

Annual  
Report  
2014



## Essential Metso

2014 was an exceptional year for us because it was the first year of operation for Metso in its current form. During the year we spent a lot of time creating a new strategy for Metso; we wanted to blaze new trails and set increasingly higher targets on the journey to becoming a world-class company by all measures.

“Our new strategy marked the beginning of a new era. We now have a solid foundation and ambitious targets for the company’s long-term development. The main outlines have been drawn; now it’s time for growth.”



**Matti Kähkönen**  
President and CEO

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## From the CEO

2014 was an exceptional year for us because it was the first year of operation for Metso in its current form. The start of the new, post-demergence, era was filled with new and interesting aspects, and I want to start out by thanking Metso employees for their capabilities and for the flexibility they have demonstrated during the change.

During the year we spent a lot of time creating a new strategy for Metso. Right from the start, the intention was that the demerged Metso would not remain the same; we wanted to blaze new trails and set increasingly higher targets on the journey to becoming a world-class company by all measures. We announced the new strategy in summer, and, in line with it, we have an even stronger focus on our products and services for the mining, aggregates, and oil and gas industries. Our goal is to be the leading provider of technology and services in all of these areas; indeed, several projects supporting this goal were advanced already during 2014. In addition to updating the strategy, we also updated the company's financial targets aiming for growth, higher profitability, and a high return on capital employed.

Our financial targets and business goals are ambitious, but they are realistic because they are all based on Metso's existing strengths. On the journey from good to excellent we don't need to create something totally new or invest a lot of capital into totally new targets. Instead, we are focusing on being close to customers and listening even more closely to their needs, and we are renewing our offering to meet their changing needs. Internally, we are developing our ways of operating and our culture so that we can achieve a good balance between business growth and cost efficiency.

One of my favorite topics that I regularly talk about in different conjunctions is occupational safety. We have made positive advancements in this area in recent years – although, last year's Lost Time Incident Frequency (LTIF) was at the previous year's level and thus short of our target. Improving occupational safety is not only a promise to our personnel for a safe work environment, it's also an increasingly important competitive factor because our customers very carefully scrutinize their partners' performance in this area. Some tender rounds accept bids only from companies that fulfill certain criteria for occupational safety. Consequently, the continuous improvement of safety is of utmost importance for Metso's success. As part of this work, last year we adopted a Metso-wide Health, Safety and Environment (HSE) reporting system designed to bring efficiency to the monitoring and control of safety issues.

As I mentioned, last year brought a lot of new and even surprising things, and the changes in the global economy and in our customer industries weren't always favorable. Despite the bumps in the road, our performance was good in light of the numbers and provides a favorable foundation for 2015. We have spent the past couple of years on restructuring, and, as I have said before, 2015 is a year for growth and results. This year too is bound to bring surprises, and our customer industries are cyclical by nature, i.e. demand in them can fluctuate quickly. Nevertheless, Metso is in good shape. Its current structure gives it the flexibility to operate effectively in all conditions.

In conclusion, I want to give a big thank you to our customers, our shareholders and our other stakeholders for the good collaboration and for the support shown to Metso.

**Matti Kähkönen**  
President and CEO

# This is Metso

Metso is a leading process performance provider with customers in the mining, aggregate and oil and gas industries. In 2014 Metso's net sales totaled EUR 3,658 million. Services business accounted for 55 percent of our net sales.

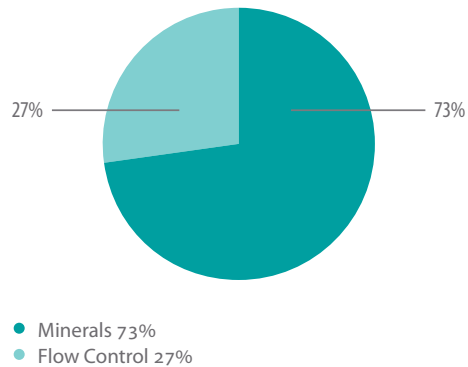
Metso's strong competitive position is built on customer experience and reliable technologies, as well as our process and application knowledge and full-scope services offering and delivery capability.

## Global network of experts

Metso has around 16,000 employees all over the world. We serve customers in more than 50 countries. Metso has around 90 service centers on six continents, production sites all over the world as well as a global R&D network. In 2014 the emerging markets accounted for 53% of all new orders.

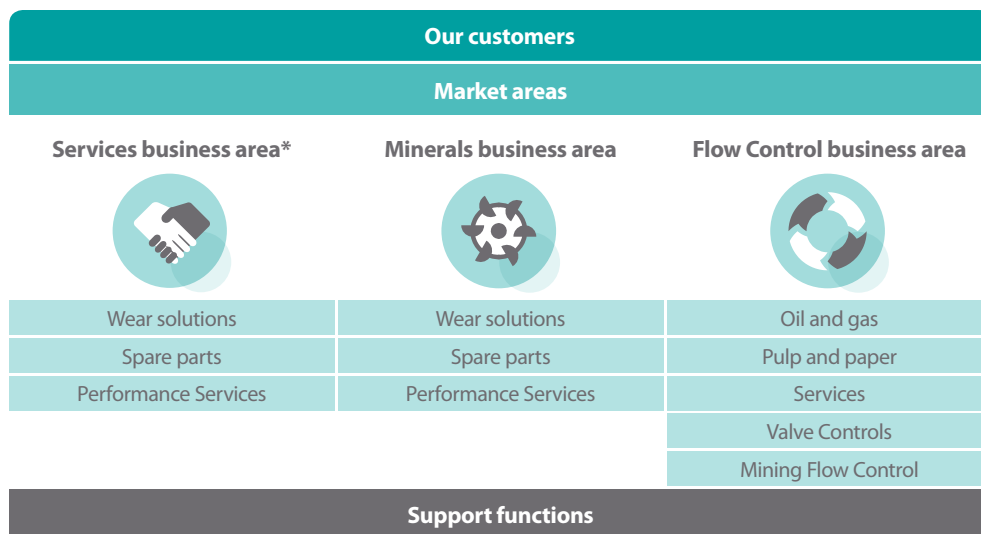
Metso's shares are listed on the NASDAQ OMX Helsinki Ltd. and its head office is located in Helsinki, Finland.

NET SALES BY REPORTING SEGMENT



## Organisation

### OUR INTEGRATED OPERATING MODEL



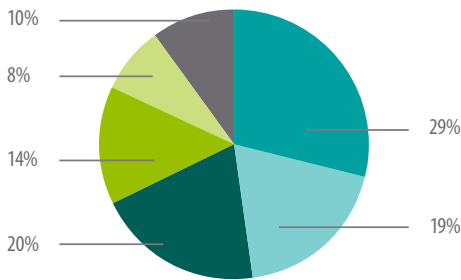
\* to mining and aggregates customers

## Customer industries

Metso is a global services, products and systems provider. We serve our customers in mining, oil and gas as well as aggregates industries. We serve also some other process industries, such as pulp and paper. We are well positioned in all of our customer industries, either globally or in a selected niche market.

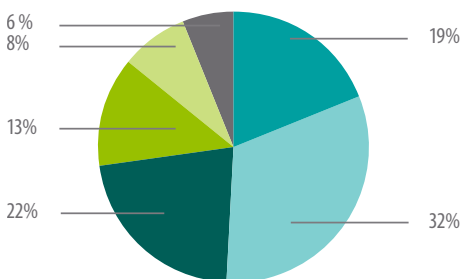
Our offering includes products, systems, projects and services business. Large-scale project deliveries are typical for the mining industry, whereas our deliveries to the aggregates and oil and gas industries mainly consist of individual equipment deliveries and smaller products packages. The services business is essential for all of our businesses.

### NET SALES BY MARKET AREA



- Europe 29% (27%)
- North America 19% (19%)
- South and Central America 20% (22%)
- Asia-Pacific 14% (15%)
- China 8% (8%)
- Africa and Middle East 10% (9%)

### NET SALES BY CUSTOMER INDUSTRY EUR 3,658 MILLION (2013: EUR 3,858 MILLION)



- Mining capital 19% (25%)
- Mining services 32% (31%)
- Aggregates 22% (20%)
- Oil and gas 13% (13%)
- Pulp and paper 8% (8%)
- Other industries 6% (3%)



#### Mining



#### Aggregates



#### Oil and gas



#### Market drivers

- Demand for minerals:
  - Emerging markets' growth
  - Growth of middle class with purchasing power
  - Urbanization, infrastructure investments
- Utilization rates of mines
- Infrastructure investments
- Growth of emerging markets
- Urbanization
- Growth of emerging markets
- New production technologies
- Demand for process safety and sustainability



#### Market trends

- Declining ore grades, more materials to be processed
- Smarter equipment, automation
- High focus on productivity and costs
- Increased social and environmental responsibilities, need for energy efficient processes
- Increasing urbanization, major emerging markets becoming more industrialized
- Ongoing global investments plans in China, increasing the demand for aggregates
- US economic recovery ongoing, housing investment picking up
- Changing supply dynamics bring potential opportunities
- Overall growing demand for energy
- Growth driven by China, India, Brazil, Russia and the Middle East
- Shale gas and tar sands growth in North America
- Constant demand to maximize production capacity supporting demand for high quality services



#### Short-term market outlook

- Good demand for our mining services from growing mineral production and our large installed base
- Weak demand for the equipment and project business
- Satisfactory demand for equipment, services demand good
- Growth outlook challenges due to the lower oil price; impact clearer on upstream while downstream healthier
- Contraction in investments from lower oil prices and focus on spending discipline by O&G majors
- Potential changes in competitive landscape due to lower oil price environment
- Services demand good



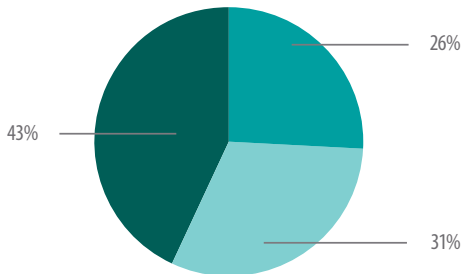
#### Achievements 2014

- A 5-year strategic research agreement in Chile with The University of Queensland's JKTech division to develop next-generation technologies and services for energy-efficient minerals concentration
- Large installed base and strengthened service center network; 5 new centers inaugurated or currently under construction
- Several longtime life-cycle services contracts
- Introducing the world's largest cone crusher, MP2500, to respond to the mining industry's efficiency challenge
- Winning Aprimin's Annual Safety Award for the second year running
- Launching the cost-efficient Lokotrack LT220D track-mounted plant combining a crusher and screen
- Introducing the first prototypes of track-mounted mobile crushing and screening plants for China by the LiuGong-Metso joint venture
- Successful start of mid-market strategy implementation with Shaorui in China
- Capitalizing on market recovery in North America and Europe
- Investing on new Neles® Globe Valve Technology center in South Korea
- Increasing valve services capability and presence close to customers; 5 new valve service centers
- Industry-leading Neles® globe valve technology selected for Abu Dhabi Oil Refinery's (TAKREER) plant
- Receiving a significant repeat order for Neles® ball valves with patented Neles® Q-Trim noise attenuating technology from a North American pipeline owner that brings crude oil from Canada to US refineries
- Receiving several orders: valves for rail tank cars transporting crude oil and oil pipeline upgrade in the US
- Introducing a special intelligent valve controller option for arctic temperatures
- Receiving several orders: valve solutions to Jamnagar, the world's largest oil refinery in India

## Metso's businesses

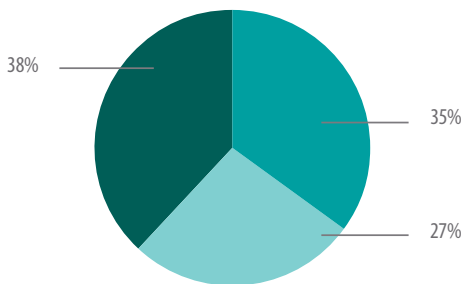
Metso operates through its three business areas: Minerals, Flow Control and Services.

### PERSONNEL BY BUSINESS AREA



- Minerals 26% (31%)
- Flow Control 31% (30%)
- Services 43% (39%)

### NET SALES BY BUSINESS AREA



- Minerals 35% (40%)
- Flow Control 27% (24%)
- Services 38% (36%)



#### Minerals

EUR 1,263 million  
Net sales in 2014



#### Flow Control

EUR 685 million  
Net sales in 2014



#### Services

EUR 1,413 million  
Net sales in 2014



#### Products and services

- Full scope solutions for the mining industry
- Grinding mills
- Mining crushers, screens and feeders
- Mining conveyors
- Process equipment (e.g. separation, flotation, filtration and thickening)
- Bulk materials handling solutions
- Pyro processing
- Aggregate crushers, screens and feeders
- Mobile crushers and screens
- Mid-market equipment for aggregates
- Shredders, shears and balers for metal recycling
- Control valves, automated on-off valves and emergency shutdown (ESD) valves
- Ball and butterfly valves
- Intelligent positioners
- Slurry pump solutions
- Intelligent field services
- Spare and wear parts
- Expert and maintenance services
- Spare and wear parts for the mining and aggregates industries



#### Customers

- Mining industry
- Construction industry (quarries and contractors)
- Scrap yards, automotive industry, waste handling companies
- Oil and gas industry
- Chemical & petrochemical industry
- Mining industry
- Pulp and paper industry
- Power generation industry
- Other selected process industries
- Mining industry
- Construction industry (quarries and contractors)



#### Competitors

- Mining: FLSmidth, Outotec, ThyssenKrupp, Sandvik, Weir, Citic Heavy Industries
- Aggregates: Sandvik, Terex, Wirtgen, Atlas Copco, Astec
- Valves: Cameron, Emerson, Flowsolve, Pentair IMI
- Pumps: Weir, KSB, FLSmidth
- Sigdo Koppers, Arrium, other regional companies



#### Global market position

- Mining: Grinding mills 1., Mining crushers 1.
- Recycling: Metal recycling 1.
- Construction: Crushing and screening 1.-2.
- Valves and Pumps: Pulp and paper control valves 1., Oil and gas control valves 5., Refining control valves 3., Chemical control valves 6., Slurry pumps for mining 2.-3.
- Market leader



#### Businesses

- Minerals processing solutions net sales EUR 730 million
- Crushing and screening equipment net sales EUR 455 million
- Metal recycling net sales EUR 78 million
- Oil and gas net sales EUR 354 million
- Pulp and paper net sales EUR 83 million
- Services net sales EUR 99 million
- Valve Controls net sales EUR 44 million
- Mining Flow Control net sales EUR 105 million
- Wear solutions, net sales EUR 542 million
- Spare parts, net sales EUR 374 million
- Performance services, net sales EUR 497 million

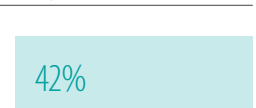
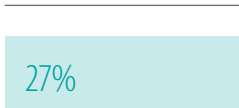


#### Operating model

Mining equipment highly outsource with focus on engineering and managing delivery projects. Construction equipment focus on the final assembly of components supplied by our subcontractor network.

Focus on the engineering, manufacturing, delivery, maintenance and optimization of control, automated on-off valves and pumps. Designing and assembling products as well as providing knowledge based and OEM services in-house.

Wide network of resources, repair centers, distribution centers and manufacturing units close to customers. In-house manufacturing complemented by wide range of suppliers for components, spare and wear parts.



**Global presence**

**Metso globally**

Personnel  
**15,644**

Net sales  
**EUR 3,658 million**

Orders received  
**EUR 3,409 million**

**North America**

Personnel  
**2,517**  
Share of personnel 16%

Net sales  
**EUR 685 million**  
Share of net sales 19%

Share of orders received  
**20%**

**Europe**

Personnel  
**5,877**  
Share of personnel 37%

Net sales  
**EUR 1,070 million**  
Share of net sales 29%

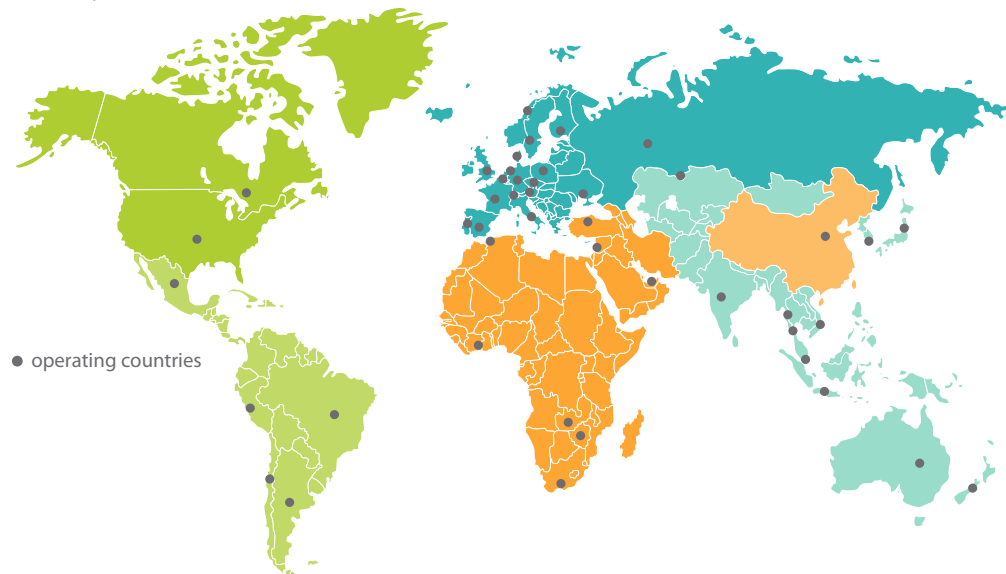
Share of orders received  
**26%**

**China**

Personnel  
**1,424**  
Share of personnel 9%

Net sales  
**EUR 287 million**  
Share of net sales 8%

Share of orders received  
**8%**



**South and Central America**

Personnel  
**3,027**  
Share of personnel 20%

Net sales  
**EUR 731 million**  
Share of net sales 20%

Share of orders received  
**20%**

**Africa and Middle East**

Personnel  
**1,092**  
Share of personnel 7%

Net sales  
**EUR 356 million**  
Share of net sales 10%

Share of orders received  
**11%**

**Asia-Pacific**

Personnel  
**1,707**  
Share of personnel 11%

Net sales  
**EUR 529 million**  
Share of net sales 14%

Share of orders received  
**15%**



### North America

US economic growth picked up in 2014, which supported the local construction industry. On the other hand, low metal prices deterred some mining projects. Shale gas has transformed the US natural gas industry. Until the recent oil price plummet, the oil fracking industry had also been growing strongly, which benefited midstream and downstream O&G sectors in the US.

### Europe

Europe struggled with weak inflation and low growth in 2014. Geopolitical tensions between Russia and Ukraine and the consequential sanctions impacted aggregates industry growth, especially in Russia. The oil industry in Russia has also been negatively impacted by low oil prices and sanctions from Western countries.

### South and Central America

Brazil's growth was weak in 2014, with industrial activity at a low level. This challenging business environment impacted Brazilian miners. Pre-salt and heavy oil continue to hold big potential for the O&G industry. However, the recent decrease in oil prices puts near-term development in doubt.

### Africa & Middle East

Africa's mining industry continued to grow in 2014, while the Ebola outbreak impacted the growth and output of some West African mines. The oil production level recovered from disruptions in the Middle East, notably in Iraq and Libya. This, along with OPEC's resistance to cutting production, has contributed to a glut in global oil production.

### China

China's economic growth continued to slow down in 2014.

Worries about China's metal consumption impacted metal prices in 2014, pressing iron ore prices to a low level. The weak iron ore prices forced smaller mines with higher costs to close, while the global low-cost mining companies continued to ramp up global production of iron ore.

Growth in O&G consumption also slowed down with the slowing GDP growth. On the other hand, a focus on energy efficiency and environmental protection promoted development opportunities for new areas in the energy industry.

### Asia Pacific

India's economy picked up in 2014 on reform optimism and stronger trade inflows, which in turn also impacted the manufacturing sector positively. Asia Pacific remains a very large market for construction aggregates, due to the demand for infrastructure and residential construction.

Amid slower global economic growth in 2014, Asia Pacific has been the main place for O&G demand growth, which has led to a fight for market share among major O&G producing countries.



# Operating environment

Demand for our products, services and solutions is driven by the following megatrends:

## MEGATRENDS



In the longer term, the megatrends support the investment growth of all of Metso's core industries. Our good positioning within all our customer industries provides attractive opportunities for us. More insight into the market drivers, industry-specific trends and outlook of our customer industries is presented on the Customer industries page.

## Operating environment

Weak metal prices impacted the mining sector globally, as mining companies were forced to focus on protecting their cash flows, reducing costs and reaching operational efficiency. Mine production volumes remained at a relatively good level during the year, despite price pressures.

Shale gas and oil fracking in North America have reshaped the energy landscape in the US and have heavily impacted the global Oil & Gas supply-demand balance. The recent plummet in oil price started testing the economic viability of certain oil projects, and the longer term impact of this remains to be seen.

## In our customer industries

In mining, the operating environment was challenging during 2014, with declining metal prices forcing mining companies to focus on cost efficiency and protecting their cash flows. Some of the big miners cut capital expenditure spending considerably during the year. High production levels supported the demand for mining services.

The aggregates market was impacted by some geopolitical tensions in Russia and Ukraine, while the North American and Asian markets continued to expand.

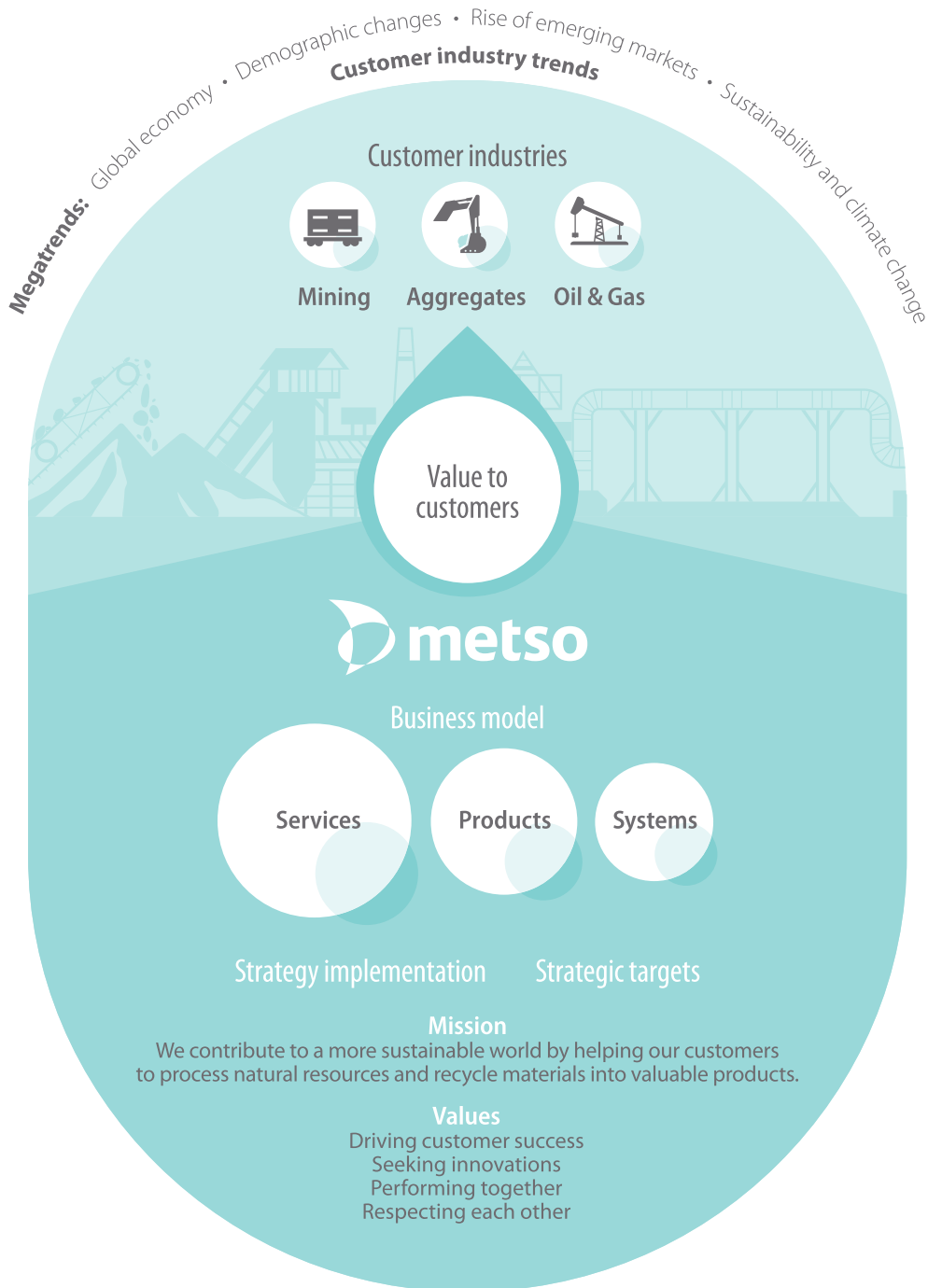
In metal recycling, steel scrap prices fell to a low level mirroring the price declines in iron ore.

In Oil & Gas, production increased in North America and the Middle East. In the upstream business, major international players

started to be more disciplined with capital expenditure. This trend is reinforced by the recent oil price plummet. Overall, abundant production and declining prices benefited Oil & Gas downstream players, although overcapacity issues continued to exist in certain regions.

Pulp & Paper markets saw increased activity compared to the previous years, as there were several investment decisions on new pulp mills and board machines, primarily in emerging markets.

# Metso's strategy



## Mission and vision

Our mission, vision, values and leadership principles are at the core of everything we do.

Our mission is to contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products.

Our vision, Working as One to be Number One, means working closely with customers, and other key external stakeholders as

well as within the company. To be number one means creating added value for our stakeholders in everything we do and being the best at it.

Our values are: driving customer success, seeking innovations, performing together, and respecting each other. These values guide us in how we do business and how we work together with internal and external stakeholders.

### MISSION AND VISION

Our values	Our mission	Our vision	Our leadership principles
 <p><b>What values guide our daily operations?</b> Driving customer success Seeking innovations Performing together Respecting each other</p>	 <p><b>Why do we exist?</b> We contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products.</p>	 <p><b>What is our goal?</b> Working as One to be Number One</p>	 <p><b>What's the role of managers?</b> Show the way forward Build inspiration and trust Develop and coach Drive results</p>

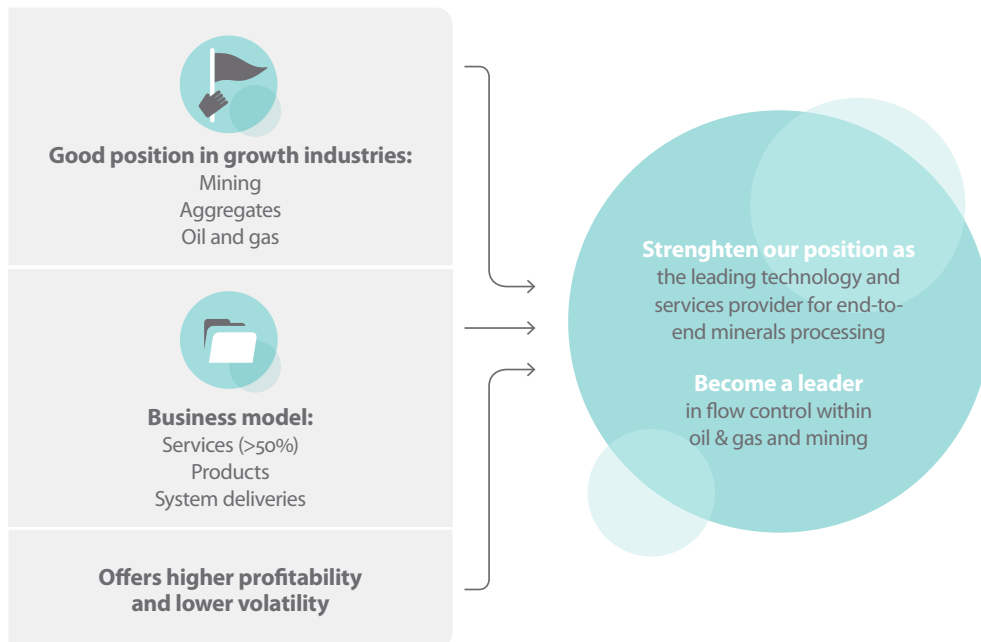
**Our strategy**

Our strategic targets are: to further strengthen our position as the leading technology and services provider for end-to-end minerals processing and to become a leader in flow control within the oil & gas and mining industries.

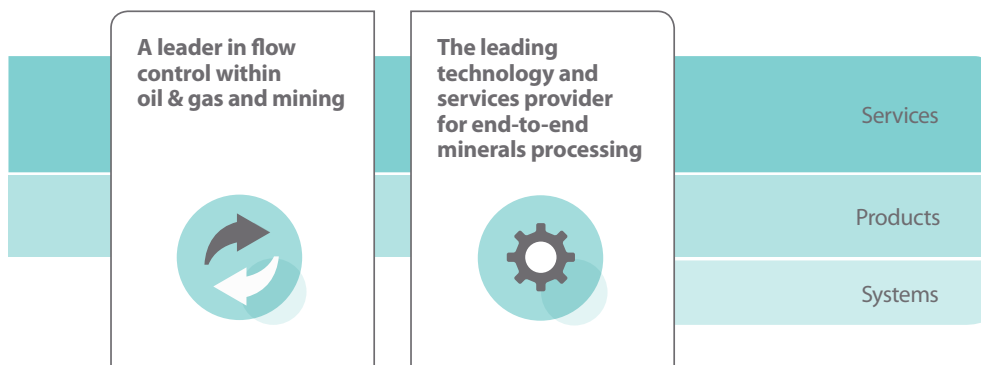
We will continue our transformation to a more focused company with businesses that offer growth potential.

Our core customer industries are mining, oil & gas, and aggregates, but we serve also some other process industries, such as pulp and paper industry. We have a strong global market position in our core customer industries and all of them offer attractive long-term growth opportunities for us.

Our new services- and product-focused business model with project and systems capabilities supports our target for higher profitability and lower volatility. It enables us to execute our plans more effectively to support profitable growth. In the higher margin business model that we are pursuing, services account for more than 50% of net sales, products account for a sizable proportion of net sales, and systems deliveries concentrate on proprietary technology.



