

Outokumpu and stakeholders

The saying "No man is an island" also applies to companies. Companies are part of society, not isolated from their surroundings. Companies have an impact on society as a whole and on people as individuals – employees, shareholders, customers and other important stakeholders – and vice versa. Transparency in communication in both directions is essential, as is the assessment of possible impacts on different stakeholder groups of the way we conduct our business. Outokumpu's Leadership Principles and Code of Conduct provide guidelines for all Group employees on how to act in a responsible manner in both our everyday operations and in relation to our stakeholders.



"Responsibility integrated in business"

Ultimate responsibility for the integration and maintenance of responsible business practices lies with Outokumpu's CEO. Concrete measures are implemented by a team whose members represent different business functions. This team is headed by the Group's VP – Corporate Responsibility. Each Outokumpu function and business unit is responsible for ensuring that its own operations are conducted in a responsible manner and that monitoring, data collection and reporting operations are executed in an appropriate fashion. Annual targets for environmental and social issues are set at Group level.

Outokumpu's Leadership Principles

- Making sound decisions
- Achieving ambitious targets
- Creating a winning team
- Inspiring to perform
- Building trust and respect
 - We act consistently in accordance with clear ethics and values
 - We encourage and require others to adhere to ethical values
 - We demonstrate honesty, loyalty and integrity in our everyday work

Social goals and results

In 2010, Outokumpu's goals in social responsibility were to further improve job rotation and the reporting of performance and development dialogues, to reduce injuries at work, to improve employee well-being and to finalise supplier audit processes. Equally our goal was to build a global interface for the SAP HR system to increase transparency and enable direct links with other IT tools.

Goals for 2010

- To build a global interface for the SAP HR system so that HR data can be fed to other Group systems. In this way to reduce manual work and the possibility of human errors. As the data quality improves the aim is to increase the usage of people-related data in the strategic business decision making.
- To improve job rotation practices and reporting further in SAP HR.

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- Performance and development dialogues to all (white collars by the end of February and blue collars by the end of May) and to improve dialogue reporting.
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- Reduction of injuries to below four per million hours worked.
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- Improve employees' well-being. Well-being is measured by O'People employee survey, and the aim is to increase the overall score to 660.
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- Supplier audit processes finalised in 2010 and gradually taken into use.
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Results 2010

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- Build a global interface for the SAP HR system: Use of a global interface to transfer personnel data from the Group's SAP HR system to other Group systems began in the spring of 2010. One of the Group systems which benefits from this interface is Safety Log as well as the Finnish payroll system. With the integration of this interface to various systems, most personnel data has now to be maintained in only a single system, i.e. the SAP HR system.
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- Improve job rotation practices and reporting further in SAP HR: Guidelines for job rotation were defined during 2010 and will be published throughout the Group in the beginning of 2011. In 2010, the focus of job rotation was on IT functions. In 2011, the target is to further encourage job rotation in other Outokumpu business units and functions. Reporting in the Group's SAP HR system was expanded to show the number of job rotation events (503) that took place during 2010.
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- Performance and development dialogues to all: Although the target of performance and development dialogues (PDD) for all Outokumpu employees was not achieved in 2010, development of a clearly-positive nature took place. Of all permanent employees, 76% participated in PDDs during the year. The focus was on improving the quality of such dialogues through Group-wide training of management personnel. Outokumpu's target is for all employees to have a PDD within an agreed timeframe. Further steps are also required on the reporting side and this activity will therefore continue also in 2011.
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- Reduction of injuries to below four per million hours worked: 'Safety first' is a key Outokumpu principle and work to enhance safety levels in the Group's working environment is continuous. In 2010, the injury rate target was not reached but the injury rate fell from 5.9 (2009) to 4.7 injuries per million hours worked.
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- Improve employees' well-being: We were pleased that the Outokumpu Group employee survey O'People index increased from 617 (2009) to 665. This shows that personnel-related matters are moving in the right direction and that the results of actions taken to improve employees' well-being and motivation are becoming visible. Work in this area must however continue, with attention being paid to opportunities for further improvement.
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- Finalise supplier audit processes in 2010: The Supplier audit process moved forward but was not finalised. During 2010, a survey of the Group's strategic suppliers in the area of raw materials and general materials was conducted to assess the extent to which such suppliers take corporate responsibility issues into account in their own activities. The results of the survey will be taken into account in Outokumpu's continuing dialogue with its suppliers.
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Goals for 2011

- Improve HR reporting to provide better support for strategic decision-making and to make the outcome of performance and development dialogues (PDDs) and job-rotation processes more visible and transparent by quarterly internal reporting and communication activities.

- Communicate job-rotation guidelines throughout the Group and actively adopt them in supporting job-rotation practices.

- Improved performance management: increase the PDD completion rate by 10% from the previous year for all employees, and harmonise the PDD process in use.

- Implement Strategic Workforce Planning throughout the Group.

- Reduce the injury rate to less than 3.5 per million hours worked.

- Further develop approval, evaluation and auditing routines in connection with supplier management processes.

Read more on [defining issues of focus in social responsibility at Outokumpu](#).

Our people

Outokumpu's success is based on three factors: our direction, our operations and our people. We have a clear vision and challenging goals, we strive for excellence in our operations and we rely on good leadership and the contributions of inspired and motivated people. These important elements enable us to create value for our customers and profits for the Group.

While Outokumpu's employee base is still very Europe-centric, we value diversity in our workforce and encourage people to rotate jobs and learn new skills. Outokumpu is committed to providing equal opportunities and our Code of Conduct forbids discrimination of any type. People must be treated equally and fairly irrespective of their ethnic origin, nationality, religion, political views, gender, sexual orientation or age. Outokumpu is totally opposed to the use of child and forced labour, and the Group condemns all forms of corruption and bribery. Our Ethics Statement, Corporate Responsibility Policy and Code of Conduct define our approach to social responsibility and we try to ensure that all of the Group's working methods and operational activities are based on ethical practices. Our internal policies are also in line with the UN Global Compact principles.

One of the key factors in achieving the Group's vision of becoming the undisputed number one in stainless steel is to be an attractive employer. Outokumpu's People Strategy is geared towards achieving this long-term goal. We work towards this target by enhancing the motivation and capabilities of Group employees globally.

