

# Governance 2019

Outokumpu's Corporate Governance statement includes information on the Group's governance principles as well as remuneration and risks.

# Corporate Governance Statement 2019

## Regulatory and structural framework

Outokumpu Oyj, the Group's parent company, is a public limited liability company, listed on Nasdaq Helsinki and incorporated and domiciled in Finland. In its corporate governance and management, Outokumpu Oyj complies with the laws and regulations applicable to Finnish public companies, the company's Articles of Association and the Corporate Governance Policy approved by the company's Board of Directors.

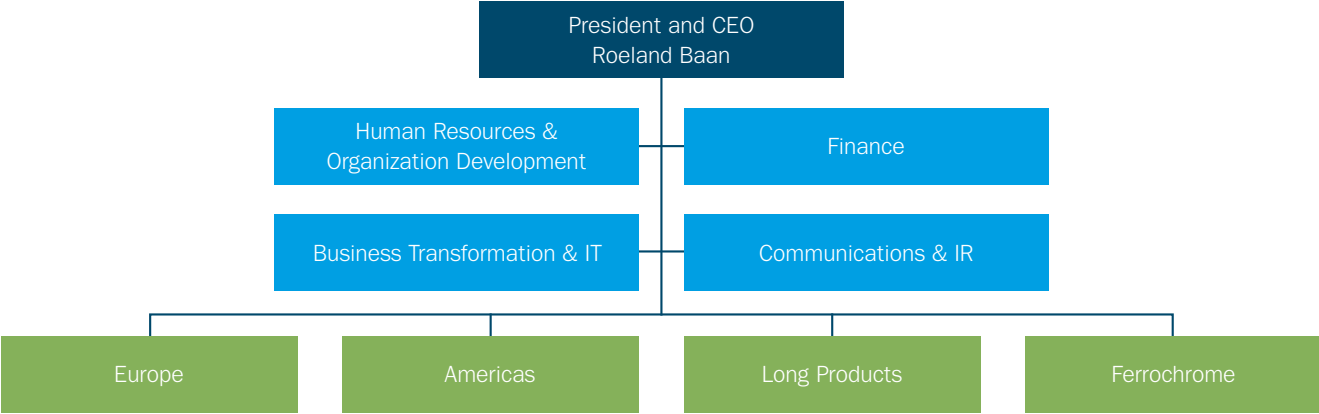
Outokumpu Oyj follows the [Finnish Corporate Governance Code](#), effective as of January 1, 2020. The Finnish Corporate Governance Code is issued by the Finnish Securities Market Association and adopted by Nasdaq Helsinki.

The governing bodies of the parent company Outokumpu Oyj, i.e. the General Meeting of Shareholders, the Board of Directors, and the President and Chief Executive Officer (CEO), have the

ultimate responsibility for the management and operations of the Outokumpu Group ("the Group"). The Outokumpu Leadership Team members report to the CEO and support and assist the CEO in the efficient management of the Group's operations. The latest Corporate Governance Statement and other updated corporate governance information can be found on the [Group's Corporate Governance website](#).

The General Meeting of Shareholders convenes at least once a year. Under the Finnish Companies Act, certain important decisions such as the amendments to the Articles of Association, approval of financial statements, increases or decreases of share capital, decisions on dividends, and election of the Board of Directors and auditors, fall within the exclusive domain of the General Meeting of Shareholders.

### Organization structure



## Composition and operations of the Board of Directors December 31, 2019

### Chairman of the Board of Directors



b. 1956, Finnish citizen  
M.Sc. (Econ.), Vuorineuvos (Finnish honorary title)  
Outokumpu Board member 2018–  
Chairman of the Board 2018–  
Chairman of the Remuneration Committee

#### Work experience

CEO: Metsäliitto Cooperative 2004–2017  
President and CEO: Metsä Group 2006–2018  
Chairman, Metsä Board Corporation 2005–2018  
Chairman, Metsä Fibre Oy 2006–2017  
Chairman, Metsä Tissue Corporation 2004–2017

#### Positions of trust

Vice Chairman of the Board of Directors: Nordea Bank Abp 2019–  
Vice Chairman of the Board: Nokian Tyres Plc 2018–  
Chairman of the Supervisory Board: Varma Mutual Pension Insurance Company 2015–2019  
Chairman of the Board: Finland Chamber of Commerce 2012–2016  
Member of the Board (2005–2017), Vice Chairman of the Board (2005–2008, 2014–2017) and Chairman of the Board (2009–2011): Finnish Forest Industries Federation  
Member of the Board (2005–2016) and Vice Chairman of the Board (2009–2011, 2013–2014): Confederation of Finnish Industries (EK)

Independent of the company and its significant shareholders.

### Vice Chairman of the Board 2019



b. 1962, Finnish citizen  
M.Sc. (Econ.), MBA (Harvard)  
Outokumpu Board member 2012–  
Vice Chairman of the Board 2019–  
Member of the Remuneration Committee

#### Work experience

President and CEO: Posti Group Corporation (formerly Itella Corporation) 2012–2019  
President and CEO: Pöyry PLC 2008–2012  
Executive Vice President, Strategy, member of the UPM Executive Team:  
UPM-Kymmene Corporation, 2006–2008

#### Positions of trust

Chairman: Realia Group 2017–  
Vice Chairman 2016–2018 and Board member: Service Sector Employers PALTA 2013–2019  
Board member: East Office of Finnish Industries 2012–2019  
Independent of the company and its significant shareholders.



b. 1968, Finnish citizen  
M.Sc. (Marketing), MBA (International Business)  
Outokumpu Board member 2016–  
Member of the Audit Committee

#### Work experience

Executive Vice President, Head of Stora Enso Paper, member of the Group Leadership team 2014–  
Senior Vice President, Paper Sales, Printing and Living: Stora Enso 2013–2014  
Senior Vice President, Office Paper Sales, Printing and Reading: Stora Enso 2012–2013

#### Positions of trust

Board member: Climate Leadership Coalition 2019–  
Vice Chairman (2019–) and board member: EURO-GRAPH asbl 2017–  
Board member: Finnish Forest Industries Federation 2015–

Independent of the company and its significant shareholders.



