

Remuneration Report 2020



outokumpu



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Dear shareholder,

On behalf of the Board, I am pleased to present Outokumpu's Remuneration Report for 2020, following the guidelines of the Corporate Governance Code 2020.

The report presents the remuneration paid or due to the Board members and the President and Chief Executive Officer for year 2020. The materialized remuneration is in line with the Remuneration Policy of the Governing Bodies of Outokumpu approved at the Annual General Meeting 2020. The report also reflects the targets outlined in the Remuneration Policy.

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

Following this target, the remuneration of Outokumpu's Board members in 2020 compensated for their time commitment,

knowledge and required experience to contribute to the Board's work, as well as the level of responsibility that they bear. It enabled attracting and retaining high caliber Board members with the experience and skills necessary in a company and business of this size and complexity, thus contributing to the long-term financial performance and success of the company.

Similarly, the CEO remuneration in 2020 was in line with our 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. For year 2020, the CEO received market competitive base pay but no incentive payment. This reflects the below target financial performance, due to the challenging market situation with continuing high import pressure in Europe and the COVID-19 pandemic impacting the global economy.

Going forward, we will continue to review and refine our remuneration arrangements to ensure they deliver on our goals, accounting for the everchanging business environment, legislative changes and well as your opinion as a shareholder.

The table below gives further insight in how the development of the Board member fees and CEO remuneration compares to the development of the average remuneration of employees and to Outokumpu's financial development over the last five years.

Kari Jordan
Chairman of the Board of Directors

Development of remuneration and financial development over the past five years

	2020	2019	2018	2017	2016
Board of Directors ¹⁾ , €	658,400	705,800	576,200	617,315	763,000
President and CEO ²⁾ , €	1,264,729	2,534,480	2,705,913	4,104,317	3,578,465
Employees' average ³⁾ , €	53,637	53,922	52,159	54,554	53,293
Adjusted EBITDA, € million	250	263	485	631	309

¹⁾ Total remuneration paid to the Board of Directors, including annual remuneration and meeting fees for all members.

²⁾ Total remuneration paid to the CEO, including salary, employee benefits and incentives, for Roeland Baan from 2016 until May 15, 2020 and for Heikki Malinen from May 16, 2020.

³⁾ Personnel expenses without indirect employee costs and termination benefits, divided by the average number of employees during the year.

Fees of the Board of Directors

Outokumpu's Annual General Meeting 2020 approved the following annual remuneration to be paid to the members of Outokumpu's Board of Directors: EUR 163,000 for the Chairman of the Board, EUR 91,600 for the Vice Chairman and for the Chairman of the Board's Audit Committee and EUR 71,100 for the other members of the Board. The Annual General Meeting 2020 decided that 40% of the annual remuneration will be paid in the company's own shares using treasury shares or shares

to be purchased from the market at a price formed in public trading and in accordance with the applicable insider regulations. The annual fee is paid once a year and members of the Board are not entitled to any other share-based rewards. In addition to their annual remuneration, all the members of the Board of Directors are paid a meeting fee of EUR 600 per meeting for each member of the Board of Directors and EUR 1,200 per meeting

when travelling to a meeting held outside the Board member's country of residence.

The Board members are not entitled to other financial benefits and they are not as a main rule 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. The fees paid to the Board members are presented in the table below.

Remuneration and meeting fees of the Board of Directors in 2020 and 2019

€	Due based on 2020 Meeting fees ¹⁾	2020				2019			
		Annual compensation		Meeting fees ¹⁾	Total	Annual compensation		Meeting fees ¹⁾	Total
		Share portion	Cash portion			Share portion	Cash portion		
Kari Jordan, Chairman	1,800	66,241	96,759	18,000	181,000	64,645	95,355	12,600	172,600
Eeva Sipilä, Vice Chairman ²⁾	1,800	37,225	54,375	16,200	107,800	36,360	53,640	9,000	99,000
Kati ter Horst, Member	1,800	42,206	28,894	16,800	87,900	28,280	41,720	10,200	80,200
Vesa-Pekka Takala, Member	1,800	42,206	28,894	16,800	87,900	28,280	41,720	7,200	77,200
Pierre Vareille, Member	1,800	42,206	28,894	22,800	93,900	28,280	41,720	20,400	90,400
Julia Woodhouse, Member	1,800	42,206	28,894	21,600	92,700	28,280	41,720	10,800	80,800
Heikki Malinen, Vice Chairman ³⁾	0	0	0	7,200	7,200	36,360	53,640	12,600	102,600
Olli Vaartimo, Vice Chairman ⁴⁾	0	0	0	0	0	0	0	3,000	3,000
Total	10,800	272,291	266,709	119,400	658,400	250,485	369,515	85,800	705,800

¹⁾ Meeting fees have been entered in the table on the year when they have been paid and include also committee meeting fees.

²⁾ Eeva Sipilä was elected as the new Vice Chairman of the Board at the Annual General Meeting 2020.

³⁾ Heikki Malinen was Vice Chairman of the Board until April 30, 2020.

⁴⁾ Olli Vaartimo was Vice Chairman of the Board until March 27, 2019.

Remuneration of the CEO

The remuneration of the President and CEO consists of base salary, benefits, and an annually determined short-term incentive plan. In addition, the CEO participates in the long-term incentive arrangement of the company consisting of individual performance share plans.

