

Remuneration report



Based on results, our Performance Share Plan reached target level for the first time in several years. We continue to review our remuneration framework to ensure they support value delivery for our stakeholders.

Dear Shareholder,

on behalf of the Board, I am pleased to present Outokumpu's Remuneration Report for 2022.

This report has been prepared according to the Corporate Governance Code 2020 and approved by the Board of Directors. It will be presented to the Annual General Meeting in March 2023.

The report presents in a clear and transparent way how Outokumpu rewarded the Board members and the President and CEO for 2022. 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 2022, the Annual General Meeting elected Petter Söderström as a new Board member. Petter's astute investor perspective and vast experience in financial analysis provide an excellent addition to the experience

Sustainability continues to be at the core of our operations, and in 2022 we introduced a CO₂ emission reduction target in our long-term management incentive.

and capabilities of our Board of Directors. In the autumn, an independent party conducted a thorough assessment of the Board of Directors' capabilities and performance, providing assurance as well as valuable insights.

Following excellent results in 2021, strong performance continued in 2022 despite a softening market, exceptionally high imports from Asia, and an energy crisis in Europe. For the second year in a row, we delivered record level profitability. We also progressed determinedly with our strategy, concluding the first phase six months ahead of schedule and ramping up the second phase. Having two customer-differentiated business lines in Europe, Advanced Materials and Stainless Europe, is proving to be a successful move in serving the specific needs of the two customer groups.

Sustainability continues to be at the core of our operations, and therefore in 2022 we introduced a CO₂ emission reduction target in our long-term incentive program, the Performance Share Plan. We also agreed on long-term ambitions for diversity, equity and inclusion and added a diversity target for managers in our short-term incentive plan for 2023, alongside safety which is still a top priority.

Based on the exceptional business results, the CEO will receive a short-term incentive close to the maximum level set in the Remuneration Policy. In addition, the Performance Share Plan reached target level for the first time in several years and share rewards will be paid to the CEO and management during the first quarter of 2023.

Going forward, we will continue to review our remuneration framework to ensure they support value delivery for our stakeholders.



Kari Jordan
Chairman of the Board of Directors

Introduction – how remuneration relates to Outokumpu’s performance

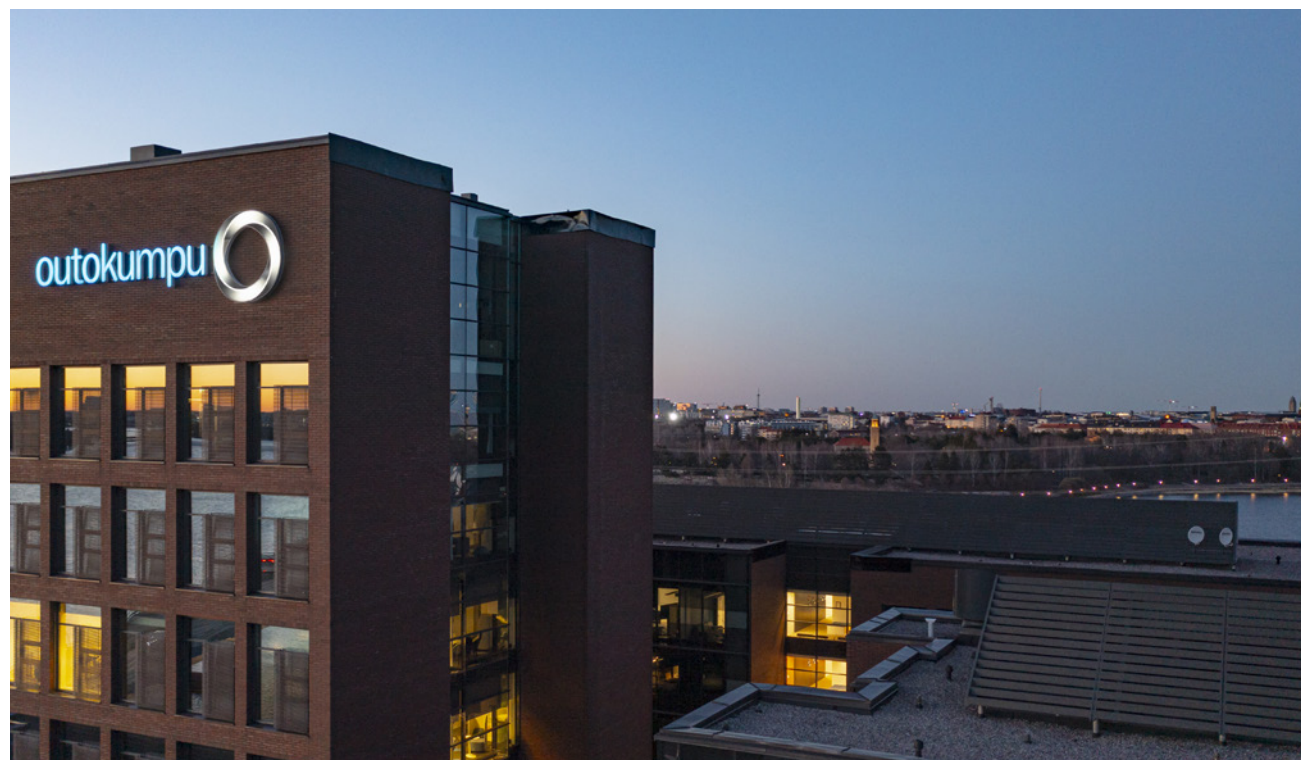
Outokumpu’s Remuneration Policy from 2020 sets the framework for the remuneration of the Board of Directors and the CEO.