**OUR BUSINESSES AND STRATEGIC OBJECTIVES**



**Services:**

- Currently 55% of our net sales
- We provide wears and spares and performance services to customers
- We continue to focus on services and strengthen our presence and capabilities close to the customer

**Products:**

- Minerals processing equipment, valves and pumps
- Good growth and profit opportunities from leading market positions
- Focus on value-adding product renewals

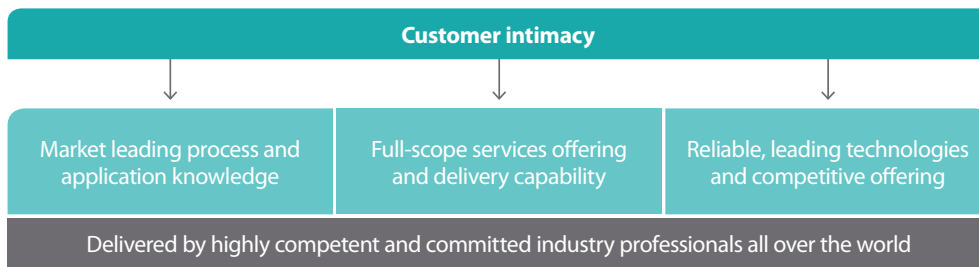
**Systems (large deliveries):**

- Systems deliveries concentrate on proprietary technology
- Supporting services growth
- Mainly to mining customers

**Our ambitious financial targets**

At the beginning of 2015, Metso sold its Process Automation Systems business to Valmet Corporation. The transaction, which is estimated to be finalized by April 1, 2015, is subject to approval by competition authorities.

**COMPETITIVE POSITION BUILT ON CUSTOMER EXPERIENCE**



**WE IMPLEMENT OUR STRATEGY THROUGH FOLLOWING FOCUS AREAS**



**Services**

Create excellent services, know-how, networks, and services culture.



**Operational excellence**

Improve operational excellence to achieve profitable growth. Develop common global platforms, processes and ways to operate.



**Technology offering**

Develop a cost competitive and market-driven technology offering. Build capability to embed intelligence into machines, services and processes.



**People and leadership**

Working environment that enables business and customer success.



**Growth countries**

Increase presence in BRIC and other growth countries that are relevant for our business.

## Strategy implementation

Focus areas and some highlights from 2014



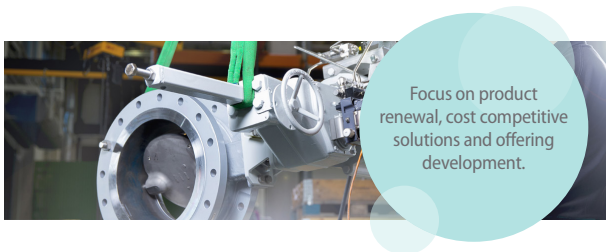
### Services:

- Improving local capabilities: strengthening presence and sales and pricing tools, developing account management and processes
- Development of distribution centers and services hub model
- New service centers in Canada, United States, Peru, Mexico, United Arab Emirates, Qatar, Germany and France



### Offering expansion

- Developing intelligent solutions and innovative process optimization solutions
- Services product development



### Technology offering:

**Focus on product renewal, cost competitive solutions and offering development**

#### Product renewal

- Launch of new Lokotrack LT330D mobile crusher series
- Launch of the cost-efficient Lokotrack LT220D track-mounted plant combining a crusher and screen
- Continuous development of mid-market product range (e.g. LT1000) and next-generation Lokotrack mobile crushing plants
- Introduction of the first prototypes of track-mounted mobile crushing and screening plants tailored for China by the LiuGong-Metso joint venture
- Strengthened slurry handling solution portfolio and introduction of new products
- Intelligent valve controllers for arctic temperatures



### Growth countries:

- New service centers in Peru, Mexico, United Arab Emirates and Qatar
- New valve technology center in South Korea
- Strengthened local presence and key oil & gas projects won in Middle East
- Strong flow control growth in North America and especially in oil & gas transportation valves
- New market area organization for Minerals
- Successful start of mid-market strategy implementation with Shaorui in China



### Operational excellence:

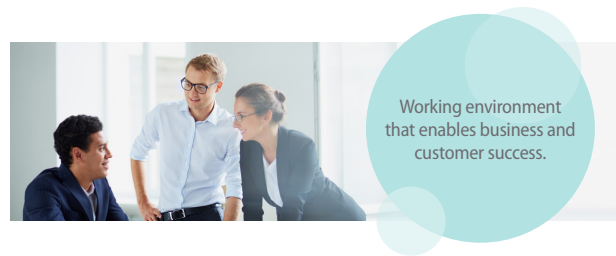
- New strategy and new organization. More integrated operating model supporting strategy implementation
- Capital efficiency program ongoing
- More lean and agile support functions

### Minerals business transformation

- Adjusting to current market
- Asset-light operating model
- Agile and simpler organization

### Continued valve operations development

- Operating efficiency improvements
- Plant utilization optimization
- Continued procurement improvements



### People and leadership:

#### Working environment that enables business and customer success

#### Achievements:

- **Leadership:** Consistent development of leadership capabilities to build basis for solid talent pool for current and future leadership needs
- **Performance:** Strengthening tools and processes to support performance management
- **Capabilities:** Competence development aligned with strategic needs, and focused Development Discussion guiding employees to take ownership of their own development
- **Resourcing:** Employer image clarified and resourcing processes developed to meet the requirements of Metso's new strategy and operating model to attract and retain the right people



## Sustainability strategy

We strongly believe in value stemming from sustainable business operations. The way we see it, a company, which is able to include solutions to global social and environmental challenges in its offering, will succeed in the long term and will create value and well-being for all the company's stakeholders, including society. Our sustainability strategy integrates its sustainability goals with its strategic focus areas; Services, Growth countries, Technology, Operating model and People, and has four areas:

### SUSTAINABILITY STRATEGY



Metso People	Metso Environment	Society	Marketplace
<ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Wellbeing</li> <li>• Sustainability in competence development</li> <li>• Employee engagement</li> <li>• Managers' role in sustainability</li> <li>• Equal opportunities and diversity</li> </ul>	<ul style="list-style-type: none"> <li>• Carbon emissions reductions and energy efficiency</li> <li>• Water conservation</li> <li>• Waste reduction</li> <li>• Zero environmental accidents</li> </ul>	<ul style="list-style-type: none"> <li>• Community development projects</li> <li>• Sponsorship and donations</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible supply chain management</li> <li>• Sustainable technology and solutions</li> <li>• Customer partnerships</li> </ul>
<b>Sustainability management</b>			

- Sustainability strategy
- Sustainability governance
- Stakeholder strategy
- Measuring and reporting
- Risk management
- Internal communications

### Metso People

We prioritize the wellbeing, health and safety of the individuals in all our operations. We actively promote equal opportunities and diversity, and we train our leaders to promote sustainability thinking and to link individual objectives to sustainability.

### Metso Environment

We constantly strive for improvements in our energy and materials efficiency and in reducing water consumption, emissions to water, soil and air, and the amount of waste in our operations. We have also identified environmental risks related to our operations and practice precautionary procedures to avoid any environmental accidents.

### Society

We strive to act as a responsible corporate citizen and to support sustainable development in the communities we operate in by forming partnerships with customers and other stakeholders. By sponsoring and donating to local projects in science, research and education, environmental protection and nature conservation, and youth activities, we contribute towards a more sustainable world.

### Marketplace

We help our customers to improve the sustainability of their operations by using our technology and solutions, and we develop transparent and responsible supply chain management to support our own sustainability efforts.

## Capital allocation

Capital allocation is about how we divide our financial resources and sources of capital. Our capital allocation policy supports growth and shareholders returns.

### CAPITAL ALLOCATION POLICY

**As a top priority, we will maintain a capital structure and liquidity position that secures:**  
 Investment-grade credit rating  
 Ability to execute our dividend policy (>50% of EPS)

#### Use of available capital

Organic growth

M&A

Return excess cash to shareholders

## Strategy cases



In 2014 Metso launched a cost-efficient Lokotrack LT220D track-mounted plant.

### Revolutionizing aggregate contracting around the world

Mining is an energy-intensive industry. Unstable fuel prices thus set major demands on the equipment used in the mining process. However, the energy efficiency of a machine can only be increased up to a certain point – after that, innovativeness and out-of-the-box thinking are needed.

In 2014 Metso launched a cost-efficient Lokotrack LT220D track-mounted plant that combines a cone crusher and a screen, making it the most compact track-mounted plant ever made. The energy-efficient Lokotrack LT220D revolutionizes the way aggregate contractors operate. Its high transportability and quick set-up increases the machine's effective operating time and reduces operating costs, enabling aggregate contractors to take on smaller, previously unprofitable contracts.



Metso has more than **40** valve and field device centers worldwide.

### Investments in service presence

Throughout the year Metso continued expanding its global service center network. The extensive flow control services offering covers

business solutions and services that optimize equipment use and cost of ownership. By the end of 2014, Metso had more than 40 valve and field device centers worldwide.

In addition, Metso strengthened its service presence in the mining industry. By opening new mining service centers in Peru and Mexico, Metso is able to execute its strategy by operating close to its customers and being able to respond to their needs efficiently. Future mining projects in the area are estimated at EUR 20 billion, which will further boost demand for Metso's services in South America.



In 2014, Metso's globe valve orders grew by **50%** compared to 2013.

### Expansion of valve operations network – valve technology center in South Korea

The demand for reliable control valve technology and engineering know-how is growing globally – Metso's globe valve orders in 2014 grew by 50 percent compared to 2013. In order to respond to our customers' needs, Metso has expanded its valve operations network by opening a Neles Globe Valve Technology Center in the growing market of South Korea.

The new facility and its modern processes ensures high-capacity and high-quality production and delivery of globe valves for Metso's oil and gas and power customers worldwide. The new center's research and development, customized engineering, and sales, services and administration activities support Metso's ability to engage in comprehensive and efficient cooperation with its globe valve customers.



To reach the long-term savings target,

3%,

Metso has created a solid procurement strategy.

### Operational excellence through smart procurement

Metso launched a Capital Efficiency Program in 2014, which is one of the means to reach our ROCE target. Metso's annual external purchasing spend is over EUR 2 billion, making procurement an important strategic development area that has a direct effect on the company's operational excellence, competitiveness and profitability.

Procurement was included in the Capital Efficiency Program as one of the key areas. The work in order to streamline Metso's procurement was started at a strategic level in 2012, and the current program follows the developments already achieved. Aligned with Metso's strategy to become a more integrated company, Metso now has a joint procurement organization.

To reach the long-term savings target, 3% of the annual total spend, Metso has created a solid procurement strategy, including e-procurement, design-to-cost and source-to-cost practices, entered into certain strategic longer term key supplier contracts, and revised suppliers' payment terms and methods, creating significant cost savings and improving ROCE. A Supplier Financing Program has now been launched as well. In 2014, the total expenditure on procurement was EUR 2.04 billion, which is a decrease of 4% in comparison to 2013.



Embracing new challenges through job rotation offers one of the best possible ways to learn in your own work.

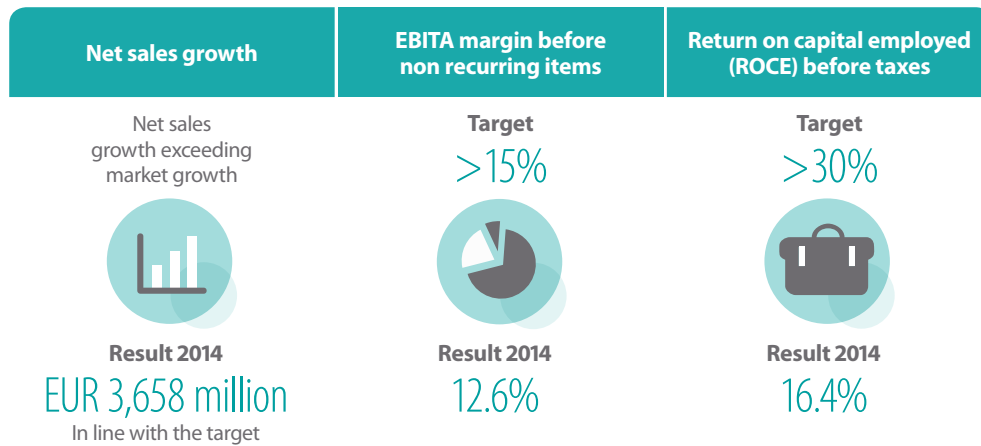
### Boosting careers with job rotation

Employee competencies and skills play a crucial role for Metso. Embracing new challenges through job rotation offers one of the best possible ways to learn in your own work, not to mention growing confidence and paving way for future leadership opportunities.

We communicate internally about our open positions. A lot of our work is project-based, which lowers the threshold to take on a new position. The renewed model for Development Discussions also supports job rotation, encouraging employees to plan their careers in the long-term and inspiring them to take ownership of their own development.

Job rotation can act as an eye-opener for everyone, but more importantly it is a means to retain the vast amount of skills and knowledge within the company. Growing global leaders who have a wide experience base is crucially important for us, which is why we have implemented a more structured way of identifying successors for key positions as well as employees with potential to be future leaders. We strongly emphasize every manager's accountability for building future leaders – to embrace that everyone has an equal chance to step into bigger boots.

## Targets and achievements



## Key figures

This is a summary of our key figures. Read our key figures for 2014 in more details under Financial performance.

EUR million	2013	2014
Net sales	3,858	<b>3,658</b>
Services net sales	1,976	<b>2,007</b>
Services, % of net sales	51	<b>55</b>
Earnings before interest, tax and amortization (EBITA) and non recurring items	496	<b>460</b>
% of net sales	12.8	<b>12.6</b>
Profit	238	<b>189</b>
Earnings per share, EUR	1.59	<b>1.25</b>
Dividend per share, EUR	1.00	<b>1.05*</b>
Return on capital employed (ROCE) before taxes, %	18.6	<b>16.4</b>
Gearing %	41.6	<b>45.6</b>
Free cash flow	251	<b>204</b>
Research and development expenses **	60	<b>59</b>
Orders received	3,709	<b>3,409</b>
Orders received of services business	2,038	<b>2,052</b>
Order backlog	1,927	<b>1,575</b>
Personnel, December 31	16,425	<b>15,644</b>
Lost time incident factor (LTIF)	4.2	<b>3.9</b>
Sponsorship and donations	0.9	<b>0.72</b>
Carbon dioxide emissions, 1,000 t	120.5	<b>148.55</b>
Energy consumption, TJ	1,547.8	<b>1,709.7</b>
Metals used, 1,000 t	129.1	<b>182.6</b>

\* 2014 Board's proposal

\*\* without IPR expenses

## Financial performance

Our net sales were EUR 3,658 million, out of which services orders accounted for 55%. Our orders received were EUR 3,409 million, of which 60 percent came from services orders. Our EBITA margin before non-recurring items was 12.6%.

“We created the foundation for balance sheet management culture during 2014, and 2015 will be the first harvesting year.”

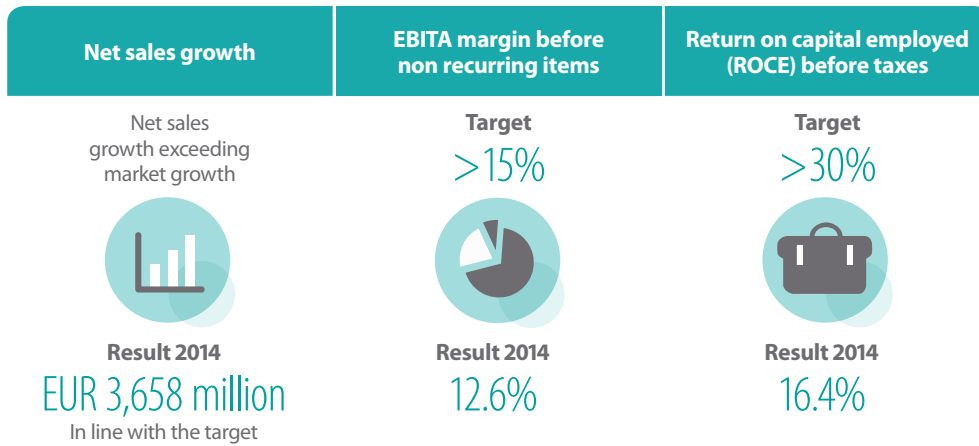
**Harri Nikunen**  
CFO



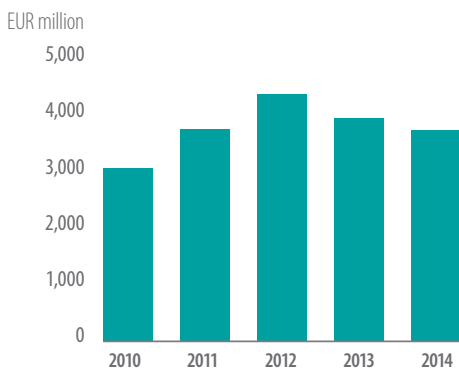
## Table of Contents

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## Financial targets and achievements

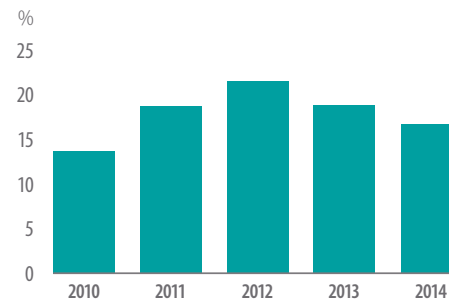


### NET SALES



● Net sales

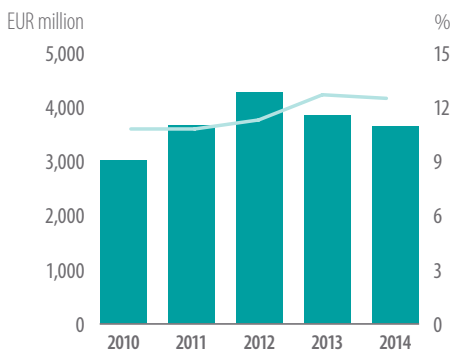
### RETURN ON CAPITAL EMPLOYED (ROCE) BEFORE TAX



● Return on capital employed (ROCE) before tax

Please note that the figures 2012 onwards describe Metso's current structure

### NET SALES AND EBITA BEFORE NON-RECURRING ITEMS



● Net sales

● EBITA before non-recurring items, % of net sales

## Key figures

**EBITA margin\***

**12.6%**

\* before non-recurring items



**Net sales**

**EUR 3,658 million**



**Orders received**

**EUR 3,409 million**





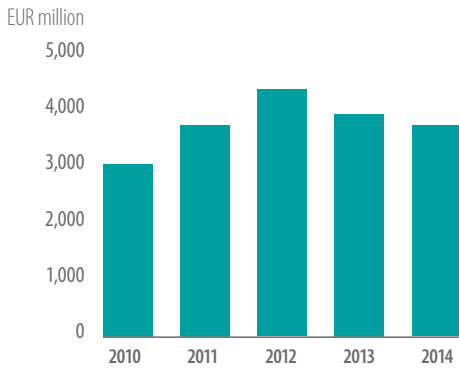
## Group

EUR million	2013	2014
Net sales	3,858	<b>3,658</b>
Services net sales	1,976	<b>2,007</b>
Services, % of net sales	51	<b>55</b>
Earnings before interest, tax and amortization (EBITA) and non recurring items	496	<b>460</b>
% of net sales	12.8	<b>12.6</b>
Operating profit	423	<b>351</b>
% of net sales	11.0	<b>9.6</b>
Profit before taxes	369	<b>282</b>
% of net sales	9.6	<b>7.7</b>
Profit from continuing operations	238	<b>189</b>
% of net sales	6.2	<b>5.2</b>
Procurements*	2,124	<b>2,042</b>
Research and development expenses (excluding business acquisitions)	64	<b>62</b>
Research and development personnel	347	<b>336</b>
Priority applications, pcs *	33	<b>33</b>
Invention disclosures, pcs *	170	<b>141</b>
Gross capital expenditure (excluding business acquisitions)	95	<b>74</b>
Business acquisitions, net of cash acquired	44	<b>19</b>
Earnings per share, EUR, from continuing operations	1.59	<b>1.25</b>
Dividend per share, EUR **	1.00	<b>1.05</b>
Balance sheet total	3,678	<b>3,403</b>
Return on capital employed (ROCE) before taxes, %	18.6	<b>16.4</b>
Return on equity (ROE), %	19.0	<b>15.7</b>
Equity to assets ratio, %	36.9	<b>40.5</b>
Gearing, %	41.6	<b>45.6</b>
Free cash flow	251	<b>204</b>
Orders received	3,709	<b>3,409</b>
Service orders received	2,038	<b>2,052</b>
Order backlog, December 31	1,927	<b>1,575</b>
Personnel, December 31	16,425	<b>15,644</b>

\* Unaudited figure

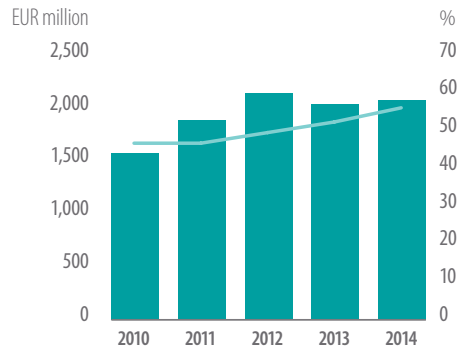
\*\* 2014 Board's proposal

### NET SALES



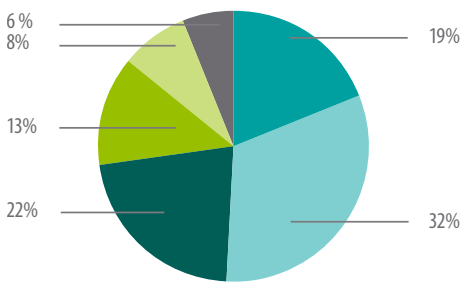
- Net sales

### SERVICES NET SALES



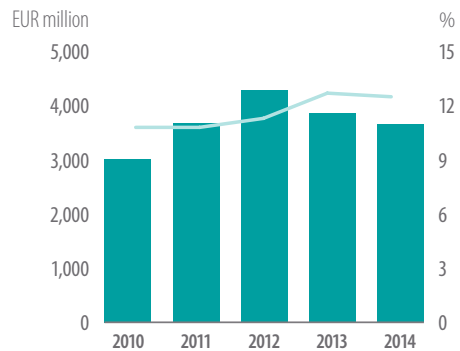
- Services net sales
- % of external net sales

### NET SALES BY CUSTOMER INDUSTRY EUR 3,658 MILLION (2013: EUR 3,858 MILLION)



- Mining capital 19% (25%)
- Mining services 32% (31%)
- Aggregates 22% (20%)
- Oil and gas 13% (13%)
- Pulp and paper 8% (8%)
- Other industries 6% (3%)

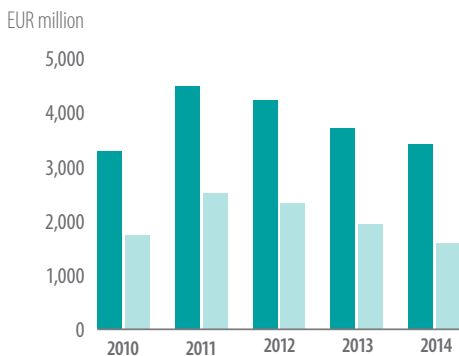
### NET SALES AND EBITA BEFORE NON-RECURRING ITEMS



- Net sales
- EBITA before non-recurring items, % of net sales

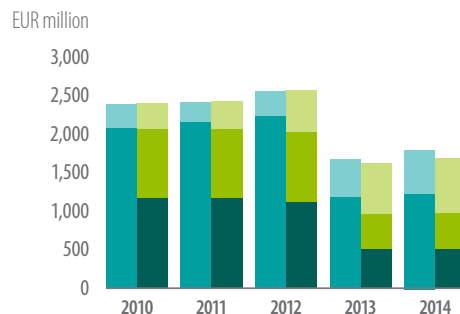
Please note that in the graph below the figures from 2012 onwards describe Metso's current structure.

### ORDERS RECEIVED AND ORDER BACKLOG



- Orders received
- Order backlog

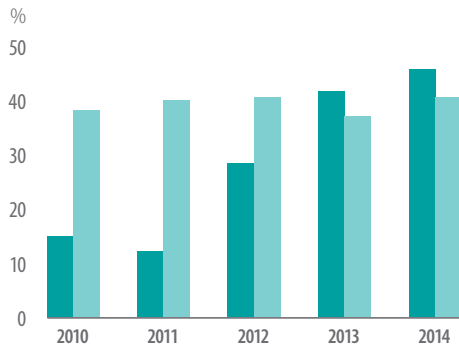
### BALANCE SHEET STRUCTURE



- Total equity
- Net interest bearing liabilities
- Fixed assets
- Goodwill
- Net working capital

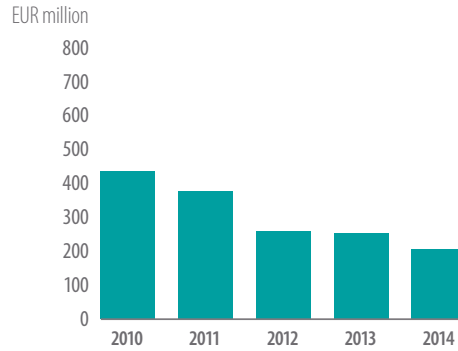
Please note that in the graphs below the figures from 2012 onwards describe Metso's current structure.

### GEARING AND EQUITY TO ASSETS RATIO

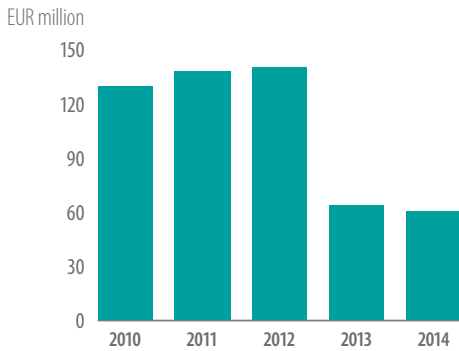


- Gearing
- Equity to assets ratio

### FREE CASH FLOW

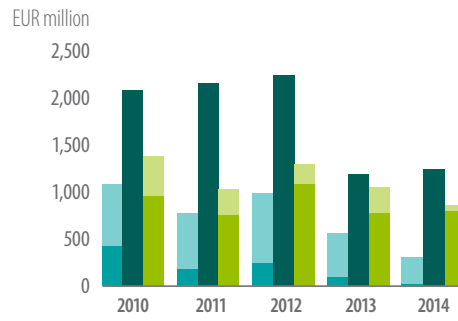


### RESEARCH AND DEVELOPMENT (INCLUDING IPR EXPENSES)



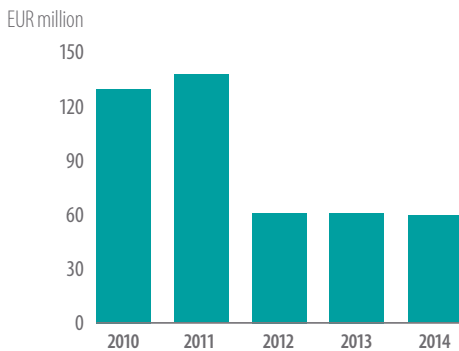
- Research and development expenditure

### CAPITAL STRUCTURE

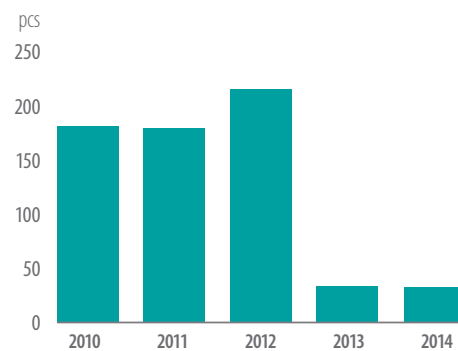


- Interest bearing receivables
- Cash and cash equivalents
- Total equity
- Long-term interest bearing debt
- Short-term interest bearing debt

### RTD EXPENDITURE



### PRIORITY APPLICATIONS

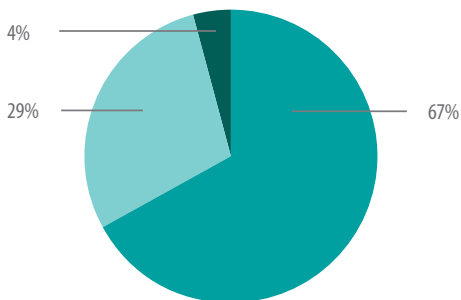


## Minerals

Minerals reporting segment consists of two business areas, Services and Minerals. Services is providing primarily minerals customers with full-scope services solutions, ranging from spare and wear parts all the way to high-value adding performance services. Minerals is responsible for providing minerals processing solutions and system deliveries for mining customers and crushing and screening products for aggregates customers.

