

# Remuneration Report 2021



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## Dear Shareholder,

on behalf of the Board, I am pleased to present Outokumpu's Remuneration Report for 2021.

This Remuneration Report has been prepared according to the Corporate Governance Code 2020, approved by the Board of Directors and will be presented to the Annual General Meeting in March 2022.

The report aims to present how Outokumpu rewarded the Board members and the President and CEO for 2021 in a clear and transparent way. The materialized remuneration is in line with the Remuneration Policy of the governing bodies of Outokumpu approved at the Annual General Meeting in 2020.

In the Annual General Meeting in 2021 two new Board Members were elected, Ambassador Päivi Luostarinen and Professor, Doctor Heinz Jörg Fuhrmann. Ambassador Luostarinen's vast experience in international relations, particularly in trade policy and economic cooperation, and Professor, Doctor Fuhrmann's longstanding

experience in the global steel industry provide exceptional additions to the experience and capabilities of our Board of Directors.

In 2021, realized prices and continuous progress on Outokumpu's margin improvement actions supported the Group's profitability.

Our exceptional result is driven by a combination of strong market environment and Outokumpu's own decisive actions in strategy execution. Sustainability is at the core of Outokumpu's operations, and during the year Outokumpu committed to ambitious climate targets. Safety continues to be of high priority. For 2022 Outokumpu will start considering a wider range of sustainability targets in its incentive programs, starting with CO<sub>2</sub> emission reduction targets. Further targets with regards to e.g., diversity will be worked out during 2022.

Based on these exceptional business results, the Board of Directors decided to pay a

short-term incentive to the CEO which is higher than the defined limits in the Remuneration Policy, applying Section 5 of Outokumpu's Remuneration Policy. For the business year 2022, the regular incentive framework defined in our Remuneration Policy will be applied again.

The performance related long-term incentive plan called Performance Share Plan 2019–2021 did not reach the minimum requirement meaning there was no share delivery from this program.

Going forward, we will continue to review our remuneration arrangements to ensure they deliver on our goals for our shareholders and investors.

**Kari Jordan**  
Chairman of the Board of Directors

## Introduction – how remuneration relates to Outokumpu’s performance

Outokumpu’s Remuneration Policy 2020 sets the framework for the remuneration of the Board of Directors and the CEO.

The Remuneration Report 2021 follows the Finnish Corporate Governance Code and the applicable legislation.

The report presents how the policy has been applied in 2021 in the paid incentives and the alignment of remuneration with the successful delivery of the long-term strategy and sustainable business results.

Outokumpu’s remuneration has a guiding principle of Pay for Performance, for both the short- and long-term incentive plans, supporting Outokumpu’s long-term financial success and the achievement of its strategic goals. Outokumpu’s strategic mid-term financial targets are based on the performance in adjusted EBITDA and safety (TRIFR) in alignment with Outokumpu’s strategy.

Outokumpu’s Annual General Meeting was held on March 31, 2021. The meeting approved the Remuneration Report 2020 in an advisory vote. 164,152,422 shares and votes, representing approximately 39.42% of all shares and votes in the company, participated in the voting. 128,638,263 votes, representing approximately 78.37% of the votes cast, voted for the report and 35,514,159 votes, representing approximately 21.63% of the votes cast, voted against the report. 97,670 abstaining votes were recorded.

No considerations were presented to the company regarding the Remuneration Report 2020 in the procedure concerning the general meeting.

The actual remuneration paid in 2021 and reported here complies with the framework and principles set forth in the Remuneration Policy.

The current CEO Heikki Malinen started in May 2020, and his fixed remuneration has remained unchanged. No short-term nor long-term incentives were paid based on Outokumpu’s performance in 2020.

Two new members joined the Board of Directors in 2021: Ambassador Luostarinen and Professor, Doctor Fuhrmann.

Observing the excellent business results, the Board of Directors decided to reward the CEO with a short-term incentive exceeding the maximum level described in the policy.

The table on the right 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.

