

Corporate
Governance
Statement

2016

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 Helsinki Ltd and the Finnish Financial Supervisory Authority, and we adhere to the Finnish Corporate Governance Code 2015 (publicly available on www.cgfinland.fi). Metso complies with the Code entirely and has not deviated from its recommendations

Governing bodies of Metso

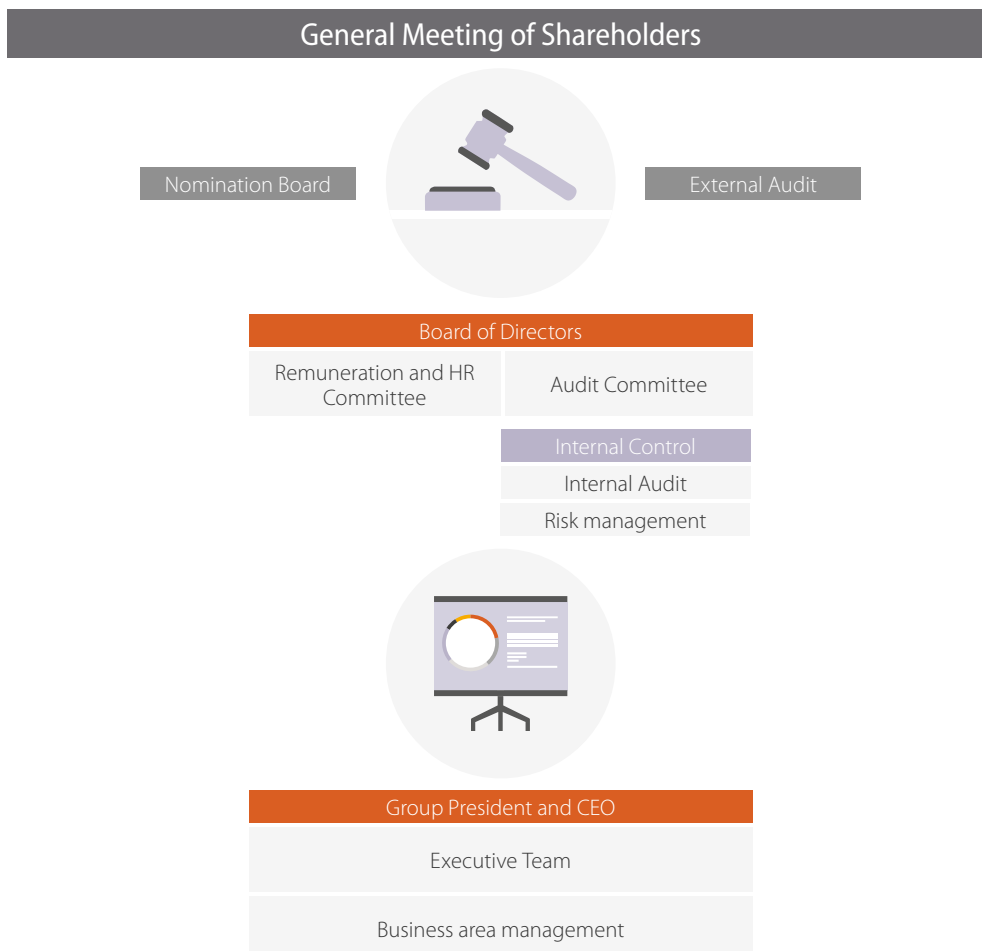
This statement is issued separately from the Board of Directors' report. We provide updated information about our governance issues on our website at www.metso.com.

The Audit Committee of Metso's Board of Directors has reviewed this Corporate Governance Statement. Metso's supreme decision-making body is the 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.