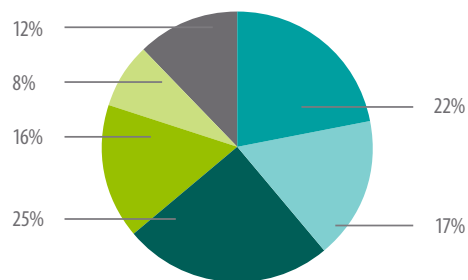
EUR million	2013	2014
Net sales	2,955	<b>2,676</b>
Services net sales	1,464	<b>1,474</b>
Service, % of net sales	50	<b>55</b>
Earnings before interest, tax and amortization (EBITA) and non recurring items	383	<b>338</b>
% of net sales	13.0	<b>12.6</b>
Operating profit	322	<b>244</b>
Capital employed, Dec 31	1,266	<b>1,337</b>
Gross capital expenditure	115	<b>47</b>
Research and development expenses	23	<b>21</b>
Orders received	2,745	<b>2,361</b>
Service orders received	1,506	<b>1,511</b>
Order backlog	1,535	<b>1,108</b>
Personnel, December 31	11,226	<b>10,368</b>

NET SALES BY CUSTOMER INDUSTRY



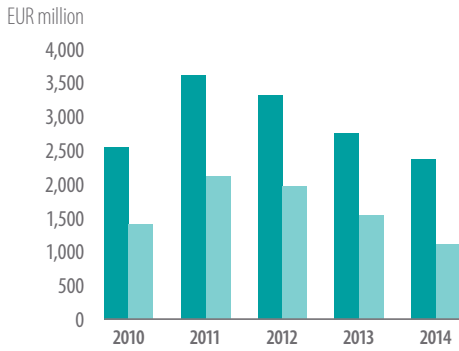
- Mining 67% (68%)
- Aggregates 29% (26%)
- Recycling 4% (6%)

ORDERS RECEIVED BY MARKET AREA



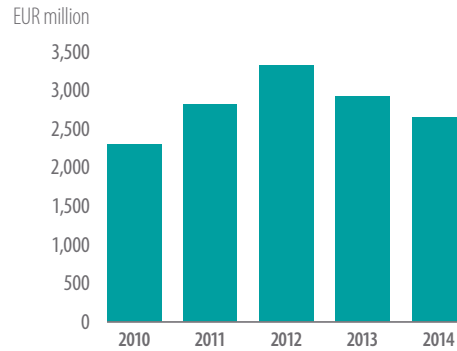
- Europe 22% (25%)
- North America 17% (14%)
- South and Central America 25% (26%)
- Asia-Pacific 16% (15%)
- China 8% (8%)
- Africa and Middle East 12% (12%)

### ORDERS RECEIVED AND ORDER BACKLOG

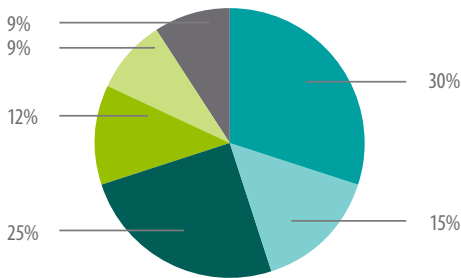


- Orders received
- Order backlog

### NET SALES

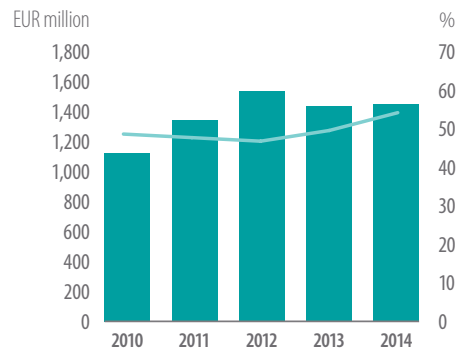


### PERSONNEL BY AREA

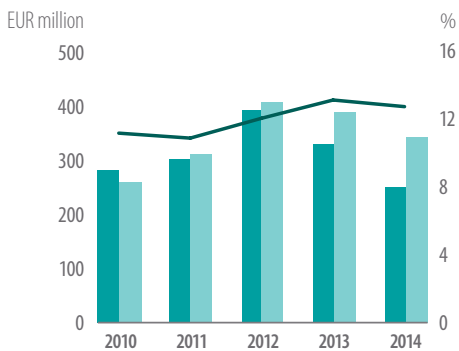


- Europe 30% (32%)
- North America 15% (16%)
- South and Central America 25% (23%)
- Asia-Pacific 12% (12%)
- China 9% (8%)
- Africa and Middle East 9% (9%)

### SERVICES NET SALES



### OPERATING PROFIT AND EBITA BEFORE NON-RECURRING ITEMS



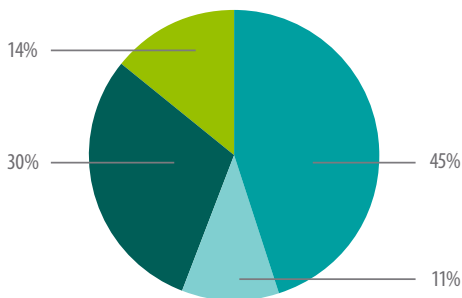
- Operating profit
- EBITA before non-recurring items
- EBITA before non-recurring, % of net sales

## Flow Control

Flow Control is responsible for developing and growing both the valve offering mainly for oil & gas customers as well as pumps for mining customers by pursuing new opportunities in these markets. Flow Control segment figures comprises Process Automation Systems figures.

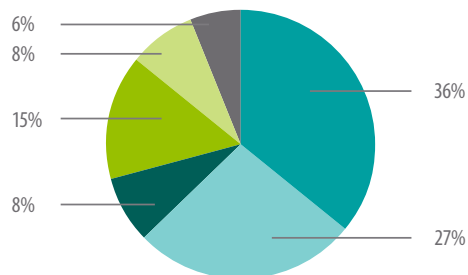
EUR million	2013	2014
Net sales	969	982
Services net sales	513	533
Service, % of net sales	53	54
Earnings before interest, tax and amortization (EBITA) and non recurring items	134	148
% of net sales	13.8	15.1
Operating profit	126	139
Capital employed, Dec 31	344	376
Gross capital expenditure	23	22
Research and development expenses	37	37
Orders received	1,012	1,051
Service orders received	533	542
Order backlog	394	468
Personnel, December 31	4,685	4,557

NET SALES BY CUSTOMER INDUSTRY



- Oil and gas 45% (42%)
- Mining 11% (13%)
- Pulp and paper 30% (33%)
- Other 14% (12%)

ORDERS RECEIVED BY MARKET AREA

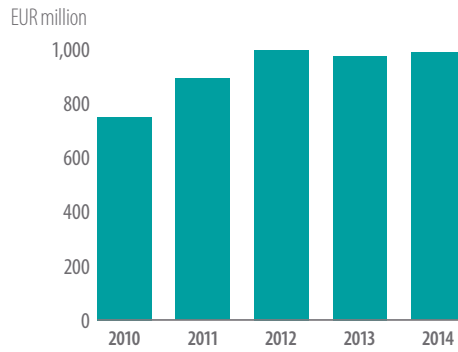


- Europe 36% (34%)
- North America 27% (25%)
- South and Central America 8% (8%)
- Asia-Pacific 15% (16%)
- China 8% (10%)
- Africa and Middle East 6% (7%)

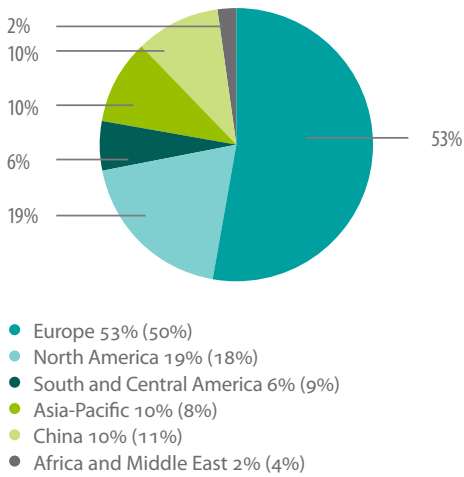
### ORDERS RECEIVED AND ORDER BACKLOG



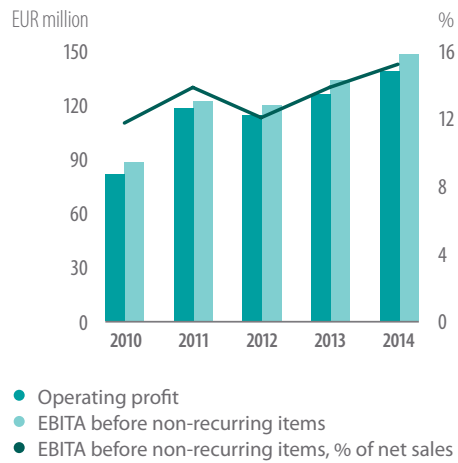
### NET SALES



### PERSONNEL BY AREA



### OPERATING PROFIT AND EBITA BEFORE NON-RECURRING ITEMS





## Environmental

This is a summary of our environmental figures, read in more detail under environmental figures

Please note that the figures from 2012 onwards describe Metso's current structure.

Materials	2010	2011	2012	2013*	2014
Ferrous metals, 1,000 t	232.86	258.98	139.45	123.84	<b>178.52</b>
Non-ferrous metals, 1,000 t	4.26	7.35	4.16	5.26	<b>4.03</b>
Paints, 1,000 t	0.98	1.06	0.78	0.59	<b>0.53</b>
Solvents, 1,000 t	0.43	0.60	0.43	0.41	<b>0.60</b>
Cardboard, 1,000 t	0.63	0.70	0.06	0.14	<b>0.16</b>
Wood, 1,000 t	5.67	8.50	5.52	6.75	<b>8.01</b>
Paper, 1,000 t	0.03	0.04	0.01	0.04	<b>0.04</b>
Plastics, 1,000 t	0.25	0.27	0.03	0.08	<b>0.06</b>
Recycled materials, 1,000 t**	101.99	94.45	56.18	51.22	<b>38.44</b>

Energy	2010	2011	2012	2013	2014
Electricity, TJ	1,776.43	1,820.88	760.29	703.65	<b>858.69</b>
District heat, TJ	760.51	568.28	141.02	127.95	<b>118.68</b>
Steam, TJ	115.00	100.82	36.69	39.40	<b>47.43</b>
Natural Gas, TJ	915.12	871.74	653.85	622.53	<b>620.05</b>
Coal, TJ	198.83	120.33	0.00	0.00	<b>11.24</b>
Heavy fuel oil (HFO), TJ	15.39	13.60	4.85	5.82	<b>4.05</b>
Light fuel oil (LFO), TJ	64.47	50.51	0.00	0.00	<b>0.00</b>
Diesel, TJ	38.97	47.19	23.93	20.76	<b>18.42</b>
Gasoline, TJ	5.99	2.93	0.71	0.16	<b>0.00</b>
Liquified petroleum gas (LPG), TJ	65.75	73.99	32.13	27.59	<b>31.30</b>
<b>Total energy, TJ</b>	<b>3,956.46</b>	<b>3,760.26</b>	<b>1,653.28</b>	<b>1,547.85</b>	<b>1,709.85</b>

Water	2010	2011	2012	2013	2014
Water consumption ***, 1,000 m3	2,061.61	1,589.20	590.46	580.57	<b>652.93</b>

Air emissions	2010	2011	2012	2013	2014
CO <sub>2</sub> , 1,000 t	282.61	266.51	127.16	120.55	<b>148.55</b>
VOC, 1,000 t	0.40	0.42	0.35	0.27	<b>0.31</b>

Waste	2010	2011	2012	2013	2014
Hazardous, 1,000 t	6.79	7.72	5.39	5.03	<b>4.41</b>
Non-hazardous, 1,000 t	95.60	108.94	56.06	53.18	<b>67.44</b>

\* Figures for 2013 have been corrected where necessary due to improved accuracy of available data

\*\* Recycled materials include all material types originating from recycled sources

\*\*\* Excluding surface water and water from recycled sources

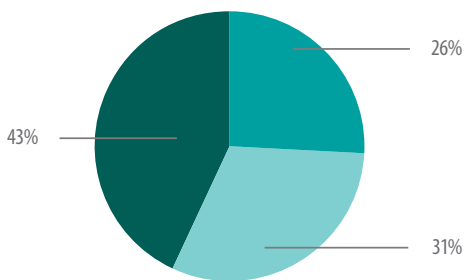
## Personnel

This is a summary about our personnel figures, read in more detail under personnel data.

Personnel 20 largest countries in 2014	2013	2014
Finland	2,769	2,699
USA	2,126	2,030
Brazil	1,880	1,680
China	1,493	1,424
South Africa	1,025	967
India	929	871
Sweden	852	798
Chile	613	791
France	619	592
Australia	548	574
Canada	614	487
Germany	583	450
Russia	339	309
Mexico	287	299
Peru	237	254
Czech Republic	264	249
Spain	121	134
United Kingdom	135	131
Denmark	98	90
South Korea	81	87

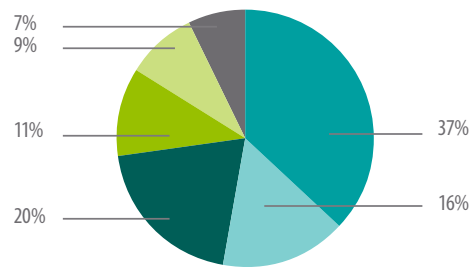
\* 2013 data coverage 98% of Metso personnel. Calculation method re-defined compared to 2012, has minor effects on the end results.

### PERSONNEL BY BUSINESS AREA



- Minerals 26% (31%)
- Flow Control 31% (30%)
- Services 43% (39%)

### PERSONNEL BY AREA PERSONNEL 15,644 (2013: 16,425)



- Europe 37% (38%)
- North America 16% (17%)
- South and Central America 20% (18%)
- Asia-Pacific 11% (11%)
- China 9% (9%)
- Africa and Middle East 7% (7%)

## Geographical

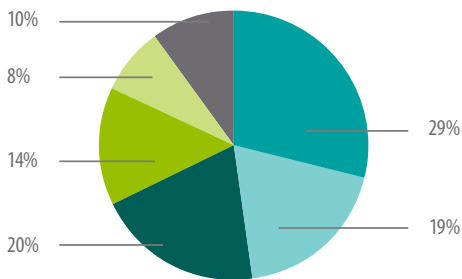
### Net sales 20 largest countries in 2014

EUR million	2013	2014
USA	555	<b>521</b>
China	308	<b>287</b>
Brazil	349	<b>268</b>
Chile	169	<b>227</b>
Australia	251	<b>226</b>
Sweden	162	<b>180</b>
Russia	199	<b>174</b>
Canada	172	<b>164</b>
Finland	183	<b>163</b>
Mexico	132	<b>112</b>
France	87	<b>97</b>
India	160	<b>95</b>
South Africa	100	<b>81</b>
Germany	82	<b>72</b>
Peru	97	<b>66</b>
United Kingdom	54	<b>60</b>
Kazakhstan	50	<b>54</b>
Norway	48	<b>48</b>
Spain	27	<b>47</b>
Indonesia	43	<b>44</b>

### Orders received 20 largest countries in 2014

EUR million	2013	2014
USA	486	<b>503</b>
China	317	<b>279</b>
Brazil	314	<b>246</b>
Australia	213	<b>207</b>
Finland	183	<b>207</b>
Canada	147	<b>179</b>
Chile	245	<b>160</b>
Mexico	110	<b>106</b>
India	121	<b>104</b>
Russia	141	<b>101</b>
Sweden	163	<b>92</b>
South Africa	95	<b>84</b>
France	109	<b>80</b>
Peru	70	<b>76</b>
Germany	71	<b>68</b>
Kazakhstan	73	<b>62</b>
Indonesia	56	<b>57</b>
United Kingdom	48	<b>56</b>
Japan	26	<b>41</b>
Norway	54	<b>38</b>

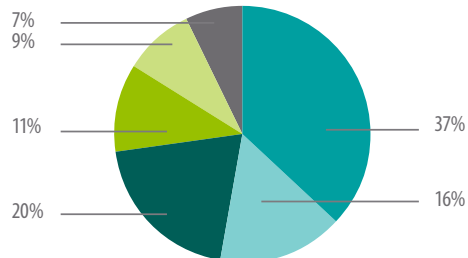
### NET SALES BY MARKET AREA



- Europe 29% (27%)
- North America 19% (19%)
- South and Central America 20% (22%)
- Asia-Pacific 14% (15%)
- China 8% (8%)
- Africa and Middle East 10% (9%)

### PERSONNEL BY AREA

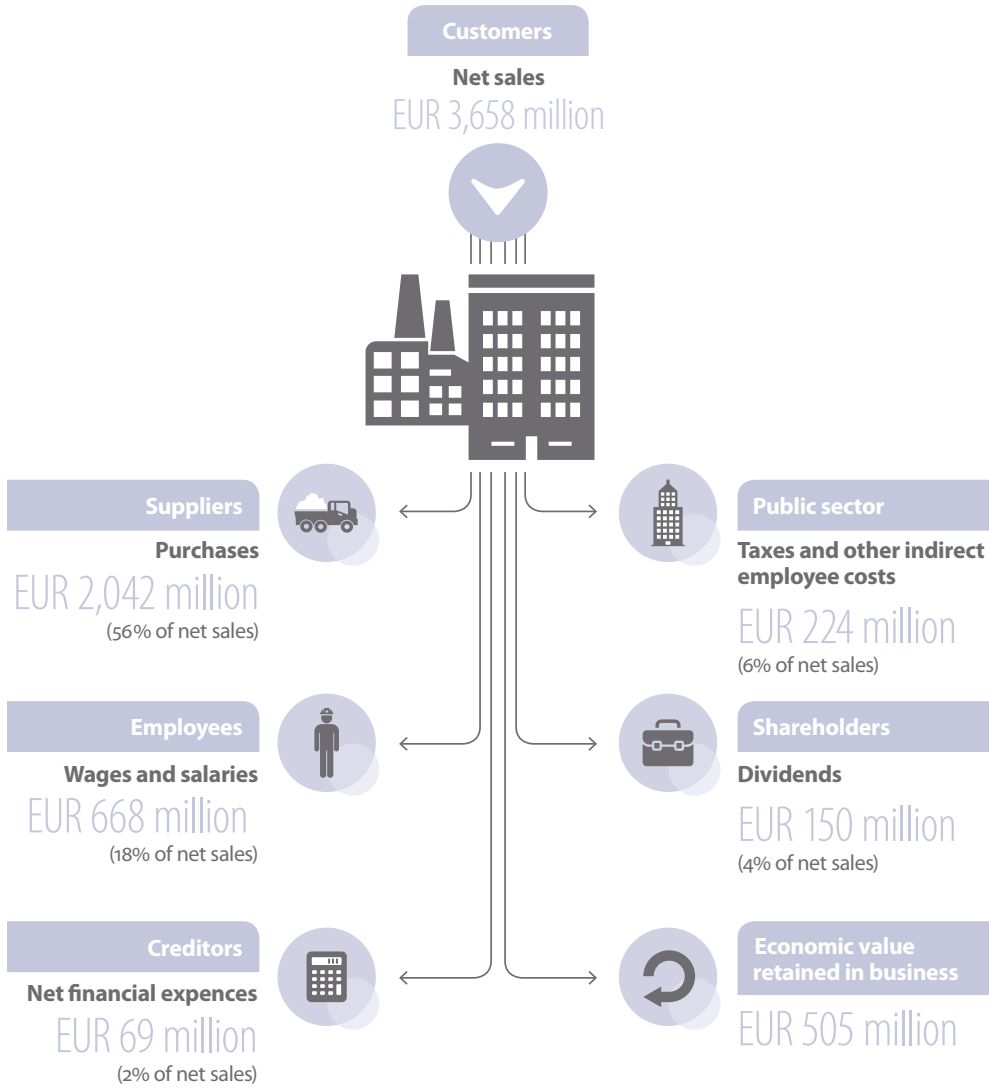
PERSONNEL 15,644 (2013: 16,425)



- Europe 37% (38%)
- North America 16% (17%)
- South and Central America 20% (18%)
- Asia-Pacific 11% (11%)
- China 9% (9%)
- Africa and Middle East 7% (7%)

# Prosperity for our stakeholders

## MONETARY FLOWS BY STAKEHOLDER GROUP



## Purchases

### Procurement global supply transformation continues in 2014

The value of Metso's purchases in 2014 was EUR 2,042 million, declining 4% from 2013. Approximately 67 percent of our purchases were directly related to products, such as components, raw materials and sub-contracting. The remaining 33 percent were indirect purchases, i.e. goods and services necessary to maintain operations, such as electricity, cleaning, IT, facility leases, training, safety equipment, travel tickets, consultants, insurance.

Despite the strong shift of Metso's main markets towards growth countries, the direct material procurement volume was still largest in our traditional production countries like USA, Finland, Brazil and France. However, China has now moved into the top 3 countries of supply during 2014, and India has reached the top 10 countries.

Additional growth countries such as Turkey and Mexico also continue to supply an increasing share of Metso's direct material spend. Whereas the target is towards an agile and lowest total cost supply chain, the supplier location is not the single deciding factor. Nonetheless, Metso's share of spend towards Competitive Cost Countries (CCC) again reached about 23% of direct material spend during 2014. In addition, Metso's Capital Employed Program benefited significantly from increased performance of the procurement global supply chain during 2014.

In order to gain further cost benefits from the global supply chain, Metso's management team has selected procurement as one of their main development focus areas again for 2015. Many new development projects focusing on global sourcing and procurement were implemented during 2014, with a focused rollout of additional projects planned in 2015.

### Purchases by area (10 largest countries)

EUR million	2013	2014
Finland	432	395
USA	320	262
China	192	184
Brazil	180	148
Sweden	156	138
France	137	125
Australia	106	75
India	82	70
Spain	41	68
Germany	88	57

## Wages and salaries

### Number of personnel decreased to 15,644

In 2014, we paid wages and salaries, excluding indirect employee expenses, of EUR 668 million, or 18% of net sales (EUR 701 million and 18%). The number of employees and the performance-based bonuses and incentives have an impact on the total amount of wages and salaries. The wages and salaries on the income statement are the gross amount, a portion of which is paid by the employees as taxes to society. The wages and salaries also include holiday pay.

The amount of bonuses paid decreased by about 13% from the comparison period. Within the framework of collective agreements, we apply profit- and performance-based incentive systems when it justifiably supports managing the company. In 2014, EUR 25 million (EUR 29 million) was paid in bonuses. Additionally, certain key persons at Metso were paid a share

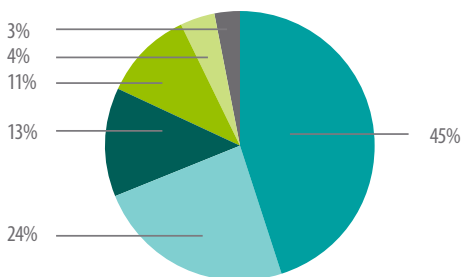
incentive, the value of which at the time of payment was about EUR 2 million (EUR 1 million).

Indirect employee costs include payments related to pension insurance, social security, and unemployment and disability insurance based on the wages and salaries paid. Indirect employee costs depend on the scope of operations and the number of employees. In 2014, our indirect employee costs were EUR 140 million (EUR 145 million).

We monitor trends in base salary levels in comparable industries in each country.

At the end of December 2014, Metso had 15,644 employees, which is 781 fewer than at the end of 2013 (16,425 employees). The number of personnel decreased in the emerging countries by about 3% and by about 6% in the developed countries; the share of our personnel in developed countries was 53% (54%). Of our personnel, 35% (35%) work in EU countries and 37% (38%) in non-OECD countries.

### WAGES AND SALARIES BY AREA



- Europe 45% (47%)
- North America 24% (23%)
- South and Central America 13% (12%)
- Asia-Pacific 11% (11%)
- China 4% (3%)
- Africa and Middle East 3% (4%)

### Total wages and salaries (10 largest countries)

EUR million	2013	2014
Finland	155	141
USA	130	123
Australia	49	48
Brazil	51	44
Sweden	44	39
Canada	35	37
Germany	37	32
France	27	30
Chile	21	28
China	21	25

## Taxes

Metso paid EUR 126 million (EUR 123 million) in corporate income taxes. In addition to income taxes, Metso paid various other taxes, which were not based on taxable income. The income tax cost on the income statement was EUR 93 million and our tax rate was 33 percent in 2014 (EUR 131 million and 35 percent).

The most taxes were paid in the USA, China and Chile. The USA and China also generated the most net sales in 2014; Chile's inclusion in the top three on the list is because of the withholding taxes on dividends paid from Chile to Finland.

In emerging markets, Metso paid the most taxes in China, Chile, Brazil, Peru and India.

### Income taxes paid, 10 largest countries

EUR million	2013	2014
USA	57	58
China	10	11
Chile	4	10
France	4	7
Canada	0	7
Brazil	15	6
Peru	3	5
India	0	4
Australia	2	3
Singapore	3	2



## Net financial expenses continued to decrease

Although our net interest-bearing liabilities slightly increased, our net interest expenses decreased on the comparison period and were EUR 29 million (EUR 40 million). This was due to general decrease in interest rate levels, and our repayment of debt with higher interest rates. Our net financial expenses were EUR 69 million (EUR 54 million), or 1.9 percent of net sales (1.4 %). Other financial expenses included a EUR 19 million credit loss of a financial instrument.

As business volumes leveled off and customer projects progressed, EUR 75 million of working capital was tied up (in 2013 EUR 52 million was released, by the continuing operations of Metso). Our free cash flow in 2014 was good, at EUR 204 million (EUR 251 million).

Interest-bearing liabilities mainly consisted of bonds and fixed and variable interest loans from international financial institutions. Our net interest-bearing liabilities at the end of 2014 totaled EUR 561 million (EUR 490 million). Net gearing was 45.6 percent (41.6 %). Interest-bearing receivables and cash and equivalents stood at EUR 302 million (EUR 559 million) at year-end. In 2014, we renewed the five-year EUR 500 million revolving credit facility, which was concluded with a syndicate of 10 banks. The facility has remained undrawn.

In April 2014, Standard & Poor's Ratings Services affirmed Metso's BBB long-term and A-2 short-term corporate credit ratings and stable outlook. In October 2014, Moody's Investors Service affirmed Metso's Baa2 long-term credit rating and changed our outlook from negative to stable.

## Dividends

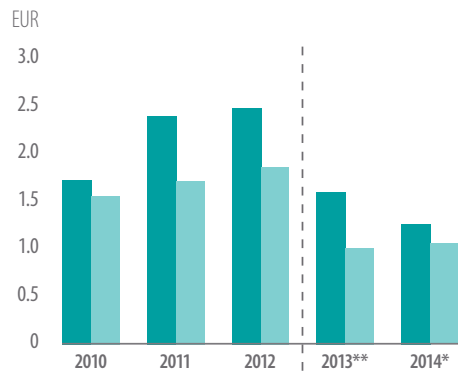
Metso's target, in line with its dividend policy, is to distribute at least 50% of annual earnings per share in dividends or in other forms of repatriation of capital.

In 2014, Metso's EBITA before non-recurring items totaled EUR 460 million (EUR 496 million) and our earnings per share were EUR 1.25 (EUR 1.59). The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.05 per share be distributed for 2014. This would be a total of EUR 157 million, representing 84% of the earnings per share.

In addition, the Board of Directors proposes that the Board be authorized to decide, within its discretion, on the payment of an extra dividend in addition to the dividend of EUR 1.05 per share decided in the Annual General Meeting. The amount of such dividend would be up to EUR 0.40 per share and the authorization could be used, if the sale of Metso Corporation's Process Automation Systems (PAS) business to Valmet Corporation is completed. The authorization shall be effective until December 31, 2015.

In 2014, Metso paid dividend totaling EUR 150 million, i.e. EUR 1.00 per share (EUR 277 million and EUR 1.85 per share for 2012).

## EARNINGS PER SHARE AND DIVIDEND PER SHARE



- Earnings per share
- Ordinary dividend per share
- Demerger

\* Board's proposal

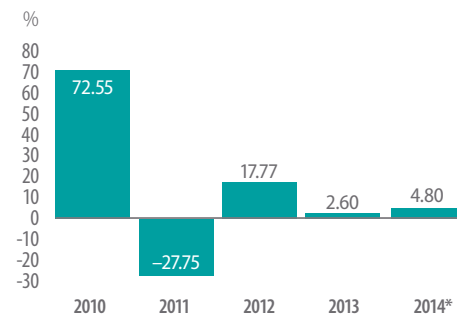
\*\* Profit from continuing operations

## Metso's share price increased 2 percent during 2014

The trading price on the NASDAQ OMX Helsinki for Metso's share increased 2 percent in 2014, and the closing price at the end of the year was EUR 24.86. At the same time, the NASDAQ OMX Helsinki portfolio index, OMX Helsinki CAP, increased 6 percent.

Our market capitalization at year-end, excluding the shares held by the Parent company, was EUR 3,726 million (EUR 4,649 million in 2013). When the paid dividend and the change in the share price are taken into consideration, Metso's total shareholder return (TSR) in 2014 was 4.8 percent positive (2.6 percent positive). The total shareholder return in 2014 includes the Valmet share at its closing price of EUR 6.65 on January 2, 2014, after the listing of Valmet Corporation.

## TOTAL SHAREHOLDER RETURN (TSR)



\* TSR 2014 includes Valmet share close price at Jan 2, 2014 (6.65 eur)

Please note that in the graph above the figures from 2012 onwards describe Metso's current structure.

## Quarterly information

Quarterly consolidated statements of income, balance sheets and segment information for 2014 are available in PDF format.

## Investor information

### Providing up-to-date and reliable information about the company

Our main task at Metso's Investor Relations is to support the correct valuation of Metso's share by providing up-to-date information on matters concerning the company's operations and operating environment, strategy, objectives and financial situation so that investors can form a balanced view of Metso as an investment. We regularly gather and analyze market information and investor feedback for use by top management and the Board of Directors. Our goal is to provide correct, adequate and current information regularly and impartially to all market participants. In our work, we aim for promptness, transparency and excellent service.

### Working in close interaction with our stakeholders

Investor Relations is responsible for investor communications and for daily contact with representatives of capital markets and the financial press. All investor requests are processed centrally through Investor Relations. In addition to financial reports and actively updated Internet pages, Metso's investor communications involve investor meetings and seminars in which corporate executives actively participate. Metso's senior management and Investor Relations meet investors and analysts according to certain main principles, which are listed on our Internet pages. In addition, we arrange an annual Capital Markets Day event.

Every quarter, in conjunction with the publication of our financial results, we arrange an audiocast for investors and analysts in English. It is possible to participate in these events, and the audiocast and related transcript are available for later viewing on our website.

During the last year, we spent 25 days meeting with investors in Europe, the US and Canada. During the year, we participated in some 200 meetings with more than 600 institutional investors and analysts, and we took part in seven investor seminars in Europe and the US. In addition, we hosted eight site visits in Finland and Asia.

In November, we arranged a Capital Markets Day in Amsterdam. About 55 analysts and investors took part in the event, which focused on Metso's strategy, recent business developments, and the company's prospects. All presentations and webcasts from the event are archived and available for viewing on our website.

Metso's Disclosure Policy outlines the principles of financial communications and spells out our operational models and practices in various communications situations. The entire Disclosure Policy is available at [www.metso.com/investors](http://www.metso.com/investors).

### Investor services on the Internet

The investor information included on Metso's website contains an interactive share monitor for viewing and analyzing the performance of Metso's share. The tool comprises data from the NASDAQ OMX Helsinki exchange as well as alternative market place data. You can also find monthly updates on Metso's largest shareholders, the company's insider register, an archive of presentations and financial reports, as well as services, such as consensus estimates on Metso's financial performance provided by analysts, a historical price lookup and an investment calculator that enables you to calculate the value of and return on your Metso investment. In addition, the website contains a financial calendar showing the publication dates of our financial reports, as well as the dates and times of events planned for investors, such as the Annual General Meeting, along with the presentations used at these events. A list of the banks and brokerage firms that analyze Metso as an investment, as well as the analysts and their contact information is also available online. Information about the social media channels through which you can follow Metso is also available.