The CEO’s actual paid remuneration is well aligned with the company’s performance development as visualized in the graphs on the right.

### Development of remuneration and financial development over the past five years

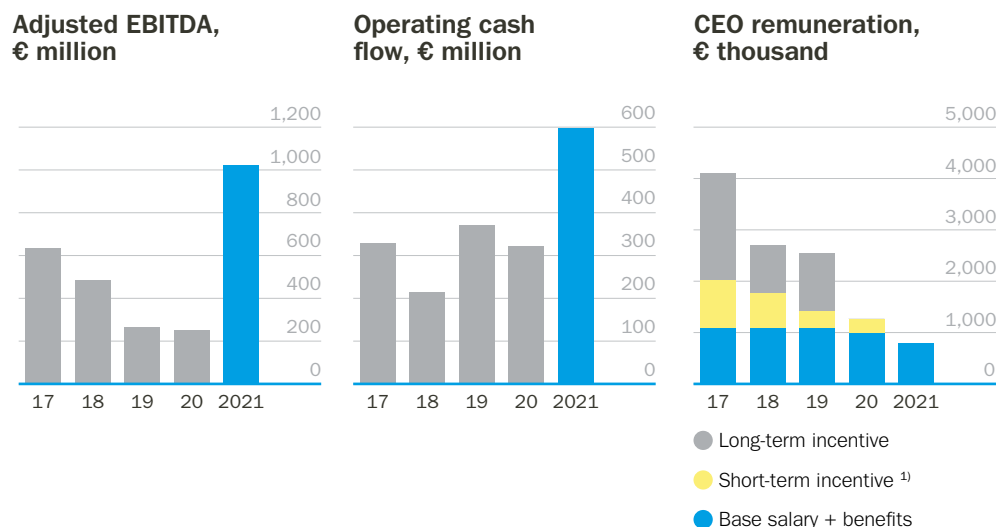
	2021	2020	2019	2018	2017
Board of Directors <sup>1)</sup> , €	780,600	658,400	705,800	576,200	617,315
CEO <sup>2)</sup> , €	795,840	1,264,729	2,534,480	2,705,913	4,104,317
Employees’ average <sup>3)</sup> , €	59,448	53,637	53,922	52,159	54,554
Adjusted EBITDA, € million	1,021	250	263	485	631

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

<sup>2)</sup> Total remuneration paid to the CEO, including salary, employee benefits and incentives.

<sup>3)</sup> Personnel expenses without indirect employee costs and termination benefits, divided by the average number of employees during the year. In 2017–2020, the headcount of the employees was used for the calculation. For 2021 onwards, the calculation is based on the full time equivalent (FTE). The average remuneration has increased due to the higher short-term incentives and long-term incentive accruals as well as increased overtime working.

### Outokumpu performance and CEO remuneration in 2017–2021



<sup>1)</sup> Paid short-term incentives have been included in the chart on the year when they have been paid. Usually, they relate to the performance in the previous year.

## Remuneration Policy briefly

### Remuneration Policy for the governing bodies briefly

The Remuneration Policy sets the framework for the remuneration principles of the governing bodies, i.e., the members of the Board of Directors and the CEO in Outokumpu with the successful delivery of Outokumpu's long-term strategy. The remuneration of the Board of Directors is decided by the Annual General Meeting based on the proposal by the Shareholders' Nomination Board. The adjacent table describes the content of the policy briefly.