General Meeting of Shareholders

The General Meeting of Shareholders 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 matters include:

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

We publish a notice of the General Meeting no more than three months and no less than three weeks before the meeting on the company's website 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 General Meeting. The 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 General Meeting. Each share entitles the holder to one vote. Shareholders are entitled to have an issue put on the General Meeting's agenda, provided that the issue requires a decision by the 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. We announce on our website the date by which a shareholder must notify the Board of an issue to be added to the General Meeting agenda.

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

2016

The Annual General Meeting was held in Helsinki on March 21, 2016. A total of 1,396 shareholders representing approximately 56.60 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 2015. The meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.05 per share. The minutes of the meeting and other related documents can be found on Metso's website at www.metso.com/investors.

Shareholders' Nomination Board

The Shareholders' Nomination Board (Nomination Board), a permanent corporate body established by the Annual General Meeting, prepares proposals to the Annual General Meeting regarding the composition of the Board and remuneration to its members. The Nomination Board consists of representatives appointed by the four largest registered 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 2017 AGM

Metso's four largest shareholders announced on September 1, 2016, the following representatives for the Nomination Board: Kari Järvinen, Managing Director, Solidium Oy; Niko Pakalén, Partner, Cevian Capital AG; Risto Murto, President and CEO, Varma Mutual Pension Insurance Company; and Mikko Mursula, Chief Investment Officer, 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 twice and made one unanimous decision without convening. On January 23, 2017, the Nomination Board provided Metso's Board with its proposal for the Annual General Meeting to be held on March 23, 2017. The Nomination Board proposes that the Board of Directors will consist of seven members and the re-election of Mikael Lilius, Christer Gardell, Peter Carlsson, Ozey K. Horton, Jr., Lars Josefsson, Nina Kopola and Arja Talma. It is proposed to re-elect Mikael Lilius as Chairman of the Board of Directors and Christer Gardell as Vice Chairman.

The Nomination Board proposes that the members of the Board of Directors be paid the same fixed annual fees as in the previous year as follows: 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 Remuneration and HR Committee an additional remuneration of EUR 5,000. The Nomination Board further proposes that for each meeting of the Board of Directors or its committees 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. 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 Eeva Sipilä, 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.

2016

The Annual General Meeting held on March 21, 2016, elected eight members to Metso's Board: Chairman Mikael Lilius, Vice Chairman Christer Gardell, Wilson Nélio Brumer, Peter Carlsson, Ozey K. Horton, Jr., Lars Josefsson, Nina Kopola and Arja Talma. The terms of office of the Board of Directors will continue until the closing of the Annual General Meeting 2017. The Board convened 12 times and made one unanimous resolution without convening. The participation rate of its members was 98 percent. The Audit Committee convened five times and the participation rate of its members was 100 percent. The Remuneration and HR Committee convened seven times and the participation rate of its members was 100 percent. Each member's attendance is shown in the table below.

The key themes of the Board's agenda were Metso's strategic development and monitoring of the strategy implementation, evaluation of various growth options and reviewing the actions for improving relative profitability in line with the targets.

The Board carried out an evaluation of its performance, operations and working methods. The evaluation, consisting of a questionnaire and an interview of the Board members, was conducted by an external evaluator. The evaluation 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 evaluation are used in developing the Board work.

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 proposals by the President and CEO
- To monitor and evaluate the performance of the President and CEO and to decide upon his 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

Attendance of the Board members during 2016

January 1- December 31, 2016	Board	Audit Committee	Remuneration and HR Committee
Mikael Lilius*	12/12	-	7/7
Christer Gardell*	11/12	-	7/7
Wilson Nélio Brumer	12/12	-	-
Peter Carlsson, member as of AGM 2016	10/10	-	-
Ozey K. Horton, Jr.*	12/12	-	7/7
Lars Josefsson**	12/12	5/5	-
Nina Kopola**	12/12	5/5	-
Eeva Sipilä**, member until AGM 2016	2/2	1/1	-
Arja Talma**, member as of AGM 2016	9/10	4/4	-
Markku Aapakari (personnel representative)	12/12	-	-

*Member of the Board and member of the Remuneration and HR Committee. The Board convened 12 times and the Remuneration and HR Committee 7 times.