Check out our Investor Relations services and activities on our website:

#### Metso's Investor Relations services and activities

Financial reports and results presentations

Interactive key figures tool

Share information and distribution of Metso's shareholder base

Calendar: investor meetings and seminars, results publications

Annual General Meeting details

Metso's Capital Markets Day presentations

Disclosure Policy

Contact information for Metso's Investor Relations as well as for analysts monitoring Metso

Metso social media channels

### Silent period

During the three-week period prior to publication of the annual or interim financial results, we are not in contact with capital market representatives. At other times, we are happy to answer the inquiries of analysts and investors by phone, email or at arranged investor meetings.

### For shareholders

#### Annual General Meeting

Metso's 2015 Annual General Meeting (AGM) will be held on Friday, March 27, 2015 at 1 p.m., at Messukeskus Helsinki, Messuaukio 1, Helsinki.

## Right to attend

Shareholders who are entered as shareholders in Metso's shareholder register maintained by Euroclear Finland Ltd by March 17, 2015, have the right to participate in the AGM. The meeting will be held in Finnish, and simultaneous interpretation in English will be provided.

## Registration

- 1 Internet: [www.metso.com/agm](http://www.metso.com/agm) ([www.metso.com/yk](http://www.metso.com/yk) in Finnish)
- 2 Telephone: +358 10 808 300 (Weekdays between 8:00 a.m. and 6:00 p.m. EET)
- 3 Fax: +358 20 484 3125
- 4 Metso Corporation  
Share register/ Ritva Tyventö-Saari  
PO Box 1220  
FI-00101 Helsinki  
Finland

Letters, e-mails and faxes informing of participation must reach the Company before the notification period expires at 10:00 a.m. on March 24, 2015. Letters authorizing a proxy to exercise a shareholder's voting right at the Annual General Meeting should also reach the Company before the notification period expires.

In connection with the registration, shareholders are required to provide their name, personal or company identification number, address, telephone number and the name of a possible assistant, authorized representative or statutory representative, as well as the personal identification number of the proxy representative or the statutory representative.

Shareholders holding nominee-registered shares and wishing to participate in the AGM can be entered into the temporary shareholder register by no later than 10:00 a.m. on March 24, 2015, in order to be able to participate in the AGM, if the shareholder has the right to be entered in Metso's shareholder register on the basis of the same shares on the AGM's record date on March 17, 2015. Shareholders holding nominee-registered shares are urged to ask their custodian bank for instructions on registering in the shareholder register, the issuing of proxy documents and registering for the AGM.

## Payment of dividends

The Board of Directors proposes to the AGM that a dividend of EUR 1.05 per share be paid for 2014. In addition the Board proposes that Board be authorized to decide on the payment of extra dividend up to EUR 0.40, if the sale of Process Automation Systems business is completed. The dividend will be paid to those shareholders who are entered in the Corporation's shareholder register maintained by Euroclear Finland Ltd on the record date of the dividend payment, March 31, 2015.

## Important dates related to the AGM

Record date of AGM participation	<b>March 17, 2015</b>
Registration period ends	<b>March 24, 2015</b>
Annual General Meeting	<b>March 27, 2015</b>
Dividend ex-date	<b>March 30, 2015</b>
Record date of dividend payment	<b>March 31, 2015</b>
Date of dividend payment	<b>April 9, 2015</b>

Read more about AGM-related issues on our website: [www.metso.com/agm](http://www.metso.com/agm)

## Trading of Metso's shares

Metso Corporation has one share series. Metso's shares are listed on the NASDAQ OMX Helsinki Ltd and are registered in the Finnish book entry register maintained by Euroclear Finland Ltd. Metso shares are traded as American Depositary Shares (ADS) in the United States on the International OTCQX marketplace. Each Metso ADS represents one Metso share. The Bank of New York Mellon acts as the depository for the Metso ADS.

See our real-time credit ratings on our website: [www.metso.com/investors](http://www.metso.com/investors)

## Financial publications

We publish an Online Annual Report in English. Additionally, we publish a printed Annual Review and Financial Statements in Finnish and English. A pdf version of the Annual Review and Financial Statements is also available on our website at [www.metso.com](http://www.metso.com).

Our interim reviews and our releases are available in Finnish and English on our website. Webcasts of the related news conferences in English can be viewed on our website.

## Publication dates of reviews and reports in 2015

Important dates	
Financial statements review 2014	<b>February 5, 2015</b>
Annual Report 2014	<b>Week 10, 2015</b>
Interim review for January–March	<b>April 23, 2015</b>
Interim review for January–June	<b>July 23, 2015</b>
Interim review for January–September	<b>October 22, 2015</b>

How to submit a change of address for shareholders: [www.metso.com/share](http://www.metso.com/share)

## Questions and answers about 2014

All the information in this section has been previously published in annual reports, interim reports, financial statements, Capital Markets Day presentations and other investor presentations.

### Most important events in 2014?

Metso split into two companies on December 31, 2013: Metso and Valmet. As a result of the demerger, Metso has transformed from a diversified company to a company focused on the mining, aggregates, oil and gas industries. The combined share price of Metso and Valmet at year-end was 35.08 euros (yearend 2013: 31.02 euros), so the demerger can be considered a success.

In July 2014 Metso published its new strategy and financial targets, which were well received by the markets. The measures needed to achieve growth, a 15 percent EBITA margin before non-recurring items and a 30 percent return on capital employed (ROCE) were presented at Capital Markets Day in November 2014.

### Future outlook in the mining sector and the impact on Metso?

Even though new mining equipment investments have decreased significantly, Metso has succeeded in keeping its profitability at a good level. Sales of mining equipment currently account for one-fifth of Metso's net sales. While investments in new capacity are at a low level, investments in existing mines are still being made. Industry overcapacity has led to major mining companies maximizing their utilization rates. However, demand for minerals and metals doesn't seem to be significantly decreasing. In the long term, supply and demand will find a balance, after which investments in new equipment are expected to grow. With the correctly timed restructuring measures, Metso has successfully managed the mining downturn. The company is well-positioned – both compared to its peers and in terms of the future. We believe that our products will satisfy our customers' needs in light of prevailing megatrends. The significance of the declining grade of mineral deposits and the water- and energy-efficient solutions create demand for Metso's technology. At the same time, the high utilization rates of mines create growth opportunities for our services business.

### The impact of iron ore, copper and gold price formation on Metso?

Metal prices impact our customers' willingness to invest and their production activity. Iron, copper and gold are the biggest segments and account for about half of Metso's net sales related to minerals processing. Long term, the production volumes of these metals are expected to grow as consumption and equipment investments grow in emerging markets.

The impact of mining sector cycles is lessened by Metso's services business. When the more extensive investments are postponed, the importance of the older equipment's servicing and productivity grows. This cushions the direct impact of metal price fluctuations in the short term.

### Growth outlook in aggregates?

Aggregates account for an important part (22%) of Metso's sales. Investments in infrastructure are growing, even though a slight slowdown was seen, for example, in China. However, urbanization is continuing in several emerging economies, including in China, and the demand for aggregates equipment is obvious.

### Flow Control segment's outlook and growth prerequisites?

In line with the strategy published in 2014, Flow Control is comprised of the valve and pump businesses. Metso is a recognized supplier of smart valves, and we are pursuing growth also in pumps, which previously were sold only to mining customers.

### The impact of oil prices on Metso?

We sell valves to our oil industry customers, and oil prices affect our customers' investment activity and business. Our valves are used at refineries and in the transportation of petroleum products; in these sectors, changes in oil prices do not have as strong of an impact as in crude oil production. The price of oil has very little impact on Metso overall, because our sales to the oil industry are at the level of a couple hundred million euros annually. The lower oil price has not yet impacted us (as of early 2015), but we will see how the situation develops as the year goes on.

### Status of the cost-efficiency program?

The cost-efficiency program launched during the second half of 2013 has been completed. The impacts of the savings measures will be visible in full during 2015. Metso will not launch new programs in the future, but will continuously pursue comprehensive cost-efficiency throughout the organization.

### Future business acquisitions?

Metso is pursuing organic growth, but business acquisitions offer the most direct path to growth in certain sectors. We are actively exploring different alternatives.

### Availability of financing?

Metso's financial position and availability of financing has been secured for years to come. Financing secures liquidity and enables also big moves on the markets. In 2014, Metso maintained its investmentgrade rating (Moody's: Baa2 and Standard & Poor's: BBB).

### Global risks?

Metso is a global company and thus exposed to political disruption around the world. Events in East Europe and the ensuing financial sanctions on Russia and their effects have impacted Metso's operations in this region. However, Metso's fixed assets in Russia and Ukraine are minor and therefore the risk is limited. But financing difficulties stemming from the sanctions may impact our customers' investment opportunities and other operations.

## Contact information

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Regarding inquiries and meeting requests, you can send an email also to Investor Relations' email: [metso.ir@metso.com](mailto:metso.ir@metso.com) or tel: +358 20 484 3117

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# Sustainability

Sustainability is an integral part of Metso's business strategy. Accordingly, we continue to embed sustainability in all of our business operations. We recognize that sustainable operations give a competitive advantage in the global markets. We strive to consider all aspects of the financial, social and environmental implications of our operations, to tap into opportunities created by sustainability and to manage related risks.

"The importance of sustainability for our customers is increasing. We work vigorously to improve our own performance in that area and use our expertise to help our customers solve their challenges."



**Juha Silvennoinen**  
President, Services

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# Highlights of the year 2014

## Sustainability goes beyond strategy

I was recently asked how our sustainability strategy has changed since the introduction of our new business strategy. My answer was short: "It hasn't."

It is true that Metso has gone through some major changes lately, including the demerger of Valmet. However, I believe that sustainability goes beyond any business strategy: no matter what strategy we would choose, sustainability would be an integral part of it. The industries we work in may change and market situations may vary, but sustainability remains at the core.

We have set a goal to be a thought leader in sustainability in our industries by 2020. Because actions always speak louder than words, being a thought leader means that also our sustainability actions have to go above and beyond. We are constantly taking steps in the right direction: the metrics presented in this report speak for themselves.

However, we must also remember that being a leader in sustainability in 2020 will require more than we can now imagine. That is why it isn't enough to reach for the current sustainability standards – we must aim higher.

Many of our rivals are setting similar targets. There are no shortcuts to beating our competition in sustainability, just like there are no shortcuts to conducting sustainable business. It's about constant improvement. But this, I believe, is a competition that leads to better results for everyone.

**Matti Kähkönen**  
President and CEO

## Implementation of the minimum safety standards

To introduce the standards to our employees, a Safety Pledge campaign was launched in 2012. The work continued in 2014 with the launch of a Safety Pledge 2014 campaign to implement Metso's Minimum safety standards in all our locations. The campaign concentrated on introducing the standards one by one to our employees.

The standards aim at minimizing the risk factors in the most common work tasks, and they set the definite minimum requirements to be followed in every circumstance. Our standards create the baseline for local safety procedures. If the local procedures, customers, laws or regulations have safety standards that differ from Metso's, the higher standards apply.

The campaign material was promoted globally at all our locations in 50 countries. The material consisted of a brochure, a poster and a video describing our nine Minimum safety standards in nine languages.

A new Safety Pledge campaign again in 2015 will continue our proactive efforts to improve our safety.

## Inauguration of Plan's water and sanitation project

Metso has been cooperating with the international child rights organization Plan to support a child-centered community development program, the school water and sanitation project, in Rajasthan, India, since 2012.

A ceremony to celebrate the project handover was organized in July 2014 together with students, teachers, local government and Plan India for the completion of the water and sanitation facilities in 15 schools. The project aimed to promote improved hygiene practices among school children and to provide adequate school wash infrastructure and dedicated washroom facilities, especially for girls.

Around 3,000 children and local community members will benefit from the school water and sanitation project. The improvement in health conditions is expected to help school enrollments and attendance and will lead to lower drop-out rates in schools, especially in the case of teenage girls.

## Implementation of our stakeholder relations process

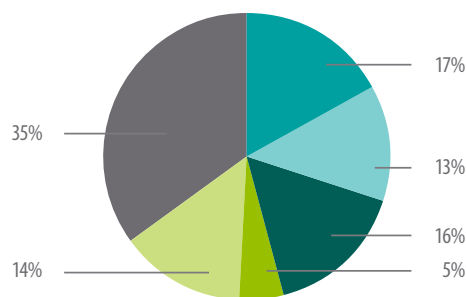
As a global company, Metso constantly engages with different stakeholder groups in various situations. It is essential to build an active dialogue with them in order to meet their expectations. Developing our stakeholder dialogue has been one of our main targets during recent years, and the focus has been on strengthening the dialogue towards external and internal stakeholders.

To strengthen the dialogue we asked our stakeholders to evaluate Metso's sustainability work through a survey. The goal was to get their input so that we can evaluate what is material for us in terms of sustainability from our stakeholders' perspective. The work is continuing with the creation of an ongoing process that concentrates on specific stakeholder groups throughout the year.

## Intangible risk assessment

Our focus is on making sure that our network of suppliers actively promote sustainable principles and procedures. In 2014, we assessed the intangible risks in our supply chain and identified suppliers most critical to our sustainability performance. We have built a comprehensive framework to assess the intangible risks that our current and potential suppliers may be exposed to, risks such as issues in human and labor rights, environmental impacts and product stewardship.

## SUPPORT FOR NON-PROFIT ORGANIZATIONS



- Youth activities 17% (27%)
- Culture 13% (1%)
- Science, research and education 16% (6%)
- Environmental protection 5% (5%)
- Sports 14% (10%)
- Others 35% (51%)

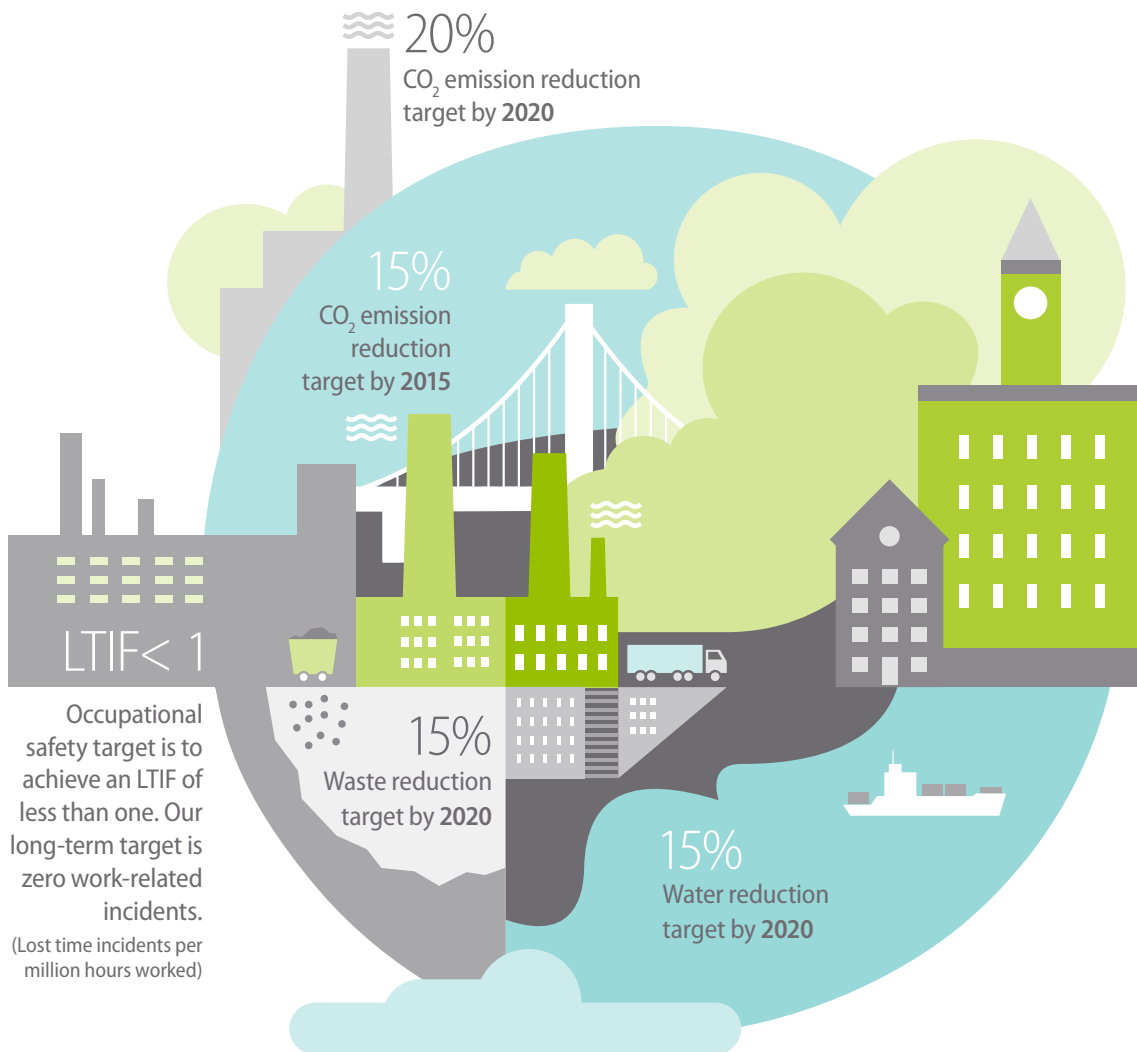


# Sustainability targets

Metso's sustainability strategy gives us the framework for our sustainability development topics. According to our strategy we will work together to truly embed sustainability in our daily operations and by 2020 we want to be considered a thought leader in sustainability within our industry. Achieving that goal will mean we are delivering on our mission and ensuring that our business is well-positioned to develop and thrive in the years ahead.

Our targets guide us in our efforts in embedding sustainability in our daily operations.

## Our targets in Sustainability



# Sustainability management

Sustainability is an integral part of Metso's business strategy. Accordingly, we continue to embed sustainability in all of our business operations. We recognize that sustainable operations give a competitive advantage in the global markets. We strive to consider all aspects of the financial, social and environmental implications of our operations, to tap into opportunities created by sustainability and to manage related risks.

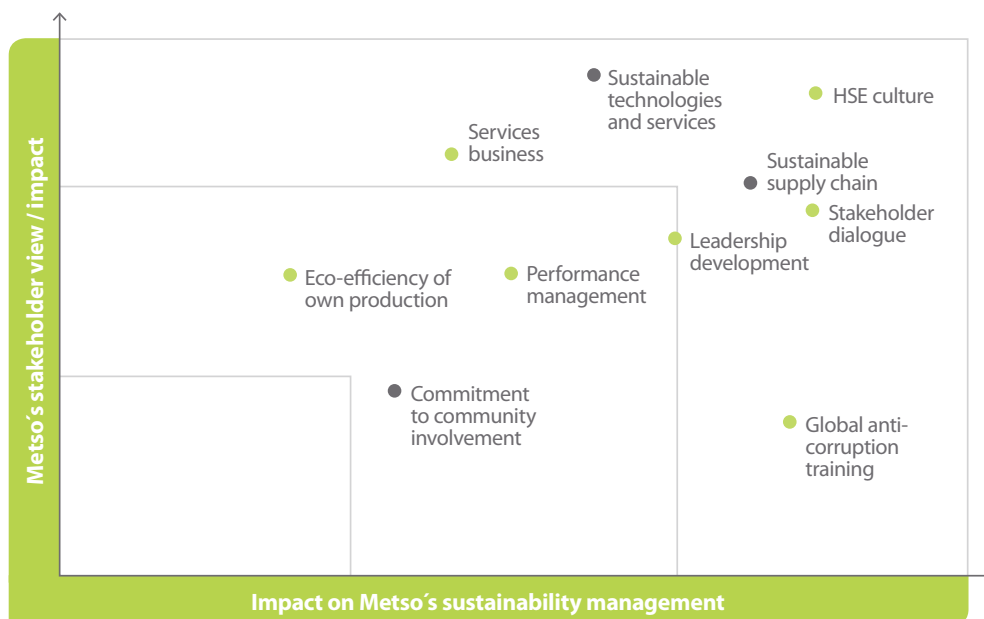
The Corporate Governance principles approved by the Board of Directors form the basis for the management and governance of our company. We commit to good corporate governance principles by complying with national and international laws and regulations. Additionally, we apply best practices, such as the Finnish Corporate Governance Code for listed companies, in our management and

governance. Local management ensures compliance with guidelines and local legislation affecting employees. Our values and Code of Conduct ensure that our operations are consistent and uniform, regardless of the country and reporting segment.

Our mission, vision, values and our Code of Conduct guide all our operations and interactions with stakeholders. Our mission is to contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products. Sustainable technologies and services are the cornerstone of our operations, and we develop sustainable products and solutions that are safe and help our customers reduce their environmental impacts.

During 2014 we concentrated on developing our stakeholder dialogue. As part of our commitment to an active dialogue with our stakeholders, our work focused on creating a baseline for defining Metso's materiality topics. The development work consisted of surveying our stakeholders for their perceptions of sustainability focus areas at Metso.

**MATERIALITY MATRIX 2014**



- Good practices in use
- Requires some actions

# Stakeholders

Interaction with our stakeholders is based on Metso's Code of Conduct. Our Code of Conduct describes our company culture, commonly accepted practices, and our commitment to compliance with laws and regulations. It provides us and our stakeholders with commonly accepted guidelines and perspectives for decision making.

We actively engage our stakeholders in sustainability-related topics, e.g., our response to energy and climate policies, legislation and regulation, community development and corporate responsibility issues, development of more efficient processes with reduced environmental impact, and a responsible supply chain. Our goal is to interact equally with all our stakeholders.

## Strong commitment to stakeholder dialogue

An active dialogue is essential in understanding our stakeholders and their views and expectations towards us. Developing our stakeholder dialogue with external and internal stakeholders has been one of our main targets in sustainability during recent years.

In order to guide our development of sustainability matters, in 2014 we surveyed our stakeholder groups for their perceptions regarding our sustainability actions. Based on the survey results, we defined where Metso should strengthen its global sustainability efforts during the coming years. The focus in 2015 will be on strengthening the stakeholder dialogue process, which will further support the defining of Metso's material sustainability aspects from our stakeholders' perspective.

## Stakeholder groups

METSO STAKEHOLDERS



## Existing and potential customers

Our customer relationships are built on a continuous exchange of experiences, extensive know-how and long-term commitment.

## Existing and potential employees

We consider our people and their know-how as one of our competitive advantages, and we have acknowledged Metso people as a high priority in our strategy.

## Suppliers and subcontractors

We have a vast supply chain. The cooperation with our suppliers and subcontractors is based on long-term collaboration, operational profitability and the future development opportunities resulting from the cooperation.

## Shareholders and investors

The continuous dialogue with investors and other relevant groups strengthens and develops Metso's internal and external reporting processes.

## Media

Our dialogue with the media consists of continuous collaboration with journalists around the world.

## Non-governmental organizations, authorities and local communities

Close interaction with non-governmental organizations (NGOs), local communities and people around our operations is a high priority for us. We aim to act as a responsible corporate citizen and tax payer.

## Research institutes, universities and vocational schools

Due to the nature of our business, we foster continuous cooperation with selected research institutes and universities. Additionally, we create employment opportunities, jobs and trainee positions, and provide lectures and student visits.

## Memberships in organizations

We actively engage with customers and with various trade, non-profit and expert organizations in our line of business. Metso's memberships in industrial organizations, associations and lobby organizations include, for example:

- Cleantech Finland
- Federation of Finnish Technology Industries
- European Powder Metallurgy Association
- Finnish Business & Society Association
- Global Compact Network Nordic Council
- IPR University Center Association
- PE International Product Sustainability Roundtable
- Pohjola Norden
- International Chamber of Commerce
- Federation of Finnish Technology Industries
- FDT Group AISBL
- OPC Foundation

# Marketplace

At Metso sustainability is about innovating in technologies and changing current ways of operating to align with principles of sustainability. By innovating, we create new eco-efficient products and solutions for our customers while simultaneously reducing our own direct environmental impacts. Our technology and solutions help our customers to improve the sustainability of their operations and services, and we develop a transparent and responsible supply chain management to support our own sustainability efforts.

## Sustainable supply chain

In our operations we focus on our core competencies and outsource many work phases to our suppliers. The outsourced work can consist of hazardous and risky activities. Metso demonstrates ethical and sustainable principles and expects its suppliers to follow the same principles. Outsourcing decreases the environmental load of Metso's operations, but emphasizes also our responsibility for the environmental efficiency of our subcontractors and suppliers. We have issued guidelines and criteria for our suppliers to support them in e.g. environmental efficiency and to encourage them to integrate sustainability throughout their own supply and production chains.

Metso's sustainability criteria for suppliers form the basic requirements by which we aim to support our suppliers in developing their operations more sustainably. The set of criteria is an important part of the selection process when choosing new suppliers for Metso. The criteria include environmental, quality and work safety aspects and are the foundation for our sustainable operating principles. To improve the sustainability of our supply chain, we have created the Metso sustainability handbook, which describes our approach to sustainability and outlines the expectations that we place on our suppliers regarding ethical principles and sustainable practices.

## Understanding and managing intangible risks and opportunities in the supply chain

Metso's existing and potential suppliers may face various challenges related to sustainable development. These may include challenges in enforcement of human and labor rights, or for example issues related to product safety and quality. The likelihood of the occurrence of different types of sustainability-related intangible risks varies depending on, e.g., the location, industry and corporate profile of the potential supplier. Metso strives to ensure that all our suppliers meet our sustainability criteria. This is done through contractual aspects, supplier self-assessments and audits.

The actions are primarily targeted towards suppliers with the highest likelihood of facing risks related to sustainable development. These suppliers are identified through risk mapping based on the supplier's country of operations and the type of product or service delivered to Metso. Metso's goal is to help our suppliers understand and act on the risks. To reach this goal, Metso supports its suppliers through the sharing of information and best practices and by helping suppliers identify their possible improvement needs.

## Environmental impacts of supply chain

Outsourcing selected parts of the manufacturing process emphasizes our responsibility for the environmental efficiency of our subcontractors and suppliers. We have conducted annual scope 3 carbon-dioxide emissions calculations since 2013 to better understand the environmental impacts of our supply chain.

Scope 3 is one of three reporting categories measuring greenhouse gas emissions. The first emissions category measures direct emissions and purchased fuels, and the second category measures indirect emissions, such as purchased electricity and heat. The third category concentrates on other indirect emissions, such as employee business travel, contractor-owned vehicles and outsourced activities.

The assessments have identified five relevant scope 3 emission categories: use of sold products, purchased goods and services, both upstream and downstream transportation, and business travel.

The reporting of emissions related to business travel is already an established practice at Metso. Emissions for transportation and purchased goods and services have been calculated and reported for limited external use. Emissions from the use of sold products cannot be calculated with sufficient accuracy, due to the long life cycle of Metso's products and the high variation in product use patterns, they are not reported. Instead, Metso focuses on analyzing the CO<sub>2</sub> emissions and other environmental impacts of individual products and on customer cases.

We continue to develop methods for calculating and understanding the environmental impacts of our supply chain. This will enable us to better manage the environmental impacts of our supply chain and other processes beyond our direct control.

## Sustainable supply chain management targets

During 2015 we will continue in improving our sustainable supply chain management. We will concentrate on strengthening the collaboration with our key suppliers throughout the value chain and on encouraging our suppliers to improve their sustainability performance. We aim to develop transparent and responsible supply chain management to support our own sustainability efforts in accordance with our sustainability strategy. Accordingly, we will continue to develop our supply chain management practices. Our goal is to be able to quantitatively report on our supply chain's sustainability performance.

## Product stewardship

Metso's product stewardship process aims at assuring that our products provide environmental, social and economic benefits over their entire life cycle, from the extraction of raw materials to decommissioning. This means that our products are compliant with applicable regulations, safe to operate, economically feasible and efficient, and help our customers to minimize their environmental impacts.

As stated in Metso's HSE policy, we design our solutions, products, innovations and services to help our customers improve their safety and environmental performance. Our ambition is to maintain our technology leadership with cost-efficient and environmentally sustainable products and process solutions.

Life-cycle thinking is a crucial aspect in providing safe, economically feasible and environmentally sustainable products. Our life-cycle services help our customers to operate and maintain their equipment

efficiently and safely, while life-cycle assessments provide us with valuable information about the environmental profile of our products and help us and our customers make justified decisions.

### Product safety

The safety of Metso products is one of the key drivers in product development. Metso's product safety procedures consider all aspects relevant to the safe installation, operation, service and maintenance of the products.

Metso's products are designed to meet all the relevant standards, norms and directives in the respective delivery countries. Metso's products are delivered with the appropriate information and instructions to ensure safe operation, service and maintenance. In addition, Metso offers a wide range of life-cycle services to ensure that all the products in use will continue to meet existing and future requirements throughout their life cycle.

### Life-cycle assessment

We have developed strong competence in the life-cycle assessments of our products. The life-cycle assessment is a tool to define the potential environmental impacts related to a product or service over its entire life cycle.

By developing life-cycle assessments, we want to help our customers reduce the environmental impacts of their processes. Our customers and other stakeholders are also increasingly interested in the environmental impacts of our products and supply chain. This kind of knowledge is needed by Metso and by our customers, for example in order to comply with future legislative requirements.

### Innovation

Our research and technology development (RTD) activities focus on several important areas of sustainability, such as energy and raw materials efficiency, utilization of renewable and recycled raw materials, advanced process control technology and new solutions for the services business. In this way, our RTD strongly supports our growth strategy. Our RTD activities are based on cooperation with customers and on our network of research facilities and universities.

Improvement of the environmental impacts of our customers' operations is an integral part of our product and service portfolio. Metso's solutions produce added value for our customers during all phases of the production process life cycle, improve customer competitiveness and reduce adverse environmental impacts, either directly or indirectly, throughout the value chain.

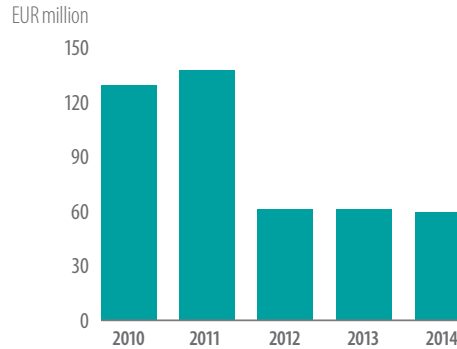
The environmental business solutions we offer are related particularly to the reduction of energy consumption in our customers' production processes, improved utilization of raw materials, enhanced water conservation, and the reduction of dust, noise, waste and emissions.

We offer training, maintenance and services related to our products. We provide support over the entire production process life cycle and help to ensure that the solutions are used correctly and in an environmentally sustainable manner.