This remuneration report for 2022 follows the Finnish Corporate Governance Code and the applicable legislation.

The report presents how the policy was applied in 2022 and how remuneration aligns with the successful delivery of sustainable business results according to the company’s long-term strategy. Pay for performance is one of Outokumpu’s guiding principles for remuneration. It is applied in practice via incentive plans, both short-term and long-term, so that remuneration follows business performance.

Outokumpu’s Annual General Meeting on March 31, 2022 approved the remuneration report 2021 in an advisory vote. 243,832,375 shares and votes, representing approximately 53% of all shares and votes in the company, participated in the voting. 156,961,014 votes, representing approximately 64% of the votes cast, voted for the remuneration report. In this remuneration report 2022, we increased the transparency of our disclosures, notably on performance measures in incentive plans.

For 2022, the CEO remuneration was in line with the framework and principles set forth in the Remuneration Policy. The remuneration of the employees follows the same principles, which include shareholder value creation as the underlying focus of the reward strategy, competitive remuneration, business strategy aligned incentives, and pay for performance. In line with this last principle, exceptional performance provided correspondingly higher rewards for all employees.

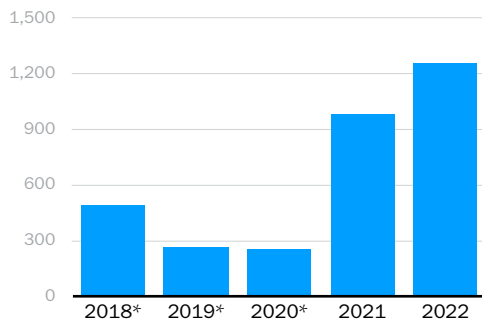


The table and graphs on the next page show how the Board member fees and the CEO remuneration have developed compared to the average remuneration of employees and to Outokumpu’s financial results over the last five years.

**Pay for performance
is one of our guiding
principles for
remuneration.**

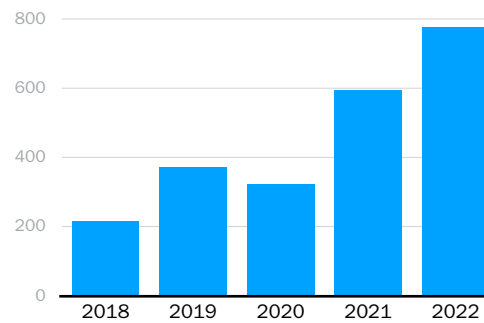
Outokumpu performance and CEO remuneration 2018–2022

