Metso Internal Control Policy

Metso

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Internal Control Policy objective

Efficient internal control environment supports Metso in strategy execution and achieving business objectives by enforcing implementation of relevant key policies, processes, guidance, laws and regulations and mitigating the likelihood or impact of risks. Internal controls enable the organization to work more effectively and in a responsible manner by promoting effectiveness in risk management and all operations and by supporting reliable reporting and compliance with laws and regulations.

Internal Control Policy aims to strengthen the Metso control environment that is built to ensure that:

- All operations comply with applicable laws and regulations;
- All operations comply with Metso governance, code of conduct, principles, policies and guidelines;
- Metso's external and management reporting and other management information is accurate, reliable, and given on a timely basis;
- Operations and risk management actions are effective and efficient to meet Metso's strategic, operational, and financial targets;
- Metso assets and resources, including people, systems and information are adequately protected including prevention of fraud; and
- Internal controls and related processes have been established to encourage all organization, including management and employees, to carry out their duties and responsibilities in an efficient and reliable manner.

Scope of the Internal Control Policy

Internal Control Policy exists to ensure that adequate and effective internal control environment is in place in all Metso operations. The Internal Control Policy applies to all Metso employees (permanent, temporary, contractors) and operations across the whole organization. The policy is approved by the Metso Board of Directors and is effective immediately.

Internal control definition

Internal control is a task or process, policy or guideline designed to manage any risk that may affect the achievement of objectives in the following:

- Compliance with applicable laws and regulations;
- Compliance with Metso governance, code of conduct, principles, policies and guidelines;
- Reliability of reporting;
- Effectiveness and efficiency of all operations; and
- Safeguarding of assets and resources.

The following elements support efficient and clear internal control environment across the Metso organization:

- Clearly defined and systematically updated processes, principles, policies and guidelines including sufficient internal controls and supporting training for Metso resources;
- Regular and systematic risk assessment of both internal risk factors and business environment;
- Systematic monitoring activities such as self-assessments and different audits including independent reviews;
- Continuous improvement and automated controls where applicable;
- Frequent and systematic communication of the processes, principles and guidelines throughout the organization;
- Clear definition of authorizations, roles and responsibilities, reporting lines as well as approval/verification requirements; and
- Clear definition of requirements of segregation of duties in the processes

Roles and responsibilities

To support an effective and efficient internal control environment, the roles and responsibilities are defined for different levels of organization.

Metso Board of Directors and Audit Committee	• Board of Directors approves Metso's Internal Control Policy and sets the tone from the top. • Metso Audit Committee has the responsibility to review internal controls and monitor the effectiveness of the Company's procedures for internal control over financial reporting. Internal control related topics are continuously reviewed with Internal and External Audit, Risk Management and Legal and Compliance.
CEO	• The CEO of Metso has the main responsibility to establish an efficient and effective internal control environment in Metso in line with the directions of the Board, corporate governance and the relevant laws and regulations and to ensure that the tone from the top exists.
Metso Leadership Team and extended Metso Leadership Team	• Metso Leadership Team (MLT) and the extended MLT support the CEO in ensuring that proper control environment is set up and that the operations are run accordingly.
Corporate function heads	• The corporate function heads have the responsibility to ensure effective global internal control environment in their own respective responsibility areas and to ensure that the functions are run accordingly.
AMDs and Managers	• Administrative managing directors and managers are responsible to ensure that proper internal control environment is established and aligned with Metso policies, principles and guidelines in all their respective business and support function operations.
Employee	• Each employee is to comply with Metso processes, policies, principles and guidelines as well as applicable laws and regulation and conduct internal control activities when carrying out duties and responsibilities, whether daily or occasional. Everybody is responsible for high ethical behavior and working towards company targets.
Internal Audit Function	• The responsibility of the internal audit function is to provide independent assurance on the effectiveness of Metso internal control environment and to report these matters to the relevant management, CFO, CEO and Audit Committee in a timely manner. In addition, internal audit function consults all Metso organization on internal control matters.

Internal control framework

Widely acknowledged internal control framework[1] is established by COSO (Committee of Sponsoring Organizations of the Treadway Commission). This common internal control model has five main components or principles that support organizations to establish and maintain an effective internal control environment.

Control environment

The first component is the control environment. It is the basis for all other components as it includes the tone from the top in committing to integrity and compliance. Further, it includes the expectation that the same commitment exists throughout the entire organization. Also, the organization has established structures, responsibilities, delegation or authorities, policies, processes and guidelines to enable target achievement.

Risk assessment

The second component, risk assessment, highlights the importance of assessing internal and external risks relating to organization's operations and achievement of its objectives. Clear objectives setting is the start of the risk assessment, next step is to determine how to manage the risks. In addition, the organization shall consider the possibility to fraudulent behavior and shall monitor any changes that could have impact on the internal control environment.

Control activities

Third comes the control activities. These are processes, policies, guidelines, procedures that contribute to the mitigation of risks to ensure achievement of the organization's targets. Control activities, such as approvals, authorizations, verifications, reconciliations, reviews and segregation of duties, take place in all operations and functions throughout the whole organization.

Information and communication

The fourth component in the COSO internal control framework is information and communication. Firstly, internal control activities provide different type of information as evidence, which enables monitoring of the operations. In addition to this, it is also important that internal control matters are widely communicated in the organization so that roles and responsibilities are well acknowledged in all operations. Further, it is important that the organization communicates with external parties, such as stakeholders, customers, suppliers and authorities, on internal controls.

Monitoring

Monitoring is the last component of the internal control system, and it is a process by which the Board of Directors and top management aim to gain reasonable assurance that internal controls are effective and work according to what has been intended.

Monitoring includes continuous or separate assessments. Any internal control deficiencies identified during these assessments must be reported in a timely manner to the responsible parties including senior management and the Board of Directors when appropriate. Corrective

measures must be taken and followed up; wherefore internal control framework supports continuous improvement of the organization.

1) COSO publication: COSO Internal Control - Integrated framework principles, available at www.coso.org/Pages/ic.asp

Metso is a frontrunner in sustainable technologies, end-to-end solutions and services for the aggregates, minerals processing and metals refining industries globally. We improve our customers' energy and water efficiency, increase their productivity, and reduce environmental risks with our product and service expertise. **We are the partner for positive change.**

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