Our People Strategy provides both strategic direction and a framework for all employee related activities within Outokumpu. People Strategy themes, leadership, execution capability and competence renewal boost leadership capabilities and improve performance by encouraging people to accept responsibility and acknowledge accountability, and by proactively developing the Group's resource and competence base to meet rapidly-evolving business needs. During 2010, as part of our People Strategy activities, we initiated Strategic Workforce Planning by conducting pilot projects in two units. The next step will be to develop this practice further to support our future competence and employee planning.

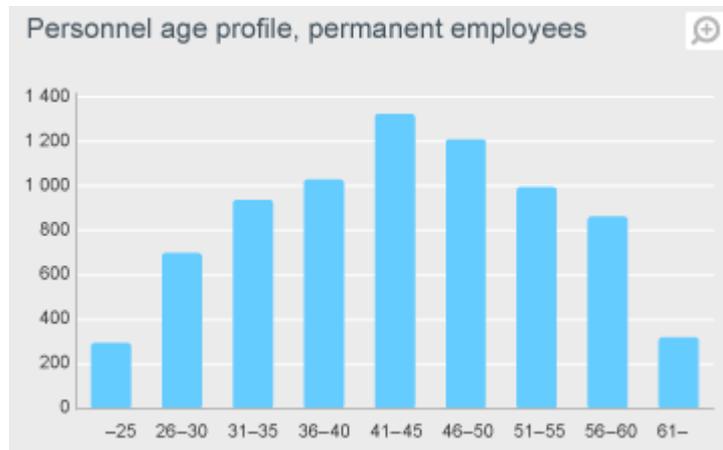
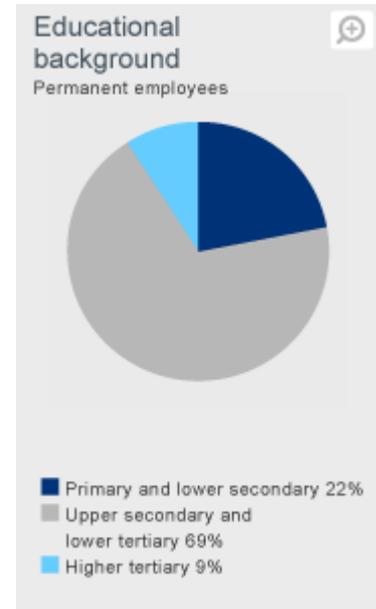
The basis for our daily work is Outokumpu's Leadership Principles. We are developing these principles in ways that will allow them to be implemented by every employee whatever their role in the company. They act as practical guidance for leaders and also as common goals for everyone. In addition to providing support for leaders within the Group, we have defined what we mean by a 'Good Outokumpu Leader'. To achieve our vision, our aim is to have leaders who possess a diverse range of experience, who are both business- and customer-oriented and able to provide leadership in a complex environment, and who live up to our leadership, ethical and safety principles and drive for excellence and one company approach.

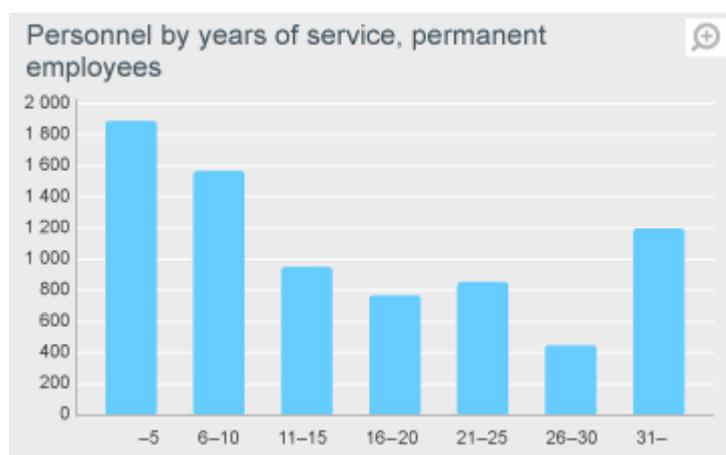
Personnel facts and figures

Outokumpu's business success and its ability to execute Group strategy is based on the competencies and motivation of our employees. Diverse, competent and committed employees are an essential component for success in a rapidly-changing and demanding environment. At the end of December 2010, Outokumpu employed 8 104 people (2009: 7 754, 2008: 8 628, figures as full time equivalent). Approximately 41% of the Group's employees are white-collar workers. Of permanent employees, 17.4% are women (2009: 17.7%) and 82.6% are men. Outokumpu provides employment in some 30 countries, with 93% of employees in Europe (34.0% in Finland, 35.7% in Sweden, and 7.8% in the UK).

In 2010, the number of permanent employees who had worked for Outokumpu for more than 30 years was 1 197, and the number employed for less than five years was 1 886 (6–10 years 1 565 employees). The average age of the Group's permanent employees was 43.5 years and the average length of service was 15.4 years. As reported in the 2009 Annual Report, a 'generation shift' is taking place in the company.

During 2010 Outokumpu hired 384 new employees. This was a slight increase over the previous year when Outokumpu had to respond to very weak market conditions by personnel adjustments. The average turnover among permanent employees in 2010 was 5.4% (2009: 7.6%, 2008: 7.0%). The hiring rate was 5.0% and the leaving rate was 5.9%. The number of people employed on fixed time contracts was 440. Outokumpu follows local legislation and applicable regulations in both job reduction measures and lay-offs.





Key figures

	2010	2009	2008
Sales/person, € million	0.5	0.3	0.6
Incentives of total personnel costs, %	3.2	2.3**	4.9**
Training costs of total personnel costs, %	1.0	0.7***	1.4**
Training days/person	2.3	2.5	2.9
Days lost due to strikes	0	915	4
Personnel turnover, %	5.4 *	7.6**	7.0**

*Calculation formula has been changed, see reporting principles.
not restated.

**Figures are

***The figure reported in 2009 was incorrect. The figure presented here has been corrected.

Personnel by country ¹⁾

31 Dec 2010	2010	2009	2008
Europe			
Sweden	2 896	2 749	3 211
Finland	2 752	2 703	2 798
The UK	636	564	717
The Netherlands	412	382	410
Italy	304	292	340
Germany	215	204	221
Other European countries	347	340	388
	7 562	7234	8 085
North and South America			

The US	330	321	403
Others	33	33	38
	362	354	441
Asia	153	137	72
Australia	23	24	25
Africa	4	5	5
Group total	8 104	7 754	8 628

¹⁾ Full-time equivalent.