The Performance Share Plans are covered by the following share ownership requirement applied by Outokumpu Group: The members of Outokumpu's Leadership Team, including the CEO, are obliged to own Outokumpu shares received under the company's share-based incentive programs corresponding to the value of their annual gross base salary. Half (50%) of the net shares received from the share-based incentive programs must be used to fulfil the above ownership requirement. This requirement applied to CEO Baan as long as he continued in the company's service. This requirement also applies to CEO Malinen.

CEO Malinen has the right to retire at the age of 65 and he participates in the Finnish TyEL pension system and there are no supplementary pension plans in place. The service contract of the CEO is valid until further notice. The CEO is entitled to a severance payment of twelve (12) months, and the notice period is six (6) months for both parties.

The former CEO Baan had the right to retire at the age of 63 and participated in the Finnish TyEL pension system in addition to which he was included in a defined contribution pension plan with an annual insurance premium of 25% of his annual earnings, excluding share rewards. The contributions to the defined contribution pension plan amounted to EUR 281,344 in 2020 (EUR 444,208 in 2019). The former CEO's service contract was valid until further notice and he was not entitled to a severance payment. The notice period was three months for both parties.

Remuneration of the CEO paid in 2020 and 2019

€	2020 Heikki Malinen ¹⁾	2020 Roeland Baan ¹⁾	2019 Roeland Baan
Base salary and benefits	487,010	501,510	1,074,495
Short-term incentives ²⁾	0	276,209	347,782
Long-term incentives ³⁾	0	0	1,112,203
Share portion	–	–	711,550
Cash portion	–	–	400,653
Total remuneration	487,010	777,719	2,534,480
Share of fixed pay of total remuneration	100%	64%	42%
Share of variable pay of total remuneration	0%	36%	58%

¹⁾ Heikki Malinen was appointed as President and CEO as of May 16, 2020 until when Roeland Baan acted as the CEO.

²⁾ Paid short-term incentives have been entered in the table on the year when they have been paid. They usually relate to the performance in the previous year.

³⁾ Long-term incentives are paid partly in shares and partly in cash, to cover for income taxes and other taxes arising from the reward. Shares were delivered on the following dates with respective prices: March 20, 2019 (EUR 3.6102 per share) and December 20, 2019 (EUR 2.767 per share).

Remuneration of the CEO not yet paid but due based on the year 2020

€	2020 Heikki Malinen
Short-term incentives	
Remuneration due based on the achievement of STI performance measures in 2020	0
Long-term incentives	
Number of gross shares due based on the achievement of PSP 2018–2020 performance measures	0

The CEO's earning opportunity and performance measures in the short-term incentive plan

Earning opportunity	Heikki Malinen			Roeland Baan		
	(% of gross annual base salary)			(% of gross annual base salary)		
Threshold			0.5%			0.6%
Target			50%			60%
Maximum			100%			120%
Performance measures in 2019	Weight	Achievement	Payout	Weight	Achievement	Payout
Net debt	–	–	–	40%	Partly achieved	62% of the target
Strategic projects	–	–	–	60%	Partly achieved	35% of the target
Performance measures in 2020	Weight	Achievement	Payout ¹⁾	Weight	Achievement	Payout
Group EBITDA	40%	Below threshold	0% of the target	–	–	–
Strategic projects	60%	Achieved	0% of the target	–	–	–

¹⁾ If the achievement of the group EBITDA target (as included in the management plan) is below threshold, the total short-term incentive payout is decided by the Board of Directors. Therefore, the payout for different targets can in such cases be less than their actual achievement.

The CEO's earning opportunity and performance measures in long-term incentive plans and grants in 2020

Earning opportunity	Performance Share Plan 2018–2020	Performance Share Plan 2019–2021	Performance Share Plan 2020–2022
	Threshold ^{1) 2)}	6%	14%
Target ^{1), 3)}	11%	28%	44%
Maximum ^{1), 4)}	22%	56%	67%
Grant ⁵⁾	21,500	48,500	130,451
Payout year	2021	2022	2023
Performance measures			
Performance criteria	Return on operating capital compared to a peer group (Q4 2019–Q3 2020)	Return on operating capital compared to a peer group (Q4 2020–Q3 2021)	Return on operating capital compared to a peer group (Q4 2021–Q3 2022)
Weight	100%	100%	100%
Achievement	Below threshold – no payout	Performance period ongoing	Performance period ongoing

¹⁾ Expressed in percentage of gross annual base salary at the time of the grant.

²⁾ The threshold is 50% of target in all PSP periods.

³⁾ The target of 50% of annual base salary is prorated to time in position during the performance period, i.e. 8/36 for PSP 2018–2020, 20/36 in PSP 2019–2021 and 32/36 in PSP 2020–2022.

⁴⁾ The maximum is 200% of target in PSP 2018–2020 and PSP 2019–2021, while 150% of target in PSP 2020–2022.

⁵⁾ Number of gross shares at target level. The number of shares was determined using the share price at the time of plan approval, i.e. EUR 4.00 for PSP 2018–2020, EUR 4.50 for PSP 2019–2021 and EUR 2.66 for PSP 2020–2022.