**Eeva Sipilä**

Chairman of the Audit Committee

b. 1973, Finnish citizen  
M.Sc. (Econ.), CEFA  
Outokumpu Board member 2017–  
Chairman of the Audit Committee

**Work experience**

Chief Financial Officer and Deputy to the CEO: Metso Corporation 2016–  
Executive Vice President and Chief Financial Officer: Cargotec Corporation 2008–2016  
Senior Vice President, Investor Relations and Communications: Cargotec Corporation 2005–2008

Independent of the company and its significant shareholders.



**Vesa-Pekka Takala**

Member of the Audit Committee

b. 1966, Finnish citizen  
M.Sc. (Econ.)  
Outokumpu Board member 2019–  
Member of the Audit Committee

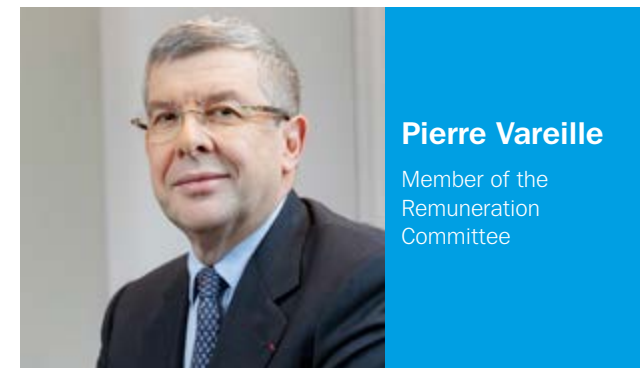
**Work experience**

Deputy Managing Director: Metsäliitto Cooperative 2017–  
Chief Financial Officer (CFO): Metsä Group 2010–  
Chief Financial Officer (CFO) and Substitute to CEO, Member of the Group Executive Committee:  
Outotec Oyj 2009–2010

**Positions of trust**

Board member: Metsä Tissue Oy 2018–  
Board member: Metsä Spring Oy 2018–  
Chairman of the Board: Metsä Group Treasury Oy 2013–  
Board member, the Economy and Tax Committee: Finnish Forest Industries 2017–  
Member of the Delegation: the Helsinki School of Economics Foundation 2014–

Independent of the company and its significant shareholders.



**Pierre Vareille**

Member of the Remuneration Committee

b. 1957, French citizen  
Knight of the Legion of Honour in July 2003  
M.Sc. (Ecole Centrale Paris), BA (Econ.) (Sorbonne University),  
Degree in Controlling and Finance (Institut de Contrôle de Gestion)  
Outokumpu Board member 2018–  
Member of the Remuneration Committee

**Work experience**

Chairman and CEO 2012–2013 and CEO 2013–2016:  
Constellium  
Chairman of the Board and CEO: FCI SA 2008–2012  
Chief Operating Officer: FCI SA 2007–2008

**Positions of trust**

Chairman of the Board: Société Bic SA 2018–  
Board member 2015– and member of the Audit Committee (2018–2019) and the Nomination and Compensation Committee 2019: Verallia  
Founder and Co-President: The Vareille Foundation 2014–  
Member of the Strategic Committee: CentraleSupelec 2008–2019

Independent of the company and its significant shareholders.



b. 1958, British citizen  
BA (hons) History  
Outokumpu Board member 2019–  
Member of the Audit Committee

**Work experience**

Director, Global Chassis Purchasing, Ford Motor Company 2016–2018  
Director, Global Power Train Components Purchasing, Ford Motor Company 2012–2016  
Director, Ford of Europe Program Purchasing, Ford Motor Company 2005–2011

**Positions of trust**

Member of the Advisory Board: Nexcel, a BP/Castrol automotive technology start-up company 2019–  
Independent of the company and its significant shareholders.

Additional information on work experience and positions of trust to be found on the Company’s website [🔗](#)

The Board assesses the independence of the Board members and records the outcome in the Board minutes. All members of the Board of Directors on December 31, 2019 were independent of the company and its significant shareholders.

**Outokumpu shares and share-based rights (parent and subsidiaries) owned by each director and their controlled corporations on December 31, 2019.**

Board member	Number of shares
Kari Jordan	122,474
Heikki Malinen	45,459
Kati ter Horst	23,375
Eeva Sipilä	24,823
Vesa-Pekka Takala	9,225
Pierre Vareille	34,206
Julia Woodhouse	9,225
<b>Total</b>	<b>268,787</b>

**Operations and appointment of the Board of Directors**

The general objective of the Board of Directors is to direct Outokumpu’s business and strategies in a manner that secures a significant and sustained increase in the value of the company for its shareholders. To this end, the members of the Board are expected to act as a resource and to offer their expertise and experience for the benefit of the company. The tasks and responsibilities of the company’s Board of Directors are determined on the basis of the Finnish Companies Act as well as other applicable legislation.

The Board of Directors has general authority to decide and act in all matters not reserved for other corporate governance bodies by law or under the provisions of the company’s Articles of Association. The general task of the Board of Directors is to organize and oversee the company’s management and operations and it has the duty at all times to act in the best interest of the company.

The Board of Directors has established the rules of procedure that define its tasks and operating principles in the [Charter of the Board of Directors](#). The main duties of the Board of Directors are as follows:

**With respect to directing the company’s business and strategies:**

- Decide on Outokumpu’s strategy and the long-term targets of the Outokumpu Group (the “Group”) and monitor their implementation;
- Decide on annual business plans and monitor their implementation;
- Decide on annual limits for the Group’s capital expenditure, monitor related implementation, review performance and decide on changes;
- Decide on any major and strategically significant investments and monitor their implementation;
- Decide on any major and strategically important business acquisitions and divestments and monitor their implementation;
- Decide on any significant financing arrangements;
- Decide on any other commitments by any of the Group companies that are out of the ordinary either in terms of value or nature, taking into account the size, structure, and field of the Group’s operations.

**With respect to organizing the company’s management and operations:**

- Nominate and dismiss the CEO and his/her deputy, if any, monitor his/her performance and to decide on the CEO’s terms of service, including incentive schemes, on the basis of a proposal made by the Board’s Remuneration Committee;
- Nominate and dismiss the members of the Outokumpu Leadership Team and to define their areas of responsibility based on a proposal by the Board’s Remuneration Committee;

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- Monitor the adequacy and allocation of the Group's top management resources;
- Decide on any significant changes to the Group's business organization;
- Decide on the Group's ethical values and modes of activity;
- Ensure that policies outlining the principles of corporate governance are in place;
- Ensure that policies outlining the principles of managing the company's insider issues are being observed;
- Ensure that the company has guidelines for any other matters that the Board deems necessary and that fall within the scope of the Board's duties and authority.