Improvements in the collection and management of HR Data

In 2009 a global SAP HR project was successfully concluded and the main activity in 2010 was building a global interface to enable HR data from the Group's SAP HR system to be fed to other Group systems. System development projects were also initiated to better support Outokumpu's compensation and benefits processes. The target is for high-quality data from the HR systems to provide improved support for the Group's strategic decision-making.

Diversity and equal rights

Outokumpu maintains a consistent policy of freedom of association, which means that employees in all of the Group's operational locations are free to join trade unions in accordance with the rules and regulations that apply in local labour markets. In 2010, approximately 90% of the permanent employees were covered by collective agreements.

The overall percentage of women in Outokumpu's permanent workforce is 17.4% (2009: 17.7%). We are continuously working to address diversity issues and the Outokumpu Recruitment Guidelines were redefined in 2010. Our next subject of focus is recruitment policy. Three members of the Outokumpu Board of Directors and one member of the Group Executive Committee are female, and 58 women hold key leadership positions (17.7% of all key positions) within the Group.

There were 0 strike days in 2010 (2009: 915, 2008: 4).

Open communication

Employee motivation is very important in Outokumpu. We therefore use different methods and practices to increase employee engagement, and firmly believe that open and timely communication has a direct impact on people's motivation and commitment. We are active in using the Group's intranet to share information concerning Outokumpu strategy and highlights of the company's internal and external business activities. All employees are able to comment on intranet news items, even anonymously. A new web interface is currently being developed which will provide everyone in the Group with better communication tools which offer improved interactivity. In addition to our everyday activities, we conduct a regular employee survey.

The O'People Employee Survey

The O'People employee survey was conducted for the sixth time in 2010. The response rate achieved was 69%, which was a bit lower than the previous year (2009: 72.1%). To ensure a better understanding of Outokumpu employees' opinions and needs, the aim is to raise the response rate to 80%.

Open, interactive dialogue is a vital component in achieving increased levels of job satisfaction and motivation.

The overall O'People index for 2010 was 665 (2009: 617), slightly more than the target of 660. It is encouraging to note the increase in the index compared to last year's result. A similar trend was also visible in the Leadership Index which improved from 64 (2009) to 68. The Leadership Index measures how well managers demonstrate the Outokumpu Leadership Principles from their team members' perspective. For example, 71% of all respondents indicated that their manager inspires them to perform. Even though the O'People employee survey results were better than last year, there is still room for further improvement, especially in the implementation of actions. One of the tasks performed by Outokumpu's internal coaches is providing support for managers in the O'People action planning process. This support was offered to all Group managers for the first time in 2010.

Outokumpu Personnel Forum

Outokumpu's Personnel Forum is a joint consultative body which provides a channel for transferring information between management and Group personnel. Established in 1994 in response to a European Works Council Directive, the forum includes 21 personnel representatives from the Group's European operations, representatives of the Outokumpu HR function and members of the Group's senior management teams. Usually convened once each year, the 2010 Personnel Forum was held in Willich, Germany. While the primary focus of the 2010 forum was safety, the Group's renewed People Strategy was also discussed.

The Personnel Forum appoints a working committee which is responsible for ongoing cooperation between management and Outokumpu personnel. During 2010, this committee held six meetings with members of the senior management team, including the Group CEO.

Cooperation with universities

Outokumpu's goal is to become the most attractive employer in the industry. To achieve this, we have focused on cooperation with schools and universities in Finland and especially in Sweden. During 2010, we increased awareness of Outokumpu as an employer from 4% to 35% among students studying engineering at Swedish universities. This increase

is one result of activities undertaken during the year such as participation in careers events in Sweden and Finland, the placing of advertisements in student and business magazines, and the publication of interviews with Group employees on the web.

To become attractive, a company must be known. Outokumpu will continue working to enhance the Group's image as an employer among this group of students. In 2009, Outokumpu was ranked 94th in a survey to determine Sweden's most attractive employers and in 2010 we were ranked 92nd. In a survey by Universum International regarding students' expectations on potential future employers, Outokumpu was ranked in Finland number 25 (2009: 22) by engineering students, number 92 (2009: 85) by business students and number 74 by young professionals. This is a long-term effort that will yield beneficial results in the long run.

Outokumpu experts have also been invited to lecture for university students on various themes, including corporate responsibility issues.

Compensation and benefits

Outokumpu's intent is to provide competitive base salary for all employees based on the scope of their role and their individual performance. In this philosophy, rewards should be differentiated based on the employees' performance. Base salary levels also typically vary depending on an individual's career stage. According to our principles, the base salary should be determined by considering the requirements of the position, and the relevant competences and experience of the employee. Overall, Outokumpu pays its employees according to the local labour agreements and market in each country. At country level, Outokumpu aims to be at the market median in terms of base salary. In addition to the base salary, incentive schemes are used as an element of total compensation. In 2010, incentive payments totaled 3.2% of total personnel costs.

Performance management

Performance management supports the achievement of Outokumpu's strategic goals. Becoming the undisputed number one in stainless steel requires a high-quality performance management process at both company and individual level. An improved understanding of Performance and Development Dialogue (PDD) process implementation was recently obtained by conducting a performance management audit in 10 Group units and functions. Outokumpu's aim is to support efficient strategy implementation by continuously evaluating and improving the PDD process.

Performance management is a daily process based on dialogue in which the focus is on improving business results by enhancing each employee's performance and levels of competence. Performance and Development Dialogues are an important part of the Performance Management process. Each PDD consists of a formal annual review of an employee's performance and development against defined targets in the preceding 12 months, together with the development of a new Performance and Development Plan for the next 12-month period. Outokumpu's target is for every employee to have at least one formal PDD each year, and mid-year reviews are strongly encouraged.

Improved practices in the Group's Performance and Development Dialogue process were introduced and adopted in 2010. In performance evaluations, emphasis is given to what individuals have actually achieved, and attention is also paid to how people work as individuals and within teams. The "how" part of the overall evaluation is based on Outokumpu's Leadership Principles. The rationale for these developments is ensuring that all employees receive feedback on how they are performing and ways in which they can improve their performance. Every employee is also provided with feedback on how they have been applying Outokumpu Leadership Principles. We are aware of the challenges involved in this new and improved evaluation process and the Group has provided training to increase consistency and transparency in performance reviews. In 2011, further improvements associated with Outokumpu's Performance and Development Dialogues will include conducting a new audit and incorporating the lessons learned into current practices.