Remuneration element, purpose, and link to strategy	Applied to	Key features of the policy
<b>Fixed compensation</b> Compensates for the job responsibilities and reflects the competencies, knowledge, and experience of the individual.	CEO	The fixed monthly salary is reviewed annually as part of the review of the CEO's total compensation package.  The Board of Directors will consider various factors when determining changes in the fixed compensation, including individual contribution, business performance and alignment with external market levels.
<b>Pension and other benefits</b> May operate a defined contribution pension plan for the CEO with an annual insurance premium.	CEO	Supplementary pension plan rights are assessed based on payments. The current CEO is not eligible for the pension plan.  Other benefits follow 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.
<b>Fixed fee</b> Ensures that Outokumpu can attract and retain 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 to enable to set and monitor the company strategy.	Board of Directors	The Shareholders' Nomination Board is responsible for presenting a proposal for remuneration of the members of the Board of Directors to the Annual General Meeting.
<b>Short-term incentives</b> Support the achievement of Outokumpu's annual financial, strategic targets.	CEO	Performance measures, weightings, and targets for the selected measures are set annually by the Board of Directors to ensure they support the strategy. These may change from year to year to reflect business priorities and typically include Outokumpu's financial performance, safety, and individual strategic targets.  After year-end, the Board of Directors determines the extent to which each of the targets have been achieved and determines the final pay-out level.
<b>Long-term incentives</b> Align the interests with the shareholders and retain by creating a long-term equity interest. Promote shareholder value creation, performance culture the achievement of strategic targets on long-term.	CEO	Outokumpu's long-term incentive program consists of annually commencing long-term incentive plans with a three-year performance period. Performance measures, weightings, and targets are set by the Board of Directors to ensure they support the strategy and typically include financial measures.  After the end of the performance period the Board of Directors measures the level of performance targets achieved and confirms the long-term earning (if any) attained.
<b>Shareholding recommendation</b> Ensures alignment of the interests of the President and CEO with that of shareholders.	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.

## Fees of the Board of Directors

### Annual Fees

Annual remuneration, €	Annual remuneration, €	Meeting fee, €/meeting
Chairman	163,000	600
Vice Chairman	91,600	600
Board Members	71,100	
Meeting held in the country of residence		600
Meeting held outside of the country of residence		1,200

In 2021, Outokumpu's Board members were compensated for their time commitment, knowledge and required experience to contributing the long-term financial performance and success of the company. Two new members joined the Board of Directors in 2021: Ambassador Luostarinen and Professor, Doctor Fuhrmann.

Outokumpu's Annual General Meeting 2021 approved the annual remuneration to be paid to the members of Outokumpu's Board of Directors. The Annual General Meeting 2021 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.

The Board members are not eligible for any 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 2021

€	Paid in 2021			
	Annual compensation		Meeting fees <sup>1)</sup>	Total
	Share portion	Cash portion		
Kari Jordan, Chairman	66,243	96,757	12,600	<b>175,600</b>
Eeva Sipilä, Vice Chairman	37,226	54,374	12,000	<b>103,600</b>
Heinz Jörg Fuhrmann, Member <sup>2)</sup>	28,894	42,206	6,600	<b>77,700</b>
Kati ter Horst, Member	28,894	42,206	12,600	<b>83,700</b>
Päivi Luostarinen, Member <sup>2)</sup>	28,894	42,206	8,400	<b>79,500</b>
Vesa-Pekka Takala, Member	28,894	42,206	12,000	<b>83,100</b>
Pierre Vareille, Member	28,894	42,206	13,800	<b>84,900</b>
Julia Woodhouse, Member	28,894	42,206	21,400 <sup>3)</sup>	<b>92,500</b>
<b>Total</b>	<b>276,832</b>	<b>404,368</b>	<b>92,400</b>	<b>780,600</b>

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

<sup>2)</sup> Appointed as a Board member March 31, 2021.

<sup>3)</sup> Meeting fees include 7,000 € meeting fees of the ESG (Environment, Social and Governance) Advisory Council.

## Remuneration of the CEO

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

CEO's monthly base salary remained the same than in the previous year, and the base salary and benefits were EUR 795,840 in 2021.

CEO's short-term incentive annual earning opportunity remained unchanged at the target level of 50% and at the maximum level of 100% of the gross annual base salary. The short-term incentive paid for 2021 was based on the achievement of the pre-defined strategic targets for the financial year 2021, i.e., Outokumpu's adjusted EBITDA with the 80% weight and strategic projects with the 20% weight to drive profitability to support the company to implement its strategy.

