6 million.



## Remuneration

The objective of remuneration at Metso is to encourage employees as individuals and as team members to achieve the set financial and operational targets and to strive for excellent performance. Remuneration is aligned with Metso's financial performance, internal and external references and with observing remuneration levels for similar positions among peer companies. Metso's remuneration package for key personnel and executives includes a competitive salary and employee benefits according to local market practices, short-term incentives based on predefined annual performance indicators and long-term incentives that align the interests of the key executives and shareholders.

### 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 2014 Annual General Meeting, the annual fees paid to Board members were:

- Chairman of the Board EUR 100,000
- Vice Chairman of the Board EUR 60,000
- Chairman of the Audit Committee EUR 60,000
- Other Board members EUR 48,000

In addition, for Board members whose place of domicile is in the Nordic countries, a fee of EUR 700 per meeting was paid for each Board and committee meeting they attended. The meeting fee for members residing elsewhere in Europe was EUR 1,400 and for those residing outside of Europe EUR 2,800. Compensation for travel expenses and daily allowances was paid in accordance with Metso's travel policy.

Based on the decision of the Annual General Meeting in 2014, 40 percent of the Board's annual fees were used to buy Metso shares from the market. The shares were acquired within the two weeks following the April 24, 2014 publication of the interim report. Altogether 5,639 shares were acquired. There are no special terms or conditions associated with owning these shares.

### 2014

EUR	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
President and CEO	553,200	48,600	15,800	181,916	799,516
Executive Vice President	314,490	77,550	13,332	121,278	526,650
Other Executive Team members	1,334,286	238,309	21,492	193,450	1,787,537
<b>Total</b>	<b>2,201,976</b>	<b>364,459</b>	<b>50,624</b>	<b>496,644</b>	<b>3,113,703</b>

### 2013

EUR	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
President and CEO	551,820	212,598	16,665	282,030	1,063,113
Executive Vice President <sup>1)</sup>	326,206	205,443	12,750	282,030	826,429
Executive Vice President <sup>2)</sup>	49,730	119,730	2,234	109,976	281,670
Other Executive Team members	1,654,235	615,717	54,565	655,451	2,979,968
<b>Total</b>	<b>2,581,991</b>	<b>1,153,488</b>	<b>86,214</b>	<b>1,329,487</b>	<b>5,151,180</b>

<sup>1)</sup> Pasi Laine, until October 31, 2013

<sup>2)</sup> Harri Nikunen, starting November 1, 2013

### Fees paid in Metso shares in 2014

Mikael Lilius	1,369
Christer Gardell	821
Eeva Sipilä	821
Ozey K. Horton, Jr.	657
Wilson Brumer	657
Nina Kopola	657
Lars Josefsson	657
<b>Total</b>	<b>5,639</b>

The Board members, none of whom are employees of Metso, were paid annual remuneration and meeting fees totaling EUR 451,577 during the financial year that ended December 31, 2014. The Board members are not covered by Metso's bonus plans, share-based incentive schemes or pension plans.

### Remuneration for the CEO and management

The Board of Directors decides on the remuneration, benefits and other terms of employment of the President and CEO. The Board's Remuneration and HR Committee decides on the compensation and benefits of the other Executive Team members based on the President and CEO's proposal and general principles approved by the Board.

The remuneration of Executive Team members, including the President and CEO, comprises a monthly total salary (including monthly salary and customary fringe benefits, such as a car and a mobile phone) as well as both short- and long-term incentives. Short-term incentives are annual performance bonuses decided by the Board. As long-term incentives, the Executive Team members are included in share plans that are decided and implemented by the Board.

In 2014, the remuneration of the President and CEO amounted to EUR 799,516 (2013: EUR 1,063,113) and the remuneration of other Metso Executive Team members amounted to a total of EUR 2,314,187 (2013: EUR 4,088,067). The tables below include the bonuses paid to MET, including the President and CEO, amounted to a total of EUR 364,459 (2013: EUR 1,153,488).