**Member of the Board and member of the Audit Committee. The Board convened 12 times and the Audit Committee 5 times.

Board committees

The Board has two permanent committees: The Audit Committee and the 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 monitoring 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.

2016

The Audit Committee convened five times. The members and their meeting attendance are presented in the Attendance of the Board members during 2016 table.

In addition to its regulatory duties, the Audit Committee's main topics were monitoring the company's preparation for the implementation of IFRS 15 (revenue recognition), treasury and financing issues, as well as risk assessment and IT security.

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.

2016

The Remuneration and HR Committee convened seven times. The members and their meeting attendance are presented in the Attendance of the Board members during 2016 table.

In addition to its regulatory duties, the Remuneration and HR Committee's main topics were Metso senior management succession planning and discussions with external advisors about global executive compensation trends. The advisors were not simultaneously advisors to the HR department or the operative management.

The Audit Committee's key responsibilities include:

- Assess Metso's draft financial statements and interim reports, accounting policies, accounting principles of significant business transactions, and management forecasts
- Assess the efficiency of internal control and risk management
- Approve the audit plans of internal and external auditors and the external auditor's fees
- Prepare for the election of independent auditors. Additionally, it assesses the independence of the auditors, as well as approves the procurement principles for external auditing services

Diversity of Board of Directors

Diversity supports the overall goal that the Board of Directors has the optimal competence profile to support Metso's existing and future business and the achievement of Metso's strategic goals as well as the continuous improvement of customer-driven operations. Important diversity factors for Metso are the mutually complementary expertise of the members, their education and experience in different professional areas and industrial sectors, businesses in various stages of development, leadership experience, personal capabilities, experience in international operating environments and various industries, different cultures, and age and gender breakdown.

Metso's Board of Directors approved the Board's Diversity Policy in February 2016. As a means to achieve a balanced representation of genders in the Board of Directors, the Shareholders' Nomination

The Remuneration and HR Committee's key responsibilities include:

- Review and monitor 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
- Evaluate the performance and compensation of the President and CEO
- Prepare and make proposals to the Board for the compensation and benefits of the President and CEO
- Make proposals to the Board for the appointment of the Metso Executive Team members, based on the President and CEO's preparations
- Decide 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

Board seeks to include representatives of both genders in the Board candidates search and evaluation process. The status of diversity and progress in achieving the aforesaid objective will be monitored by the Nomination Board in its self-assessment discussion. Metso's Board of Directors in 2016 represents adequate diversity related to nationalities, professional competencies and gender.

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.

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, 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 are responsible for their respective business area'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.

2016

The Metso Executive Team met 11 times during the year. Its main tasks included monitoring financial development, preparation of the strategy, preparation of major operating model and organizational changes, as well as planning and follow up of Metso's growth initiatives and Metso-wide projects, such as digitalization.

Members of the Metso Executive Team on December 31, 2016:

- Matti Kähkönen, President and CEO, Chairman of the Executive Team
- Eeva Sipilä, Chief Financial Officer (CFO)
- João Ney Colagrossi, President, Minerals Capital
- Perttu Louhiluoto, President, Minerals Services
- John Quinlivan, President, Flow Control
- Merja Kamppari, Senior Vice President, Human Resources
- Olli-Pekka Oksanen, Senior Vice President, Strategy and Business Development
- Urs Pennanen, Senior Vice President, Customer and Marketing Operations
- Jani Puroranta, Chief Digital Officer

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, the President and CEO, the CFO and the responsible Metso Executive Team member. 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 risks 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 is responsible for evaluating the operating effectiveness of the controls in the units.

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 is assessed and tested. The program also requires the correction of any shortcomings.

2016

The process is based on a 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 tool allows up-to-date and highly transparent status monitoring.

