REMUNERATION POLICY OF THE GOVERNING BODIES OF OUTOKUMPU OYJ

This remuneration policy sets the framework for the remuneration principles of the governing bodies i.e. the Members of the Board of Directors ("Board Members" and the "Board") and the President and Chief Executive Officer ("CEO") in Outokumpu Oyj ("Outokumpu" or the "Company") (the “Remuneration Policy” or “Policy”).

0. PREAMBLE

Outokumpu is a global metal processing company. We have strong roots in the Finnish and Nordic culture and business environment. With these roots, we compete in global metal processing markets with 10,000 employees in about 30 countries, thereof more than 75% outside of Finland, generating 95% of our revenues outside Finland.

As a company we operate in global markets and Helsinki as our Headquarter location competes against highly attractive locations all over Europe and the Globe for people with outstanding talent and experience, who are dedicated to the creation of sustainable value.

Our Remuneration Policy aims to translate our cultural heritage into a remuneration framework that attracts and retains people, who fit our business culture and deliver talent, international experience and attitude that match our long-term business ambitions.

This Policy is presented to the Company’s Annual General Meeting of Shareholders (hereinafter the “AGM”) of the year 2020. This Policy shall be applied until the AGM of the year 2024 unless earlier replaced with a new or revised remuneration policy presented to the AGM.

1. REMUNERATION OF THE BOARD OF DIRECTORS

Main Principles and Purpose

The main element of the Board Members’ compensation in Outokumpu is an annual fee approved by the AGM. The purpose of the annual fee is to sufficiently compensate for the time commitment, knowledge and experience required for the Board Members’ contribution to the Board's work, as well as the level of responsibility they must bear. It should be competitive enough to attract and retain high caliber Board Members with the experience and skills necessary in a company and business of this size and complexity and its global competitive and complex business environment. This enables the Board to set Outokumpu’s strategy and long-term targets and to monitor their implementation. By contributing to the achievement of Outokumpu’s strategic targets, the principles for Board remuneration contribute to Outokumpu’s long-term financial performance and success.

Consideration of the pay and employment conditions of the Company’s Employees

To safeguard the Board Members’ independence in the performance of their duties, they do not participate in the same remuneration or incentive schemes with the executive management and other personnel.

Remuneration Elements

Subject to decision by the AGM, the compensation payable to Board Members is structured as follows:

The AGM decides on the remuneration payable to the Board Members. The remuneration of the Board Members may consist of an annual fee as well as meeting fees paid for each meeting attended. The annual fee may either solely comprise a cash payment or may be split into a component paid in shares of Outokumpu and in cash. Additional or higher compensation may be paid to Board Members based on various grounds,
such as (but not limited to) a specific role or position in the Board such as the role as the Chairman or Vice Chairman of the Board or as the Chairman, Vice Chairman or as a member of a Committee established by the Board, specific tasks designated to individual Board Members or the geographical location of the meeting. The Board Members may be granted a mobile phone benefit. Travel expenses of the Board Members are compensated in accordance with the Company policy.

There shall be no variable remuneration, or any performance-based compensation paid to the Board Members. Neither the above-described possible share element within the annual fee nor possible meeting fees are regarded as variable compensation.

The Board Members are as a main rule not employed by the Company or any company belonging to its group. Thus, the Board Members are not eligible for any employment related salaries or pension schemes.

2. REMUNERATION OF THE CEO

Main Principles and Purpose

Outokumpu has adopted a compensation philosophy which includes shareholder value creation as the underlying focus of the reward strategy, business strategy aligned incentives, pay for performance and competitive remuneration. Incentive plans have the emphasis on absolute performance to ensure that management achieves its goals and relative performance to encourage Outokumpu to perform ahead of its peers. In line with the pay-for-performance principle, exceptional performance should provide correspondingly higher rewards.

Consideration of the pay and employment conditions of the Company’s Employees

Outokumpu applies the following underlying remuneration principles to all individuals serving in its group, including the CEO:

- Remuneration at Outokumpu must be transparent and fair: Adequate awareness of the factors that affect remuneration and of salary structure, enabling all employees to verify that their own remuneration is equitable and to know what they can do to earn more.
- Outokumpu’s intent is to provide a competitive base salary for all employees, that is a market level salary for fully competent and experienced job holders in the relevant market.
- Outokumpu strives to pay for performance: Rewards should be differentiated based on the employees’ performance in the position both in terms of salary increases and variable pay.
- Outokumpu commits to non-discrimination and sets pay levels independently of gender, transgender identity or expression, ethnic origin, religion or other profession of faith or age.