Developing our people through continuous learning

Outokumpu's People Strategy highlights the need to proactively develop the Group's resource and competence base and leadership capabilities to meet the rapidly changing requirements of our business and the surrounding environment. The Group provides its employees with a variety of development opportunities using different methods: growing within one's current role or taking on new challenging tasks (job rotation); learning from others (mentoring); supporting individuals in realising their potential (coaching); and by providing formal training opportunities.

The planning and implementation of competence development processes takes place at Group level and also at functional and business unit levels. During Performance and Development Dialogues, managers and employees together identify any competence gaps and the actions required for an individual's future development.

Internal development programmes focus on competences for Outokumpu's strategic success

Every employee in the Group is responsible for actively and continuously developing their individual abilities and for behaving in accordance with Outokumpu's Leadership Principles. All leaders within Outokumpu are accountable for supporting the development of their team members.

Both globally and locally, Outokumpu offers a variety of internal development and training programmes for developing competences and skills at different stages of an individual's career. Outokumpu's global development programmes focus on leadership development and the provision of support for implementing Group strategy. The backbone of all our leadership development activities is Outokumpu's [Leadership Principles](#).

One of these global development programmes, the Leadership Excellence Programme (LEAP), has a specific focus on supporting Group leaders in understanding and to behaving in accordance with Outokumpu's Leadership Principles. The third LEAP group of 19 leaders began their development journey in the autumn of 2010. The first two groups, a total of 37 leaders, graduated in the spring of 2010.

In the Outokumpu Management Development Programme (OMDP), the focus is on developing Group leaders' abilities in the areas of strategic thinking, leadership and leading change. In 2010, the OMDP programme involved 22 participants from different Group units and countries.

Coaching is an important method of personal development within Outokumpu, and the Group has trained some 14 internal coaches during 2009–2010. Coaches support both leaders and employees in improving their individual performance and/or helping them to focus on the correct development actions. Coaching also features as a learning element in all of our development programmes.

Attracting and developing talent

Two programmes which concentrate on developing the future talent in our company are the High Potential (HiPo) Development Programme and the Stainless Pro International Graduate Programme. The HiPo programme involves identifying Group employees who have the ability, aspiration, engagement and potential to work in demanding positions within the company in the future, offering such individuals a structured way of developing themselves and building their career in Outokumpu in accordance with their personal long-term development plans.

Outokumpu's Stainless Pro International Graduate Programme has proved to be a good way of attracting young talent. It provides us with a concrete way of co-operating with universities, informing students about Outokumpu and what the

Group can offer them, and also listening to what they expect from us. The two-year programme acquaints graduates with Outokumpu's business operations. The third programme was initiated in the early part of 2010 and more than 600 applications were received. The selected five new 'Stainless Pros' began their development programme in September 2010. A total of 15 individuals have now completed the programme and all of them continue to work for the Group.

In 2010, training costs in Outokumpu amounted to 1.0% of total personnel costs (2009: 0.7%*, 2008: 1.4%). The Group provided 2.3 training days per employee (2009: 2.5, 2008: 2.9).

** In the 2009 report this figure was incorrect. The figure presented here has been corrected.*

Health and safety

Health and safety are key issues for Outokumpu, and the Group top management is strongly committed to further improving our current level of safety. Our personnel, as well as our contractors and suppliers, must be provided a safe and healthy environment while they are working at Outokumpu's production sites and facilities.

Historical statistics show our safety performance improving along the years. Accidents leading to absence on the following day (lost-time injuries) have been reduced substantially through conscious efforts such as development programmes and other measures. In the 2000s, safety theme years with special attention paid to safety issues have also greatly contributed to the improvement. While in 2005 the rate of lost-time injuries per million hours worked was 19, in 2010 the equivalent figure was 4.7. Outokumpu continues its efforts to enhance safety at work as our ultimate target is to have zero injuries at all of our production sites or facilities.

Staying healthy in the workplace

Occupational health services provided by Outokumpu at operational sites are based on national legislation, local needs, generally-accepted practices and scientific data. Activities focus on improving working environments and employee health is monitored using a variety of occupational health checks and fitness tests. Occupational hygiene measurements are carried out on an ongoing basis at Group production plants in order to monitor work-related exposures to, for example, noise and impurities in the ambient air. In 2010, a Group-wide database on employees' occupational exposures was established. Issues related to working environments within Outokumpu are also studied through joint research projects carried out in collaboration with universities and specialist institutions.

In the early months of 2010, the swine flu pandemic was a major challenge for public health authorities all over the world. The Group's own Occupational Health Units participated in vaccination campaigns by vaccinating Outokumpu employees. Vaccination coverage exceeded 50% at several sites.

In 2010, an average of 5 412 days per million hours worked by Outokumpu employees were lost as a result of sickness or injury (2009: 5 900). The number of cases of occupational disease diagnosed in the Group in 2010 was 23 (2009: nine cases). This increase can at least partly be explained by improved reporting.

The "Stop Flu" Research project

In cooperation with six major international companies, one of which was Outokumpu, the Finnish National Institute for Health and Welfare carried out a 16-month intervention study aiming at showing whether enhanced and guided hand hygiene together with transmission-limiting behavioural habits could reduce the number of infection episodes and absences from work. The follow-up phase ended in May 2010. The results obtained from the study have been analysed and will be published in an international medical journal in 2011.

Study of occupational exposure and respiratory health effects in Tornio

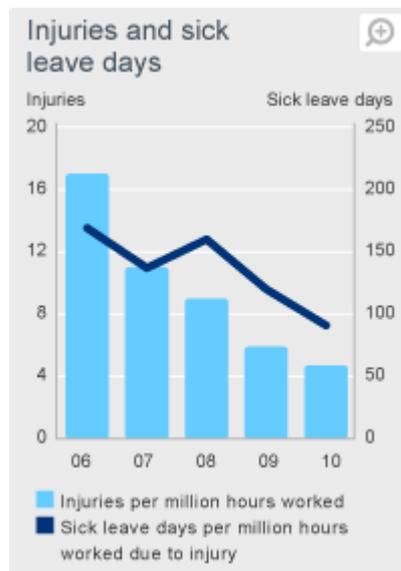
Outokumpu has been studying exposure to chromium compounds in the stainless steel production chain and their long-term effects on respiratory health since 1985. The latest phase of the research programme – a joint study between Outokumpu and the Finnish Institute of Occupational Health co-sponsored by the Finnish Work Environment Fund – was carried out in 2009. A total of 350 Group employees participated in this clinical study, in which lung function and inflammation biomarkers were investigated. Occupational hygiene measurements included chromium speciation and the assessment of particle-size distributions (coarse to ultrafine). The results of the tests were extensively analysed in 2010 and will be published in a scientific publication in 2011.