All units are required 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 head of Internal Audit reports 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 President and 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, external auditors and the Audit Committee.

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.

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 functionally to the Board's Audit Committee and administratively (i.e. day-to-day operations) to the CFO.

External audit

According to the Articles of Association, Metso has one auditor, which must be a firm of authorized public accountants. The aggregate duration of the consecutive terms of a principal auditor may not exceed seven years. This means that Metso's principal auditor Roger Rejström can act in that capacity until the end of the audit of the 2018 financial period.

According to the EU's statutory audit directive, the same audit firm can be engaged as the company's auditor for a maximum period of 10 consecutive years, after which the company must put its auditing out to tender. If the same audit firm is reselected through tendering, it can be re-engaged as the auditor for up to a further 10 consecutive years, after which the audit firm must be changed.

In Metso's case, this means that Ernst & Young Oy can act as Metso's auditor until the end of the 2021 financial year. After this, Metso must put its auditing out to tender. If Ernst & Young Oy is reselected in the tendering, it can be re-engaged as Metso's auditing firm consecutively until 2031 at maximum, after which Metso must change its audit firm.

The auditor's statutory obligation is to audit the company's accounting, financial statements and administration for the financial year. The parent company's auditor must also audit the consolidated financial statements and other mutual relationships between Group companies.

In conjunction with our annual financial statements, the auditor gives Metso's shareholders an Auditor's Report as required by law.

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.

2016

The 2016 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 2016 amounted to EUR 1.8 million.

Audit fees, EUR million	2016	2015
Audit services	-1.8	-1.9
Tax services	-0.4	-0.5
Other audit related services	-0.5	-0.6
Total	-2.7	-3.0

Manager transaction notifications

The Market Abuse Regulation (MAR) obliges Metso's managers and persons closely associated with them to notify Metso and FIN-FSA of their transactions relating to Metso's shares or other securities or financial instruments no later than three (3) business days after the date of the transaction.

The obligation to notify applies to the members of Metso's Board of Directors, President and CEO, and Executive Team members and their closely associated natural or legal persons, defined as such entities in which the above persons exercise direct or indirect control or influence, provided they have ownership or another type of financial connection to the entity. Metso keeps a list of natural and legal persons under the notification obligation.

Insider management

In issues related to inside information, Metso complies with the applicable legislation, such as the Market Abuse Regulation (MAR), the regulations and guidelines of the Finnish Financial Supervisory Authority, as well as NASDAQ Helsinki Ltd.'s Guidelines for Insiders. In line with the MAR, Metso observes a 30-day closed window period prior to the publication of financial reports, such as interim reviews and financial statements. During this period, the members of Metso's Board of Directors and Metso Executive Team as well as other Metso employees who participate in preparing these financial reports are not permitted to buy or sell securities issued by Metso. Metso keeps insider lists of project-specific insiders.

Related parties' transactions

Metso's related parties include members of the Board of Directors, the President and CEO and Metso Executive Team members, their close family members, as well as companies in which the individuals mentioned exercise control.

Metso has issued instructions and assesses and monitors transactions to be made with related parties to ensure that potential conflicts of interest are identified and adequately taken into account in the company's decision making, and it maintains a register of the parties considered related parties. The members of the Board of Directors, the President and CEO, and the members of the Metso Executive Team have confirmed for 2016 that neither they nor their related parties have engaged in business transactions with Metso during the year in question.

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 personnel 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 2016 Annual General Meeting, the annual fees paid to Board members are:

- Chairman of the Board EUR 110,000
- Vice Chairman of the Board EUR 62,000
- Other Board members EUR 50,000

An additional annual remuneration is paid to the member of the Board elected in the position of:

- Chairman of the Audit Committee EUR 15,000
- Chairman of the Remuneration and HR Committee EUR 5,000

In addition, an attendance fee of EUR 700 per meeting attended, including committee meetings, is paid to members whose residence is in the Nordic countries, EUR 1,400 to members whose residence is elsewhere in Europe, and EUR 2,800 to members residing outside Europe. Compensation for travel expenses and daily allowances is paid in accordance with Metso's travel policy.

