

Remuneration statement 2018

Remuneration

Board of Directors

As confirmed at Outokumpu's Annual General Meeting 2018, the annual remuneration for the members of the Board is EUR 160,000 for the Chairman of the Outokumpu's Board of Directors, EUR 90,000 for the Vice Chairman and EUR 70,000 for the other members of the Board. The Annual General Meeting 2018 decided that 40% of the annual remuneration will be paid in the Company's shares to be purchased from the market at a price formed in public trading and in accordance with the applicable insider regulations.

The annual fee is paid once a year and members of the Board are not entitled to any other share-based rewards. In addition to their annual remuneration, all the members of the Board of Directors are paid a meeting fee of EUR 600 per meeting for each member of the Board of Directors and EUR 1,200 per meeting when travelling to a meeting held outside the Board member's country of residence.

CEO

Compensation and benefits

The President and CEO's remuneration consists of base salary, taxable benefits (housing benefit, car benefit, phone benefit, pension, medical and life insurance), share-based incentive and annual short-term incentive determined by the Board based on the company's key targets.

The annual short-term incentive payable based on the targets set for 2018 could not exceed 95% of the CEO's annual base salary, and it was based on the achievement of EBITDA, occupational safety, delivery reliability and individual targets.

Pension benefits and terms of service

The CEO has the right to retire at the age of 63. He participates in the Finnish TyEL pension system in addition to which he is included in a defined contribution pension plan with an annual insurance premium of 25% of his annual earnings, excluding share rewards.

The service contract of the CEO is valid until further notice. The CEO is not entitled to a specific severance payment, and the notice period is three months for both parties.

Other Leadership Team members

Compensation and benefits

The performance-based short-term incentive payable to the members of the Leadership Team based on the targets set for 2018 was based on the achievement of EBITDA, occupational safety, delivery reliability and individual objectives. The maximum payment varies between 50% and 100% of the annual base salary in line with local market practices for similar positions.

The Leadership Team members are also included in the share-based incentive plans for Outokumpu management. No separate remuneration is paid to the Group CEO or members of the Leadership Team for membership of the Group's internal governing bodies.

Pension benefits and terms of service

For the deputy to the CEO (i.e. CFO), the service contract can be terminated by both parties with six months' notice. To the extent that the service contract would be terminated by the company, other than for a cause without notice or with an ordinary notice due to misconduct, the CFO would receive additional compensation equivalent to 12 months' salary. For the other members of the Leadership Team, the notice period is six months for the employee and either twelve months for the company, without additional severance compensation and with the possibility to stop salary payment during the notice period if the executive finds other employment before the end of the notice period, or 18 months' base salary at the maximum, including salary for the notice period and severance compensation.

The retirement age for the members of the Leadership Team is 63 or 65 years, depending on the country of employment and date of appointment and they participate in the local retirement

programs applicable to employees in the country where their employing company is located.

The members employed in Germany are entitled to pension benefits in accordance with the rules of the German Essener Verband. The members employed in Finland participate in the Finnish TyEL pension system, in addition to which they are entitled to a defined contribution pension plan for which the maximum premium is 25% of an individual's annual earnings, excluding share rewards. The pension benefits of the other Leadership Team members vary in line with the local market practices.

Share-based incentive programs

Outokumpu's Board of Directors has confirmed that share-based incentive programs are part of the incentive and commitment scheme for the company's key personnel. The objectives are to reward key personnel for good performance and thereby support Outokumpu's strategy, and to direct management attention towards increasing Outokumpu's profitability and shareholder value. The programs offer the possibility of receiving Outokumpu shares as an incentive, provided that the criteria set by the Board for each earnings period are fulfilled.

Other terms

According to the share ownership plan of the Outokumpu Group, the members of the Leadership Team are obliged to own Outokumpu shares received under share-based incentive programs to the value of their annual gross base salary. Half (i.e. 50%) of the net shares received from the share-based programs must be used to fulfil the above ownership requirement.

Guarantees and business relationships

Outokumpu did not provide any guarantees or other similar commitments on behalf of members of its Board of Directors in 2018.