Additionally, executive management benefits include a supplementary defined contribution pension plan for all members of the Executive Team, with the exception of President and CEO Matti Kähkönen, who had already earlier been in a supplementary defined benefit pension plan. Metso's Board has outlined that no new supplementary defined benefit pension plans will be introduced. In 2014, the pension insurance premium payments totaled approximately EUR 0.52 million (2013 EUR 0.58 million).

### Employment terms and conditions of President and CEO Matti Kähkönen

Metso's President and CEO Matti Kähkönen is entitled to participate in Metso's short- and long-term incentive programs according to the respective terms and conditions of those programs. The terms and conditions are decided by the Board. The Board assesses the work and performance of the President and CEO and decides on his remuneration.

Employment terms and conditions of the President and CEO as of 1.1.2015	
Base salary and fringe benefits	Total monthly salary EUR 50,000, including salary and fringe benefits (company car and mobile phone).
Short-term incentive (annual bonus)	The annual bonus can be earned in accordance with terms approved by the Board. The maximum bonus is 75 percent of the total annual salary.
Long-term incentives	According to Metso's long-term incentive plans. In the Long-term Incentive Plan 2012–2014, the maximum reward is 120 percent of the total annual salary.
Pension	Retirement age is 63 years. Kähkönen has a supplementary defined benefit pension plan. His total pension is 60 percent of average monthly earnings during the past four full calendar years prior to retirement.
Termination of assignment	The notice period for both parties is six months. Severance pay (if the company terminates the agreement) is six months' notice period compensation plus severance pay corresponding to the last total monthly salary multiplied by 18.

## Incentive programs

### Performance bonuses

The Board annually confirms the terms and targets of the performance bonuses on the Group level. The amount of bonus payment, if any, is based on achieving predefined financial performance targets, such as EBITA and cash flow, of Metso and/or the business area in question. In addition to these, individual and/or team targets are used. The Remuneration and HR Committee evaluates the achievement of the predefined targets of the President and CEO. For the President and CEO and for other Executive Team members, the maximum annual performance bonus for 2014 was 40–60 percent of their annual total salary.

### Share-based incentive plans

The Board decides on and implements Metso's share-based incentive plans, which are part of the remuneration program for Metso management. The purpose of the plans is to align the goals of Metso's shareholders and management to enhance the value of the company. The plans also aim to ensure commitment of management and to offer them a competitive, ownership-based reward scheme.

Any shares to be potentially rewarded are acquired through public trading, and therefore the incentive plans will have no diluting effect on the share value. The share repurchase and share issue authorizations are obtained from the Annual General Meeting. There are no options outstanding or available from any of Metso's prior option programs.

### Share Ownership Plan 2011–2013

In September 2010, the Board approved Metso Share Ownership Plan 2011–2013. The plan included one three-year earning period, which began on January 1, 2011 and ended on December 31, 2013. The plan's performance criteria were Metso's Total Shareholder Return (TSR) and the annual earnings per share (EPS) in 2011–2013.

At the time of payment in March 2014, a total of 24,649 of Metso's treasury shares were used to pay rewards to 39 participants. The total reward also included 24,649 Valmet shares. Any shares earned must be held for one year after the reward payment.

### Long-term Incentive Plan 2012–2014

In December 2011, Metso's Board decided to establish a share-based incentive plan that had three performance periods, which were calendar years 2012, 2013 and 2014. Each performance period, performance criteria and participants were subject to a separate decision by the Board.

The possible rewards from the LTI plans will be paid at the end of two-year vesting periods, partly in company shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the participants.

The reward for each performance period of the Long-term Incentive Plan 2012–2014 may not exceed 120 percent of a participant's annual total base salary. If a participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid.

According to the decision of the Board, the earned share rewards were recalculated in April 2014 to take into account the effect of the demerger of Valmet on Metso share value. The maximum share reward amounts for performance periods are stated in current Metso shares.