Adjusted EBITDA, € million

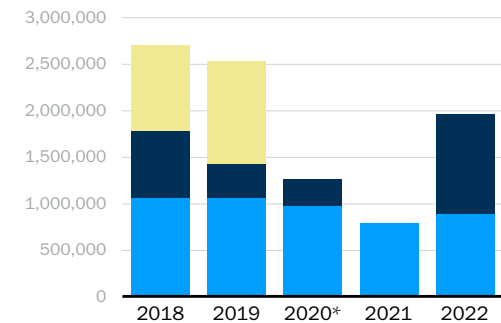


*Including discontinued operations

Operating cash flow, € million*



CEO remuneration, €



- Base salary + benefits
- Short-term incentive¹⁾
- Long-term incentive¹⁾

¹⁾ Paid incentives are entered in the graph on the year when they are paid. Usually, they relate to the performance in the previous year(s).

* Roeland Baan until April 2020 (including incentives that year), Heikki Malinen since May 2020

Development of remuneration and financial development over the past five years

	2022	2021	2020	2019	2018
Board of Directors ¹⁾ , €	898,200	780,600	658,400	705,800	576,200
CEO ²⁾ , €	1,965,022	795,840	1,264,729	2,534,480	2,705,913
Employee average ³⁾ ⁴⁾ , €	66,013	62,677	53,637	53,922	52,159
Adjusted EBITDA ⁴⁾ , € million	1,256	980	250	263	485

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.

³⁾ Personnel expenses without indirect employee costs and termination benefits, divided by the average number of employees during the year. In 2018–2020, the employee headcount 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 incentive accruals as well as higher utilization of our resources.

⁴⁾ 2018–2020 including discontinued operations.

Remuneration Policy briefly

The Remuneration Policy sets the remuneration framework and principles for the governing bodies, the Board of Directors and the President and CEO of Outokumpu.

The remuneration of the Board of Directors is decided by the Annual General Meeting based on the proposal by the Shareholders' Nomination Board. The CEO's remuneration is decided by the Board of Directors based on preparation by its Remuneration Committee and in accordance with the policy presented to the AGM.

The adjacent table describes the content of the policy briefly.

For short-term and long-term incentives, similar principles apply also for all the Outokumpu employees included in the schemes.

Remuneration element, purpose, and link to strategy	Applied to	Key features of the policy
Fixed fee Ensures that Outokumpu can attract and retain Board members with the experience and skills necessary in a large and complex business operating in a global competitive environment, enabling 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.
Fixed compensation Compensates for the job responsibilities and reflects the competencies, knowledge, and experience of the individual.	President and 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.
Pension and other benefits Enable focus on job responsibilities by releasing the individuals from the worry of organizing other aspects of their lives.	President and CEO	Rights to a supplementary pension plan are assessed on a case-by-case basis. The current President and CEO is not eligible for supplementary pension. Other benefits follow the applicable company policy and may be amended from time to time. They can include for example a mobile phone, a company car, housing, and insurance policies.
Short-term incentives Support the achievement of Outokumpu's annual financial and strategic targets.	President and CEO	Performance measures, weights, 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 were achieved and the final pay-out level.
Long-term incentives Align the interests with the shareholders and retain by creating a long-term equity interest. Promote shareholder value creation and the achievement of long-term strategic targets.	President and CEO	Outokumpu's long-term incentive program consists of annually commencing long-term incentive plans with a three-year performance period. Performance measures, weights, 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 achievement level of performance targets and confirms the final pay-out level.
Shareholding requirement Ensures alignment of the interests of the President and CEO with that of shareholders.	President and CEO	The CEO should accumulate and once achieved, hold a shareholding in Outokumpu corresponding to their 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

Outokumpu's Board members are compensated for their time, commitment, knowledge, and required experience for contributing to the long-term financial performance and success of the company. As of March 2022, Petter Söderström joined the Board of Directors as a new member. Eeva Sipilä left the Board of Directors at the Annual General Meeting in 2022.

Observing general market trends and in accordance with the proposal by the Nomination Board, the Annual General Meeting 2022 decided to increase the annual remuneration of the Board of Directors as presented in the adjacent table.

40% of the annual remuneration is 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.

If a Board member, on the date of the Annual General Meeting, owns shares of the company, which based on the closing price of that day represent a value exceeding the annual remuneration, he or she can opt to receive the remuneration in cash.