Metso is focusing on the reduction of environmental impact in its RTD processes, so most of our RTD projects are evaluated also based on their environmental performance, a process that starts with the identification of environmental aspects. Qualitative objectives are set for the most significant environmental issues, and the progress is followed throughout the development projects.

Please note that figures 2012 onwards describe Metso's current structure.

### RTD EXPENDITURE



### Developing common procedures with our suppliers

Improving our supply chain has been one of our focus areas in sustainability. Developing common procedures with our suppliers brings better transparency and safety.

Metso's safety regulations at its Vantaa plant in Finland have been extended to apply to also our collaboration partners. Metso has been developing safety procedures together with the logistics partner Vindea. At the Vantaa plant Vindea is responsible for, among other things, an outsourced warehouse and logistics between the plant and the warehouse.

The main focus in the cooperation has been on finding common practices and procedures. Vindea tracks any accidents involving their employees as well as the implementation of corrective actions and the recording of near-miss situations. As part of the development work, the figures are reported and shared with Metso. Vindea works in close cooperation with Metso also in training the employees, and Metso monitors the status of the safety training. As a Metso partner, Vindea must follow all our safety regulations, such as the Minimum safety standards.

"The cooperation started in 2014 and we can already see clear improvement in the development of our common procedures. Vindea has been integrated into our safety work in Hakkila," says Ari Salminen, Safety Officer at the Vantaa plant in Finland.

### Continuous development of a Resource-efficient and Eco-efficient Mining Process

The mining industry's growing challenges of rising energy costs, decreasing water resources, stringent environmental legislation, and lower ore grades are making it increasingly difficult to extract ore bodies. Metso's Eco-efficient Mining Process is helping the industry to meet these challenges.

The project, established back in 2011, addresses the growing need for more sustainable practices. The focus is on improving resource efficiency – creating more value with less impact to generate better economic returns from the available mineral resources.

The project is investigating alternative technologies and combining them into novel mining practices and processing flow sheets to reduce energy and water consumption and greenhouse gas emissions, while maximizing value and profitability and minimizing waste.

The focus in 2014 was on demonstrating the practicality and potential benefits of each of the concepts presented in the project in pilot-scale testing and through industrial trials.

"Conservatively, we estimate that implementing the technologies and strategies investigated so far could reduce energy usage by more than 35%, with a similar reduction in greenhouse gas emissions and a water savings in excess of 40% compared to a conventional process. Additionally, the footprint of dry stacked tailings could be more than 80% smaller than a traditional tailings dam," says Dr. Walter Valery, Senior Vice President, Metso Process Technology and Innovation. "This project will enable us to assist our customers and the industry to operate with greater efficiency, maximizing the value recovered from a mine while reducing environmental impact in a sustainable manner."

### Focus areas in Eco-efficient Mining Process

The planning and preparation is under way for industrial trials of high-intensity blasting. The aim is to demonstrate that finer fragmentation can be achieved while controlling the blast to prevent unfavorable results, such as fly rock, air blast, noise, dust and vibration.

Conceptual designs have been developed for pre-concentration of minerals using sensor-based bulk ore sorting in both mobile in-pit applications, as well as on plant feed conveyors. Industry partners are being sought for trials of this novel Metso technology.

Pilot-scale testing of high-pressure grinding rolls and vertical roller mills and air classification systems for hard rock applications has demonstrated that the technologies can offer significant energy savings along with other process benefits.

Further laboratory testing indicates that replacing cyclones with fine screens in low-capacity plants, and the use of a combination of cyclones and fine screens in high-throughput flow sheets can significantly increase grinding circuit efficiency.

In flotation, the Metso 3m3 flotation test rig has been prepared for pilot-scale testing of strategies to increase recovery of coarse particles, and laboratory testing and evaluation of fluidized bed froth flotation technology is ongoing.

Finally, the project is also investigating filtration and dry stacking of tailings to reduce water consumption. Much higher recoveries of water can be achieved than from a traditional tailings dam, with reduced reclamation and closure costs.

### Safety and productivity improvements through product design

Safety-related procedures that reduce potential safety risks and maintenance downtime support Metso in pursuing business opportunities worldwide. Metso's Life Cycle Service Department in Montreal, Canada, is continually working to improve safety and productivity while carrying out long-term maintenance contracts with clients.

Metso's experts, including the Life Cycle Service Department, worked closely with a customer at an iron ore mine in northern Canada to improve the safety of Metso's 60x89 Gyratory Crusher. Based on the cooperation, removable guardrails and a platform to facilitate working in the crusher pit were added to the crusher. The changes enabled the use of a removable bridge to access the main shaft of the crusher and provided a platform for cutting and welding, thereby reducing the risk factors while working at the crusher. These safety improvements are currently being engineered and modified

to fit different sizes of crushers for other clients globally.

"Teamwork with our customers enabled us to improve the working conditions at the crusher. Once the changes were made, they eliminated potential fall hazards and the platform reduced the slip, trip and fall risk. The safety improvements removed the need for workers to be tied-off in the crusher pit and to work from a suspended man-basket. Consequently, the working environment has become more efficient, and safety hazards and the number of near-miss situations have been reduced during regular scheduled maintenance shutdowns," says Gabriel Boulais, Life Cycle Service, Canada.

### Less noise in pipelines with Neles Q-trim technology

There are some situations that no pipeline owner ever wants to encounter. But with the incorrect choice of valves in the pumping stations, a pipeline owner faces potential damage or destruction of expensive pumps and valves, noise levels above permitted limits, unscheduled process shutdown and the inability to meet product delivery obligations. And all of these ultimately result in significant revenue losses.

A leading North American pipeline owner – and a Metso customer – was able to solve cavitation, vibration and noise issues in pipeline pump station control applications by installing Metso's unique Neles® ball valves with Q-Trim™ technology. Additionally, there were improvements in the safety of the working environment and in process efficiency. Metso's technology also resulted in significant financial benefits.

"It really pays off to deal with the noise problem before it is even created; this is possible with our advanced and patented noise attenuation technology. Elevated control valve noise in the throttling process can be harmful not only to the employees and surrounding communities, it can also seriously damage process equipment. And once noise is created, it is hard to eliminate," says Kyle Rayhill, Director, Global Oil & Gas Business Line.

For more than 30 years Metso's patented Q-Trim technology has been the industry benchmark for rotary noise attenuation solutions in challenging applications. By reducing noise and related vibration to acceptable levels, Q-Trim technology protects process equipment and thus lowers the operating costs and minimizes the need for spare parts for valves and other accessories. This, in turn, translates to lower total cost of ownership.

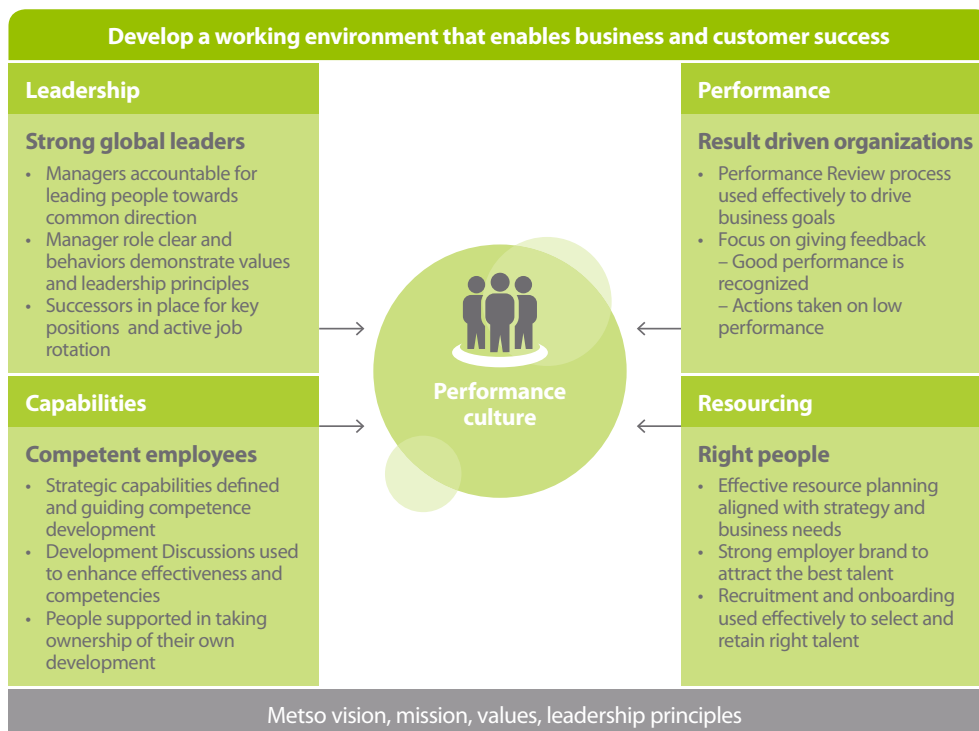
# Metso People

Metso is a global company with highly competent and committed industry professionals in more than 50 countries worldwide. Our 16,000 employees form a network of dedicated colleagues. Metso's customer promise, "Expect results," means that we are focused on performing and delivering. At Metso our goal is to guarantee a safe working environment for our employees and we are committed to taking responsibility for our own safety and for the safety of others. The expertise and skills of our employees are critical for us and form a strong foundation for Metso's success. This is reflected in our company strategy and in the central role our people have in it. People and leadership is one of our five strategic focus areas and enables the realization of the other must-wins. We can reach our goals only with engaged and competent employees.

In People and leadership we focus on developing four areas: leadership, performance, capabilities and resourcing. Within these areas we aim to develop a working environment that attracts the right people and helps them to develop and reach their full potential. Metso's vision, mission and values form the foundation for this development, and the overall target is to enable business and customer success.

We actively promote equal opportunities and diversity, and we train our leaders to promote sustainability thinking and to link individual objectives to sustainability. Prioritizing the health, safety and wellbeing of our employees, customers and partners in all our operations is fundamental to everyone at Metso. We believe that world-class safety comes from a combination of having the right attitude, making the right decisions and taking the right actions.

## PEOPLE AND LEADERSHIP FOCUS AREA GOALS





## Developing leadership to support strong performance



### Leadership Strong global leaders

#### Key achievements 2014

- We have put more focus on identifying successors to key positions as well as future leadership potential, reaching more organizational levels.
- New leadership development portfolio with cost effective and impactful solutions developed
- Systematic rotation of leadership resources in use during organizational changes

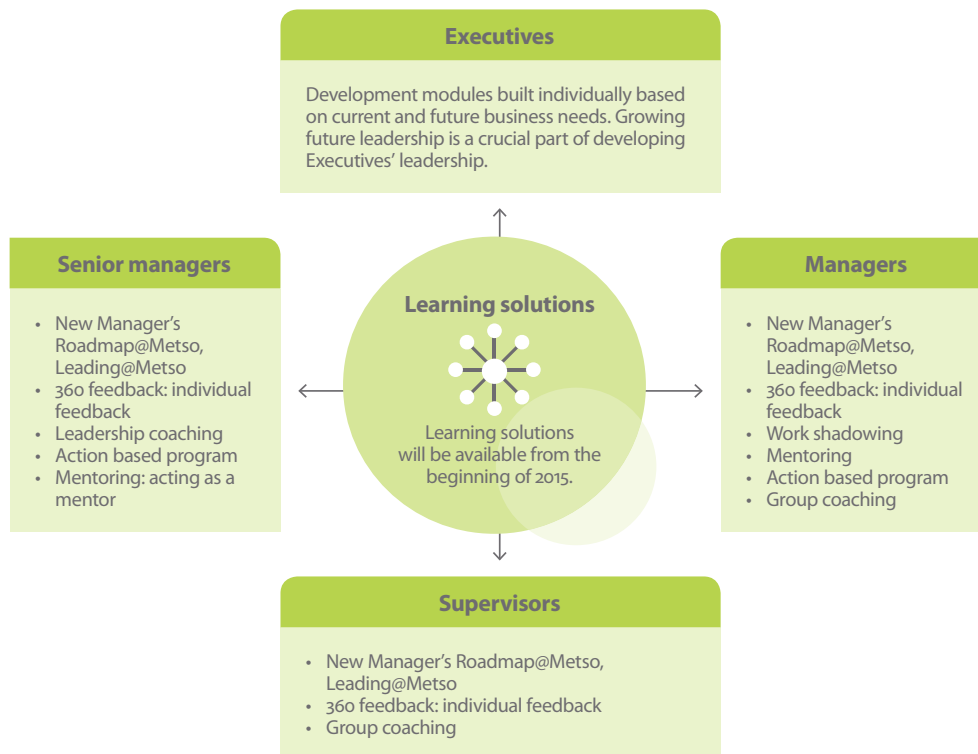
With the new strategy, the leadership capability needs for Metso have been further clarified. Transforming into a focused industrial service and products company requires enhanced performance from the whole organization. Everyday leadership is one of the key enablers of high performance. For this purpose, during 2014 we built a global leadership development portfolio based on these capability needs.

Metso values and our Leadership principles remain the solid foundation for good leadership. In 2014 we sharpened our focus on the leadership capabilities needed to implement the strategy. The scope of the renewed leadership development portfolio is strongly focused on learning on the job, learning together with others, for example through mentoring and coaching, and on more traditional classroom-based training opportunities. The portfolio includes learning solutions with aligned, global core content and adaptability to local needs. We have started piloting the new solutions; one example is the work shadowing pilot in Australia.

### Focus on job rotation and succession planning

Growing global leaders who have a wide experience base is crucially important for us, and thus we have paid attention to job rotation opportunities during our organizational changes. As an example, almost half of the business area management team members started in new or clearly different positions after the organizational change. We have also implemented a more structured way of identifying successors for key positions as well as employees with potential to be future leaders. We are also strongly emphasizing every manager's accountability for building future leaders.

### LEADERSHIP DEVELOPMENT PORTFOLIO



Portfolio consists of independent learning solutions that can be used separately



### Work shadowing

#### Learning by shadowing in Australia

Learning on the job plays a major role in Metso's 70-20-10 learning methods. As part of learning on the job, Metso Australia piloted the work shadowing method in 2014. Work shadowing is a practical tool for gaining a more holistic understanding of an organization's way of working, since it offers the learner the possibility to follow the day-to-day work of another part of an organization. The method also helps the individual to understand his or her own role in the big picture, which facilitates all collaboration.

Michael Maraan, an Internal Sales Representative at Metso Australia, shared this view when he was chosen to participate in the work shadowing pilot. He supports the method even more avidly after the experience.

"I spent a week with our purchasing, a week with the warehouse team and two weeks shadowing the supply chain team. I was expecting to learn aspects I could relate to my current job. Looking back now, I learned even more: I gained a better understanding of the whole process – from the time our purchasing raises orders to our suppliers, to the time the goods are picked up and packed by our warehousing for dispatch to our customers," Maraan lists.

In addition to becoming familiar with the process, Maraan appreciated the possibility to learn about the roles and responsibilities in different functions.

"Having an understanding of the KPI's and daily reports of my colleagues in different functions really makes a difference. There's a lot to bring back to my own unit and colleagues. Whatever issues may arise in the future regarding delays or other incidents between our units, it will be a lot easier to solve them or even prevent them," Maraan concludes.

#### Performing together

Learning and Development Manager Rita Keteku was delighted about how the work shadowing pilot helped in breaking down the internal barriers across each of the participating functions.

"After speaking with the pilot groups, I'm convinced that the overall targets were successfully reached: All the participants gained a thorough understanding of the entire process in question. Shadowing also proved to be an excellent networking tool and helped the employees to learn and reflect from their colleagues' experiences and practices," Keteku says.

Keteku believes that the benefits of work shadowing are the result of a few basic factors:

"First of all, it's very practical. It allows questions to be asked right then and there, and it builds mutual respect between the units."

According to Keteku, work shadowing will be used in Australia on a regular basis in the future.

"I believe that work shadowing will be especially beneficial for the employees who are willing to move to another role in the future. Through shadowing, it is possible to gain a wider understanding of the company's processes in a relatively short time. Shadowing will also be used more frequently as part of our introductory processes for new employees. In short, it will help us perform together – just like our values suggest."

### Performance management in focus

A more integrated Metso both enables and also sets requirements for consistent performance management processes and tools across the company. Our focus in 2014, therefore, was on strengthening the tools and processes needed to support performance management. We have created a solid foundation that is aligned with the strategy, and this enables us to reinforce a performance management culture through everyday leadership. A better understanding of performance management is also a requirement set by our new operating model. Thus we continued the work started in 2013 to increase managers' understanding and capabilities of our performance management and compensation practices.

#### Strengthening the tools and processes needed to support performance management

We believe in performance management, and thus we have been investing in developing the tools and processes needed to support it. Following Metso Board's guidance and approval, we have been working on a new, more aligned Metso Bonus structure, which will be implemented in 2015. The global bonus metrics structure is built to drive strategic priorities through focused financial and strategic bonus metrics.

The Performance Review continues to be an important annual process that gives managers the opportunity to tie their own team's activities to the bigger Metso picture and strategy. In 2014, 64% (65%) of all our personnel participated in the Performance Review process. The completion rate for Performance Review was 81% (72%). We have been reviewing the Performance Review process and building a new global tool for this process; the tool will be implemented in 2015.

#### Linking strategy to target setting

It is the responsibility of managers to communicate strategy and to link it to the daily work. To support this challenging task, added help has been provided to translate global strategic initiatives



### Performance Result driven organizations

#### Key achievements 2014

- Bonus and Performance Review processes reviewed, developed and aligned to drive strategic priorities, implementation during 2015
- Continued increasing managers' understanding and capabilities on our performance management and compensation practices

into local activities and to sharpen the focus on the link between Metso strategic themes with individual target setting. Our aim is that everyone understands the big picture and has clear targets, and they understand what is expected of them and how these expectations are linked to the long-term targets of Metso.

Overall, continuous work is ongoing to help managers in leading their teams' performance (individual and team) through local workshops and by providing various guidance and materials. Leading and guiding performance happens on a daily basis – and building a performance culture is a continuous task: everyone is responsible for their own performance.

### **Performance Review improvement initiative in Brazil** **Aligning personal and company targets in Brazil**

Like all market areas, Metso in Brazil faced an important question last year: How to create a performance culture that supports the realization of Metso's new strategy.

As part of their answer, the Brazilians turned their attention to the Performance Reviews – the yearly target discussion and evaluation that all Metso employees should go through.

"When we evaluated the Performance Review process critically, we identified several opportunities for development," recalls Compensation and Benefits Manager Ives Cattini.

"Most importantly, the realization of the employees' personal targets didn't seem to correlate with the result of the entire unit. In addition, the evaluation criteria weren't standardized: managers had no clear guidelines for measuring the performance of their team members," Cattini says.

According to Cattini, there were also signals showing that high and low performance was not addressed adequately and that the results of the Performance Review could be more closely linked with career growth and development needs.

"All in all, we realized that changes were needed in order to ensure that we're working in a synchronized way to achieve our business targets – but also to make sure that all employees are given the same opportunities and fair treatment," Cattini says.

### **Effectiveness and fair treatment**

Once the development opportunities were identified, the existing Performance Review process was renewed – especially regarding the target setting and evaluation criteria.

"We created clear rules on how the targets should be made and determined; for example, all employees should have at least one financial target in their portfolio. We also clearly spelled out how performance should be evaluated and how high-performers could be recognized and low-performers developed," Cattini lists.

Adriano Torres, Vice President for Metso's Crushing and Screening Equipment was one of the business managers who carried out the new Performance Review process for his subordinates. Torres believes that the new Performance Review will be more effective:

"In the old model, the targets were often related to departmental targets only. In the new model, the targets must be set on financial, strategic, people-related and departmental areas, which makes the review more balanced. Clear guidelines are making all the targets align with the company goals and making the evaluation process among employees more even."

"From the employees' point of view, the biggest change is the way individual performance is measured and how it's linked to their career development in the company. This is naturally also reflected on the company level: when all our targets are aligned, it definitely makes us stronger when reaching for our shared global targets," Torres concludes.

### **Developing professional competencies across Metso**

Along with the more focused and integrated strategy for Metso, we have started creating a more aligned approach to developing professional competencies across the company. Our focus in 2014 was on identifying the key strategic competence needs for five main areas: 1) Sales, 2) Field Services, 3) Supply Chain/Operations, 4) RTD/Engineering, and 5) Project Management. We defined competence development portfolios for these areas and proceeded to pilot some of the concrete learning solutions in 2014.

Through our 70-20-10 approach (see picture), we emphasize the importance of learning on the job: new or problematic situations related to everyday work are the best way to develop new competencies, especially when support is available from the manager and colleagues. Challenging work opportunities are also valued and seen as important by our employees, as became apparent when building our renewed Employer Brand through Employee Value Proposition analysis. In addition to learning on the job, we invest on formal training linked to employees' everyday challenges; our investment in 2014 was EUR 6.7 million.

### **Focused Development Discussions**

We have simplified our approach to Development Discussions with the aim of improving the quality of the discussion itself. The drivers for this have been the more focused and integrated strategy for Metso as well as the feedback received from Metso managers. In 2014, 66% (64%) of all our personnel participated in the Development Discussion process. The completion rate for Development Discussions was 85% (81%).

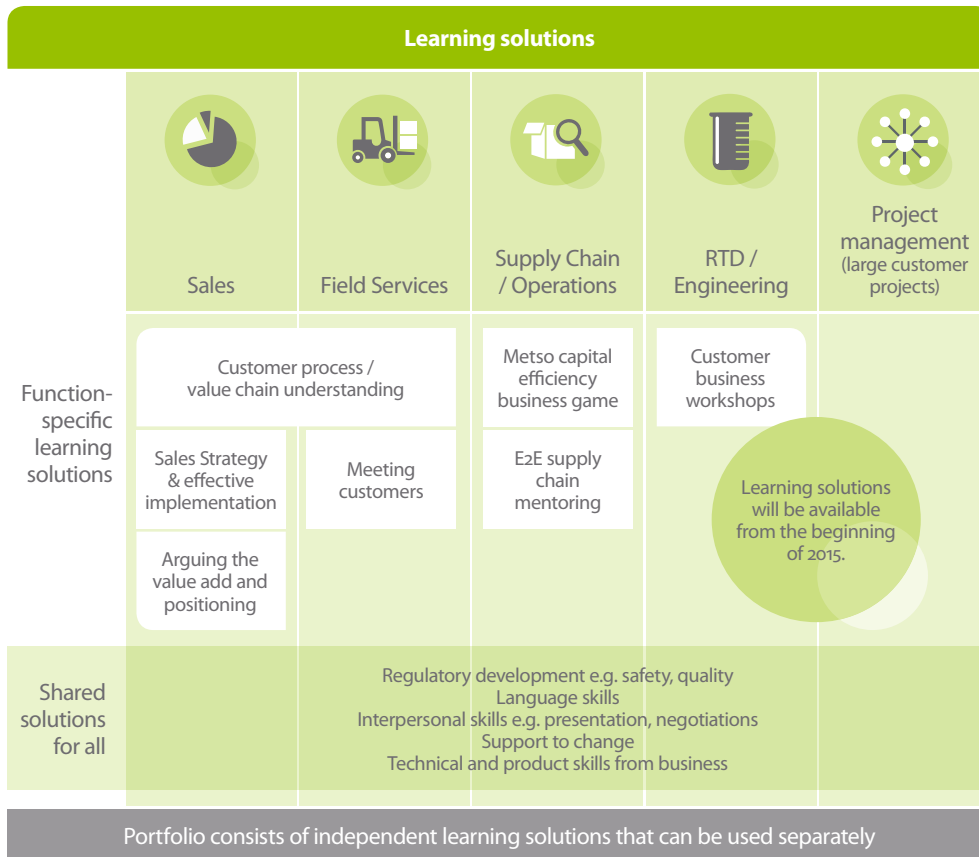


#### **Capabilities** **Competent employees**

#### **Key achievements 2014**

- Competence needs for five strategic main areas identified: **1)** Sales, **2)** Field Services, **3)** Supply Chain / Operations, **4)** RTD / Engineering, and **5)** Project Management, and competence development portfolios for the areas defined
- Simplified Development Discussions implemented: emphasis on linking strategic development needs to job roles and on quality of the discussion

**PROFESSIONAL DEVELOPMENT PORTFOLIO**



**METSO LEARNING METHODS 70-20-10**



## Sales competence needs

### Building sales capabilities to sell value

Sales capabilities have been identified as one of our five key strategic competence need areas. According to Sudhir Srivastava, Metso's Senior Vice President in Minerals' Sales and Marketing Development, Metso's sales personnel already excel at creating trust-based customer relationships.

"Our customers truly trust our sales personnel, which is of extreme importance. Our customers know they can always count on us, which is clearly reflected in our repeat orders and long lasting customer relationships. In the future, we will build on these customer relationship skills to further enhance our sales personnel's capabilities," Srivastava says.

### Revealing the added value

Srivastava believes that Metso's sales competencies could be boosted even higher in the future by focusing on three key areas: developing the way we speak about the added value of our services and products, improving sales personnel's knowledge of the customer's value chain, and crystallizing the argumentation based on the value that our products, services and solutions add.

"Our products and services are the industry leaders. The benefits they create for our customers by, for example, increasing their production and decreasing the costs are in their own class. We need to make sure our potential customers recognize the value our products and services can create for them."

### Speaking the customer's language

Once the added value has been recognized, Srivastava would emphasize the importance of formulating the message.

"We could be better at speaking the customer's language. Knowing every stage of the customer's process and value chain and understanding the customer's business drivers is the only way we can relate to our customer's world. It is also the only way to understand what they really need – and how we can help them perform better."

Srivastava is convinced that improving our knowledge as much as possible about the customer's value chain, business drivers and environment is also the key to more effective argumentation.

"Of course, it is important to know our own technology and products, but it's even more valuable to be able to say how exactly they would affect a specific stage in the customer's process. In the end, we're not selling hardware, but value, which can be manifested in lower operating costs, higher uptime, knowledge partnership – or all of these, depending on the case."

"All in all, we have everything we need to take our sales competencies to the next level. Most importantly, our salespeople must face customers with the confidence of knowing that they belong to the world's leading equipment and solution provider in our field. This is something they can and should be proud of. Our salespeople must be able to endorse our proposal knowing that we are the best value for the money for our customers. I believe that makes the difference between winning and losing."

## Employer image clarified

The new Metso strategy has given us a good basis for renewing our employer image. In 2014, we conducted an in-depth analysis of our image inside and outside Metso, and based on that we created a core story about Metso as an employer. We call this our Employee Value Proposition. The research shows that we have a unique strength at Metso in how we combine challenging work with a friendly, nonhierarchical working environment.

### Resourcing processes to meet the requirements of Metso's new strategy

During 2014, we developed our resourcing processes to better meet the requirements of Metso's new strategy and operating model. For example, we reviewed our recruitment process, put effort into career development that reflects current and future needs, and aligned these with our employer image.

2,209 new employees joined Metso in 2014, and the total rate of new employee hires was 14.1%. The emphasis of our recruitments was on operations, manufacturing and services personnel. We continued to strengthen our presence in growth countries. Metso is a responsible employer; one indication of this is our continued effort to provide opportunities for young people to gain valuable work experience and thus improve their employability after they finish their studies. In 2014, we employed 372 trainees globally for periods ranging from a couple of weeks to several months.



### Resourcing Right people

#### Key achievements 2014

- Employee Value Proposition created: emphasis on the unique combination of friendly, respectful working environment and a challenging, result-oriented way of working
- Necessary resource plans created according to strategy and resourcing processes developed to meet the requirements of Metso's new strategy and operating model
- Alignment of recruitment process and practices enhanced globally

**INTRODUCTION TO EMPLOYEE VALUE PROPOSITION THEMES AND RESULTS**

**Metso as an employer**

We are proud of our industry-leading solutions



We work in a truly global but closely knit network of colleagues

We work with challenging tasks in a friendly, respectful working environment

**Mission, vision, values, leadership principles**

**We are committed to compliance with laws and ethical principles in people matters**

In our personnel relations we comply with the labor rights stated by the International Labor Organization (ILO), and we support and respect the protection of human rights as expressed in the UN Declaration of Human Rights.

We do not use child labor or engage subcontractors or suppliers that do so. We do not allow behavior that is physically coercive, threatening, abusive or exploitative. We are committed to the UN Global Compact initiative with its ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. The total number of incidents of discrimination initiated in 2014 was 0 (0) and actions taken 0 (0).

**Responsible people management policies at Metso ensure compliance**

The Metso HR management team drafts policies, principles and guidelines related to people management and is responsible for monitoring them in accordance with the governance model. The HR organizations are responsible for implementing the policies, principles and guidelines, and for supporting country-specific compliance.

**Examples of Metso's global people management policies and guidelines**

- Health, Safety and Environment Policy
- Anti-drug Guidelines
- Metso Leadership Principles
- Metso Recruitment Policy
- International Assignment Guidelines
- Personnel Background Checking Guidelines
- Job Description Guidelines
- Annual Review Guidelines
- Equal Opportunity and Diversity Policy
- Global Bonus Plan Guidelines
- Localization Guidelines for Expatriates
- Guidelines for Company Supported and Funded Studies
- Performance and Rewards Principles

**Responsible employment practices**

We take a long-term approach in personnel planning and development. Through our people processes, we aim to develop and support employment opportunities for our personnel – even in business change situations. We act responsibly and in compliance with national legislation and good employer practices in structural changes and lay-off situations arising from financial or production-related reasons.

Our employees have the freedom to organize. Metso does not require or prevent the unionization of employees. We do not track the extent of our employees' engagement in trade union activities, and our human resources practices are globally applicable – regardless of the degree of organization and collective bargaining in different countries. We cooperate with local employee representatives and comply with local legislation in business change situations.

The wages and salaries of Metso employees are determined on the basis of local collective and individual agreements, job requirements and employee performance. Additionally, country specific regulations are always followed. Our globally applicable, performance-based incentive systems complement basic salaries and wages. Salary increases are based on principles determined annually by the management and on country-specific collective agreements.

Our employee benefits are based on local legislation, practices and competitive compensation levels. Occupational health care, country-specific pension practices, statutory insurance, training, various sabbaticals supporting parenthood, family life and studying, and annual vacation time are determined on the basis of country-specific legislation and national policies.

**Cooperation with personnel and management**

Cooperation acts and other laws and regulations create a country-specific framework for the collaboration between the management and personnel and for the mutual development of the company and its operations.

Personnel representation in business unit management is separately agreed upon and compliant with country-specific regulations. Additionally, our units engage in forms of cooperation that comply with country-specific practices and legislation.