### With respect to the preparation of matters to be resolved by the General Meetings of Shareholders:

- Establish a dividend policy and issue a proposal on dividend distribution;
- Make a proposal to the Annual General Meeting concerning the election of an external auditor and auditing fees;
- Make other proposals to General Meetings of Shareholders.

### With respect to financial control and risk management:

- Discuss and approve interim reports, statements, and annual accounts;
- Monitor significant risks related to the Group's operations and the management of such risks;
- Ensure that adequate policies for risk management are in place;
- Monitor financial position, liquidity, and debt maturity structure;
- Monitor and assess how agreements and other legal acts between the company and its related parties meet the requirements of the ordinary course of business and arm's length terms;
- Monitor the Group's control environment;
- Reassess its activities on a regular basis.

The Board of Directors shall have a quorum when more than half of its elected members are present. A decision by the Board of Directors shall be the opinion supported by more than half of the members present at a meeting. In the event of a tie, the Chairman shall have the casting vote.

The Annual General Meeting elects the Chairman, the Vice Chairman and the other members of the Board of Directors for a term expiring at the close of the following Annual General Meeting. The entire Board of Directors is, therefore, elected at each Annual General Meeting. A Board member may be removed from office at any time by a resolution passed by a General Meeting of Shareholders. Proposals to the Annual General Meeting concerning the election of Board members that have been made known to the Board of Directors prior to the Annual General Meeting will be made public if such a proposal is supported by shareholders holding a minimum of 10% of all the company's shares and voting rights and the person being proposed has consented to such nomination.

Under the company's Articles of Association, the Board shall have a minimum of five and a maximum of twelve members. A Board consisting of 7 members was elected at the 2019 Annual General Meeting. The Board of Directors meets at least five times each year. In 2019, the Board of Directors had 10 meetings, and the average attendance rate was 100%.

### Breakdown of individual attendance at Board meetings

10 meetings in 2019	Attendance
Kari Jordan	10/10
Heikki Malinen	10/10
Olli Vaartimo until March 27, 2019	1/1
Kati ter Horst	10/10
Eeva Sipilä	10/10
Vesa-Pekka Takala, from March 27, 2019	9/9
Pierre Vareille	10/10
Julia Woodhouse, from March 27, 2019	9/9

### Diversity principles of the Board of Directors

Diversity of the Board of Directors supports the vision and long-term objectives of the Group. Outokumpu recognizes the importance of a diverse Board, taking age, educational and international background, professional expertise, experience from relevant industrial sectors as well as a well-balanced gender representation into account. The Shareholders' Nomination Board shall take the Diversity Principles into consideration when preparing its proposals to the Annual General Meeting and the progress in achieving set objectives shall be disclosed annually. The objective of a well-balanced Board structure in terms of gender representation was achieved in 2019.

The review by the Board of Directors is found on p. 2 in the section Review by the Board of Directors and Financial statements.

### Composition and operations of the Board committees

The Board of Directors has set up two permanent committees consisting of Board members and has confirmed the rules of procedure for these committees. Both committees report to the Board of Directors.

#### Audit Committee

The Audit Committee consists of a minimum of three Board members. At least one of the Committee members shall have an appropriate education and special expertise in corporate finance, accounting or auditing. The rules of procedure for and responsibilities of the Audit Committee have been established in the [Charter of the Audit Committee](#) approved by the Board of Directors. The task of the Audit Committee is, in greater detail than is possible for the Board as a whole, to deal with matters relating to financial reports and statements, the company's financial position, auditing work, fees paid to the auditors, internal controls and compliance matters, the scope of internal and external audits, the Group's tax position, the Group's financial policies and other procedures for managing Group risks. In addition, the Audit Committee prepares a

## Corporate Governance statement

recommendation to the Board of Directors concerning the election of an external auditor and auditing fees at a General Meeting. The Audit Committee met five times during 2019, and the average attendance rate was 100%.

### Breakdown of individual attendance at Audit Committee meetings

5 meetings in 2019	Attendance
Olli Vaartimo, until March 27, 2019	1/1
Eeva Sipilä	5/5
Kati ter Horst	5/5
Vesa-Pekka Takala, from March 27, 2019	4/4
Julia Woodhouse, from March 27, 2019	4/4

### Remuneration Committee

The Remuneration Committee consists of the Chairman of the Board and a minimum of two additional Board members. The rules of procedure for and responsibilities of the Remuneration Committee have been established in the [Remuneration Committee Charter](#) approved by the Board of Directors. The tasks of the Remuneration Committee are to discuss and prepare recommendations to the Board regarding new nominations in and compensation principles applicable to the Group's executive and senior management. The Board of Directors has authorized the Remuneration Committee to determine the terms of service and benefits enjoyed by the Outokumpu Leadership Team members other than the company's CEO. The Remuneration Committee prepares the remuneration policy and the remuneration report for the company's governing bodies. The Remuneration Committee met 8 times during 2019, and the average attendance rate was 100%.

### Breakdown of individual attendance at Remuneration Committee meetings

8 meetings in 2019	Attendance
Kari Jordan	8/8
Heikki Malinen	8/8
Pierre Vareille	8/8

### Temporary Working groups

To handle specific tasks, the Board of Directors can also set up temporary working groups consisting of Board members. These working groups report to the Board of Directors. No temporary working groups were set up in 2019.

## Shareholders' Nomination Board

Outokumpu's Annual General Meeting in 2012 resolved to establish a Shareholders' Nomination Board to annually prepare proposals to the Annual General Meeting for the election, composition, and compensation of the members of the Board of Directors.

The Annual General Meeting has adopted a [Charter of the Shareholders' Nomination Board](#), last revised in 2019, which regulates the nomination and composition, and defines the tasks and duties of the Nomination Board.

The Nomination Board consists of five members. Four of the members represent the Company's four largest shareholders and the Chairman of the Company's Board of Directors, in his capacity as an expert member, acts as the fifth member of the Nomination Board.