Based on the decision of the 2016 Annual General Meeting, 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 publication of the first-quarter 2016 interim report. Altogether, 9,301 shares were acquired. There are no special terms or conditions associated with owning these shares.

The Board members, none of whom are employees of Metso, were paid annual remuneration and meeting fees totaling EUR 644,600 during the financial year that ended December 31, 2016. The Board members are not covered by Metso's bonus plans, share-based incentive schemes or pension plans.

Fees paid in Metso shares in 2016	
Mikael Lilius	2,175
Christer Gardell	1,172
Arja Talma	1,229
Wilson Nélio Brumer	945
Peter Carlsson	945
Ozey K. Horton, Jr.	945
Lars Josefsson	945
Nina Kopola	945
Total	9,301

Remuneration for the President and 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 short- and long-term incentives.

Short-term incentives are annual performance bonuses approved by the Board. The Remuneration and HR Committee evaluates the achievement of the targets for the Executive Team and the Board for the President and CEO. As long-term incentives, the Executive Team members are included in share plans that are decided and implemented by the Board.

In 2016, the remuneration of the President and CEO amounted to EUR 743,861 (2015: EUR 1,245,166) and the remuneration of other Executive Team members amounted to a total of EUR

2,367,341 (2015: EUR 3,213,625). The tables below include the bonuses paid to the MET, including the President and CEO, amounting to a total of EUR 298,487 (2015: EUR 531,478).

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 continues to be in a supplementary defined benefit pension plan. Metso's Board has outlined that no new supplementary defined benefit pension plans will be introduced. In 2016, the pension insurance premium payments totaled EUR 707,440 (2015: EUR 679,865).

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.

EUR	Annual salary	Performance bonus paid	Fringe benefits	Share-based payment	Total
2016					
President and CEO Matti Kähkönen	610,136	111,840	21,885	-	743,861
Other Executive Team members	2,150,756	186,647	29,938	-	2,367,341
Total	2,760,892	298,487	51,823	-	3,111,202

2015					
President and CEO Matti Kähkönen	616,200	143,802	15,621	469,543	1,245,166
Other Executive Team members	1,880,082	387,676	34,510	911,357	3,213,625
Total	2,496,282	531,478	50,131	1,380,900	4,458,791

Employment terms and conditions of the President and CEO as of January 1, 2017

Base salary and fringe benefits	Total monthly salary EUR 50,000, including salary and fringe benefits (company car and mobile phone). The annual bonus can be earned in accordance with terms approved by the Board. The maximum bonus is 75% of the total annual salary.
Short-term incentive (annual performance bonus)	According to Metso's long-term incentive plans. In the Performance Share Plan, the maximum share allocation for the CEO corresponds to 150% of his annual salary.
Long-term incentives	Retirement age is 63 years. Kähkönen has a supplementary defined benefit pension plan. His total pension is 60% of average monthly earnings during the past four full calendar years prior to retirement.
Pension	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.
Termination of assignment	

Incentive programs

The Board annually confirms the terms and targets of the performance bonuses on the Group level. Metso's short-term incentive plan, Metso Bonus, covers approximately 6,000 employees globally, including the Executive Team and the President and CEO.

The amount of bonus payment, if any, is based on the achievement of predefined financial performance targets. For 2016, the financial performance targets were adjusted EBITA, orders received and cash flow of Metso and/or the business area in question. In addition, individual and/or team targets were used.

In 2016, the maximum annual performance bonus for the President and CEO was 75% of total annual salary. For other Executive Team members, the maximum annual performance bonus was 40–60%. For other employees, the maximum bonus is

determined according to the job level and is 40% at the highest level.