Remuneration Elements

The Remuneration payable to the CEO may contain compensation elements described below. If Outokumpu decides to nominate a deputy to the CEO, the same principles of remuneration of the CEO described in this Policy shall for the applicable part apply to the remuneration of the CEO’s deputy.

Base salary: The fixed monthly salary is defined as a gross salary which includes the taxable benefits. The base salary is reviewed annually, as part of the review of the CEO’s total compensation package. The CEO is entitled to holiday allowance in accordance with the Company’s prevailing policy.

Benefits: The CEO is entitled to benefits following the applicable Company policy as may be amended from time to time such as for example mobile phone, company car and housing benefits and insurance policies.

Pension: The Company may operate a defined contribution pension plan for the CEO with an annual insurance premium calculated based on annual earnings, including base salary, fringe benefits and actual short-term
Incentive payment but excluding share rewards. It may be agreed with the CEO that he/she is entitled to retire at the age of 63 at the earliest. Supplementary pension rights are assessed based on payments.

Incentives: The CEO is eligible for participating in Outokumpu’s short-term incentive (STI) and long-term incentive (LTI) plans as in detail decided by the Board.

STI serves as an annual bonus plan. The measures and targets applicable to the STI (and the different weightings ascribed to each of them) are set annually by the Board to ensure they are relevant to the CEO’s position and take account of the most up-to-date business plan and strategy on an annual basis.

The LTI plans for the CEO may at the Board’s choice include one or several plan structures such as, but not limited to, performance share plan structures. The performance criteria may include measures linked to group level long-term strategic priorities, performance against competitors, relative or absolute shareholder return and shareholder value creation, and other performance measures. Measures are assessed by the Board and may vary year-on-year.

The CEO’s incentive earning opportunity is set on a market-competitive level. The variable pay practice followed by Outokumpu, in accordance with the prevailing market practice, is that the higher up in the organization the job position is, the higher the variable pay proportion of the total earning opportunity is. This follows the pay-for-performance principle with no guaranteed minimum pay based on incentives. If the performance on the measures set for the incentive is good or outstanding, the earning based on incentives may have a significant weight in the CEO’s total compensation. The CEO’s variable pay consists of STI and LTI. The STI is capped at 100% of the annual base salary. The LTI is capped at 150% of the annual base salary at the time of vesting. Additionally, the CEO may also be eligible for time-based share awards such as restricted shares and matching shares which require a personal investment by the CEO in Outokumpu shares.

Following the end of the respective performance period, the Board reviews the STI and LTI performance, determines the extent to which each of the targets have been achieved and determines the final pay-out level.

The Board has discretion to vary the measures and weightings of STI and LTI during the plan period if events arise which mean that it would be inappropriate to continue with the originally prescribed structure and measures. The Board expects that this discretion will only be exercised in exceptional circumstances and not to make the incentive scheme less demanding than when it was originally set.

Share ownership guideline: Outokumpu adheres to a shareholding recommendation for the CEO. The CEO should accumulate and, once achieved, hold a shareholding in Outokumpu corresponding to his/her annual gross base salary. The shareholding is expected to be accumulated out of rewards received under the share-based incentive schemes of Outokumpu.

Withholding and clawback of rewards: The Board may be entitled to withhold, postpone or reject the payment of unvested incentive rewards in certain exceptional or substantially changed circumstances.

In exceptional cases of individual gross misconduct which has caused a misstatement of the financials based on which the performance measures have been set or the performance has been measured, the Board is entitled to cancel entitlement to the incentive reward or claim back and recover the reward already paid (clawback).

Notice period and severance pay: The CEO’s period of notice may be maximum six months, for both the Company and the CEO. It may be agreed that the CEO is entitled to a total maximum of 12 months’ severance pay upon the termination of the CEO’s service.

Previously agreed or granted Awards: The Board reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed prior to the presentation of this Policy to the AGM.
3. **Decision-making Procedure in Remuneration Related Matters**

The decision-making procedure in the Board’s and CEO’s remuneration in Outokumpu involves the AGM, the Shareholders’ Nomination Board, the Board of Directors and the Remuneration Committee of the Board.

**Decision-making with regard to the Policy, Board and CEO Remuneration and the Remuneration Report:** The Remuneration Committee prepares, and the Board submits a proposal for the Policy for AGM approval at least every four years. The Shareholders’ Nomination Board submits a proposal concerning the remuneration payable to the Board of Directors for AGM approval annually. Based on preparation of the Remuneration Committee the Board decides on the CEO’s remuneration and incentives which shall be in accordance with the Policy presented to AGM. The remuneration report on the materialized remuneration of the Board and the CEO is prepared by the Remuneration Committee and is presented by the Board to the AGM annually starting in 2021.