Everyone deserves a safe working environment

Outokumpu is committed to providing its personnel with safe and healthy working environments. The Group is accountable for the safety of contractors and suppliers while they are working in Outokumpu's production plants and other Group facilities. Development of occupational safety is monitored via regular reporting to corporate management meetings, and all management committees and equivalent bodies throughout Outokumpu start each meeting with a safety review. Safety is a key performance indicator linked to our bonus system.

Group top management is strongly committed to achieving improved levels of safety. The year 2010 was designated as Safety Theme Year. A new vision for safety and new safety principles have recently been developed and discussed throughout the Group. Work on developing corporate safety standards is led by the Occupational Safety Committee, whose target is to identify best corporate practices and share these with all parts of Outokumpu.

Injury prevention and hazard awareness



In 2010, the Group's Occupational Safety Theme Year, the target was to reduce the overall injury rate to less than four per million hours worked. In 2009 the rate was 5.9 injuries per million hours worked (including contractors). The 2010 rate was 4.7. Even though the annual target was not fully achieved, there were still very positive signs of development with a best-ever monthly performance in October of 2.7 injuries per million working hours. The overall 2010 figure is also an improvement compared to the previous year.

In 2010, injuries resulted in 91 (2009: 120) sick leave days per million hours worked and a total of 80 (2009: 92) individual lost-time injuries occurred, none of which were fatal. The EU average for the World Steel Association member companies in 2009 was 5.1 injuries per million hours worked. Any work-related injury which prevents an employee or a contractor's employee from returning to work on their next scheduled work day is considered to be a lost-time injury. Lost-time injuries occurring in the Group are reported in accordance with definitions issued by the World Steel Association. Figures reported here include injuries suffered both by Outokumpu's own personnel and individuals employed by contractors.

Outokumpu employees are encouraged to report all the near-miss situations they encounter in the workplace. A total of 3 360 reports were received in 2010 (2008: 2 521 and 2009: 2 898).

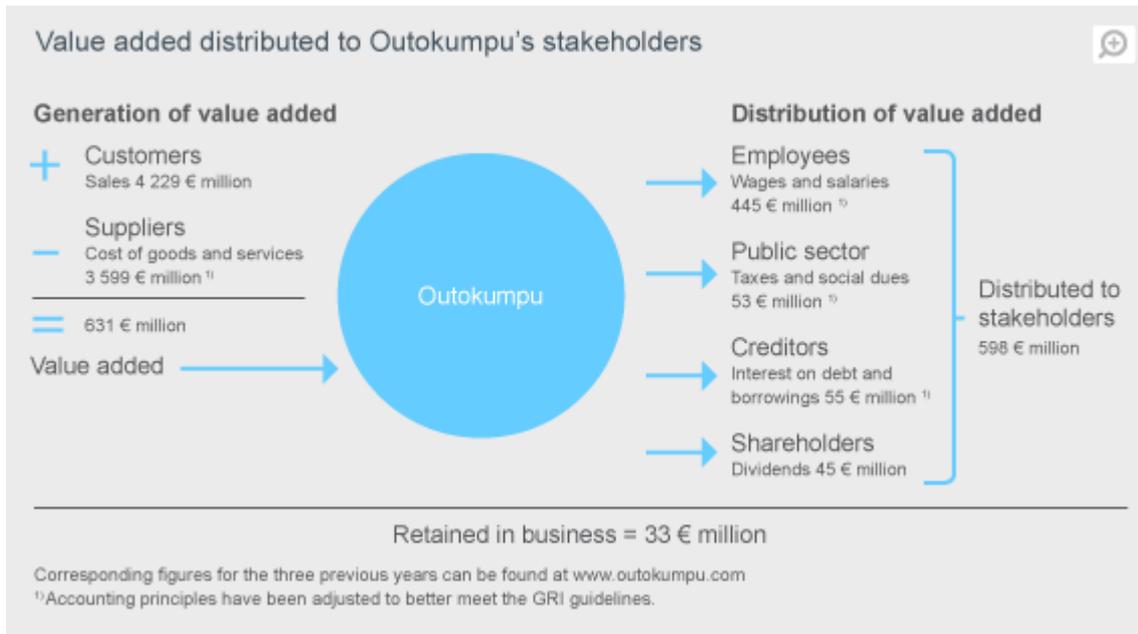
Safety Log, a Group-wide occupational safety system for data collection and management was launched in January 2008 in all Outokumpu's business units and service centers as well as in Group head office. Sales companies joined the system at the beginning of 2009. Development of the system has been conducted since 2009 and is still ongoing. As well as enabling Outokumpu's safety status to be monitored in real time, Safety Log allows data received from all Outokumpu Group units to be reported and compared.

We value our stakeholders' opinions

The first two of Outokumpu's main corporate responsibility goals are that responsibility is an integral part of our everyday business, and that our business partners not only become familiar with the Group's policies, but also follow similar policies. The third strategic corporate responsibility goal is enhancing transparency by conducting an open and continuing dialogue with key stakeholders. For Outokumpu, being aware of stakeholders' expectations is essential. Good communication increases mutual understanding.



Different forms of interaction with Outokumpu stakeholders continued in 2010 with face-to-face meetings in many forums – at seminars, workshops and discussion panels, during road shows, and at fairs and exhibitions. In this ongoing dialogue, particular attention is given to contacts with analysts, investors, employees, future employees, non-governmental organisations (NGOs), customers and suppliers. Other key stakeholder groups are local communities, industrial and business organisations, authorities, schools and universities. Online seminars with customers continued, and with all Outokumpu stakeholders as the target audience, we arranged the Group's first online seminar on the subject of corporate responsibility. Our stakeholders' involvement in what we do and the trust they place in us are fundamental elements of Outokumpu's business operations.



Formed in 2008, the Outokumpu CR (Corporate Responsibility) network for external stakeholders is a channel for sharing news about the Group's corporate responsibility activities. The goal is to encourage all stakeholders to provide feedback we can use in further developing our operations. In 2010, an informal Outokumpu CR ambassador network consisting of employees, a very important stakeholder group, was initiated.