A personnel representative elected by our personnel groups participates in the meetings of Metso's Board of Directors as an invited expert. The representative does not have voting rights and is not legally responsible for Board decisions.

### Metso European Works Council

Metso European Works Council (EWC) is our European management and personnel cooperation body. The purpose of Metso EWC is to offer our employees an opportunity to engage in an open dialogue about company topics, to give employees more information and to provide an opportunity to be heard in multinational Group-level matters. Metso EWC carries out the cooperation and communication defined in the EU's European Works Council directive.

The current EWC agreement was signed in 2014. The agreement is based on the following regulations and agreements: EU Directive 2009/38/EY on the establishment of a European Works Council in Community-level undertakings and Act on Cooperation within Finnish and Community-wide Groups of Undertakings 30.3.2007/335. The parties to the present agreement are Metso Group and its personnel in the European Union.

### Health and safety targets and achievements

Safety is one of our high priorities at Metso. Our work in health and safety is based on our targets in occupational safety and is

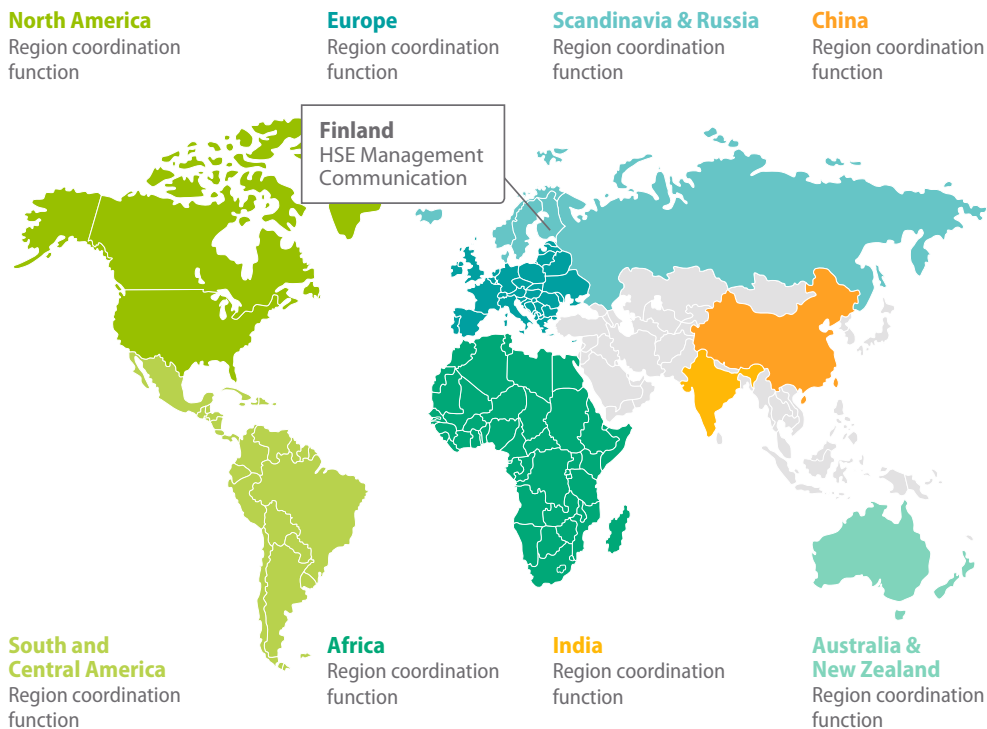
guided by consistent planning in Health, safety and environment (HSE). The focus in recent years has been on strengthening our employees' personal commitment to safety and on strengthening personal responsibility in identifying hazards.

At the end of 2013 we set a new target for workplace safety. Our new occupational safety target is to achieve an LTIF of less than one. (LTIF reflects the number of incidents resulting in an absence of at least one workday per million hours worked). Our long-term target is zero work-related incidents. In 2014, our LTIF was 3.9.

During 2014 we continued our strong focus on the development of health, safety and environmental matters based on Metso's HSE Policy and Minimum safety standards, which are the fundamental cornerstones in safety.

Our new regional-based HSE organization was launched at the end of 2013 and was effective from 2014 onward. The objective of the new organization is to strengthen the cooperation among Group HSE managers and their connection to local HSE professionals. With the new operating model, the focus is on intensifying the engagement of local HSE professionals all the way down to the grassroots level. The new organization also aims to strengthen the dialogue between regional HSE managers and local line management. The aim is to improve their commitment and cooperation to help reach Metso's global HSE targets and to unify local operating models based on Metso's global HSE policies and procedures.

## Global HSE support and coordination functions



#### Global support functions:

Development • Communication • Implementation support • Reporting • Internal audits • Environment

A new Minimum safety standard was launched in 2014 to supplement our eight (8) Minimum safety standards. The new standard, road travel, regulates how to behave when travelling on road. In 2015 a new safety standard will be launched to support our safety at Metso.

Metso's Minimum safety standards strongly support our safety work. Our goal with the standards is to raise awareness of the most critical hazards in our work tasks and to make sure that we have means to control these hazards. The goal is also to enhance our uniform HSE practices. The standards give guidance on how to perform the most common work procedures in a safe manner and they create a baseline for safety. Our safety standards are applicable in all our operations.

Our Minimum safety standards are: lock out/tag out procedures, working at heights, lifting, working in confined spaces, operating tools and equipment, working with hazardous substances, personal protective equipment (PPE), maintaining good order, and road travel.

### Campaign to increase safety awareness

To introduce the standards to our employees, a Safety Pledge campaign was launched in 2012. The work continued in 2014 with the launch of the Safety Pledge 2014 campaign, which concentrated on highlighting Metso's nine Minimum safety standards. In 2015, the new Safety Pledge 2015 campaign will continue our proactive work to improve our safety.

### Global HSE reporting system

In 2014, we concentrated on improving our HSE reporting by implementing a Group-wide HSE reporting system globally. The new tool will replace other reporting systems that have been in use for HSE at Metso. The new Metso-wide reporting system will be globally implemented in 2014 and 2015 to improve the monitoring and management of our occupational safety, including accidents, near misses, first-aid situations and risk observations, and to develop our environmental performance. The environmental indicators component of the reporting system was implemented already in 2013. Our target is for all HSE figures to be reported through our Group-wide reporting system, Sustanalyzer.

The HSE reporting procedure consists of reporting recordable accidents, first-aid situations, environmental damages, near-miss situations and observed risks related to occupational health and safety. We have used the reporting data to define most common root causes for incidents at Metso: technical causes, human causes and operational causes. Technical causes are related to, e.g., defective or improper tools or equipment, inadequate protective equipment, or incorrect or improper process conditions. Human causes are related to, e.g., failure to detect a hazard/problem or incorrect working practice. Operational causes are related to risk identification and evaluation. Based on this knowledge, we are able to address the issues that fundamentally increase the risk factors at Metso.

### HSE audits

The 12 elements model created for Metso is a methodology for systematic development of different aspects of safety. Each element assesses the maturity of the safety systems at our production sites. The 12 elements include, e.g., HSE management, hazard and risk

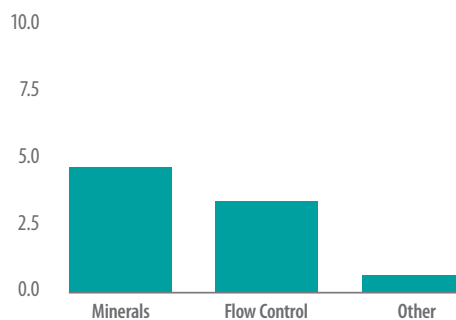
evaluation, training, ownership, leadership, and incident and accident management.

Our 12 elements self-assessment tool was implemented in 2013 to support the development of good local safety practices and to identify and prioritize the development areas for the local HSE work. That same year, the self-assessment with the 12 elements became mandatory for all our sites.

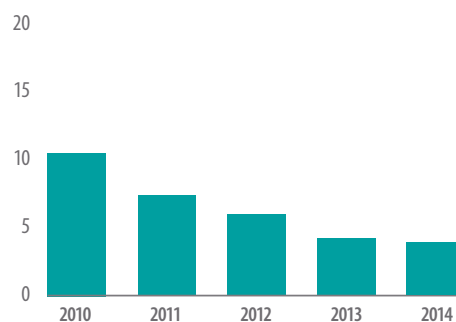
HSE audits track good practices at Metso's sites globally. It is also a tool to track the implementation rate of our practices, such as the Minimum safety standards. Our internal HSE Audit function visited 27 locations during 2014 and identified hundreds of HSE-related actions to quickly improve the safety at our locations. A detailed schedule was created for the identified development issues. The audit process calls for the findings to be remedied within three months of the audit visit.

*Please note that figures 2012 onwards describe Metso's current structure*

### LTIF BY SEGMENTS



### LTIF AT METSO



● LTIF  
\* Lost Time Incident Frequency reflects the number of incidents resulting in an absence of at least one workday per million hours worked.

### Health and safety in figures

At Metso we believe that all accidents can be prevented. Accordingly, Metso's long-term objective is zero work-related incidents. To reach that goal our mid-term target is to reach a lost-time incident frequency (LTIF) of less than 1. (LTIF reflects the number of incidents resulting in an absence of at least one workday per million hours worked.)



In 2014, we recorded 0 (1) work-related fatalities. The number of recordable work-related incidents in 2014 was 295 (297). Recordable incidents are the sum of lost time, restricted work and medical treatment incidents. Metso's LTIF was 3.9 (4.2). Metso also monitors near-misses and risk observations. The 2014 near-miss and risk observation factor was 443 (339), an increase of 31% from 2013. One of our efforts in 2014 has been on increasing the near-miss and risk observation reporting. The number of near-miss reports has improved by 3,864 from 2013 to 2014 due to our effective safety campaigning.

Near-miss reporting is essential when the focus is on minimizing hazards. Near-miss reporting enables us to take corrective actions in all our operations and to increase safety.

The number of absence days in 2014 totaled 6.5 (6.6) days per person on average, 6.0 (6.2) days due to illness and 0.5 (0.4) days due to injury at work.

Since 2009, we have succeeded in reducing the LTIF by 73% by focusing on all aspects of safety. Our main focus has been on key areas, such as increasing employee awareness of safety, on technical improvements, such as Metso's Group-wide reporting system, on management leadership capabilities, and on improving our practices at work. Our LTIF decreased from 4.2 in 2013 to 3.9 in 2014. This is a reduction of 5%. The LTIF levels are reported by Metso's units, and there is still a lot of room for improvement in health and safety work.

### **Global implementation of our safety standards**

All our efforts in HSE aim to ensure a safe working environment for all Metso employees. To improve our safety and to support the safety culture at our plants, a Safety Pledge 2014 campaign was launched to share information about what our safety standards mean in practice and to give guidance on following the standards in our everyday work at our workplaces. The goal of the campaign is to implement the standards in each Metso location. The standards are applicable at every location.

The standards have been created to minimize the hazards at our workplace, and they create the baseline for local safety requirements procedures. If the local procedures, customers, laws or regulations have a higher safety standard than Metso, those standards apply. The standards give guidance on how to perform the most common work procedures in a safe manner.

To support the 2014 focus on implementing the standards in all our locations, a global Safety Pledge 2014 campaign was launched to raise employee awareness of the standards. The campaign included, e.g., a Minimum safety standards brochure, which included descriptions of each standard, and a video that reviewed the standards one by one. The campaign was launched in nine languages and the material was distributed at all our locations globally. The standards were launched originally in 2012 and were introduced to our employees through the first Safety Pledge campaign.

"Learning to work by the standards requires the contribution of every Metso employee. Safety is a joint responsibility that we all share," says Jukka Rikkinen, VP, Health, Safety and Environment.

### **Defining root causes based on our HSE incident reporting**

Our HSE work is based on finding root causes for all incidents that happen at Metso. Sustainable HSE work is based on collecting and analyzing the data behind the incidents. An adaptable reporting system has an important role to enable us to learn from the data.

"The reported data can be used as learning experiences. The data gives us a general overview and allows us to identify any shortcomings when reviewing accidents that have occurred at Metso. The data also helps us to eliminate risk factors and create a more secure and more environmentally friendly working environment. We are able to learn from the accidents, and we can create procedures based on the information," says Jukka Rikkinen, VP, Health, Safety and Environment.

Flexibility and the ability to support our HSE objectives were essential when making the decision to implement a Group-wide reporting system for sustainability figures. In 2013, we launched Metso's Group-wide reporting system for global environmental reporting.

The development work continued in 2014 with the preparation of the tool for global HSE incident reporting, which will start in early 2015. The testing and training phases are currently under way.

Reporting with the new Sustanalyzer reporting system, which will include accidents, near misses, first-aid situations and risk observations, will start in early 2015. We will also focus on further extending the reporting to cover chemical legislation, regulation management, supplier management, and health, safety and environment auditing. Additionally, the Sustanalyzer reporting system will enable us to report risk observations.



# Metso Environment

We constantly strive for improvements in our energy and materials efficiency and in reducing water consumption, emissions to water, soil and air, and the amount of waste in our operations. We have also identified environmental risks related to our operations, and we practice precautionary procedures to prevent environmental accidents.

## Environmental targets

Health, safety and environment (HSE) is an essential part of all our activities at Metso, since many of our people across our different businesses work in versatile environments. Our actions in HSE aim to support our efforts to take environmental efficiency into account.

We strive to reduce the environmental footprint of our own operations through a dedicated energy-efficiency program, while setting global, Group-wide targets for energy conservation and carbon dioxide emissions for our own production.

We have created our Group-wide targets in order to improve our performance in HSE. Our global target is to reduce Metso's energy consumption and emissions by 15 percent by 2015 and by 20 percent by 2020 based on our net sales, calculated from the base year 2009. Reducing energy consumption will reduce emissions, while also bringing financial benefits. The majority of our reported CO<sub>2</sub> emissions come from the use of energy.

In 2014 we created the cornerstones for a Group-wide water strategy, which will be further developed during 2015. Group-wide reporting of environmental figures is essential in improving our environmental efficiency. Our recently launched reporting tool, Sustanalyzer, enables us to systematically follow our HSE progress.

Our production facilities are required to report their environmental data at the Group level. Energy and water consumption data are reported quarterly; other environmental data, e.g. materials use and waste amounts, are reported annually. Each unit has a designated environmental representative, and the reported data is validated by the unit manager of the location. We implemented a new environmental reporting system in 2013 to improve our data collecting procedures and to ensure the quality and accuracy of the data collected. In 2014 we improved our reporting by training our employees in more efficient reporting practices.

## Environmental impacts of own production

Regarding the ecological footprint of our products and services, only a relatively small portion is related to our own production. The most essential environmental impacts of our production are related to energy consumption at our foundries. Globally, we have 37 production facilities, and 36% of our production facilities are covered by the ISO 14001 environmental standard (in terms of personnel). Our production facilities are constantly developing their environmental operations in accordance with our health, safety and environment (HSE) policy. It states that we cooperate with our stakeholders to develop our best practices and processes to improve the efficient and sustainable use of energy and materials as well as to prevent

pollution. Hence, we continuously make efforts to improve the environmental performance of our operations and the environmental awareness of our workforce.

Due to the capacity growth in some of our manufacturing processes and due to changes in the operating environment, we have not been able to improve our environmental figures in 2014.

## Metso's energy efficiency program (MEEP)

In 2009 we set global, Group-wide energy-saving and carbon dioxide emissions targets for our own production. The majority of our reported CO<sub>2</sub> emissions stem from the use of energy; therefore, decreasing energy consumption will also reduce emissions – while also bringing financial benefits. In 2010 Metso started mapping the opportunities to save energy and decrease carbon dioxide emissions in its biggest and most energy-intensive production units. The mapping in the energy-intensive production units was completed in 2013.

The biggest energy-savings opportunities are related to the use of fuel and heat. Potential savings outside our production processes were also found, e.g. in cooling and compressed air systems. We have defined energy-efficiency indices for our production units, and the units report their energy consumption in accordance with the indices on a quarterly basis.

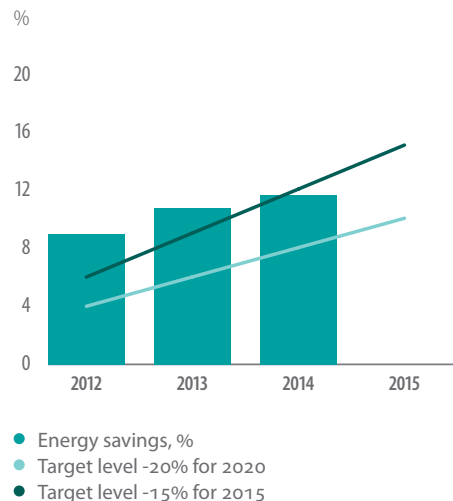
In 2014, Metso saved 0.9% of the energy of its own production, a total of 3,800 MWh (1,000 tons of CO<sub>2</sub>). Since the beginning of the program, 11.6%, i.e. a total of 49,600 MWh of energy (13,400 tons of CO<sub>2</sub>), has been saved through a wide range of actions around the world.

We have developed quarterly reporting metrics for each production site's energy-saving actions; these metrics help to promote energy-efficiency improvements and monitoring at the Group level.

The 15 Metso sites with the highest energy consumption account for nearly 80 percent of Metso's total energy consumption and hence 80 percent of Metso's CO<sub>2</sub> emissions.

*Please note that figures 2012 onwards describe Metso's current structure.*

## SUMMARY OF ENERGY SAVING ACTIONS



### **MEEP highlights in 2014**

8 different energy-efficiency projects started or implemented in Metso's own production in 2014 generated a total savings of 1,000 tons of carbon dioxide. Additionally, a number of smaller initiatives and actions have taken place globally in our production units.

We have implemented 174 projects that have led to carbon dioxide savings of 13,400 tons since 2009 when Metso's energy-efficiency program was started. Since then, investments totaling EUR 4.6 million have resulted in savings of 49,600 MWh of energy, worth EUR 3.5 million; these investments have a payback time ranging from one to three years.

To speed up the energy and CO<sub>2</sub> savings in our production, we have a separate budget for energy and CO<sub>2</sub> investments. In terms of completed energy-saving actions, we are currently at our target level of a 20% reduction by 2020.

### **Minimizing environmental impacts caused by scope 3 emissions**

Metso's aim is to minimize environmental impacts throughout its value chain, which is also supported by the calculation of scope 3 emissions. Only a small portion of the ecological footprint of our products and services is related to our own production, so the significance of our scope 3 emissions calculations increases.

Scope 3 is one of three reporting categories measuring greenhouse gas emissions. The first emissions category measures direct emissions and purchased fuels, and the second category measures indirect emissions, such as purchased power and heat. The third category (scope 3) concentrates on other indirect emissions, such as employee business travel, contractor-owned vehicles and outsourced activities.

In order to improve our knowledge of scope 3 emissions in our value chain, a comprehensive analysis was conducted during 2013. Efforts are targeting the future development of methods

for calculating and understanding the environmental impacts of our supply chain. We now have the ability to better manage the environmental impacts of our value chain and to also improve future reporting of our scope 3 emissions.

In 2015 we will focus on extending our Group-wide scope 3 reporting.

### **Emissions arising from business travel**

One of the sectors of scope 3 emissions is business travel. In accordance with our travel policy, Metso strives to reduce its need for business travel by providing and investing in alternative methods to organize meetings remotely, for instance by providing video conferencing equipment, web and telephone conferences.

Metso's travel policy also states that Metso's travel decisions should support environmentally friendly options whenever it is also economically feasible. Metso currently monitors and reports scope 3 emissions stemming from business travel in Finland, Sweden, North America and China, which totaled approximately 15.7 thousand CO<sub>2</sub> tons in 2014 and accounted for 48% of Metso's workforce. In other countries in which Metso operates, business travel data is monitored, although not systematically.

### **Metso's activities in water reduction**

Metso operates in 50 countries around the world, including in water-stressed areas. In 2012 we set a target to reduce water usage in our own operations by 15% by 2020. In 2014 we conducted a study in every environmental reporting unit to assess the current situation so that we can formulate a more detailed strategy to achieve our water-reduction target. At the same time, we have pursued more in-depth knowledge of the regions that are water-stressed areas in order to create the cornerstones for a Group-wide water strategy that will be developed further in 2015. As part of the water strategy formulation, we have ongoing work related to water risks, and this work will continue also in 2015.

## Society

We strive to be a responsible corporate citizen and to support sustainable development in the communities we operate in by forming partnerships with customers and other stakeholders. By sponsoring and donating to local projects in science, research and education, environmental protection and nature conservation, and youth activities, we contribute to a more sustainable world.

Our aspiration to be a good corporate citizen is based on understanding mutual needs and expectations in our relationships with local communities. We are convinced that increased interaction with the local community through the engagement of our local employees results in mutual benefits for Metso and society.

### Sponsorships and donations

Our principles of sponsorships and donations have their foundation in Metso's Code of Conduct, in which we define also other important ethical issues, such as our commitment to the UN Declaration of Human Rights. Our sponsorship

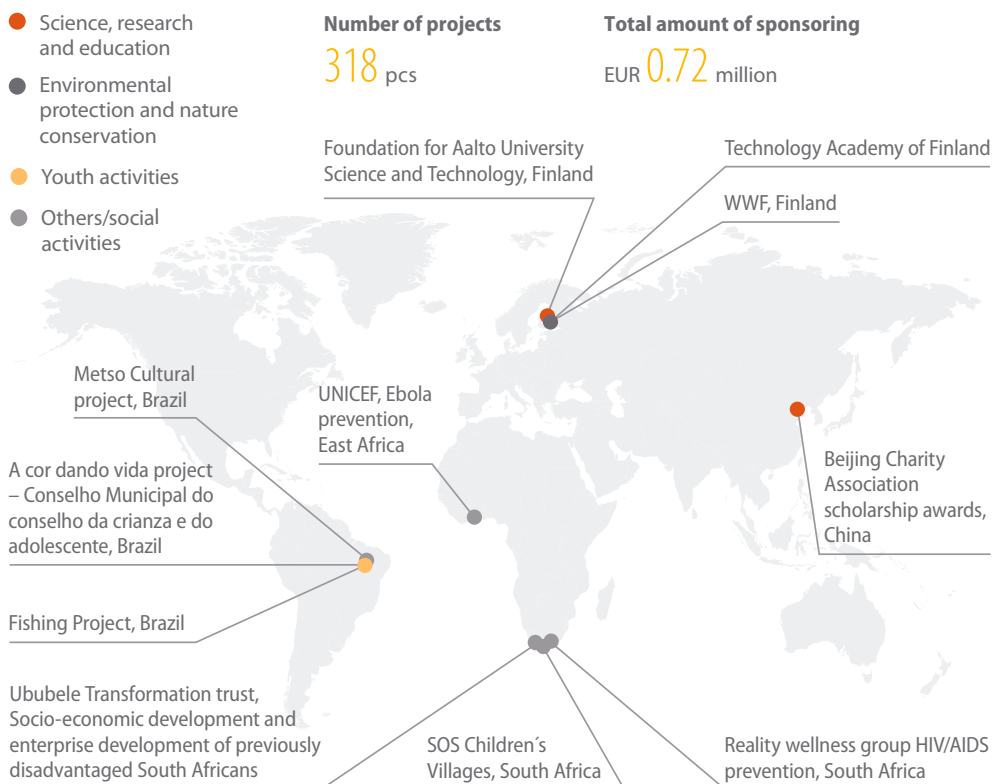
activities reflect the implementation of the Ten Principles of the UN Global Compact in our operations. We use sponsorships and donations to support the implementation of our strategy and to strengthen our corporate brand and recognition globally.

Metso defines sponsorship through the principles and terms described in the Advertising and Marketing Communication Practice, published by the International Chamber of Commerce (ICC) in August 2006. Accordingly, we endorse the definition stated in that document.

### Sponsorship principles

Metso chooses its sponsorship targets based on its strategic objectives – science, research and education, environmental protection, nature conservation and youth activities. To keep the focus in these target areas, we have also introduced other guiding principles to our sponsorship approach, since, as a business-to-business company, we do not allocate resources for sponsorships targeting the general public, unless deemed appropriate for a specific issue.

### Major sponsorship and donation initiatives in 2014



As we operate globally and in diverse cultures, we sponsor only projects that are universally accepted and respected. The principle of equality also means that we do not sponsor projects or initiatives related to politics or religious worship. For the same reason, we do not sponsor ideological organizations that have values and activities that lack unanimous community support.

A substantial part of the contributions within the category "Others" includes our support to social programs in, e.g., the abatement of HIV/AIDS, which has gained importance as a form of our local responsibility. Similarly, we have also supported local water and sanitation programs in schools located near our facilities.

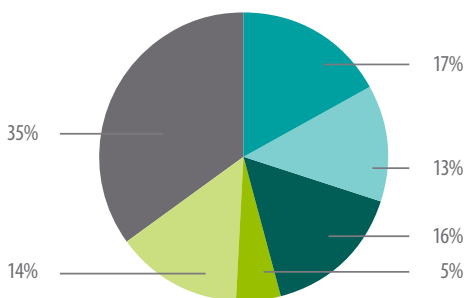
We do not sponsor professional sports on a national or international level. Our community involvement projects can, however, include support for local sports as a youth activity or a general recreation activity. We do not sponsor activities that are commonly considered as conflicting with the principles of sustainable development, such as motor sports.

### Cooperation with non-governmental organizations (NGOs)

As a global company, Metso co-operates with local and international non-governmental organizations (NGOs) in many countries. In many instances, NGOs can provide the needed operations, services and experience to support the local communities, people and environment.

Metso's support for non-profit or non-governmental organizations and related activities was EUR 716,000 in 2014.

### SUPPORT FOR NON-PROFIT ORGANIZATIONS



- Youth activities 17% (27%)
- Culture 13% (1%)
- Science, research and education 16% (6%)
- Environmental protection 5% (5%)
- Sports 14% (10%)
- Others 35% (51%)

### Community involvement

Metso's presence in emerging markets is constantly growing and is reflected in new units being opened or existing ones expanded. Our local presence creates wealth and job opportunities as well as business partnerships that are important and beneficial both to Metso and the local community. We encourage our units and employees to participate in a wide range of activities that bring wellbeing to the local community.

Sponsorships and donations are examples of means we use to develop and maintain interaction with important stakeholder groups. The principles and practices covering this area are defined in our Code of Conduct and in Metso's Principles of Sponsorships and Donations. The focus of our sponsorships and support is primarily on youth activities, science, research, education, and environmental and nature conservation.

### Metso sponsors Yrityskylä learning environment project

Metso is a supporter of Yrityskylä initiative, an internationally awarded Finnish education innovation. The Yrityskylä learning concept focuses on society, business and entrepreneurship and is aimed at sixth-grade primary school students in Finland. Students in the Yrityskylä learning environment work in their own professions in a mini city and act as society's consumers and citizens. In the regional Yrityskylä learning environments, sixth graders and their teachers spend a day learning about the special characteristics of the region and the actual employers there.

The Yrityskylä learning environments are implemented in close collaboration with the local municipalities and companies. The project was launched back in 2009, and Metso has been a project sponsor since 2013.

The popularity of the project has surprised everyone. This school year, some 40,000 students will visit Me & Yrityskylä learning environments, of which there are currently eight in Finland. A total of 70,000 students have visited a Yrityskylä learning environment since the beginning. In autumn 2013, as Finland's representative, Yrityskylä won an award in the European Commission competition that recognizes the best initiatives supporting entrepreneurship. The Economic Information Office (TAT) coordinates the Yrityskylä learning environments.

"The wide group of collaboration partners, including Metso, is an indication of the shared concern about young people's preparedness for business and society," says Tomi Alakoski, Executive Director of the Yrityskylä project at the Economic Information Office.

### The inauguration of Plan's school water and sanitation project

The handover ceremony of the Plan and Metso supported school water and sanitation project was celebrated in Alwar Rajasthan. This marked the completion of the project aiming to improve the school enrollment of children by improving child-friendly school water and sanitation facilities and hygiene practices among school children in India. The festivities celebrating the completion of the water and sanitation facilities in 15 schools were held in July 2014 with students, teachers, local government and Plan India. The focus of the cooperation has been on supporting children's rights to adequate school water and sanitation infrastructure and having dedicated bathroom/lavatory facilities, especially for girls. The project makes it possible to provide running water in school toilets for the children and it enables existing toilets to be renovated and new ones to be built.

Raising awareness is one of the high priorities within the project. In order to keep up the positive consequences, the children have been trained about hygiene and about the responsibility for taking care of the facilities. Also the school staff and local community have been trained in maintaining the facilities.

"I dropped out of school due to the inconvenience I use to have during menstruation. There were no toilets in our school where girls could go and change. When I heard that new toilets have been constructed at the school, I thought about visiting the school. I was amazed to see that there were separate toilet facilities for girls. I was delighted to see an incinerator in one of the toilets. I immediately decided to re-admit myself after a break of 2 years. I hope girls in our community will no longer drop out due to the lack of such facilities," girl from one of the project schools, 15 years.

#### ***Award-winning HIV/Aids program supporting the local community in South Africa***

Metso has over 1,000 employees in South Africa, where the overall prevalence of HIV exceeds 22%. The alarmingly high prevalence rates at one of Metso's sites was the starting point to take steps to offer testing and support for those in need.

At the moment, approximately 90.5% of our employees in South Africa who are living with HIV are on Metso's support program. Metso has actively organized HIV/AIDS education at our

locations in Isithebe, Rustenburg and Vereeniging. The program includes counseling and testing.

The program was originally launched at Metso in April 2010; by the end of 2010, 92% of the local employees had taken part in voluntary testing and counseling. The program has been extended to spouses and to families of our employees by the Employee Spouse Program. Metso organizes regularly family days, which include the opportunity for testing for the entire family.

International awards have been received through the Swedish Workplace HIV/Aids Program, SWHAP, included in 2010 – Best Progress, and in 2012 and 2013 – Most Comprehensive.

"It was the second-time running to win the SWHAP's most comprehensive program. In fact, it was the first time in SWHAP's history that any company has managed to achieve such recognition," replies **Christelle Scheun**, the program coordinator.

Christelle and **Lindy Losper**, the main responsables for program at Metso, are continually developing the program in order to find new ways to raise awareness both within the company and in the local communities.

## Governance

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.

"2014 was an important year for the Board of Directors as we decided on Metso's new strategy, which lays the foundation of the company's continuous success."