Decision-making for the payment of remuneration in the form of shares of Outokumpu to the Board Members shall be as described above in connection with Board remuneration. Decision-making on share-based incentives for the CEO shall be as described above in connection with CEO remuneration except that the actual payment shall either be based on a decision of the AGM or on an authorization granted by the AGM to the Board (based on a proposal submitted by the Board).

**Decision-making in reviewing the Implementation of the Policy:** The Shareholders’ Nomination Board, which prepares the Board remuneration proposals to AGM, annually reviews and evaluates how this Policy has been implemented with regard to the Board. Based on preparation by the Remuneration Committee, the Board regularly reviews and evaluates how this Policy has been implemented with regard to the CEO’s remuneration.

The review carried out by both the Shareholders’ Nomination Board and the Remuneration Committee considers benchmarking of the different components of remuneration to the market practices and competitive levels in corresponding positions in the relevant peer group in a global context. The results of the review of the implementation and materialization of the Policy are presented in the remuneration report which is annually presented to the AGM and published.

4. **Measures for the Avoidance and Management of Conflicts of Interest**

The governance principles and decision-making procedures in remuneration matters followed by Outokumpu aim also at preventing and managing conflicts of interest. No corporate body or individual may decide on remuneration payable to it or to him-/herself or participate in the decision on remuneration in a situation where the individual’s own interest is otherwise in conflict with Outokumpu’s interest.

The Remuneration Committee shall consist of non-executive Board members only. As regards the remuneration of the Board of Directors, the Chairman of the Board of Directors, who acts as an expert member of the Shareholders’ Nomination Board, does not take part in the preparation of or decision-making in matters in the Shareholders’ Nomination Board which concern Board remuneration.

If the Remuneration Committee or any other corporate body retains external advisors in the preparation of remuneration related issues, the advisor may not at the same time be engaged by Outokumpu’s operative management in a manner which would constitute a conflict of interests with the first-mentioned mandate. Outokumpu observes the rules set in the Finnish Companies Act and the Finnish Corporate Governance Code which stipulate governance procedures and rules for the avoidance of conflicts of interest.

5. **Deviation from this Policy**

If the continued adherence to the Policy would in the opinion of the Shareholders’ Nomination Board (with respect to Board remuneration) or the Board (with respect to CEO remuneration), after careful consideration, not be appropriate or well-grounded in the following circumstances and on the following grounds, Outokumpu may temporarily deviate from this Policy in order to safeguard its long-term interests. In the assessment of its long-term interest Outokumpu may among other aspects take into account its long-term financial success and
performance, its competitiveness, safeguarding the undisturbed continuation of its business and the undisturbed implementation of its business strategy and financial targets and the development of the shareholder value.

Among the grounds for a temporary deviation from this Policy may be (provided that the ground occurs after this Policy was presented to the AGM) a **structural change** (change in Outokumpu’s corporate, group or business structure or a material change in Outokumpu’s ownership structure), a **personnel change** (such as personnel changes in the Board or in the top management of Outokumpu or the need to recruit a new director), other **exceptional or unexpected event** or materially changed circumstances in Outokumpu or in its business or operating environment or a material change in Outokumpu’s **strategy or business plan**, material change in Outokumpu’s **financial position** or outlook, **regulatory** or judicial changes, changes in governmental or administrative orders or in **taxation** or taxation practice or other change or circumstances not specified above if it is after careful consideration deemed that a deviation is necessary or advisable in order to safeguard Outokumpu’s long-term interests or sustainability such as, without limitation, in order to ensure the continuity of the Company’s management.

The temporary deviation from this Policy may in the Board’s full discretion concern any and all the elements of this Policy and of payable remuneration, including, but not limited to, the amount, type, elements and conditions of payable remuneration and the terms applied thereto. Where necessary in case of the recruitment of a new CEO, additional benefits may also be provided such as, but not limited to, relocation support and expatriate allowance and other benefits which reflect local market practice and relevant legislation.

The procedure to be followed in the deviation from this Policy shall be the same as the decision-making procedure described above. If the deviation concerns Board remuneration, the decision-making may involve an annual or extraordinary shareholder meeting as applicable in the individual circumstances. The deviation and its grounds shall be reported in the next annual Remuneration Report and presented to the next AGM.