No members of the Board of Directors or the Leadership Team or closely related persons or institutions have any significant business relationships with the Group. ■

Fees, salaries and benefits paid

2018	Salaries and fees with employee benefits ¹⁾	Performance/ project-related bonuses ²⁾	Annual remuneration	Share-based incentives ³⁾	Total
Board of Directors					
Chairman of the Board, Jordan	4,200	–	160,000	–	164,200
Chairman of the Board, Ollila	2,400	–	–	–	2,400
Vice Chairman of the Board, Vaartimo	6,600	–	90,000	–	96,600
Board member, Akermann	4,800	–	–	–	4,800
Board member, Gualdoni	2,400	–	–	–	2,400
Board member, ter Horst	6,600	–	70,000	–	76,600
Board member, Malinen	6,600	–	70,000	–	76,600
Board member, Sipilä	5,400	–	70,000	–	75,400
Board member, Vareille	7,200	–	70,000	–	77,200
CEO, Baan	1,075,835	700,997	–	929,081	2,705,913
Deputy to the CEO	469,111	249,044	–	211,861	930,016
Other Leadership Team Members	3,380,035	1,595,081	–	2,041,259	7,016,375

¹⁾ For Board members, meeting fees. For Leadership Team members, salaries and employee benefits.

²⁾ Actual Short Term Incentive 2017 payout.

³⁾ Gross, including the value of the shares on the date of delivery and taxes.

2017	Salaries and fees with employee benefits ¹⁾	Performance/ project-related incentives	Annual remuneration	Share-based incentives ²⁾	Total
Board of Directors					
Chairman of the Board, Ollila	7,800	–	140,000	–	147,800
Vice Chairman of the Board, Vaartimo	9,000	–	80,000	–	89,000
Board member, Akermann	14,400	–	60,000	–	74,400
Board member, Gualdoni	18,000	–	60,000	–	78,000
Board member, ter Horst	9,000	–	60,000	–	69,000
Board member, Malinen	7,800	–	60,000	–	67,800
Board member, Sipilä	6,600	–	60,000	–	66,600
Board member, Miettinen-Lähde	4,200	–	13,315	–	17,515
Board member, Gustafsson	2,400	–	–	–	2,400
Board member, Nilsson	4,800	–	–	–	4,800
CEO, Baan	1,073,219	947,629	–	2,083,469	4,104,317
Deputy to the CEO	440,000	168,000	–	491,835	1,099,835
Other Leadership Team Members ³⁾	2,724,872	2,988,248	–	2,759,509	8,472,629

¹⁾ For Board members, meeting fees. For Leadership Team, salaries and employee benefits.

²⁾ Gross, including the value of the shares on the date of delivery and taxes.

³⁾ Erkkilä Jan 1–31, 2017, Tahvanainen Jan 1–Feb 28, 2017, Kaukiainen March 1–Dec 31, 2017.

December 31, 2018 status of the ongoing Performance Share Plans

Performance Share Plans	PSP 2016–2018	PSP 2017–2019	PSP 2018–2020
Number of participants	107	137	148
Maximum number of gross shares to be paid ¹⁾			
CEO Baan	165,000	92,000	72,000
Other Leadership Team members	615,000	482,000	398,000
Other participants	1,536,750	1,193,600	1,012,200
Total maximum number of gross shares to be paid ¹⁾	2,316,750	1,767,600	1,482,200
Earning criteria	Outokumpu's return on operating capital compared to a peer group, and Outokumpu's gearing in 2018.	Outokumpu's return on operating capital compared to a peer group in 2019.	Outokumpu's return on operating capital compared to a peer group in 2020.
Share delivery year	2019	2020	2021

¹⁾ The maximum number of gross shares (taxes included) payable if the set performance targets are achieved in full.

December 31, 2018 status of the ongoing Restricted Share Plans

Restricted Share Pool	RSP 2016–2018	RSP 2017–2019	RSP 2018–2020
Number of participants	17	58	48
Maximum number of gross shares to be paid ¹⁾			
CEO Baan	–	–	–
Other Leadership Team members	–	–	–
Other participants	35,000	90,200	111,000
Total maximum number of gross shares to be paid ¹⁾	35,000	90,200	111,000
Share delivery year	2019	2020	2021

¹⁾ The gross number of shares (taxes included) payable if the employment has continued until the delivery date of the shares and no notice of termination has been given prior to the delivery date.

December 31, 2018 status of the ongoing Matching Share Plans

Matching Share Plans	CEO Plan	Management Plan
Number of participants	1	30
Number of gross shares ¹⁾		
CEO Baan	1,157,156	–
Other Leadership Team members	–	1,262,152
Other participants	–	762,948
Total number of gross shares ¹⁾	1,157,156	2,025,100
Shares delivered (net of taxes) ²⁾	555,231	569,630
Gross shares to be paid ³⁾	289,289	1,015,105
Share delivery years	2016, 2017, 2018, 2019	2017, 2018, 2019, 2020

¹⁾ The gross number of shares (taxes included) payable for the Matching Share Plan.

²⁾ For the CEO, the same net amount was delivered in 2018, 2017 and 2016.

³⁾ The gross number of shares (taxes included) still payable.