The annual fee is paid once a year, and in addition to the annual remuneration, all the members of the Board of Directors are paid a fee for each meeting they attend. The members of the Board are not entitled to any other share-based rewards. The Board members are not eligible for any pension schemes.

Set fees of the Board of Directors

€	2022		2021	
	Annual remuneration	Meeting fee	Annual remuneration	Meeting fee
Chairman	169,000	600	163,000	600
Vice Chairman	93,500	600	91,600	600
Board members	72,500		71,100	
Meeting held in the country of residence		600		600
Meeting held outside the country of residence		1,200		1,200

Remuneration and meeting fees of the Board of Directors paid in 2022 and 2021

Members of the leadership team	Paid in 2022			
	Annual compensation paid in 2022			Total
	Share portion	Cash portion	Meeting fees ¹⁾	
Kari Jordan, Chairman		169,000	21,000	190,000
Eeva Sipilä, Vice Chariman until March 31, 2022			4,200	4,200
Kati ter Horst, Vice Chariman from April 1, 2022		91,600	22,200	113,800
Heinz Jörg Fuhrmann, Member ²⁾	29,463	43,037	22,200	94,700
Päivi Luostarinen, Member ²⁾	29,463	43,037	19,200	91,700
Petter Söderström, Member ³⁾	29,463	43,037	14,400	86,900
Vesa-Pekka Takala, Member	37,996	55,504	19,200	112,700
Pierre Vareille, Member	29,463	43,037	27,000	99,500
Julia Woodhouse, Member	29,463	43,037	32,200 ⁴⁾	104,700
Total	185,308	531,292	181,600	898,200

Members of the leadership team	Paid in 2021			
	Annual compensation paid in 2021			Total
	Share portion	Cash portion	Meeting fees ¹⁾	
Kari Jordan, Chairman	66,243	96,757	12,600	175,600
Eeva Sipilä, Vice Chariman until March 31, 2022	37,226	54,374	12,000	103,600
Kati ter Horst, Vice Chariman from April 1, 2022	28,894	42,206	12,600	83,700
Heinz Jörg Fuhrmann, Member ²⁾	28,894	42,206	6,600	77,700
Päivi Luostarinen, Member ²⁾	28,894	42,206	8,400	79,500
Petter Söderström, Member ³⁾				
Vesa-Pekka Takala, Member	28,894	42,206	12,000	83,100
Pierre Vareille, Member	28,894	42,206	13,800	84,900
Julia Woodhouse, Member	28,894	42,206	21,400 ⁴⁾	92,500
Total	276,832	404,368	92,400	780,600

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

²⁾ Appointed as a Board member on March 31, 2021.

³⁾ Appointed as a Board member on March 31, 2022.

⁴⁾ Meeting fees include 7,000 € meeting fees for the ESG (environmental, social and governance) Board.

Remuneration of the CEO

The remuneration of the CEO consists of a base salary, benefits and an annually determined short-term incentive plan. In addition, the CEO participates in long-term incentives comprising performance share plans launched on a yearly basis.

Following the excellent results achieved since he took office, the CEO's monthly gross base salary was raised by 16% to EUR 75,397 in April 2022, totaling EUR 900,322 including short-term benefits for the full year 2022. This reflects the market salary level for this type of responsibilities and this size of a company, and recognizes that the CEO performed well above expectations, bringing in record level results in 2021 and successfully de-risking the company.

In 2022, the CEO's short-term incentive earning opportunity remained unchanged at 50% of the annual gross base salary on a target level and 100% on a maximum level. The short-term incentive to be paid in 2023 reflects the achievement of the pre-defined targets for 2022: Group adjusted EBITDA, safety, and strategy implementation. Group adjusted EBITDA broke new record levels. Total Recordable Incident Frequency Rate (TRIFR) reached the ambitious target of 2.0, which is exceptional in this industry. The first phase of the strategy was successfully completed ahead of time, bringing significant improvement in commercial excellence, cost and capital discipline and lean and agile organization, as well as achieving both its financial targets, EUR 250 million EBITDA run-rate improvement and net debt to EBITDA ratio to below 3.0. Altogether, EUR 871,388 of short-term incentives will be paid to the CEO in spring 2023 for 2022, which is 95% of the maximum.