Webinar to discuss innovations

In 2010, Outokumpu organised an online seminar on corporate responsibility issues for the Group's CR network and other interested parties. The topics for this webinar were Outokumpu's R&D activities and innovations that improve sustainability, and the aim was to listen to stakeholders' expectations in these areas and answer related questions. Two applications in which stainless steel is employed – biomass gasification and photovoltaic cells – were presented. By the end of 2010, approximately 150 people had viewed the webinar material. Questions concerned efforts to reduce the Group's carbon footprint, money spent on R&D and possible applications for stainless steel applications in the wind energy sector. The webinar is available on the Outokumpu website.

This section focuses on the dialogue with our external stakeholders. Additional information regarding Outokumpu employees is provided in the [Our People](#) section.

Outokumpu and our customers – a win-win relationship

In addition to top-quality stainless steel delivered on time, Outokumpu strives to provide its customers with an industry benchmark in technical service. With the aim of adding value to each customer's product or improving their manufacturing techniques, technical services offered by the Group range from assisting in the selection of the correct stainless grade for a particular application to providing detailed advice on the processing or forming of stainless steel when producing specific items.

Interaction with customers takes many forms. In addition to the everyday methods of communication, Outokumpu takes things much further. Webinars (web-based seminars) were organised throughout 2010 on many technical aspects relating to the selection of the correct grade of stainless steel for an application, with a particular focus on duplex stainless grades. In 2010, a total of five webinars were arranged in German, Portuguese and Spanish.

Customer days were organised by many of Outokumpu's more than 30 sales companies. Presentations at these events were typically given by the Group's application engineers, product specialists and industry experts.

Another popular form of interaction with customers is through mill visits. These occasions provide first-hand opportunities for witnessing how the stainless steel customers will be using is produced, together with the associated quality control routines. Mill visits also provide an ideal opportunity for in-depth discussions with Outokumpu's product, application and industry experts.

Customers are increasingly interested in the corporate responsibility of their suppliers. This is evident particularly in the form of detailed questionnaires or declarations on corporate practices to be signed. Some ten such questionnaires and declarations were completed and signed during 2010.

Read more about Outokumpu and the customer [here](#).

Outokumpu's suppliers

The majority of Outokumpu's costs are associated with the purchase of raw materials. The primary raw materials used in stainless steel production – nickel, ferrochrome, recycled stainless and carbon steel – are purchased on the open market, but a proportion of the Group's ferrochrome needs are sourced internally. In 2010, Outokumpu's delivery volumes increased to 1 315 000 tonnes, 28% up compared with 2009 (1 030 000 tonnes). Also metal prices increased during the reporting period, nickel by some 50% to an average of 21 809 USD/tonne (2009: 14.655 USD/tonne) and ferrochrome by some 45% to an average of 1.24 USD/lb (2009: 0.85 USD/lb). The increases in delivery volumes with increased metal prices led to a significant increase in the cost of goods and services purchased, which amounted to EUR 3 599 million (2009: EUR 2 413 million).

Read more about [our business with suppliers](#).

Cost of goods and services

€ million	2010	2009	2008
Raw material and merchandise	2 414	1 541	3 643
Fuels and supplies	344	245	364
Energy expenses	269	162	222
Freights	165	134	194
Maintenance	106	77	115
Hire processing	32	27	38
Rents and leases	26	25	26
Other expenses	243	202	274
	3 599	2 413	4 875

See [developments of metal prices](#).

Current and future employees

Both current and future employees are crucial stakeholders for Outokumpu, as their enthusiasm and commitment is a fundamental part of the Group's business. Input from employees is an essential feature in Outokumpu's goal of making corporate responsibility an integral part of all its business operations. The provision of updates and active discussions and debates on corporate responsibility issues continued in 2010 in business unit management team meetings and in Group functions meetings.

To support this work, a new internal channel for handling corporate responsibility issues – the Outokumpu Corporate Responsibility Ambassador Network – has been established for individuals with a particular interest in such matters. Consisting of employees from different Group units and different organisational levels who wish to promote sustainability, members of the network receive regular news on Outokumpu's progress in the field of corporate responsibility.

Sustainability is of interest to potential employees

It appears that sustainability is becoming an issue of increasing importance among students. Contacts and requests for information in connection with surveys and thesis work on sustainability issues have been received at Group locations in Finland and Sweden. Feedback received following some of these student enquiries indicates that within its peer group, Outokumpu acts as a benchmark for good reporting, successful stakeholder dialogue practices and responsible corporate responsibility management.

In 2010, the Group participated, together with other companies and students, in a workshop at which employers' and employees' expectations were discussed. Factors associated with students' expectations regarding potential employers included respect, development opportunities, openness, a good working atmosphere, commitment and integrity. As Outokumpu wants to be the employer of choice, dialogue with students and other potential employees provides important guidance for continuous development.

Economic impact

Salary payments including pensions and other benefits paid by Outokumpu in 2010 increased compared to the previous year by some 10% to EUR 445 million (2009: EUR 404 million). This was mainly due to increased production levels compared to 2009. Also the increase in the number of personnel resulted in increased salary payments. Bonuses received by Group personnel in 2010 amounted to EUR 16 million (2009: EUR 10 million). The Group's benefit plans are mainly based on operational or financial targets. The benefit plans vary by country.

Wages and benefits by country

€ million	2010	2009	2008
Finland	171	147	169
Sweden	145	128	170
The UK	25	37	49
Other Europe	65	63	70
Other countries	39	31	33
	445	404	490

Read more about [Outokumpu's employees](#).

Active dialogue with investors and analysts continues

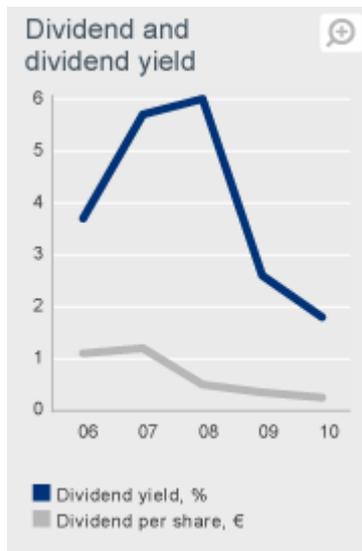
Regular contact with the Group's global investor and analyst networks was maintained in 2010. Outokumpu's annual Capital Markets Day for analysts, investors and bankers was held for the third time in London, with the main focus on the Group's revised strategy and latest investments. A presentation concerning ferrochrome markets was made by an outside expert. The Outokumpu Annual General Meeting was held in March in Helsinki, Finland.