The representatives of the four largest shareholders of the Company are annually appointed to the Nomination Board. The largest shareholders of the Company are determined on the basis of the shareholders' register of the Company and the ownership situation at the closing of Nasdaq Helsinki's last trading day in August. The Company's shareholders' register only consists of shareholders who are directly registered in the Finnish book-entry system. Accordingly, to be eligible for membership in the Nomination Board, a nominee-registered shareholder needs to register the respective shareholding directly in the Finnish book-entry system for at least the said date.

In case a shareholder, who under the Finnish Securities Markets Act has an obligation to announce changes in its shareholdings and to sum up its holdings together with the holdings of certain other parties when doing so (flagging obligation), presents no later than on August 31 a written request to that effect to the Chairman of the Company's Board of Directors, then the holdings of such shareholder and other parties shall be summed up for the purposes of determining the holdings of the largest shareholders.

In case two or more shareholders own an equal number of shares and, as a consequence, the four largest shareholders cannot be determined, the status of these shareholders among the four largest shareholders shall be resolved by drawing lots.

The Chairman of the Board of Directors shall request the four largest shareholders of the Company each to nominate one member to the Nomination Board. Should a shareholder wish not to use its nomination right, the right transfers to the next largest shareholder who would otherwise not have a nomination right.

The term of office of the members of the Nomination Board expires annually when a new Nomination Board has been appointed. A shareholder may change its representative in the Nomination Board mid-term, should there be a weighty cause for such a change.

Decisions of the Nomination Board shall be unanimous. If unanimity cannot be reached, members of the Nomination Board shall present their own proposals to the Annual General Meeting individually or jointly with other members of the Nomination Board.

Shareholders with the right to appoint representatives to the Nomination Board in 2019 were Solidium Oy, Varma Mutual Pension Insurance Company, the Social Insurance Institution of Finland and Ilmarinen Mutual Pension Insurance Company. These shareholders nominated the following individuals as their representatives in the Nomination Board: Antti Mäkinen, Managing Director of Solidium Oy; Pekka Pajamo, CFO of Varma Mutual Pension Insurance Company; Jouko Pölönen, President and CEO of Ilmarinen Mutual Pension Insurance Company and Tuula Korhonen, Investment Manager of the Finnish Social Insurance Institution. Antti Mäkinen was elected Chairman of the Nomination Board, and Kari Jordan, Chairman of the Outokumpu Board of Directors, served as an expert member. The Nomination Board convened twice, and the attendance rate was 100%. The Nomination Board has submitted its proposals regarding the Board composition and director compensation to Outokumpu's Board of Directors, and the Board has

incorporated these proposals into the notice convening the Outokumpu 2020 Annual General Meeting of Shareholders.



## Executive Management

Biographical details of the CEO and the Leadership Team on December 31, 2019



**Roeland Baan**

President and Chief Executive Officer

b. 1957, Dutch citizen  
M.Sc. (Econ.)  
President and Chief Executive Officer 2016–  
Chairman of the Outokumpu Leadership Team 2016–  
Responsibility: Group management; Business area Ferrochrome;  
legal, corporate affairs and compliance; safety; health; and  
internal audit  
Employed by Outokumpu Group since 2016

### Work experience

President – Business area Europe: Outokumpu Oyj 2016–2017  
Executive Vice President and CEO: Aleris Europe and Asia  
2013–2015  
Executive Vice President and CEO, Global Rolled and Extruded  
Products: Aleris 2011–2013  
Executive Vice President and CEO, Europe and Asia: Aleris  
2008–2011

### Positions of trust

Board member: Norsk Hydro ASA 2019–2020  
Supervisory Board member: SBM Offshore N.V. 2018–  
Board member 2016– and Vice Chairman 2017–: International  
Stainless Steel Forum  
Board member: World Steel Association 2016–  
Board member 2015– and member of the Executive Committee  
2018–: Eurofer



**Pia  
Aaltonen-Forsell**

Chief Financial Officer

b. 1974, Finnish citizen  
M.Soc.Sc. (Econ.)  
Chief Financial Officer 2019–  
Member of the Outokumpu Leadership Team 2019–  
Responsibility: Financial and business controlling and analysis;  
taxation; treasury; metal and risk management; global business  
services  
Employed by Outokumpu Group since 2019

### Work experience

Executive Vice President & CFO: Ahlström-Munksjö 2018  
Chief Financial Officer: Munksjö 2015–2017  
Chief Financial Officer: Vacon 2013–2015

### Positions of trust

Board member (2017–) and Audit Committee Chair (2018–):  
Uponor



**Maciej Gwozdz**

President – Business area Europe

b. 1975, Polish citizen  
Executive MBA, M.Sc. (Econ.)  
President – Business area Europe 2018–  
Member of the Outokumpu Leadership Team 2016–  
Responsibility: Business area Europe; Global R&D and  
Operational Excellence  
Employed by Outokumpu Group since 2016

### Work experience

Executive Vice President – Operations, Europe: Outokumpu Oyj  
2016–2017  
Senior Vice President, Steering Europe: ZF Friedrichshafen AG  
2016  
Vice President, Steering Europe: TRW Automotive/ZF Group  
2013–2016

### Positions of trust

Board member: Oras Group 2019–



**Olli-Matti Saksi**

President – Americas

b. 1967, Finnish citizen  
M.Sc. (Eng.)  
President – Americas 2019–  
Member of the Outokumpu Leadership Team 2014–  
Responsibility: Business area Americas  
Employed by Outokumpu Group since 2013

**Work experience**

Chief Commercial Officer, Outokumpu Oyj 2018–2019  
Executive Vice President – Sales, Europe, Outokumpu Oyj  
2016–2019  
President – EMEA: Outokumpu Oyj 2014–2016



**Kari Tuutti**

President – Business  
area Long Products &  
Group Sustainability

b. 1970, Finnish citizen  
M.Sc. (Econ.)  
President – Business area Long Products 2014– & Group  
Sustainability 2019–  
Member of the Outokumpu Leadership Team 2012–  
Responsibility: Business area Long Products; Group  
Sustainability  
Employed by Outokumpu Group since 2011