### Performance period 2012

In December 2011, the Board decided the earning criteria for the performance period 2012. The reward was based on the net sales growth of the services business, return on capital employed (ROCE) before taxes and earnings per share. At the end of 2014, there were 58 managers participating in the plan. The reward to be paid on the basis of the 2012 performance period corresponds to a maximum of 304,881 shares. The current Metso Executive Team's share of the 2012 earnings period can be a maximum of 81,777 shares. The

reward from the 2012 performance period will be paid at the end of the two-year vesting period in spring 2015.

### **Performance period 2013**

In December 2012, the Board decided to continue the share-based incentive plan approved in 2011. At the end of 2014, there were 57 managers participating in the plan. The potential reward generated will be based on the same criteria as the 2012 performance period. The targets set for the performance period were not met and no shares will be delivered.

### **Performance period 2014**

In December 2013, the Board decided to continue the share-based incentive plan approved in 2011. At the end of 2014, there were 60 Metso managers participating in the plan and the potential reward generated will be based on the same criteria as the 2013 performance period. The potential rewards to be paid on the basis of the 2014 performance period will correspond to a maximum total of 345,060 Metso shares. The current Metso Executive Team can receive a maximum reward of 95,603 shares. The potential reward from the 2014 performance period will be paid at the end of the two-year vesting period in spring 2017.

### **Performance Share Plan 2015**

In December 2014 the Board of Directors decided on a new long-term share-based incentive plan for the Group's senior management, with a Performance Share Plan (PSP) as the main structure. In addition, the Board decided to establish a Restricted Share Plan (RSP) as a complementary share-based incentive structure for specific situations.

The Performance Share Plan consists of annually commencing performance share plans, each with a three-year earning period.

The commencement of each new plan will be subject to separate approval by the Board. The first plan (PSP 2015) will commence at the beginning of 2015 and potential share rewards will be delivered in spring 2018 if the performance targets set by the Board are achieved. The potential share reward payable under the PSP 2015 is based on the total shareholder return of Metso's share during 2015–2017. The PSP 2015 may include a maximum of approximately 100 employees and will comprise a maximum of 400,000 reward shares (gross before the deduction of applicable payroll tax).

### **Restricted Share Plan**

The complementary Restricted Share Plan (RSP) consists of annually commencing restricted share plans, each with a three-year vesting period, after which the allocated share rewards will be delivered to the participants provided that their employment with Metso continues until the delivery date of the share rewards. The commencement of each new plan is subject to separate approval by the Board. The first plan (RSP 2015) will commence at the beginning of 2015 and any potential share rewards will be delivered in spring 2018.

The maximum number of shares that may be allocated and delivered within the RSP 2015 totals 40,000 shares (gross before the deduction of applicable payroll tax).

Metso has a share ownership recommendation policy for the members of the Metso Executive Team. In accordance with this policy at least fifty per cent of the share rewards (net shares after the deduction of applicable payroll tax) received by these individuals under the above plans shall be retained until the share ownership of the individual Metso participant amounts to his/her annual gross base salary. If a participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid.

# Board of Directors December 31, 2014

Current information on Metso's Board of Directors can be found on our website [www.metso.com](http://www.metso.com)



*Mikael Lilius*

## Mikael Lilius

**Chairman of the Board**

**Born:** 1949, Finnish citizen

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

Chairman of the Board since 2013. Member of the Board since 2013. Chairman of the Board's Remuneration and HR Committee. Independent of the company and independent of significant shareholders.

**Main occupation:** Miscellaneous positions of trust



*Ozey K. Horton, Jr.*

## Ozey K. Horton, Jr.

**Member of the Board**

**Born:** 1951, U.S. citizen

**Education:** MBA, BSE

Member of the Board since 2011. Member of the Board's Remuneration and HR Committee. Independent of the company and independent of significant shareholders.

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



*Christer Gardell*

## Christer Gardell

**Vice Chairman of the Board**

**Born:** 1960, Swedish citizen

**Education:** M.Sc. (Business administration and Econ.)

Vice Chairman of the Board since 2013. Member of the Board since 2006. Member of the Board's Remuneration and HR Committee. Independent of the company and not independent of significant shareholder.