In addition to the Metso Bonus, there are also other bonus plans that are used to meet the local legislative requirements and to provide a more suitable bonus plan for production units. The local mandatory bonus plans are typically profit sharing plans, and the local production bonus plans are based on the productivity, quality and safety KPIs of the production unit in question. According to Metso's policy, an employee can participate in only one bonus plan at a time.

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 repurchases 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.

Metso has a share ownership recommendation policy for the members of the Metso Executive Team. In accordance with this policy, at least 50% of the share rewards (net shares after deduction of the applicable payroll tax) received by these individuals under the Performance Share Plans shall be retained until the share ownership of the individual Metso participant amounts to his/her annual gross base salary.

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: calendar years 2012, 2013 and 2014. For each performance period, the performance criteria and participants were subject to a separate decision by the Board.

The possible rewards will be paid 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.

The first two performance periods and related two-year vesting periods have already been completed; A total of 95,270 treasury shares were used to pay rewards to 56 participants in March 2015; no shares were delivered in March 2016, as the targets set for performance period 2013 were not met.

Performance period 2014

The earning criteria for performance period 2014 continued to be the same as for 2012 and 2013, i.e. net sales growth of the services business, return on capital employed (ROCE) before taxes, and earnings per share. At the end of 2016, there were 52 participants; the maximum rewards to be paid in March 2017 can be 298,136 Metso shares, out of which the current Metso Executive Team can receive a reward of 89,963 shares at maximum.

Long-term Incentive Plan 2015 onwards

In December 2014 the Board 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 commencement of each new PSP and RSP plan, and earning criteria for each new PSP plan will be subject to separate decision by the Board. The PSP consists of annually commencing performance share plans, each with a three-year earning period, and the complementary RSP consists of annually commencing restricted share plans, each with a three-year vesting period.

The possible rewards will be paid partly in company shares and partly in cash. If a participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid from either of these plans.

Performance Share Plan 2015–2017

The earning criteria for the PSP 2015–2017 and the potential reward is based on the total shareholder return (TSR) of Metso's share during 2015–2017. At the end of 2016, there were 89 participants in the plan, and the potential reward corresponds to a maximum of 333,800 Metso shares, out of which the current Metso Executive Team can receive a maximum reward of 88,400 shares. The potential reward will be paid in 2018.

Performance Share Plan 2016–2018

In December 2015 the Board decided to continue the long-term incentive plans. The potential share reward payable under the PSP 2016–2018 is based on the total shareholder return of Metso's share during 2016–2018. At the end of 2016, there were 94 participants in the plan, and the potential reward corresponds to a maximum of 417,600 Metso shares, out of which the current Metso Executive Team can receive a maximum reward of 134,800 shares. The potential reward will be paid in 2019.

There were no nominations made for the RSP in 2015 or 2016.

Performance Share Plan 2017–2019

In December 2016 the Board decided to continue the long-term incentive plans. The potential share reward payable under the PSP 2017–2019 is based on the total shareholder return of Metso's share during 2017–2019. The plan may include a maximum of 100 employees and will comprise a maximum of 415,000 reward shares (gross before deduction of the applicable payroll tax).

According to the Board's decision, the maximum number of shares that may be allocated and delivered within the RSP 2017 totals 40,000 shares (gross before deduction of the applicable payroll tax).

Any potential share rewards from PSP 2017–2019 or RSP 2017 will be paid in 2020.

Board of Directors

December 31, 2016



Mikael Lilius
Chairman of the Board
Born: 1949, Finnish citizen
Education: B.Sc. (Econ.)

Chairman of the Board since December 31, 2013. Member of the Board since March 28, 2013. Chairman of the Board's Remuneration and HR Committee. Independent of the company and of significant shareholders.

Main occupation: Miscellaneous positions of trust



Christer Gardell
Vice Chairman of the Board
Born: 1960, Swedish citizen
Education: M.Sc. (Business Administration and Economics)

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 shareholders.