**Work experience**

Executive Vice President – Marketing, Communications and  
Sustainability: Outokumpu Oyj 2012–2014  
Senior Vice President – Marketing, Communications and IR:  
Outokumpu Oyj 2011–2012  
Director, Marketing Creation: Nokia 2009–2011

**Positions of trust**

Board member: Technology Industries of Finland 2019–  
Board member: Association of Finnish Steel and Metal  
Producers 2019–



**Liam Bates**

Executive Vice  
President – Supply Chain  
Management, Business  
area Europe

b. 1971, British citizen  
B.Sc. hons Economics, MBA  
Executive Vice President – Supply Chain Management, Business  
area Europe 2016–  
Member of the Outokumpu Leadership Team 2015–  
Responsibility: Supply chain management in Business area  
Europe  
Employed by Outokumpu Group since 1993

**Work experience**

President – Quarto Plate: Outokumpu Oyj 2015–2016  
Senior Vice President – Quarto Plate Europe: Outokumpu  
Stainless AB 2014–2015  
Vice President – Mergers & Acquisitions: Outokumpu Oyj  
2012–2014



**Jan Hofmann**

Executive Vice President – Business Transformation & IT

b. 1979, German citizen  
M.Sc. (Econ.)

Executive Vice President – Business Transformation & IT 2016–  
Member of the Outokumpu Leadership Team 2015–  
Responsibility: Business transformation and IT  
Employed by Outokumpu Group since 2012

**Work experience**

President – APAC: Outokumpu Oyj 2015–2016  
Chief Financial Officer – APAC: Outokumpu Oyj 2015  
Senior Vice President – Group Strategy and Business Excellence: Outokumpu Oyj 2012–2014



**Reeta Kaukiainen**

Executive Vice President – Communications and Investor Relations

b. 1964, Finnish citizen  
M.Sc. (Soc.)

Executive Vice President – Communications and Investor Relations 2017–  
Member of the Outokumpu Leadership Team 2017–  
Responsibility: Communications, investor relations and marketing  
Employed by Outokumpu Group since 2017

**Work experience**

Marketing & Communications Country Lead: Accenture Oy 2016–2017  
Senior Vice President, Communications: Metsä Group 2012–2015  
Vice President, Communications and Investor Relations: Tieto Corporation 2007–2012



**Johann Steiner**

Executive Vice President – Human Resources and Organization Development

b. 1966, German citizen  
M.Sc. (Econ.)

Executive Vice President – Human Resources and Organization Development 2016–  
Member of the Outokumpu Leadership Team 2013–  
Responsibility: Human resources and organization development  
Employed by Outokumpu Group since 2013

**Work experience**

Executive Vice President – Human Resources, IT, Health and Safety: Outokumpu 2013–2016  
Executive Vice President – Human Resources and Health, Safety and Sustainability: Outokumpu Oyj 2013  
Group HR Director: SAG Group GmbH 2012

Additional information on work experience and positions of trust to be found on the Company's website [🔗](#)

**Outokumpu shares and share-based rights (parent or subsidiaries) owned by the CEO and Leadership Team members and his/her controlled corporations on December 31, 2019**

Member of the Leadership Team	Number of shares
Roeland Baan	1,237,567
Pia Aaltonen-Forsell	0
Liam Bates	130,295
Maciej Gwozdz	189,313
Jan Hofmann	132,262
Reeta Kaukiainen	0
Olli-Matti Saksi	285,856
Johann Steiner	143,475
Kari Tuutti	166,579
<b>Total</b>	<b>2,285,347</b>

More information on compensation can be found on p. 22 in this Governance section and in the separate Remuneration statement.

**CEO and deputy to the CEO**

The President and Chief Executive Officer (CEO) is responsible for the company’s operational management, in which the objective is to secure significant and sustainable growth in the value of the company for its shareholders.

The CEO prepares decisions and other matters for the meetings of the Board of Directors, develops the Group’s operations in line with the targets agreed with the Board of Directors, and ensures the proper implementation of Board decisions. The CEO is also responsible for ensuring that the existing legislation and applicable regulations are observed throughout the Group.

The CEO chairs the meetings of the Outokumpu Leadership Team. The deputy to the CEO is responsible for attending to the CEO’s duties in the event that the CEO is prevented from doing so. Until February 28, 2019, the Group’s Chief Financial Officer acted as deputy to the CEO. Currently, no deputy to the CEO has been appointed.

**Leadership Team**

The Outokumpu Leadership Team assists the CEO in the overall management of Outokumpu’s business. The members of the team have extensive authorities in their individual areas of responsibility, and their duty is to develop the Group’s operations in line with the targets set by the Board of Directors and the CEO. At the end of 2019, the members of the Outokumpu Leadership Team held the following positions:

- President and Chief Executive Officer (group management, business area ferrochrome, legal, corporate affairs and compliance, safety, health and; internal audit)
- Executive Vice President – Chief Financial Officer (financial and business controlling and analysis; taxation; treasury; metal and risk management; global business services)
- President – Europe (business area Europe; global R&D and operational excellence)
- President – Americas (business area Americas)
- President – Long Products (business area Long Products; group sustainability)
- Executive Vice President – Supply Chain Management, Europe (supply chain management in business area Europe)
- Executive Vice President – Business Transformation and IT (business transformation and IT)
- Executive Vice President – Communications and Investor Relations (communications, investor relations and marketing)
- Executive Vice President – Human Resources and Organization Development (human resources and organization development)

The Leadership Team typically meets at least once a month.

# Internal control procedures and the main features of risk management systems

## Internal control and risk management

According to the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code, the Board of Directors is responsible for ensuring that the company's internal controls are appropriately organized. The purpose of this section is to provide shareholders and other parties with a description of how internal control and risk management of financial reporting is organized in Outokumpu. As a listed company, the Group has to comply with a variety of regulations. To ensure that all the stated requirements are met, Outokumpu has introduced principles for financial reporting and internal control and deployed them throughout the company's organization.