The Board of Directors decided to reward the CEO with short-term incentive exceeding the maximum level described in the policy. The achievement of the adjusted EBITDA target was above maximum, and achievement of the strategic project target was on the target level, resulting to a short-term incentive payment of EUR 1,064,700.

The CEO participates also in the Performance Share Plan (PSP) 2019–2021. The pre-defined strategic target, the return on operating capital of Outokumpu for the period, was not achieved.

CEO Heikki Malinen started his employment in May 2020. In conjunction to this, short-term incentive targets 2020 were approved by the Board but the targets were not disclosed in the Remuneration Report 2020. The CEO was also granted PSP shares (prorated) from the following programs: PSP 2018–2020, PSP 2019–2021 and PSP 2020–2022. The share allotments were prorated observing the CEO's active time observing the start date in May 2020. Outokumpu did not reach the target levels for PSP 2018–2020 and 2019–2021, and subsequently no shares were delivered.

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 expected 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 recommendation.

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.

### Remuneration of the CEO

€	Heikki Malinen Accrued 2021, payable in 2022	Heikki Malinen 2021
Base salary and benefits	–	795,840, 100%
Short-term incentives <sup>1)</sup>	1,064,700	0, 0%
Long-term incentives <sup>2)</sup>	0	0, 0%
<b>Total Remuneration</b>		<b>795,840, 100%</b>
Long-term incentive plan	2019–2021	2018–2020
Maximum number of shares granted (gross)	97,000	43,000
Grant date	May 5, 2020	May 5, 2020
Number of shares earned (gross)	0	0
Number of shares delivered (net)	0	0
Share delivery date	–	–
Share price at delivery	–	–
Shareholding recommendation	100% of individual annual gross base salary	100% of individual annual gross base salary
Shared owned on Dec 31, 2021		45,459

<sup>1)</sup> Paid short-term incentives have been entered in the table on the year when they have been paid. Usually, they relate to the performance in the previous year.

<sup>2)</sup> The number of the shares payable as a long-term incentive represents a gross earning, from which the applicable payroll tax is withheld, and the remaining net value is paid to the recipient in shares.

## Remuneration

### CEO's earning opportunity and performance measures in the short-term incentive plans

		Heikki Malinen	
Earning opportunity		(% of gross annual base salary)	
Threshold			0.5%
Target			50%
Maximum			100%
Performance measures in 2021		Weight	Achievement
Group EBITDA		80%	Over maximum
Strategic projects		20%	Achieved
			Payout <sup>1)</sup>
			150%
			50%

<sup>1)</sup> If the achievement of the group adjusted 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.

### CEO's earning opportunity and performance measures in the long-term incentive plans

		PSP 2020–2022	PSP 2021–2023
Earning opportunity			
Threshold <sup>1) 2)</sup>		22.2%	25%
Target <sup>1) 3)</sup>		44.4%	50%
Maximum <sup>1) 4)</sup>		66.7%	100%
Grant <sup>5)</sup>		<b>130,451</b>	<b>168,800</b>
Payout year		2023	2024
Performance measures			
Performance criteria <sup>6)</sup>	Return on operating capital compared to a peer group (Q4/2020–Q3/2022)		Return on capital employed (2023)
Weight		100%	100%
Achievement		Vesting period ongoing	Vesting period ongoing

<sup>1)</sup> Expressed in percentage of gross annual base salary at the time of grant.

<sup>2)</sup> The threshold is 50% of target in all PSP periods.

<sup>3)</sup> The target of 50% of annual base salary is prorated to time in position during the performance period, i.e., 32/36 in PSP 2020–2022.

<sup>4)</sup> The maximum is 150% of target in all PSP periods.

<sup>5)</sup> 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 2.66 for PSP 2020–2022 and EUR 2.31 for PSP 2021–2023

<sup>6)</sup> The performance criteria for the PSP programs was changed from "Return on operating capital compared to a peer group" to "Return on capital employed" to put even more focus on the strategy execution.