Other major events during the year included 17 roadshows in Canada, Europe and the US in connection with announcements of the Group's quarterly results. A live webcast was arranged at each announcement event. Cities visited by the roadshows were Amsterdam, Boston, Copenhagen, Edinburgh, Frankfurt, London, Madrid, Milan, New York, Oslo, Paris, Stockholm and Toronto. Fifteen breakfasts and luncheons for institutional investors were held in connection with the roadshows. Outokumpu also attended seven industry seminars during 2010.

Two site visits for analysts and institutional investors to the Group's chromite mine in Kemi and stainless steel plant in Tornio (both in Finland) were arranged. Close to 300 one-on-one meetings, conference calls and video conferences with investors were held during the year.

To improve the Group's investor relations performance, surveys of Outokumpu's IR work, executed by external research organisations, are monitored on a regular basis. A survey of investor relations carried out in 2010 by Regi Research & Strategi Ab which evaluated areas such as content, functionality, openness and trustworthiness ranked Outokumpu as number ten among Finnish listed companies. There was also increasing interest from the financial markets regarding sustainability issues. Reports and ratings by analysts provide valuable feedback to Outokumpu also in this regard.

Our shareholders



The two largest shareholders in Outokumpu are the Finnish state (30.8% through Solidium Oy) and the Finnish Social Insurance Institution (8.0%). During the financial year, Outokumpu's share price increased by a moderate 5% with the closing share price at the end of the year at EUR 13.88 and a market capitalisation at EUR 2 540 million. During 2010 the Nasdaq OMX Helsinki index increased by 16%. The still fairly weak market situation for stainless steel, especially in

our home market Europe, resulted in continuous weak financial performance having an impact on Outokumpu's share price development. The dividend of EUR 0.35 per share for 2009 resulted in a total dividend payment of EUR 64 million in 2010. The dividend proposal for 2010 is EUR 0.25 per share with an effective dividend yield of 1.8%. Over the last five years, the dividend payout ratio has been some 65%.

More investor information can be found [here](#).

See a list of analysts covering Outokumpu [here](#).

Indices and initiatives

Outokumpu is included in many indices and initiatives:

- Nasdaq OMX
- DJSI Europe and World
- Kempen SRI
- ASPI Eurozone index
- Carbon Disclosure Leadership Index (CDLI)
- Ethibel Excellence and Ethibel Pioneer Investment Registers
- SAM Sector Mover 2010
- UN Global Compact

Cooperation with local communities is important

Outokumpu is an important member of the community in many of the locations in which the Group has industrial operations. We are a major employer in Avesta, Degerfors, Långshyttan (Kloster) and Storfors in Sweden, in Sheffield in the UK, in New Castle in the US, and in the Kemi-Tornio region in Finland. A continuing dialogue is maintained with community officials and representatives, other commercial companies, and with schools and universities. In addition to joint activities involving the local community, visits to Outokumpu production sites are organised for employees' relatives.

Outokumpu's most significant impacts on local communities include direct and indirect employment as well as environmental and energy issues. These are also key topics in discussions with local community representatives. Emissions from the Group's plants are measured and strictly monitored, and effective corrective action is taken if deviations from permitted limits occur. Both vigilance and a responsive attitude to issues that affect local communities and their concerns are important.

As a large employer, decisions to either invest or close Group operations have a major impact on communities, not only on Outokumpu personnel and their families, but also on local goods suppliers and service providers. Two strategic investment decisions announced in 2010 will have a positive impact on the surrounding districts: the EUR 440 million investment to expand the Group's ferrochrome plant in Tornio, and the EUR 100 million investment to increase stainless quarto plate production capacity in Degerfors. Completion of the ferrochrome plant expansion will result in the addition of some 120 permanent jobs in the Kemi-Tornio region.

The Group's Kemi Mine collaborates with several educational establishments in the training of engineers, miners and supervisors. In Sheffield in the UK, apprenticeships have been offered to local colleges and student placements have been made available in the form of one-year programmes. Outokumpu employees have given presentations in local schools and universities and have worked with local employment agencies to find people jobs. Schoolchildren and local students have been introduced to the Group's working environment through tours and discussions with employees.

Managing impacts on local communities

Traffic loads have an impact on local communities, with the Kemi-Tornio region and Sheffield being good examples. In Sheffield, Outokumpu is located very close to the UK's M1 motorway, so steps are taken to ensure that our operations have minimal impact on this primary transportation route. As the effects associated with the transportation of goods and raw materials can be major, the Group's general logistical arrangements are carefully planned to avoid road congestion and minimise impacts on other road users. In recent years, increased transportation of alloys by rail has had a positive impact in connection with road traffic densities.

In Sheffield in the UK, representatives of the local police force, fire and emergency services and National Health organisations have attended a number of health and safety days organised for Outokumpu's employees. Local stakeholders are also taken into account in the Group's emergency planning.

Communication with employees on sites

Maintaining employee well-being is Outokumpu's aim, and productive dialogue is the key element in achieving this. Avesta, Sheffield and Tornio, Outokumpu's largest industrial sites, have many similarities. In addition to regular meetings with personnel representatives, employees are met once or twice every year or at special events. Daily operational meetings include the reporting of health and safety and environmental issues. Action to resolve these is usually taken immediately after completing a risk assessment. Management team members are encouraged to walk through Group facilities, including production plants, and to converse with employees engaged in manufacturing operations.

Production employees are represented by their unions in plant management discussions at both Avesta and Sheffield. In Avesta, both formal and informal meetings are held at plant level and on site on a regular basis. In the UK, trade union engagement at Outokumpu sites is active, with work on many issues including health and safety, salaries, working hours, shift patterns and other mutually beneficial issues being conducted in close co-operation. Dialogue between the management team and an employee forum, a cross-functional group, takes place monthly. Issues raised are debated and action plans instituted. The Group's 'one team' approach does not distinguish between white-collar and blue-collar workers. Nominated safety and union representatives are able to engage in direct and open dialogue with members of the plant management team. In Tornio, individuals heading large departments are members of the management team. Three personnel representatives are appointed as members of the Board of Directors of the legal entity, Outokumpu Stainless Oy.

Outokumpu's UK sites arrange open days for employees' relatives, enabling them to become familiar with the locations in which their family members work. Quarterly health and safety and well-being sessions are organised for employees and these incorporate family-related aspects of their occupations. Close work with Fitness First Gym, which visits the Group's UK sites on a quarterly basis, reinforces well-being and fitness programmes. At Avesta in Sweden, a recreation committee organises a wide variety of events for both employees and their families such as lectures and family days. Participation in sports such as biking, skiing and swimming is sponsored. At Tornio in Finland, sporting events involving employees' children are organised in both summer and winter. Personnel clubs, which reduce the costs associated with enjoying cultural and other events, are supported.