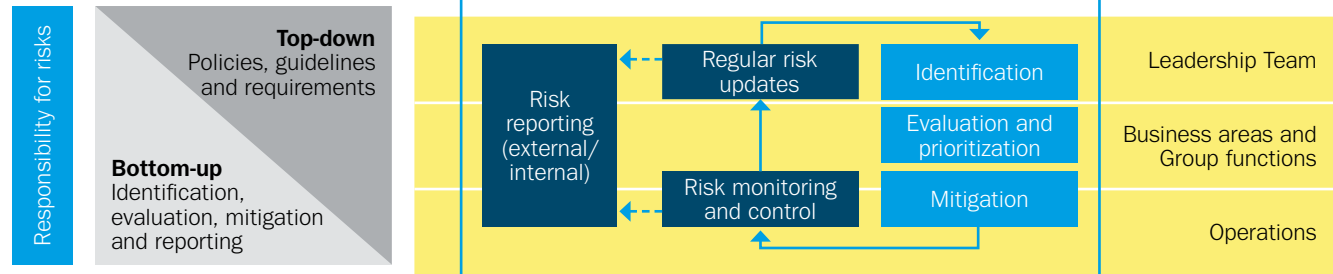
## Control environment

The foundation of Outokumpu's control environment is the business culture established within the Group and its associated methods of operation. The basis for the company's compliance and control routines is provided by Group policies and principles, which define the way in which Outokumpu's organization operates. These policies and principles include, for example, the Group's Corporate Responsibility Policy and Ethical Principles. The Outokumpu Code of Conduct describes the Group's basic values and offers standardized, practical guidelines for managers and employees to follow.

The Outokumpu performance management process is a key management activity and an important factor in enabling an efficient control environment. In all sections of the Group's operations, planning activities and the setting of both operational and financial targets are executed in accordance with Outokumpu's overall business targets. Management follow-up of related achievements is carried out through regular management reporting routines and in performance review meetings.

In 2019, Outokumpu has taken specific measures to improve controls in financial reporting and initiated a control environment enhancement program to further develop and improve internal controls, financial reporting, compliance and operational processes in the Group.

## Risk management process in Outokumpu



## Risk management

Outokumpu operates in accordance with the risk management policy approved by the company's Board of Directors. The policy defines the objectives, approaches, and areas of responsibility in the Group's risk management activities. In addition to supporting Outokumpu's strategy, the aim of risk management is identifying, evaluating, and mitigating risks from the perspective of shareholders, customers, suppliers, personnel, creditors, and other stakeholders.

## Risk management organization

The Board of Directors carries ultimate responsibility for risk management within Outokumpu. The CEO and members of the Leadership Team are responsible for defining and implementing risk management procedures, and for ensuring that risks are both properly addressed and taken into account in strategic and business planning.

Outokumpu's Risk Management Steering Group, led by the CFO, is the governing body for risk management in Outokumpu. The Business areas and Group functions are responsible for managing risks connected with their own operations. The Risk Management Steering Group and the Board of Directors review both key risks and actions taken to manage these risks on a regular basis. The Treasury and Risk Management function supports the implementation of Outokumpu's risk management

policy, facilitates and coordinates risk management activities, and prepares quarterly risk reports for management, the Board Audit Committee and Auditors.

## Risk management process

Outokumpu has defined risk as anything that could have an adverse impact on achieving the Group's objectives. Risks can, therefore, be threats, uncertainties, or lost opportunities connected with current or future operations. Outokumpu's appetite for risk and risk tolerance are defined regularly in relation to earnings, cash flows and capital structure. The risk management process is an integral part of the overall management processes and is divided into four stages: 1) risk identification; 2) evaluation and prioritization; 3) mitigation and controls and 4) reporting. The Risk management process in Outokumpu is two-fold: a top-down approach to manage the Group's key risks and a bottom-up approach focusing on the operational level.

Within Outokumpu, the risk management process is monitored and controlled at different organizational levels. Regular risk updates are carried out to capture relevant information. The monitoring of results and risk updates also ensure that accurate information is provided both internally – to business area management teams and members of the Leadership Team – and externally to relevant parties such as shareholders

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and other stakeholders. Risk mitigation actions are defined according to the risk identification and the impact/likelihood assessments.

### Focus areas

The focus in risk management in 2019 was on implementing the mitigation actions of the identified risks, supporting debt reduction mission in Outokumpu e.g. by focused working capital management and by improving the overall efficiency of the risk management process. Furthermore, the harsh market environment, especially in Europe, required several mitigating actions to protect Group's earnings and cash flows.

Outokumpu continued its systematic fire safety and loss prevention audit program, where focus was in execution of the mitigating actions. In total, some twenty fire safety loss prevention audits were carried out in 2019 using in-house expertise in cooperation with external advisors.

The main realized risks in 2019 were related to distortion of the stainless steel markets, originally caused by the US steel tariffs, which continued to have a negative impact on stainless steel base prices and deliveries in Europe throughout the year. Additionally, the fluctuation of the nickel price during the year lead to significant volatility (positive and negative impacts) on quarterly financials. Furthermore, inadequate profitability of business area Americas remained to be a realized risk in 2019.

### Internal controls for financial reporting

Outokumpu's control process for financial reporting is based on Group policies, principles, and instructions relating to financial reporting as well as on the responsibility and authorization structure within the Group. Policies relating to financial reporting are usually owned and approved by the CEO and the CFO. Financial reporting in Outokumpu is carried out in a harmonized way using a common chart of accounts and principles.

Financial reporting is prepared in accordance with International Financial Reporting Standards (IFRS). The Outokumpu

Accounting Principles (OAP) are Outokumpu's application guidance on IFRS. The aim of the OAP and other financial reporting policies and instructions is to ensure that uniform financial processes and reporting practices are used throughout the Group. Policies and instructions for financial reporting are reviewed on a regular basis and revised when necessary. In 2019, Outokumpu implemented the new IFRS 16 Leases standard from the beginning of the financial year. The implementation included an introduction of an IT supported solution to collect, value and report IFRS 16 relevant financial information on Group's lease contracts. In 2018, Outokumpu implemented the IFRS 15 and IFRS 9 standards, as well as changes to the IFRS 2 standard. In 2020, Outokumpu will implement a solution to enable the reporting of financial statements in European Single Electronic Format (ESEF).

Financial statements of the parent company and stand-alone Finnish subsidiaries are prepared in accordance with generally accepted accounting principles in Finland, while foreign subsidiaries follow local accounting principles. Outokumpu also complies with the regulations regarding the financial reporting published by the Financial Supervisory Authority (FIN-FSA) Nasdaq Helsinki and ESMA.