**Mikael Lilius**  
Chairman of the Board  
of Directors



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# Corporate Governance

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

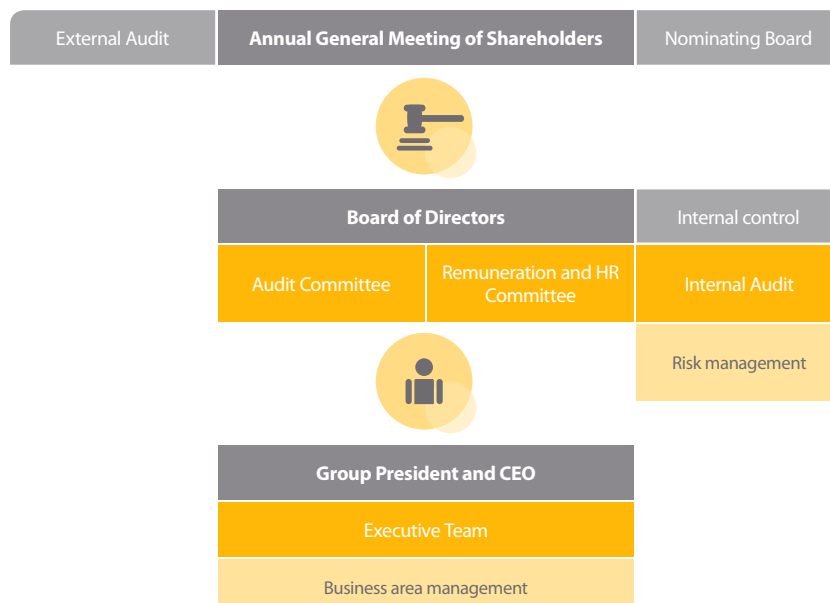
Metso's supreme decision-making body is the Annual General Meeting of Shareholders. The Board of Directors (Board) and the President and CEO are responsible for the management of Metso. Other Metso executives have an assisting and supporting role. The Board seeks to ensure the compliance of good corporate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

### 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	-	-

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.

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 Sääsکیlahti

## Simo Sääsکیlahti

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.

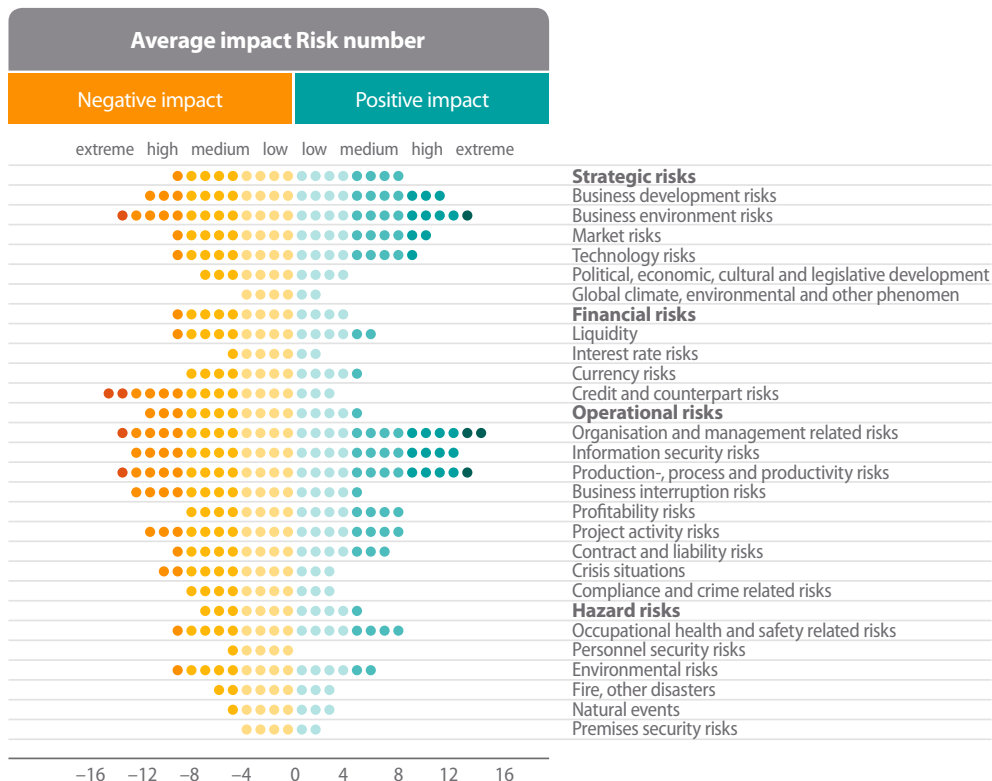
**Key experience:** President, Metso Automation, 2012–2014; President, Energy and Environment Technology 2011

# Risk and Risk Management

Metso uses risk management to support the achievement of its strategic and business goals and to ensure the continuity of its operations also in changing circumstances. We believe that the ability to take risks and manage them effectively is an essential element of business success and shareholder value creation.

We define risks as uncertainties, which, if materialized, can either positively or negatively impact our chances of achieving our goals. So, risk is either an opportunity or a threat to our goals – or a combination of opportunity and threat. We assess the significance of a risk as a combination of probability and impact of the occurrence. Our comprehensive risk management approach emphasizes anticipation of risks and proactive actions accordingly. We strive to execute this approach systematically and in a structured and timely manner. Risk management is embedded in all of our daily operations. Our risk management is established on the requirements of the ISO 31000 standard.

## RISK MANAGEMENT



## Risk management focus areas in 2014

In July 2014, Metso launched a new strategy and operating model, designed to drive growth in the company's core businesses and strengthen its financial performance and value creation. The key focus area of our risk management is providing support for the implementation of the new strategy.

Turbulence in global economic growth, particularly in emerging markets, volatile commodity prices, increased political risks in the Middle East, Ukraine and Russia, as well as the Ebola epidemic in West Africa increased the threats related to our operating environment. Continued financial uncertainty, fluctuations in exchange rates and tightening financial market regulations could reduce our customers' investment appetite and increase our receivables-related risks. A new focus area in our risk management was cyber security.

Around 60% of our production is done by external suppliers and therefore supply chain management is highly important for us. The new Global Supply Chain organization will, together with our sustainability, legal and risk management functions, oversee that sustainability and compliance issues as well as business interruption risks of supply chains are carefully clarified and settled and constantly followed.

Our approximately 90 service centers around the world pose a challenge for our risk management. We must make sure that all of them address health, safety and environment issues and that all of them are included in relevant audit programs. In 2014, some of the service centers had been included in the HSE audit program.

We continued our systematic focus on project management. We want to ensure the continuity of our project risk management expertise at a top level. In 2014 our Project Excellence Program developed best practices in order to manage large and complex system projects effectively.

We have reviewed our processes against ISO/TR 31004 and continued to develop our risk management network.

When evaluating management processes and practices related to issues under the strategic, financial, operational and hazard risk categories, we have used the Flexible Risk Management Evaluation (FRiME) concept. The results of the 2014 evaluations show that of Metso's four risk categories, the management of strategic and financial risks is at the strongest level, and the management of certain operational and hazard risks calls for further development.

Altogether 10 risk engineering, property damage and business interruption audits, 7 logistics audits, 6 Flexible Risk Management Evaluations (FRiME) and 27 HSE audits were carried out during the year.

A new risk management organ, a corporate security team, was implemented in 2014. It is a global resource pool for the management of crisis situations; it also carries out operational and hazard risk evaluations and coordinates corporate security-related issues at Metso.

From the beginning of 2015, we are using the services of a new insurance broker, Willis. Our goal is to make sure that also in changing circumstances all of our units are sufficiently covered by our global insurance programs. During 2014 we reviewed the insurance coverage of our Global Programs for the post-demergence company, and additional insurance coverage needs have been recognized.

## Most significant threats and opportunities

We define risks as uncertainties that can be both opportunities for and threats to our business operations and strategy implementation. In our annual risk assessment, we systematically assess the significance and development of various risks.

In the risk assessment for the strategic period of 2015–2018, the most significant factors creating threats and opportunities for Metso are:

1. Impact of global economic cycles on meeting strategic goals.
2. Ability to ensure information security.
3. Ensuring sufficient competence and talent resources globally: maintaining a high level of business and leadership capability and ability to implement strategy.
4. Ability to manage and develop customer interface.
5. Maintaining a competitive position and market share.
6. Ensuring sufficient marketing and sales capability.
7. Finding opportunities in new markets and maintaining existing local presence globally.
8. Availability of mergers and acquisitions and capacity to utilize them.
9. Brand and reputation: ability to retain and strengthen our position as the industry's leading company.

## Goals for 2015

We use risk management to support the achievement of our strategic and business goals and to ensure the continuity of our operations also in changing circumstances. Particular attention is given to the most relevant findings of our annual risk assessment. We continue to focus on proactive measures and securing our operations and on limiting adverse impacts and utilizing opportunities.

The focus areas of our risk management work in 2015 include the following:

- Further improvement of coordination and synergies between audits carried out by different actors. We must make sure that all identified units and sectors are subject to audits that best support the development of their risk management. The availability of the necessary tools and systems to manage information must also be ensured.
- Active participation in the development of supply chain management to ensure sufficient consideration for aspects related to risk management.
- Development of more proactive, faster, higher-quality and easily available crisis management capabilities.
- Introduction of the necessary new lines of insurance in our insurance programs. Together with our new broker, we must ensure the sufficient quantity of limits and quality of the terms and conditions of all our global insurance programs.

## Sustainability risks and opportunities

### Sustainability risk management at Metso

Managing sustainability risks and opportunities is integrated into a multi-disciplinary, company-wide risk management processes at Metso. We have a systematic method for regularly assessing the probability and impact of sustainability risks throughout our company. The assessed risks are based on a risk map document that includes all our acknowledged risks.

The potential risks and opportunities related to sustainability arise from our ability to develop and maintain our brand and reputation, the availability of sufficient competence resources, competitiveness and capabilities related to global sourcing, the health and safety of our personnel, our capability to develop our product and technology portfolio according to the changing needs of customers, and the adequacy and pricing of financing both for us and for our customers.

Metso's risk process promotes opportunities. Furthermore, it aspires to minimize the adverse impacts of strategic, financial and operational risks and to remove or mitigate hazard risks. The line management of Metso's businesses is operatively accountable for managing risks as part of its daily activities. Sustainability risks are assessed once a year at the Group level by Metso's Risk Management, based upon individual reporting segments' risk assessment reports, consolidated at the Group level. The results are annually reported to the Metso Group Risk Management Team, the Metso Executive Team, as well as to the Metso Board of Directors and its Audit Committee.

## GRI and Sustainability data

Metso controls and monitors sustainability issues through various internal and external processes aimed at ensuring the validity and reliability of our sustainability management practices and reporting. Our actions in HSE aim to support our efforts to take environmental efficiency into account.

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## Reporting principles

Sustainable development is reflected in our daily activities through the overall management of, e.g., our business ethics and Code of Conduct, risk management, human resources, and health, safety and environmental work. Important subjects, such as compliance with laws and regulations, human rights, equal opportunities and non-discrimination, safety, sponsorship and the protection of the environment, are explained in more detail in Metso's Code of Conduct and apply to all Metso employees. Metso's sustainability work is based on our strategy, policies, targets and objectives, as well as on performance indicators set at the Group level and implemented in our operating units globally.

Metso's Sustainability Report 2014 (i.e. the Sustainability section and the GRI and Sustainability data section in the Annual Report) consists of eight sections. The first section describes Metso's highlights in sustainability during 2014. The second section focuses on sustainability targets and the third section concentrates on Metso's sustainability management. The fourth section describes our stakeholders and our stakeholder groups. The fifth section concentrates on the marketplace, describing our sustainable supply chain and product stewardship activities. The key themes of Metso's people are presented in the sixth section of the report including our focus in health and safety achievements and safety figures. Metso's environmental achievements and initiatives, including our energy-efficiency program, the environmental impacts of Metso's own production and our approach to Metso's water strategy, are described in the seventh section. Metso's corporate citizenship frameworks, including sponsorships, donations and community involvement projects, are covered in the eighth section.

The GRI and sustainability data are described in a separate section that includes Metso's reporting principles, Sustainability indices, and Sustainability data, including personal data and environmental figures. Additionally, Sustainability assurance and auditing, and the GRI and Global Compact index are presented in the GRI and sustainability data section of the report.

Metso has been reporting its sustainability principles and goals since 2002. Metso publishes its sustainability data annually and the reporting period is the calendar year, which is also the financial year, i.e. January 1 to December 31. Metso's sustainability data for 2014 can be found in the GRI and sustainability data section of our Annual Report 2014. The information disclosed in the Sustainability section is focused on material and dynamic information written in a compact format, whereas more comprehensive or static sustainability information is disclosed on our web sites (Sustainability in Metso). The other sections of the Annual Report serve as supplementary sustainability information.

Metso's sustainability reporting in 2014 is based on the core indicators of the Global Reporting Initiative's (GRI) G3.1 Guidelines. The Global Reporting Initiative is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework, which is under continuous improvement and is applied worldwide. We have selected the indicators from the G3.1 Guidelines that are most relevant to Metso in terms of our operations, products

and stakeholders. We have self-declared our reporting to be Application Level B+ of the GRI G3.1 Guidelines. PricewaterhouseCoopers Oy has also checked our reporting against GRI guidelines and has confirmed it to be Application Level B+ of the GRI G3.1 Guidelines.

The essential focus areas of sustainability for 2014 are illustrated in the materiality matrix in the Sustainability section of our Annual Report 2014. These focus areas have been carefully analyzed and selected by management representatives in collaboration with our Sustainability team. The material themes have been identified also based on our encounters with different stakeholder groups.

Metso develops its Group-wide reporting and the scope of its sustainability monitoring actively and in cooperation with its stakeholders. For instance, sustainability indices and raters are driving the performance of company reporting by developing the indices and the complexity of the questions for global companies. Also non-governmental organizations (NGOs), along with society in general, are demanding more transparency from business actors globally. In addition, Metso's internal stakeholders' dialogue is increasing on a global scale. Through active cooperation with all of Metso's stakeholders, we strive to create a more transparent and interactive platform for further cooperation and reporting structures.

The consolidated quantitative sustainability performance data in the Annual Report has been externally assured by PricewaterhouseCoopers Oy, which has also checked our reporting against GRI guidelines and has confirmed it to be Application Level B+ of the GRI G3.1 Guidelines. A comparison of the Annual Report's sustainability content against the G3.1 Guidelines and the UN Global Compact initiative is presented in the section of the Sustainability Report containing the GRI and Global Compact Index.

### Scope of our reporting

The scope of our reporting is the Metso Group, unless otherwise stated. Our scope of reporting excludes associated companies, joint ventures or companies that are our suppliers. The sustainability data is commonly presented at the Group or business area level. Any other division of the data reported is noted separately.

Metso's previous Annual Report with sustainability data was published in March 2013. Additional sustainability information can be found on our website, Sustainability at Metso. We present the comparable figures for 2013 in parentheses. Wherever the data for 2013 has been restated, it is indicated with a separate note.

### Financial reporting

In our financial reporting, we follow the International Financial Reporting Standards (IFRS). Our financial reporting system data covers all Metso units. Each unit submits its financial report to the Group-wide reporting application, and the data is consolidated, validated and analyzed at both the reporting segment and corporate levels. The majority of the figures describing economic responsibility are derived from the audited financial statements. The "purchases by country" data has been collected separately from reporting units and the "by country division" is defined as the location of the supplier's domicile.

Sponsorship and donation expenditure data are collected annually from the relevant Metso units.

## Health, safety and environmental reporting

The environmental data is collected from all our production facilities, as the majority of Metso's environmental impacts are related to production activities. Altogether 37 (36) units are included in environmental reporting. Environmental figures for 2014 include also additional two locations where operations were discontinued during the reporting year. The energy and water-related data is reported quarterly and all other environmental data annually.

Data collection is carried out using our Group-wide reporting system, Sustanalyzer, and the reported data is approved by the unit manager. At the Group level, the data is consolidated, validated and analyzed. The data is used, e.g., as an environmental risk management tool and for planning operational improvements. Environmental figures reported by Metso are based on best available information that has gone through validity check. Some figures are based on calculated numbers or estimates, and may thus be changed in line with improved availability of better quality data in future reports. In line with continuous improvement of our environmental reporting, some necessary corrections to our historical data have been made in this report.

Our CO<sub>2</sub> emissions are calculated according to the principles of the GHG protocol.

Metso's health and safety (HS) data is collected from all worldwide locations and covers all Metso operations. New acquired operations are integrated into Metso's reporting within a year of

the date acquired. Data is collected by common tools monthly and reviewed by the HSE regional organization as well as by the business lines and Metso top management. Metso used a worldwide health and safety data reporting system, HSE Monitor, for collecting HSE data in 2014. The Lost-time incident frequency has been calculated based on incidents resulting in one or more days of absence and the estimated hours worked. The factor is calculated per million hours worked.

Data related to our research and development activities is collected from our business areas annually. Our business areas are responsible for the accuracy of the figures, after which the data is consolidated at Metso level.

## Reporting personnel data

Metso HR management is responsible for collecting and reporting personnel data with the support of local HR. Since 2010, Metso has used a global HR information system (SAP HR) that allows access to versatile and comparable HR data globally. This data is the main source of the personnel data in annual reporting, and it is managed in conjunction with Metso's financial reporting. Together the global HR system and harmonized global HR reporting principles have created an excellent basis to the quality of the data in our people reporting. The headcount information and the more detailed personnel analysis in our Annual Report 2014 cover all of Metso.



## Sustainability indices

Sustainability supports us in creating long-term shareholder value and enables us to embrace opportunities and manage risks deriving from economic, environmental and social trends and challenges. We believe that adapting to global challenges through innovation, quality and productivity enhances our ability to generate long-term shareholder value. Our target is to constantly improve our ratings in the significant sustainability indices.

Global sustainability indices track the performance of companies and rate how companies face and manage sustainability trends, such as resource scarcity, climate change or an aging population within a company's competitive environment. Global frameworks also provide companies the possibility to develop through transparent and enduring indicators.

In 2014, Metso was included in the Climate Disclosure Leadership Index with the transparency score of 98/100. The Climate Disclosure Leadership Index ranks companies listed on the Nordic stock exchanges whose reporting takes a professional approach to disclosing actions and achievements to help mitigate climate change. The ranking was announced in the CDP Nordic 2014 report. Metso's success reflects the importance its management places on maintaining a high level of transparency in its reporting.

Additionally in 2014, Metso was included in the FTSE4GOOD index, Ethibel Sustainability Index, oekom Research AG index with Prime status, Storebrand Trippel Smart, OMX GES Ethical Finland Index, OMX GES Sustainability Finland Index, Kempen SNS SRI Universe Index, ECPI Ethical EMU Equity Index and in the Vigeo Rating.

## Personnel data

### Metso as an employer, 2014



We have a strong global presence. Our network of services and products are closely knit – offering better solutions for our customers around the world.

<b>Number of countries</b>	<b>Number of locations</b>
<b>51</b>	<b>270</b>
(2013: 50)	(2013: 270)



We are focused on performing and delivering our customer promise “Expect results”.

<b>Number of employees</b>	<b>New employees</b>
<b>15,644</b>	<b>2,209</b>
(2013: 16,425)	(2013: 1,716)



Our employees from wide range of countries and cultures are driving customer success.

<b>Average age</b>	<b>Number of nationalities</b>
<b>41.1</b>	<b>83</b>
(2013: 41.1)	(2013: 81)



We are competent and committed industry professionals, and this creates a unique environment with the spirit of making things happen.

<b>Average length of service</b>	<b>Total turnover rate*</b>
<b>9.1</b>	<b>15.3%</b>
(2013: 9.2)	(2013: 12.3%)



At Metso, we support our employees to reach their highest potential. Our international working environment enables us to learn together. That makes an excellent basis for growing and developing, and taking charge of own career.

<b>Performance Review participation</b>	<b>Development Discussion participation</b>
<b>64%</b>	<b>66%</b>
(2013: 65%)	(2013: 64%)



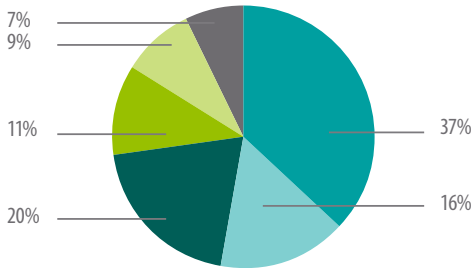
At Metso, everyone has a true interest in being forerunners in safety and sustainability.

<b>LTIF (lost-time incident frequency)</b>	<b>Work related fatalities</b>
<b>3.9</b>	<b>0</b>
(2013: 4.2)	(2013: 1)

\* Total turnover rate is calculated from average number of active employees in reporting period.

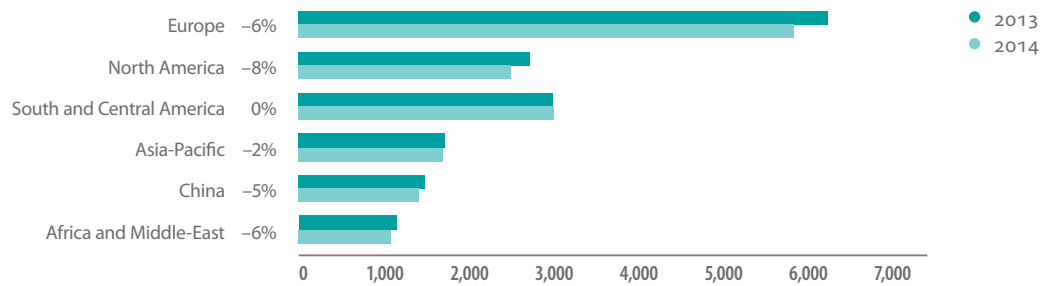
## Geographics

PERSONNEL BY AREA  
PERSONNEL 15,644 (2013: 16,425)



- Europe 37% (38%)
- North America 16% (17%)
- South and Central America 20% (18%)
- Asia-Pacific 11% (11%)
- China 9% (9%)
- Africa and Middle East 7% (7%)

## CHANGES IN PERSONNEL BY AREA



Number of employees, total	2013		2014	
	Total	Male	Female	Total
Metso total	16,425	12,874	2,770	15,644

Number of employees, Europe				
	2013	2014		
	Total	Male	Female	Total
Austria	82	62	20	82
Belarus	0	2	0	2
Belgium	49	4	1	5
Bulgaria	5	5	0	5
Croatia	2	0	0	0
Czech Republic	264	215	34	249
Denmark	98	69	21	90
Estonia	0	4	0	4
Finland	2,769	2,136	563	2,699
France	619	471	121	592
Germany	583	368	82	450
Hungary	3	0	0	0
Italy	50	25	7	32
Macedonia	8	7	0	7
Netherlands	33	28	5	33
Norway	52	39	9	48
Poland	83	48	15	63
Portugal	30	25	7	32
Republic of Serbia	4	3	0	3
Romania	5	5	0	5
Russia	339	223	86	309
Slovakia	0	3	0	3
Spain	121	111	23	134
Sweden	852	654	144	798
Turkey	46	49	8	57
Ukraine	40	26	14	40
United Kingdom	135	104	27	131
Uzbekistan	5	3	1	4
<b>Europe total</b>	<b>6,277</b>	<b>4,689</b>	<b>1,188</b>	<b>5,877</b>

Number of employees, Africa and Middle East				
	2013	2014		
	Total	Male	Female	Total
Algeria	8	6	2	8
Ghana	55	44	8	52
Kazakhstan	30	15	13	28
South Africa	1,025	823	144	967
United Arab Emirates	25	23	5	28
Zambia	8	5	2	7
Zimbabwe	6	2	0	2
<b>Africa and Middle East countries total</b>	<b>1,157</b>	<b>918</b>	<b>174</b>	<b>1,092</b>

Number of employees, North America				
	2013	2014		
	Total	Male	Female	Total
Canada	614	407	80	487
USA	2,126	1,624	406	2,030
<b>North America total</b>	<b>2,740</b>	<b>2,031</b>	<b>486</b>	<b>2,517</b>

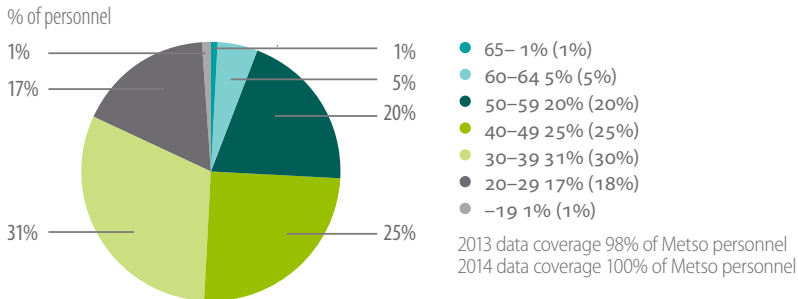
Number of employees, South and Central America	2013		2014		Total
	Total	Male	Female	Total	
Argentina	3	3	0	3	3
Brazil	1,880	1,452	228	1,680	1,680
Chile	613	708	83	791	791
Mexico	287	261	38	299	299
Peru	237	220	34	254	254
<b>South and Central America total</b>	<b>3,020</b>	<b>2,644</b>	<b>383</b>		<b>3,027</b>

Number of employees, Asia-Pacific countries	2013		2014		Total
	Total	Male	Female	Total	
Australia	548	479	95	574	574
China	1,493	1,088	336	1,424	1,424
India	929	832	39	871	871
Indonesia	41	36	7	43	43
Japan	35	29	7	36	36
New Zealand	5	2	0	2	2
Singapore	66	31	24	55	55
South Korea	81	72	15	87	87
Taiwan	0	2	5	7	7
Thailand	30	18	11	29	29
Vietnam	3	3	0	3	3
<b>Asia-Pacific total</b>	<b>3,231</b>	<b>2,592</b>	<b>539</b>		<b>3,131</b>

Personnel 20 largest countries in 2014	2013	2014
Finland	2,769	2,699
USA	2,126	2,030
Brazil	1,880	1,680
China	1,493	1,424
South Africa	1,025	967
India	929	871
Sweden	852	798
Chile	613	791
France	619	592
Australia	548	574
Canada	614	487
Germany	583	450
Russia	339	309
Mexico	287	299
Peru	237	254
Czech Republic	264	249
Spain	121	134
United Kingdom	135	131
Denmark	98	90
South Korea	81	87

## Demographics

### AGE STRUCTURE



Gender distribution of personnel	2013		2014	
	Male	Female	Male	Female
Metso Board of Directors	71%	29%	<b>71%</b>	<b>29%</b>
Metso Executive Team	83%	17%	<b>86%</b>	<b>14%</b>
Metso Employees*	82%	18%	<b>82%</b>	<b>18%</b>
Blue Collars*	96%	4%	<b>95%</b>	<b>5%</b>
White Collars*	75%	25%	<b>75%</b>	<b>25%</b>
Line managers*	87%	13%	<b>86%</b>	<b>14%</b>
Permanent Full-Time employees*	84%	16%	<b>83%</b>	<b>17%</b>
Permanent Part-Time employees*	39%	61%	<b>33%</b>	<b>67%</b>
Temporary employees*	77%	23%	<b>81%</b>	<b>19%</b>
Trainees*	71%	29%	<b>64%</b>	<b>36%</b>

\* 2013 data coverage 98% of Metso personnel, 2014 data coverage 100% of Metso personnel

Personnel structure by employment type	2013*		2014	
	total	% of total	total	% of total
Regular, Full-Time	13,946	86.9%	<b>13,447</b>	<b>85.9%</b>
Regular, Part-Time	260	1.6%	<b>210</b>	<b>1.3%</b>
<b>Regular total</b>	<b>14,206</b>	<b>88.5%</b>	<b>13,657</b>	<b>87.2%</b>
<b>Temporary total</b>	<b>1,838</b>	<b>11.5%</b>	<b>2,002</b>	<b>12.8%</b>
<b>All total</b>	<b>16,044*</b>	<b>100%</b>	<b>15,659</b>	<b>100%</b>

Number of trainees in headcount	235	1.5%	<b>184</b>	<b>1.2%</b>
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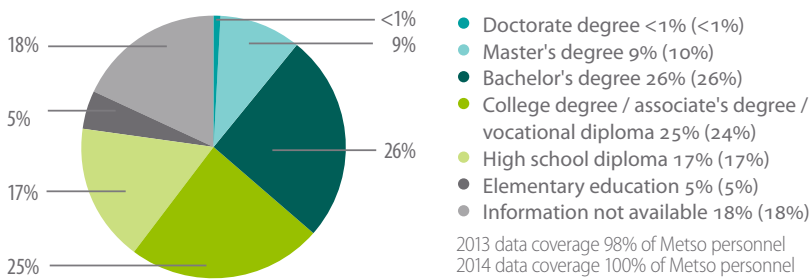
\* 2013 data coverage 98% of Metso personnel, 2014 data coverage 100% of Metso personnel

Personnel by function	2013		2014	
	total	% of total	total	% of total
Engineering	1,587	9.7%	1,429	9.1%
Manufacturing	6,552	39.9%	6,082	38.9%
Service	2,858	17.4%	3,101	19.8%
<b>Active personnel total, COGS</b>	<b>10,997</b>	<b>67.0%</b>	<b>10,612</b>	<b>67.8%</b>
<b>Sales and marketing</b>	<b>3,098</b>	<b>18.9%</b>	<b>2,888</b>	<b>18.5%</b>
R&D	347	2.1%	336	2.1%
<b>Administration</b>	<b>1,983</b>	<b>12.1%</b>	<b>1,808</b>	<b>11.6%</b>
<b>Active personnel total, S, G &amp; A</b>	<b>5,428</b>	<b>33.0%</b>	<b>5,032</b>	<b>32.2%</b>
<b>Active personnel by function, total</b>	<b>16,425</b>	<b>100%</b>	<b>15,644</b>	<b>100%</b>

COGS = Cost of Goods Sold, S, G & A = Sales, General & Administration

### PERSONNEL BY EDUCATION LEVEL

% of personnel



## Environmental figures

Materials	2010	2011	2012	2013*	2014
Ferrous metals, 1,000 t	232.86	258.98	139.45	123.84	<b>178.52</b>
Non-ferrous metals, 1,000 t	4.26	7.35	4.16	5.26	<b>4.03</b>
Paints, 1,000 t	0.98	1.06	0.78	0.59	<b>0.53</b>
Solvents, 1,000 t	0.43	0.60	0.43	0.41	<b>0.60</b>
Cardboard, 1,000 t	0.63	0.70	0.06	0.14	<b>0.16</b>
Wood, 1,000 t	5.67	8.50	5.52	6.75	<b>8.01</b>
Paper, 1,000 t	0.03	0.04	0.01	0.04	<b>0.04</b>
Plastics, 1,000 t	0.25	0.27	0.03	0.08	<b>0.06</b>
Recycled materials, 1,000 t**	101.99	94.45	56.18	51.22	<b>38.44</b>

Energy	2010	2011	2012	2013	2014
Electricity, TJ	1,776.43	1,820.88	760.29	703.65	<b>858.69</b>
District heat, TJ	760.51	568.28	141.02	127.95	<b>118.68</b>
Steam, TJ	115.00	100.82	36.69	39.40	<b>47.43</b>
Natural Gas, TJ	915.12	871.74	653.85	622.53	<b>620.05</b>
Coal, TJ	198.83	120.33	0.00	0.00	<b>11.24</b>
Heavy fuel oil (HFO), TJ	15.39	13.60	4.85	5.82	<b>4.05</b>
Light fuel oil (LFO), TJ	64.47	50.51	0.00	0.00	<b>0.00</b>
Diesel, TJ	38.97	47.19	23.93	20.76	<b>18.42</b>
Gasoline, TJ	5.99	2.93	0.71	0.16	<b>0.00</b>
Liquified petroleum gas (LPG), TJ	65.75	73.99	32.13	27.59	<b>31.30</b>
<b>Total energy, TJ</b>	<b>3,956.46</b>	<b>3,760.26</b>	<b>1,653.28</b>	<b>1,547.85</b>	<b>1,709.85</b>

Water	2010	2011	2012	2013	2014
Water consumption ***, 1,000 m3	2,061.61	1,589.20	590.46	580.57	<b>652.93</b>

Air emissions	2010	2011	2012	2013	2014
CO <sub>2</sub> , 1,000 t	282.61	266.51	127.16	120.55	<b>148.55</b>
VOC, 1,000 t	0.40	0.42	0.35	0.27	<b>0.31</b>

Waste	2010	2011	2012	2013	2014
Hazardous, 1,000 t	6.79	7.72	5.39	5.03	<b>4.41</b>
Non-hazardous, 1,000 t	95.60	108.94	56.06	53.18	<b>67.44</b>

\* Figures for 2013 have been corrected where necessary due to improved accuracy of available data

\*\* Recycled materials include all material types originating from recycled sources

\*\*\* Excluding surface water and water from recycled sources

Please note that the figures from 2012 onwards describe Metso's current structure.