Networking with industry and business associations

Outokumpu is an active and responsible actor in society. As the world's sixth-largest stainless steel producer, the Group's opinion is voiced in many forums. In 2010, Outokumpu experts and top management continued to maintain effective liaisons with the authorities and numerous organisations. Top management participated in dialogue concerning issues such as the challenges presented by climate change, the global financial situation and the future of the stainless steel business. Juha Rantanen, Outokumpu's CEO, was an active participant in energy-related discussions, especially those regarding energy supply and the issue of nuclear power plants in Finland. He also presented corporate – and particularly Outokumpu's – views on corporate responsibility. Within the Group, comprehension of approaches to corporate responsibility is expanded through active engagement with a variety of companies and organisations.

Outokumpu is a member of international organisations and confederations including the World Economic Forum, Eurofer, EuroInox, EuroSlag and the International Chromium Development Association. Outokumpu is also an associate member of the World Steel Association (worldsteel) and a member of the International Stainless Steel Forum (ISSF), a stainless-steel-specific sub-organisation.

As a member of Eurofer, worldsteel and ISSF, Outokumpu participates in different Policy Groups whose aim is to exert influence in connection with issues such as the global mitigation of greenhouse gas emissions by the iron and steel industry. In these forums, members share best practices, obtain benchmark data relating to, among other subjects, the environment, R&D, product lifecycles, product and chemical safety, and occupational safety. Members also contribute their own data for use in official industry or authority reports such as the *World Steel Association Sustainability Report*.

In Europe, Outokumpu is member of several federations and associations in Finland, France, Germany, Italy, Sweden, The Netherlands and the UK. National cooperation organisations advance industry views and contribute to legislation in Europe through national representatives in EU governing bodies. Outokumpu is also a member of business associations in North America and Australia.

Eurofer and EuroSlag are collaborative organisations within the European iron and steel industry. Outokumpu contributes to Eurofer commercial and trade issues at presidency level, in committees which handle statistics, research and the environment, and in working groups which focus on issues such as climate change, air quality, water and waste. Eurofer conveys opinions to EU governing bodies (the European Commission, the European Parliament and the European Council), and promotes measures such as renewal of the Integrated Pollution Prevention and Control IPPC Directive, the implementation of REACH (the Registration, Evaluation and Authorisation of Chemicals) and continuation of the European Emissions Trading Scheme (EU ETS) after 2013. EuroSlag performs a similar role in issues related to slag and by-products.

Outokumpu is also active in corporate responsibility networks. To develop our expertise in corporate responsibility and improve Group performance, Outokumpu belongs to both the Finnish Business & Society company network and CSR Europe. To combat corruption and bribery, we are a participant in Transparency Finland, a national chapter of Transparency International. Outokumpu is a signatory to the International Chamber of Commerce (ICC) charter, follows and supports the United Nations Global Compact, and is an active member of the UN Global Compact Nordic Network. To demonstrate the Group's support for sustainability, Outokumpu has signed the Worldsteel *Sustainable Development Charter* and the ISSF's *Sustainable Stainless Charter*.

Public sector support, sponsoring activities and NGOs

Outokumpu contributes to the well-being of local, national and international communities through tax payments, through direct and indirect employment and by participating in other societal activities. In 2010, taxes and social security contributions paid by the Group totalled EUR 53 million (2009: EUR 47 million). In 2010, Outokumpu posted a loss and thus also the amount of taxes paid remained low, some EUR 2 million for the financial year (2009 result included some EUR 1 million positive tax). The impact of taxes on societal well-being is both direct and indirect.

Taxes and social dues by country

€ million	2010	2009	2008
Finland	8	10	12
Sweden	27	24	30
Other Europe	15	16	24
Other countries	2	3	0
	53	47	66

Public sector support received

In 2010, Outokumpu received some EUR 0.7 million (2009: EUR 0.7 million) from public sector to support Group research and development of new technologies, products and applications. In addition, in relation to investment in energy efficient centralised district cooling system in Tornio, Finland, Outokumpu was granted EUR 2 million by the Finnish Government.

More information on the investment can be found [here](#).

Grants and community support given

Outokumpu supports higher education and research by donating funds to universities. In 2010 the biggest donation was granted to Aalto University in Finland, amounting to EUR 1 million. Aalto University is a new multidisciplinary science and art community in the fields of science, economics, and art and design. Cooperation with Aalto University offers Outokumpu the chance to harness top-level know-how and a multidisciplinary approach. Aalto's core research fields – materials research and design – will round out Outokumpu's in-house R&D, offering new opportunities for innovation and exchanging know-how. Outokumpu gave a smaller donation also to the University of Lapland in Finland.

Outokumpu is one of the founders of the Technology Industries of Finland Centennial Foundation Fund for the Association of Finnish Steel and Metal Producers, established by five Finnish steel and metal producing companies. The fund was founded to promote university-level research and teaching of technology and business opportunities in metals production. In 2010, the fund awarded grants of some EUR 0.3 million.

As defined in Outokumpu's communications policy, the Group sponsors research and environmental programmes, sporting activities, culture and a variety of events at local level, as well as charity work. We also offer scholarships to students. Organisations that arrange activities for children are supported. In the UK, for example, The 'Help for Heroes' charity event at Sheffield United Football Club raised funds from Outokumpu's internal sources for several local charities,

including Bluebell Wood and the Children's Hospice. In 2010, funds were also donated to victims of the Haiti earthquake. In 2010, new groupwide sponsoring and donations guidelines were prepared. They will be taken into use during 2011.

Total grants and community support in 2010 amounted to some EUR 1.2 million.

Outokumpu does not take part in or otherwise support political activities whether they are local, communal or national. Outokumpu does not make donations to any political parties or groups.

Dialogue with environmental NGOs continued

In 2009, Outokumpu initiated a dialogue with environmental NGOs in Finland. In 2010, the meetings with NGOs continued at corporate level including also a visit to the Tornio Works. Issues that were discussed included the carbon dioxide emissions and electricity sources of Outokumpu. Suggestions that were made from the part of the NGOs included procurement of ecolabel electricity and joining the Green Office environmental programme developed by WWF in Finland. A similar dialogue with NGOs will be started in Sweden.