### Identification and assessment of risks related to financial reporting

Risks related to the Group's financial reporting are managed according to Outokumpu's risk management process and classified as operational risks which can arise as consequences of inadequate or failed internal processes, employee actions, systems, or other events such as misconduct or crime. The risks related to financial reporting are identified and typically assessed in risk workshops, which are arranged on a regular basis. All major risks are reported to and evaluated by the Audit Committee on a regular basis.

### Control activities

In addition to the Board of Directors and Audit Committee, operational management teams in Outokumpu are responsible

for ensuring that internal controls relating to financial reporting are in place in Outokumpu units. The aim of control activities is to discover, prevent, and correct potential errors and deviations in financial reporting. Control activities also aim to ensure that authorization structures are designed and implemented in such a way that conflicting divisions of work would not exist (i.e. one person performing an activity and also being responsible for controlling that activity). Control activities consist of different kinds of measures and include reviews of financial reports by Group management and in business area management teams, the reconciliation of accounts, analyses of the logic behind reported figures, forecasts compared to actual reported figures, and analyses of the Group's financial reporting processes, among others. A key component is the monitoring of monthly performance against financial and operational targets. These control activities take place at different levels of the organization. The most important accounting items in Outokumpu are the valuation and reporting of inventories and other items of working capital as well as other items requiring management judgement. Moreover, in difficult market situations, asset impairment calculations and related sensitivity analyses are equally important. These items are carefully monitored and controlled, both within business areas and at the Group level, on a regular basis.

Information technology and solutions play an important role in ensuring appropriate structures for the Group's internal controls. The Group's consolidation system provides timely and uniform financial and management reporting from the Group entities and an effective closing process within the whole Group. Outokumpu is also running a business transformation program to develop and improve business capabilities and to renew parts of its fragmented system environment. This will be achieved mainly by harmonizing and improving the Group's core business processes and implementing supporting IT systems (e.g. ERP). First rollouts of the new ERP together with other related IT systems took place during 2019. As part of the rollouts, internal controls in the affected business processes were implemented, as well, with emphasis on system-based controls.

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Outokumpu has centralized majority of its accounting and financial reporting in its global business service centers, which allows further development and harmonization opportunities for internal control activities. The on-going project addressing the quality and consistency of the controls around the financial closing process will be implemented in 2020.

### Information and communication

Group-wide policies and principles are available to all Outokumpu employees. Instructions relating to financial reporting are communicated to all the parties involved. The main communication channels employed are Outokumpu's intranet, other easily accessible databases, and email. Face-to-face controller meetings are also organized. Finance and Business Services leadership team meetings are organized regularly to share information and discuss issues of topical interest to the Group.

Furthermore, Outokumpu has established steering groups (e.g. for risk management and compliance topics) in which financial reporting and internal control issues can be discussed and reviewed. These groups typically consist of senior members of management and substance experts. The aim of these bodies is to ensure that common financial processes and reporting practices are followed throughout the Group and that effective internal controls relating to financial reporting are established.

### Follow-up

Both management in all Outokumpu companies and personnel in the accounting and controlling functions are responsible for the follow-up and monitoring of internal controls connected with financial reporting. Through its activities, the Internal Audit function monitors that an appropriate control environment exists across the Group. Risk management, compliance function, and external auditors are also engaged in the follow-up of control activities. The findings of the follow-up procedures are reported to the Audit Committee and the Outokumpu Leadership Team on a regular basis.

### Internal audit

Internal Audit is an independent and objective assurance, control, and consulting function designated to add value, to improve operations, and to monitor and support the organization in the achievement of its objectives. Through a systematic, disciplined approach, Internal Audit determines whether governance processes, the internal control system, and the risk management system, as designed and represented by the Board of Directors and the Leadership Team, are effective and efficient. As a basic principle, large units are visited at least once per year, medium size units once every 2 to 3 years, smaller units once every 3 to 4 years and sales offices once every 5 years.

With a strong commitment to integrity and accountability, Internal Audit provides value to governing bodies and senior management as an objective and direct source of information, and independent advice. Internal Audit also monitors adherence to Group principles, policies, and instructions, and investigates fraudulent and noncompliant behaviors and activities. Internal Audit performs its function on behalf of and directly reports to the Audit Committee and to the Leadership Team but is functionally assigned to the CEO. The annual internal audit plan is approved by the Audit Committee.

In 2019, Internal Audit performed 15 scheduled operational audits including the Outokumpu Global Business Services Americas located in Mexico, the global Business Support Function Raw Material Procurement, and audits of the Outokumpu subsidiaries in India and Australia. The results of all the audits carried out including their risk appraisals are reported and distributed in writing. In view of the Outokumpu Code of Conduct and the Corporate Responsibility Policy, we did not identify any issues of material risk for the Outokumpu Group. The 2020 internal audit plan covers all major production units, selected Coil Service Centers and Sales Offices and some Corporate and Business Support Functions.

To further strengthen its compliance culture, Outokumpu implemented at the end of year 2019 SpeakUp, an externally

operated communication channel, that offers the option to report serious misconduct confidentially and if desired anonymously. SpeakUp replaced the previously used whistleblowing Helpline. SpeakUp is available both internally on company intranet and for external stakeholders via the company web-page. Sixteen unscheduled investigations of potential misconduct were performed in 2019, thereof six cases reported via the Helpline and ten recognized through other channels. Internal Audit observed a small number of cases involving inappropriate behavior, but none of these cases was financially material. Various attempts of fraud through faked e-mails received from external sources resulted in no harm to the company.

### Compliance

Outokumpu is strongly committed to the highest ethical standards and observes the laws and other regulations of the countries in which it operates, and it complies with agreements and commitments it has made. Outokumpu's Code of Conduct sets out these ethical standards and provides guidelines for a common way of working with the aim of ensuring that all Outokumpu employees live up to Outokumpu's ethical standards. Outokumpu's Legal, Corporate Affairs and Compliance function is responsible for managing and continuously developing Outokumpu's compliance program. Outokumpu's compliance program is described in more detail as part of Outokumpu & society at [www.outokumpu.com](http://www.outokumpu.com). The Legal, Corporate Affairs, and Compliance function reports to the CEO and also reports to the Outokumpu Leadership Team and directly to the Board Audit Committee on compliance-related matters. Compliance-related matters are also regularly handled in the Compliance Steering Group, consisting of the CEO, CFO, Head of HR and Organization Development, Corporate General Counsel and Group Compliance Officer. The Compliance Steering Group met four times in 2019.