**Main occupation:** CEO, Cevian Capital



*Eeva Sipilä*

## Eeva Sipilä

**Member of the Board**

**Born:** 1973, Finnish citizen

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

Member of the board since 2012. Chairman of the Board's Audit Committee. Independent of the company and independent of significant shareholders.

**Main occupation:** Executive Vice President, CFO, Cargotec Corporation



*Wilson Nélio Brumer*

## Wilson Nélio Brumer

**Member of the Board**

**Born:** 1948, Brazilian citizen

**Education:** BA

Member of the board since 2013. Independent of the company and independent of significant shareholders.

**Main occupation:** Managing director at B & P Investimentos e Participações and President at Vicenza Mineracao e Participacoes S.A.



*Lars Josefsson*

## Lars Josefsson

**Member of the Board**

**Born:** 1953, Swedish citizen

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

Member of the board since 2013. Member of the Board's Audit Committee. Independent of the company and independent of significant shareholders.

**Main occupation:** Independent consultant



*Nina Kopola*

## Nina Kopola

**Member of the Board**

**Born:** 1960, Finnish citizen

**Education:** M.Sc. (Chemical Eng.), Technology Licentiate. Member of the board since 2013. Member of the Board's Audit Committee. Independent of the company and independent of significant shareholders.

**Main occupation:** President and CEO, Suominen Corporation

# Executive Team December 31, 2014

Current information on the Metso Executive Team can be found on our website [www.metso.com](http://www.metso.com)



Matti Kähkönen

## Matti Kähkönen

President and CEO

**Born:** 1956, Finnish citizen

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

Chairman of the Executive Team since 2011. Joined the company in 1980.

**Key experience:** President, Mining and Constructions Technology 2008–2011; President, Metso Minerals 2006–2008; President, Metso Automation 2001–2006.



Juha Silvennoinen

## Juha Silvennoinen

President, Services

**Born:** 1961, Finnish citizen

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

Member of the Executive Team since 2014. Joined the company in 2014.

**Key experience:** Operational Advisor, Clyde Blowers Capital, Glasgow, UK 2012–2013; Group Senior Vice President ABB Discrete Automation and Motion Division, 2010–2011



Harri Nikunen

## Harri Nikunen

CFO, Deputy to CEO

**Born:** 1955, Finnish citizen

**Education:** BA (Finance and business administration)

Member of the Executive Team since 2011. Joined the company in 1986.

**Key experience:** Various senior management positions, Metso 1986–2011



Merja Kamppari

## Merja Kamppari

Senior Vice President, Human Resources

**Born:** 1958, Finnish citizen

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

Member of the Executive Team since 2011. Joined the company in 2009.

**Key experience:** Head of Operational Excellence, HR 2008–2009, Head of Global HR 2007–2008, Nokia Siemens Networks



João Ney Colagrossi

## João Ney Colagrossi

President, Minerals

**Born:** 1955, Brazilian citizen

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

Member of the Executive Team since 2013. Joined the company in 1979.

**Key experience:** President, Metso Mining and Construction 2014; President, Services Business Line 2009–2013



Simo Säaskilahti

## Simo Säaskilahti

Senior Vice President, Strategy and Business Development

**Born:** 1971, Finnish citizen

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

Member of the Executive Team since 2013. Joined the company in 2011.

**Key experience:** Vice President, Business Development, Metso Automation 2011–2013; Various senior management positions, Comptel Corporation 2001–2011



Perttu Louhiluoto

## Perttu Louhiluoto

President, Flow Control

**Born:** 1964, Finnish citizen

**Education:** Master of Laws, M.Sc. (Econ.)

Member of the Executive Team since 2009, 2011–. Joined the company in 2008.

**Key experience:** President, Metso Automation, 2012–2014; President, Energy and Environment Technology 2011