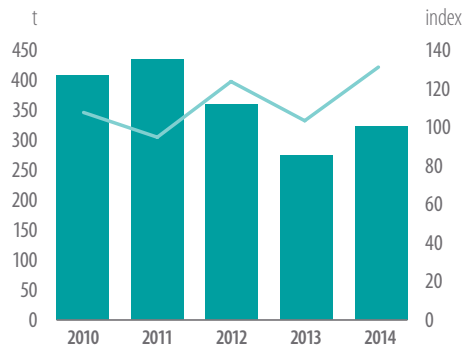
### Emissions to air

In 2014 our production activities caused 148.55 (120.55) thousand tons of carbon dioxide emissions related to the direct and indirect use of energy. The majority (about 73%) of our CO<sub>2</sub> emissions are created indirectly through purchased electricity, steam and district heat produced elsewhere. Our CO<sub>2</sub> emissions were increased in 2014 compared to the previous year, mainly due to the acquisition of a number of foundries.

VOC emissions resulting from our production are insignificant and related mainly to the use of solvent-based chemicals. In 2014, our VOC emissions were 315 (267) tons.

Please note that figures 2012 onwards describe Metso's current structure.

### VOC EMISSIONS



- VOC
- Index\*

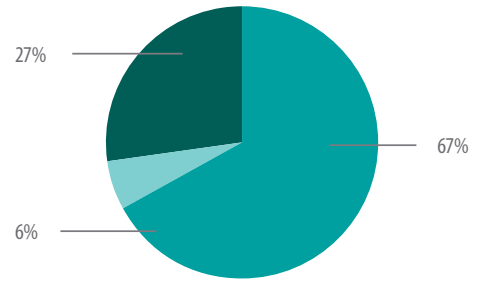
\*The index is proportioned to Metso's net sales. For comparison, the reference year is 2009 = 100 index value

### Materials

The raw materials used in our production consist mainly (over 90%) of recyclable ferrous metals. In 2014, we used around 178,525 (123,837) tons of ferrous metals. Other materials include chemicals and various packaging materials (cardboard, wood, paper and plastics). Total new/virgin materials use in 2014 amounted to around 191,940 (137,107) tons, an increase of 40% compared to the previous year. The amounts of materials should be regarded as estimates, as the reporting of materials is not comprehensive for all Metso production units.

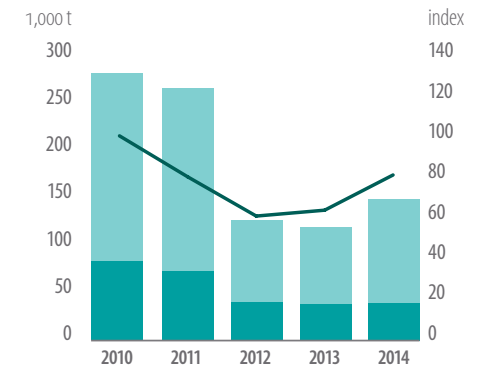
Please note that figures 2012 onwards describe Metso's current structure.

### METSO'S OPERATIVE CARBON FOOTPRINT



- Electricity 67% (60%)
- District heating + steam 6% (8%)
- Fuels 27% (32%)

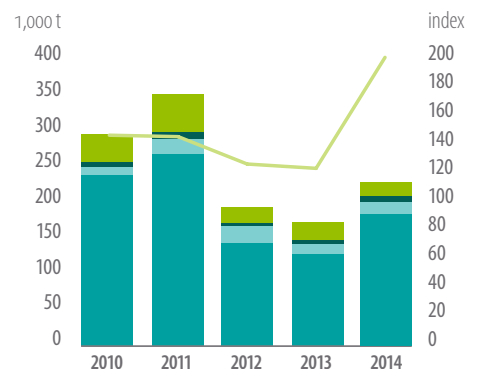
### CO<sub>2</sub> EMISSIONS



- Direct emissions
- Indirect emissions
- Index\*

\* The index is proportioned to Metso's net sales. For comparison, the reference year is 2009 = 100 index value

### MATERIALS USE



- Metals
- Chemicals
- Packaging materials
- Other materials
- Index\*

\*The index is proportioned to Metso's net sales. For comparison, the reference year is 2009 = 100 index value

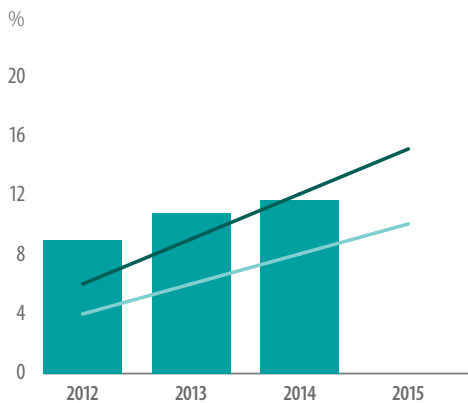
## Energy

Some of Metso's production processes, e.g. iron and steel foundries, are energy intensive. The majority of our energy consumption comes from indirect energy sources (electricity, district heat and steam), whereas natural gas is the major component of our direct energy consumption.

In 2014, our energy consumption was 1,709.85 (1,547.85) TJ. The figure does not include the fuels used in transportation and vehicles, nor does it include employee travel and transportation. In the energy consumption graph, oil includes heavy fuel oil and light fuel oil; other energy includes gasoline, diesel and liquefied petroleum gas. The total energy consumption at Metso increased around 10% compared to 2013.

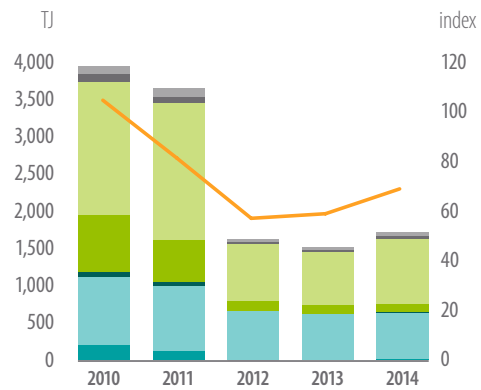
Please note that figures 2012 onwards describe Metso's current structure.

### SUMMARY OF ENERGY SAVING ACTIONS



- Energy savings, %
- Target level -20% for 2020
- Target level -15% for 2015

### ENERGY CONSUMPTION



- Coal
- Natural gas
- Oil
- District heat
- Electricity
- Steam
- Other
- Energy consumption index

\* The index is proportioned to Metso's net sales. For comparison, the reference year is 2009 = 100 index value

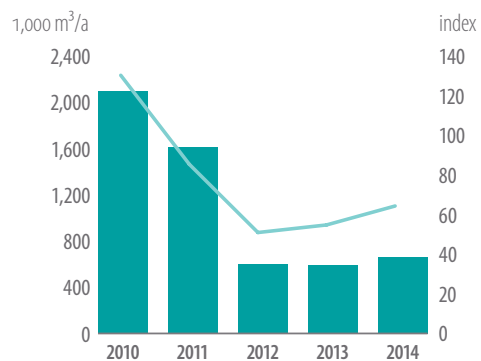
## Water

The water usage in our operations is not significant and water is used mostly for catering and sanitation purposes. Our water consumption in 2014 was 652,926 (580,565) m<sup>3</sup>, consisting mainly of municipal water usage and excluding the usage of surface water as well as water from recycled sources. We use surface water for cooling purposes mainly in our foundries where clean water is returned back to its source without causing any material environmental impacts. Therefore, surface water usage is not included in the reported water amount.

We have set a target to reduce our water usage by 15% by 2020. We continue to focus on this target set in 2012, and we encourage our production units to take targeted actions to decrease their usage of water. In 2014, we did not manage to reduce water consumption compared to the previous year. We increased the water reporting frequency in 2013 by including the water-related indicators in the quarterly reporting.

Please note that figures 2012 onwards describe Metso's current structure.

### WATER CONSUMPTION / NET SALES



- Total water consumption, m<sup>3</sup>/a
- Index, water/net sales\*

\*The index is proportioned to Metso's net sales. For comparison, the reference year is 2009 = 100 index value

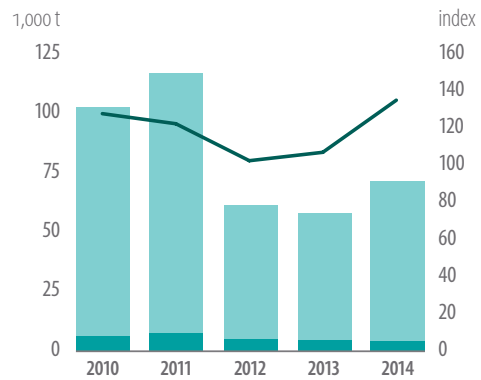
## Waste

In 2014, our operations generated a total of 71,848 (58,209) tons of waste, of which 30% (42%) was recycled. The waste resulting from our operations consists mainly of metal, wood, cardboard, paper, municipal waste and foundry sand. The waste is reported by categorizing it as hazardous and non-hazardous waste and according to its treatment (recycled, transported to a landfill or incinerated). In 2014, around 4,411 (5,030) tons of hazardous waste was generated by our operations.

We continue to focus on our target of reducing the amount of waste arising from our operations by 15% by 2020. Our policy is to encourage our production units to take targeted measures to avoid the formation of waste in the first place and to increase the utilization of waste already generated. In 2014, we did not manage to reduce the amount of total waste compared to the 2013 level.

*Please note that figures 2012 onwards describe Metso's current structure.*

## ANNUAL WASTE / NET SALES



- Hazardous waste
- Non-hazardous waste
- Index, waste/net sales\*

\*The index is proportioned to Metso's net sales. For comparison, the reference year is 2009 = 100 index value

## Sustainability auditing and assurance

Metso controls and monitors sustainability issues through various internal and external processes aimed at ensuring the validity and reliability of our sustainability management practices and reporting. By regularly controlling and monitoring we receive valuable information about the results of our efforts, and it is therefore an important element in our continuous efforts to develop our reporting while also supporting our operations.

We monitor our internal operations through internal audit, internal control, reviewing of non-financial issues, certificates and assurance. Metso's certificates and assurance are significant in relation to our sustainability activities and to the sustainability report. More information about internal audit and reviewing of non-financial issues is available at our web site [www.metso.com/sustainability](http://www.metso.com/sustainability).

### Certificates

In our sustainability management we comply with several international standards, such as ISO 9001, ISO 14001 and OHSAS 18001, and many of our business units have gained certification to these standards. 20% of all our operations are covered by ISO 14001 certification, 16% by OHSAS 18001 certification and 58% by ISO 9001 certification. The coverage is calculated by the number of employees working in certified facilities.

### Assurance

The consolidated quantitative sustainability performance data in our Annual Report 2014 has been externally assured by PricewaterhouseCoopers Oy. Metso's sustainability report follows GRI guidelines application level B+. Metso's sustainability data has been assured since 2010. Read more about the assurance process in our reporting principles and in the assurance report. The report content is not updated after assurance, and any amendments to the content will be reported in the following year.

# GRI and Global Compact Index

Comparison with Global Reporting Initiative guidelines and Global Compact principles.

## Status

- Fully reported (F)
- Partly reported (P)
- Not reported (N)

AR = Annual Report 2014

GC = Global Compact

GRI G3.1 guidelines

Code	Content	Status	Online Annual Report 2014	Comments/Remarks
Profile				
1. Strategy and Analysis				
1.1.	The CEO's statement	F	From the CEO	
1.2.	Key impacts, risks and opportunities	F	Sustainability strategy, Climate change, Metso sustainability statement, Sustainability is part of Metso's strategy, Sustainability targets and achievements, Financial targets and achievements, Our strategy	
2. Organizational Profile				
2.1.	Name of the organization	F	This is Metso	
2.2.	Primary brands, products and services	F	Our Strategy, Customer industries,	
2.3.	Operational structure	F	This is Metso, Metso's businesses,	
2.4.	Location of organization's headquarters	F	This is Metso, Contact information	
2.5.	Number of countries and location of operations	F	This is Metso, Global presence,	
2.6.	Nature of ownership and legal form	F	Financial statements 2014	Available in our Financial Statements, on the pages 14-20 in the PDF-file.
2.7.	Markets served	F	This is Metso, Global presence, Our strategy, Geographical key figures	
2.8.	Scale of reporting organization	F	This is Metso, Group key figures, Metso's businesses, Financial statements 2014, Global presence,	In Financial Statements on the page 66 in the PDF-file.
2.9.	Significant changes	F	Reporting principles	
2.10.	Awards received in the reporting period	F	Sustainability indices	
3. Report Parameters				
3.1.	Reporting period	F	Reporting principles	
3.2.	Date of most recent previous report	F	Reporting principles	
3.3.	Reporting cycle	F	Reporting principles	
3.4.	Contact point for questions	F	Sustainability management, Reporting principles,	
Report Scope and Boundary				
3.5.	Process for defining report content	F	Sustainability management, Reporting principles, Prosperity for our stakeholders, Metso People, Community involvement, Sponsorships and donations, Stakeholders, Stakeholder groups	More information about stakeholder dialogue
3.6.	Boundary of the report	F	Reporting principles	
3.7.	Limitations on the report's scope or boundary	F	Reporting principles	
3.8.	Basis for reporting subsidiaries and joint ventures	F	Reporting principles	

3.9.	Data measurement techniques and bases of calculations	F	Reporting principles	
3.10.	Explanations of re-statements	F	Reporting principles	
3.11.	Significant changes from previous reporting periods	F	Reporting principles	
3.12.	GRI content index	F	GRI content index	
3.13.	Assurance policy and practice	F	Reporting principles, Independent assurance report	
<b>4. Governance, Commitments and Engagement</b>				
<b>Governance</b>				
4.1.	Governance structure	F	Corporate Governance, Governing bodies of Metso, Board of Directors, Board of Directors Dec 31, 2014	
4.2.	Position of the Chairman of the Board	F	Board of Directors Dec 31, 2014	
4.3.	Independence of the Board members	F	Board of Directors Dec 31, 2014	
4.4.	Mechanisms for shareholder and employee consultation	F	Compliance with laws and ethical principles, Annual general meeting of shareholders	
4.5.	Executive compensation and linkage to organization's performance	F	Remuneration	Management compensation are not directly linked to HSE indicators.
4.6.	Processes for avoiding conflicts of interest	F	General operating principles	
4.7.	Process for determining expertise	F	Corporate Governance, General operating principles, Nomination board	Follows corporate governance code and Metso's equal opportunity and diversity policy.
4.8.	Implementation of mission and values statements; code of conduct	F	General operating principles, Metso sustainability statement, Sustainability management, Mission and vision	<a href="http://www.metso.com">www.metso.com</a> Code of Conduct
4.9.	Procedures of the Board for overseeing management of economic, environmental, and social performance, risk management and compliance with internationally agreed standards and principles.	F	Management model, Risk and risk management, Corporate Governance	
4.10.	Processes for evaluating the Board's performance	F	Corporate Governance, Board of Directors,	
<b>Commitments to External Initiatives</b>				
4.11.	Precautionary principle	F	HSE management, Risk and risk management, Corporate Governance	Risks and risk management <a href="http://www.metso.com/risks">www.metso.com/risks</a>
4.12.	Voluntary charters and other initiatives	F	General operating principles, Compliance with laws and ethical principles	
4.13.	Memberships in associations	F	Stakeholder groups	More information about stakeholder dialogue.
<b>Stakeholder Engagement</b>				
4.14.	List of stakeholder groups	F	Stakeholder groups	More information about stakeholder dialogue.
4.15.	Identification and selection of stakeholders	F	Stakeholder groups, Stakeholders, Sustainability management,	Metso has identified its key stakeholders through sustainability materiality process. More information about stakeholder dialogue.
4.16.	Approaches to stakeholder engagement	F	Stakeholders, Investor information, Our strategy	Read also from our Sustainability report cases More information about stakeholder dialogue.
4.17.	Key topics raised through stakeholder engagement	F	Sustainability management, Stakeholders, Stakeholder groups	More information about stakeholder dialogue.

5. Management Approach and Performance Indicators				
	Economic management approach	F	Management model, Sustainability targets, Financial targets and achievements, Sustainable supply chain	
	Environmental management approach	F	Management model, HSE management, Sustainability targets, Environmental targets,	
	Management approach to labor practices and decent work	F	Management model, HSE management, Human resources management, Sponsorships and donations, Our strategy, Sustainability targets, Sustainability strategy, Sustainability management, Society, Community involvement,	
	Human rights approach	F	Sustainability strategy, Sustainability management, General operating principles, Management model, Society, Compliance with laws and ethical principles	
	Product responsibility approach	F	Sustainability strategy, Sustainability management, Sponsorships and donations, Product stewardship, Management model	
Economic Performance Indicators				
EC1	Economic value generated and distributed	F	Prosperity for our stakeholders	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	F	Sustainability risks and opportunities, Climate change, Our strategy, Risk and risk management	Financial implications of climate change are assessed in our annual CDP Climate Change response. <a href="http://www.metso.com/risks">www.metso.com/risks</a> Read more about Sustainability risks and opportunities
EC3	Coverage of the organization's defined benefit plan obligations	P	Human resources management, Performance, Corporate governance, Financial statements in 2014	
EC4	Significant financial assistance received from government	P	Financial statements in 2014	Available in our Financial Statements, on the page 26 in the PDF-file.
EC5	Entry-level wage compared to minimum wage	P	Wages and salaries, Personnel data	
EC6	Spending on local suppliers	P	Sustainable supply chain, Prosperity for our stakeholders	
EC7	Local hiring and proportion of senior management hired from the local community at locations of significant operation	N		
EC8	Infrastructure investments provided for public benefit	P	Society, Community involvement, Global presence, Community involvement cases	
EC9	Significant indirect economic impacts	P	Global presence, Prosperity for our stakeholders	
Environmental Performance Indicators				
EN1	Materials used by weight or volume	P	Environmental figures, Materials	Materials use is part of our environmental reporting. However, the data obtained is not yet comprehensive for all Metso production units.
EN2	Recycled materials used	P	Environmental figures	Recycled materials use is part of our environmental reporting. However, the data obtained is not yet comprehensive for all Metso production units.
EN3	Direct energy consumption	F	Environmental figures, Energy	
EN4	Indirect energy consumption	P	Environmental figures, Energy	
EN5	Energy saved due to conservation and efficiency improvements	F	Environmental targets	
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services	P	Product stewardship	

EN7	Initiatives to reduce indirect energy consumption and reductions achieved	P	Environmental targets	Energy efficiency is part of our environmental reporting. However, any absolute figure at the Group level showing reductions in indirect energy consumption cannot yet be obtained and hence is not included in this report.
EN8	Total water withdrawal	P	Environmental figures, Water	Metso reports water consumption from all production facilities.
EN9	Water sources significantly affected	N		
EN10	Percentage and total volume of water recycled and reused	N		Total volume of water recycled is part of our environmental reporting. However, the data obtained is not yet comprehensive for all Metso production units and hence not included in this report.
EN11	Location and size of land holdings in biodiversity-rich habitats	N		Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.
EN12	Description of significant impacts of activities, products, and services on biodiversity	N		Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.
EN13	Habitats protected or restored	N		Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.
EN14	Managing impacts on biodiversity	N		Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.
EN15	Species with extinction risk with habitats in areas affected by operations	N		Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.
EN16	Total direct and indirect greenhouse gas emissions by weight	F	Environmental figures, Emissions to air	
EN17	Other relevant indirect greenhouse gas emissions	F	Environmental targets	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	F	Emissions to air, Environmental targets	



EN19	Emissions of ozone-depleting substances	F		Metso does not use any CFCs in its own production. No other relevant sources of ozone depleting substances have been identified either.
EN20	SOx, NOx and other significant air emissions	F	Environmental figures	SOx and NOx emissions resulting from Metso's operations are minor and not considered relevant to Metso's productions. VOC emissions are reported.
EN21	Total water discharge	N		BOD, COD and TSS are included in our environmental reporting. However, these discharges resulting from Metso's operations are minor and not considered relevant to Metso's productions.
EN22	Total amount of waste	F	Environmental figures, Waste, Environmental targets	
EN23	Significant spills	F		No significant spills occurred in 2014
EN24	Transported, imported, exported or treated hazardous waste	P	Environmental figures, Waste	The total amount of hazardous waste is reported in environmental figures. Also the total recycling rate for waste is reported.
EN25	Water bodies and habitats affected by discharges of water	N		BOD, COD and TSS are included in our environmental reporting as well as any negative effects these might have on the environment. However, these discharges resulting from Metso's operations are minor and not considered relevant to Metso's productions.
EN26	Mitigating environmental impacts of products and services	P	Product stewardship, Our strategy, Group key figures, Eco-efficient mining process, Safety and productivity improvements, Less noise in the pipelines	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	P		Many parts of Metso's products are made of recycled steel and many products are also recyclable at end of life.
EN28	Significant fines and sanctions for non-compliance with environmental regulations	F		No significant non-compliance cases were reported in 2014.
EN29	Environmental impacts on transportation	N		At present, this information is not collected at the Group level. However, this is planned to be done in the future.
EN30	Total environmental protection expenditures and investments	P	HSE management, Environmental targets	
GC 7	Support for precautionary approach to environmental challenges	F	HSE management, General operating principles	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a> More information about HSE management.
GC 8	Initiatives to promote greater environmental responsibility	F	Product stewardship, HSE management, Sustainability management, General operating principles	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a> More information about HSE management.

GC 9	Development and diffusion of environmentally friendly technologies	F	Product stewardship, Our strategy, Minerals key figures, Flow Control key figures, Group key figures	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>
Social Performance Indicators				
LA1	Breakdown of workforce	F	Personnel data	
LA2	Breakdown of employee turnover and new employee hires	P	Personnel data	
LA3	Employee benefits	P	Human resources management	
LA4	Coverage of collective bargaining activities	P	Human resources management, General operating principles	Metso does not track the degree of employee organization on Group level. However, the recognition of the right to collective bargaining is included in the Metso Code of Conduct.
LA5	Minimum notice period regarding operational changes	F		Metso complies with national legislation.
LA6	Representation in joint management-worker health and safety committees	P	Human resources management, HSE management	
LA7	Rates of injury, occupational diseases, lost days, absenteeism and fatalities	P	Health and safety achievements, Health and safety in figures, Metso People	
LA8	Education and prevention programs regarding serious diseases	N		This topic is not coordinated at the Group level.
LA9	Health and safety topics covered in formal agreements with trade unions	N		This topic is not coordinated at the Group level.
LA10	Average hours of training per year per employee by employee category	N		
LA11	Programs for skills management	F	Developing leadership to support strong performance	
LA12	Employees receiving regular performance and career development reviews	P	Developing professional competencies across Metso,	
LA13	Composition of governance bodies and breakdown of employees	F	Personnel data, Board of directors, Executive team, Personnel demographics	
LA14	Ratio of basic salary and remuneration of men to women	N		We do not engage in or tolerate discrimination based on gender. This data is not collected
LA15	Return to work and retention rates after parental leave, by gender	N		
GC 3	Freedom of association and the effective recognition of the right to collective bargaining	F	Human resources management	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>
GC 4	Elimination of all forms of forced and compulsory labor	F	Human resources management	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>
GC 5	Effective abolition of child labor	F	Human resources management	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>
GC 6	Elimination of discrimination in respect of employment and occupation	F	Human resources management	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>
Human Rights				
HR1	Investment agreements and contracts that include human rights clauses	P	General operating principles	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>

HR2	Significant suppliers and contractors that have undergone human rights screening	P	Sustainable supply chain	The most significant suppliers are informed of Metso's Code of Conduct, which includes human rights issues, through Metso's Sustainable Supplier Criteria.
HR3	Employee training on policies and procedures concerning aspects of human rights	P	General operating principles	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>
HR4	Incidents of discrimination and actions taken	F		No incidents of discrimination were reported in 2014.
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at risk	P		Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor	P	Sustainable supply chain	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a> supplier sustainability criteria. Based on conducted audits, no risk of child labour have been found in Metso's operations and significant suppliers.
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor	P	Sustainable supply chain	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a> and supplier sustainability criteria. Based on conducted audits, no risk of child labour have been found in Metso's operations and significant suppliers.
HR8	Human rights-related training for security personnel	P		Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>
HR9	Incidents of violations involving rights of indigenous people and actions taken	F		No incidents were reported in 2014.
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	N		
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	N		
GC 1	Support for the protection of internationally proclaimed human rights	F	General operating principles, Human resources management	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>
GC 2	Certainty of not being complicit in human rights abuses	F		Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a>
Society				
SO1	Operations with implemented local community engagement, impact assessments and development programs	P	Community involvement cases	
SO2	Number of business units analyzed for risks related to corruption	F	Corporate governance, Risk and risk management, compliance management and code of conduct	Risks and risk management <a href="http://www.metso.com/risks">www.metso.com/risks</a>

SO3	Employees trained in organization's anti-corruption policies	P	General operating principles	
SO4	Actions taken in response to incidents of corruption	F		Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a> . No incidents of corruption were reported in 2014. More information about sustainability auditing and assurance.
SO5	Public policy positions and participation in public policy development and lobbying	P	Stakeholder groups, General operating principles	
SO6	Contributions to political parties, politicians and related institutions	F	General operating principles, Sponsorships and donations	Metso does not make political contributions.
SO7	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	F		Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a> . No incidents of corruption were reported in 2014.
SO8	Fines and sanctions for non-compliance with laws and regulations	F		Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a> . No significant incidents of corruption were reported in 2014.
SO09	Operations with significant potential or actual negative impacts on local communities	N		
SO10	Operations with significant potential or actual negative Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	N		
GC 10	Work against corruption in all its forms, including extortion and bribery	F	General operating principles, Sustainability auditing and assurance	Included in Metso's Code of Conduct <a href="http://www.metso.com">www.metso.com</a> and Metso Global Anti-Corruption Policy. Any incidents can be reported anonymously through Metso's Whistleblower. More information about Sustainability auditing and assurance.
<b>Product Responsibility</b>				
PR1	Life cycle stages in which health and safety impacts of products are assessed	P	Product stewardship	
PR2	Non-compliance with regulations concerning health and safety impacts of products	F	Product stewardship, Financial statements 2014	No cases of non-compliance regarding product or services reported in 2014, however Metso has old pending asbestos claims and lawsuits within the United States. Available in our Financial Statements, on the page 64 in the PDF-file.
PR3	Type of product and service information required by procedures	N		

PR4	Non-compliance with regulations concerning product and service information and labeling	F	Product stewardship	No cases of non-compliance were reported in 2014.
PR5	Practices related to customer satisfaction	P	Stakeholders, Stakeholder groups	Regular feedback through our comprehensive sales and service network. More information about stakeholder dialogue.
PR6	Adherence to marketing communications laws, standards and voluntary codes	P	Sponsorships and donations, Investor information	Corporate Governance Statement <a href="http://www.metso.com/governance">www.metso.com/governance</a>
PR7	Non-compliance with regulations and voluntary codes concerning marketing communications	F		No cases of non-compliance were reported in 2014.
PR8	Complaints regarding breaches of customer privacy	F		No complaints were reported in 2014.
PR9	Fines for non-compliance concerning the provision and use of products and services	F		No cases were reported in 2014.

# Independent assurance report

To the Management of Metso Corporation

We have been engaged by the Management of Metso Corporation (hereinafter also the Company) to perform a limited assurance engagement on the consolidated quantitative information on economic, social and environmental responsibility for the reporting period of 1 January 2014 to 31 December 2014, disclosed in Metso Corporation's Annual Report 2014 on Metso Corporation's website (hereinafter Sustainability Reporting).

## Management's responsibility

The Management of Metso Corporation is responsible for preparing the Sustainability Reporting in accordance with the Reporting criteria as set out in Metso Corporation's reporting instructions and the G3.1 Sustainability Reporting Guidelines of the Global Reporting Initiative.

## Practitioner's responsibility

Our responsibility is to express a conclusion on the Sustainability Reporting based on our work performed. Our assurance report has been made in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Metso Corporation for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Sustainability Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance

engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Sustainability Reporting. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Sustainability Reporting. Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Visiting the Company's Head Office as well as three sites in Brazil, Czech Republic and Sweden.
- Interviewing employees responsible for collecting and reporting the information presented in the Sustainability Reporting at the Group level and at the different sites where our visits took place.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis

## Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that Metso Corporation's Sustainability Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria. When reading our assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Helsinki, 27 February 2015

### PricewaterhouseCoopers Oy

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