Main occupation: CEO, Cevia Capital



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 of significant shareholders.

Main occupation: Board professional, independent advisor



Wilson Nélio Brumer
Member of the Board
Born: 1948, Brazilian Citizen
Education: BA

Member of the Board since 2013. Independent of the company and of significant shareholders.

Main Occupation: Managing Director, B & P Investimentos e Participações



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 of significant shareholders.

Main occupation: Independent consultant



Arja Talma
Member of the Board
Born: 1962, Finnish citizen
Education: M.Sc. (Finance), eMBA

Member of the Board since 2016. Chairman of the Board's Audit Committee. Independent of the company and of significant shareholders.

Main occupation: Board professional



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 of significant shareholders.

Main occupation: President and CEO, Suominen Corporation



Peter Carlsson
Member of the Board
Born: 1970, Swedish citizen
Education: M.Sc. (Economics, Production & Quality Control)

Member of the Board since 2016. Independent of the company and of significant shareholders.

Main occupation: Angel investor, advisor and entrepreneur

Executive Team

December 31, 2016



Matti Kähkönen

President and CEO

Born: 1956, Finnish citizen

Education: M.Sc. (Eng.)

President and CEO since 2011.

Joined the company in 1980.

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



Eeva Sipilä

Chief Financial Officer

Born: 1973, Finnish citizen

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

Member of the Executive Team since 2016. Joined the company in 2016.

Key experience: CFO of Cargotec Corporation from 2008–2016 and Senior Vice President, Investor Relations and Communications, 2005–2008. From 2002–2005 she worked for Metso as Vice President, Investor Relations.



João Ney Colagrossi

President, Minerals Capital

Born: 1955, Brazilian citizen

Education: Metallurgical Engineering, Business Administration

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

Key experience: President, Minerals, 2014; President, Mining and Construction, 2014; President, Service Business Line, 2009–2013.



Perttu Louhiluoto

President, Minerals Services

Born: 1964, Finnish citizen

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

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

Key experience: President, Flow Control, 2014–2015; President, Automation, 2012–2014; President, Energy and Environmental Technology, 2009–2011.



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; Various senior HR positions, Nokia Networks, 1994–2007.



John Quinlivan

President, Flow Control

Born: 1961, U.S. citizen

Education: B.S. Mechanical Engineering

Member of the Executive Team since 2015. Joined the company in 1989.

Key experience: Senior Vice President, Global Operations, Flow Control and Automation, 2012–2015. President of Metso Automation, North America, 2004–2012.



Olli-Pekka Oksanen

Senior Vice President,
Strategy and Business Development

Born: 1979, Finnish citizen

Education: M.Sc. Economics

Member of the Executive Team since 2016. Joined the company in 2010.

Key experience: Various positions in strategy and business development in Metso since 2010. Previously responsible for corporate development at Finnlines Plc.



Urs Pennanen

Senior Vice President,
Customer and Marketing Operations

Born: 1966, Finnish citizen

Education: M.Sc. in Technology
(Industrial Management)

Member of the Executive Team since 2016. Joined Metso in 2013.

Key experience: SVP, APAC Sales & Services, Metso Automation in India, 2013. In 2014, he was appointed SVP, Customer and Marketing Operations.



Jani Purohanta

Chief Digital Officer

Born: 1974, Finnish citizen

Education: M.Sc. Economics,
MBA (INSEAD)

Member of the Executive Team since 2016. Joined Metso in 2016.

Key experience: Jani Purohanta worked as Director for R&D and Product Strategy at the IT consulting firm Bilot, 2014–2016, and as Managing Director and CEO at Alekstra, 2011–2013.

Metso Corporation

Töölönlahdenkatu 2
PO Box 1220, FI-00100 Helsinki, Finland
Tel: +358 20 484 100
metso.com

About this report

Concept, design and production:
Milton Oy