### Insider management

The company's Insider Rules and the insider laws and regulations, including the EU Market Abuse Regulation, Finnish

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Securities Act and the Guidelines for Insiders issued by Nasdaq Helsinki, constitute the primary legal framework for the insider issues relevant to the Group and its employees.

Furthermore, the Regulation on EU Energy Market Integrity and Transparency sets forth similar requirements as the Market Abuse Regulation on dealing with inside information relating to wholesale energy products. As the company is a participant in the wholesale energy market, the company's Insider Rules apply to such energy-related inside information, as applicable.

The persons discharging managerial responsibilities in Outokumpu, in the meaning of the Market Abuse Regulation, include members of the company's Board of Directors, the CEO and other members of the Outokumpu Leadership Team ("the Management"). The Management together with the persons or companies closely associated with a member of the Management constitutes the so-called "Notifying Persons". Outokumpu maintains a non-public list of the Notifying Persons.

Outokumpu applies a restricted period of thirty (30) calendar days before the announcement, as well the day of the announcement, of an interim financial report, interim financial statement and a year-end report (the "Closed Window"). During this period, the Management, the persons subject to trading restrictions and any legally incompetent persons under their custody shall not conduct any transactions, on his/her own account or for the account of a third party, directly or indirectly, relating to the company's shares or debt instruments, or derivatives or other financial instruments linked thereto. Separate, non-public, project-specific insider registers are maintained for insider projects. Persons defined as project-specific insiders are those who, in the course of their duties in connection with a project, receive inside information concerning the Group which, if or when realized, is likely to have a significant effect on the value of the company's publicly traded securities.

The company has the obligation to inform the public as soon as possible of inside information that directly concerns the company, unless the company has decided that the publication of the inside information shall be delayed, in accordance with

the applicable insider regulations. The publication of inside information shall be made in accordance with the company's Disclosure Policy.

Outokumpu's Head of Legal, Corporate Affairs and Compliance function is responsible for the coordination and supervision of insider topics.

### Related Party Transactions

The Second Shareholders' Rights Directive (EU), the International Accounting Standards IAS 24, the Companies Act and the Securities Markets Act as well as the Finnish Corporate Governance Code constitute the primary legal framework in the Related Party Transaction principles relevant to the Outokumpu Group and its related parties.

#### Definition of related parties and maintenance of the list of related parties

Outokumpu Oyj's related parties are determined in accordance with the International Accounting Standards (IAS 24) and they include, i.a. the Group subsidiaries, members of the Parent Company's Board of Directors and the Leadership Team as well as their related persons and companies. The Company's Legal, Corporate Affairs and Compliance function maintains a list of Outokumpu Oyj's related parties, which is updated on a regular basis.

#### Evaluating Related Party Transactions

A related party transaction is any transaction which is conducted between the Outokumpu Group and a related party of Outokumpu Oyj. Transactions between a company and its related parties are allowed, provided that they promote the purpose and interests of the company and are commercially justified.

Any transactions that are not conducted in Outokumpu Group's ordinary course of business or are not implemented under arms-length terms require specific approval according to Outokumpu Group's Approval Policy. Any such transactions are escalated for review on Group executive level and cross-checked against

the list of related parties. Any related party transactions that are not conducted in Outokumpu Group's ordinary course of business will require a decision by Outokumpu Oyj's Board of Directors and a transaction which would be deemed material for Outokumpu Oyj's shareholders will also have to be publicly disclosed. The decision making of the Board of Directors also takes provisions on conflicts of interest into account as board members cannot participate in deciding a matter concerning themselves. Board members also have a conflict of interest and cannot participate in decisions concerning a transaction with one of their related parties if that transaction is not part of the company's ordinary course of business or is not implemented under arms-length terms.

#### Monitoring and Reporting Related Party Transactions

Outokumpu Oyj's Audit Committee monitors the evaluation process. Related party transactions are reported to the Audit Committee on a regular basis. Outokumpu Oyj's finance and control functions monitor related party transactions regularly in arrears as a part of the Company's reporting and control procedures. Information on transactions concluded between the Company and its related parties is disclosed annually in the Company's consolidated financial statement.

#### Auditors

Under its Articles of Association, the company shall have a minimum of one and a maximum of two auditors. The auditors must be Authorized Public Accountants (KHT) or accounting firms whose mainly responsible auditors are Authorized Public Accountants (KHT). The auditors shall be independent of the company.

The Board of Directors has the duty to make a proposal to the Annual General Meeting as to the election and fees of the auditor. The Annual General Meeting elects the auditors for a term of office ending at the close of the next Annual General Meeting. A proposal to the Annual General Meeting on the election of auditors that has been made known to the Board of Directors prior to the Annual General Meeting will



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be made public if it is supported by shareholders holding a minimum of 10% of all the company's shares and voting rights and the person or company proposed has consented to such nomination.

The company's auditors submit the statutory auditor's report to the company's shareholders in connection with the company's financial statements. The auditors also report their findings to the Board Audit Committee on a regular basis and at least once a year to the full Board of Directors. The parent company, Outokumpu Oyj, is audited by PricewaterhouseCoopers Oy, and the responsible auditor is Janne Rajalahti, Authorized Public Accountant. PricewaterhouseCoopers Oy is also responsible for overseeing and coordinating the auditing of all Group companies. PricewaterhouseCoopers Oy was elected as the Group Auditor in the Annual General Meeting held on March 27, 2019 and has been the Auditor of Outokumpu for three consecutive terms. Both Outokumpu and PricewaterhouseCoopers Oy emphasize the requirement that the auditor be independent of the company being audited. The PwC Network Independence policy is based on the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants.

Outokumpu's Board Audit Committee continuously monitored non-audit services purchased by the Group from PricewaterhouseCoopers Oy at a global level. In 2019, auditors were paid fees totaling EUR 3.1 million, of which non-auditing services accounted for EUR 0.7 million. ■