Management and employees belonging to the short-term incentive scheme will also receive correspondingly high pay-outs, conditioned to their respective individual performance levels.

The CEO's long-term incentive earning opportunity is at most 150% of the annual gross base salary at the time of payment. In 2022, the CEO was not paid any long-term incentive, since the threshold level of the Performance Share Plan 2019–2021, return on operating capital compared to the peers, was not met. However, for the Performance Share Plan 2020–2022, the same performance target was reached, and therefore, the executives participating in the plan will receive 100% of the shares granted at target level. For the CEO, that means 130,451 gross shares.

The members of Outokumpu's Leadership Team, including the CEO, are expected to own Outokumpu shares they receive in the company's share-based incentive programs corresponding to at least 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 that ownership recommendation.

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

Remuneration of the CEO

	Due in 2023	Paid in 2022	Paid in 2021
Base salary and benefits ¹⁾	N/A	900,322	795,840
Short-term incentives ²⁾	871,388	1,064,700	0
Long-term incentives ²⁾	See table on the next page	0	0
Total Remuneration	N/A	1,965,022	795,840

¹⁾ Excluding post-employment benefits.

²⁾ Paid incentives are entered in the table on the year when they are paid. Usually, they relate to the performance in the previous year(s).

Share-based remuneration of the CEO

	Due in 2023	Paid in 2022	Paid in 2021
Long-term incentive plan	PSP 2020-2022	PSP 2019-2021	PSP 2018-2020
Maximum number of shares granted (gross)	195,677	97,000	43,000
Grant date	May 15, 2020	May 15, 2020	May 15, 2020
Number of shares earned (gross)	130,451	0	0
Number of shares delivered (net) ¹⁾	71,902	0	0
Share delivery date	February, 2023	–	–
Share price at delivery	Not known yet	–	–

¹⁾ Paid incentives are entered in the table on the year when they are paid. Usually, they relate to the performance in the previous year(s).

Shareholding of the CEO

	2022	2021
Shareholding recommendation	100% of individual annual gross base salary	100% of individual annual gross base salary
Shares owned on December 31	45,459	45,459
Closing share price on December 31, €	4.73	5.50
Value of the shares on December 31, €	215,021	250,025
Value of the shares in % of annual base salary	23%	31%

CEO's earning opportunity and performance measures in the short-term incentive plans in 2022

Earning opportunity in % of gross annual base salary ¹⁾		Payout, %	Payout, €	
Threshold		0.5%	4,586	
Target		50%	458,625	
Maximum		100%	917,250	
Performance measures in 2022	Weight	Achievement	Payout, %	Payout, €
Group Adjusted EBITDA in 2022	80%	Maximum	100%	733,800
Group safety: Total Recordable Incident Frequency Rate = 2.0	10%	Target	50%	45,863
Strategy implementation: EUR 250 million EBITDA run-rate improvement and net debt to EBITDA ratio to below 3.0.	10%	Maximum	100%	91,725
Total (sum of the products of each target weight and payout level)	100%		95%	871,388

¹⁾ Prorated to the different salary levels during 2022, i.e., $3/12 * 819,000 + 9/12 * 950,000 = 917,250$ €. The actual base salary paid during 2022 differs from this prorated annual base salary because of accrued holiday pay not yet paid.

CEO's earning opportunity and performance measures in the long-term incentive plans in 2022

Earning opportunity	PSP 2020–2022	PSP 2021–2023	PSP 2022–2024
Threshold ¹⁾	22%	25%	25%
Target ¹⁾	44%	50%	50%
Maximum ¹⁾	67%	75%	75%
Grant ²⁾	130,451	168,800	85,300
Grant date	May 15, 2020	March 15, 2021	March 15, 2022
Payout year	2023	2024	2025
Performance measures			
Criteria	Return on operating capital, average Q4/2022–Q3/2022, compared to peers	Return on capital employed in 2023	Return on capital employed, average 2022–2024
Weight	100%	100%	80%
Criteria	–	–	CO ₂ emissions per ton of crude steel, 2024 SBTi target
Weight	–	–	20%

¹⁾ Expressed in percentage of annual gross base salary at the time of grant. In PSP 2020–2022, the levels were prorated to time in position during the performance period: 32/36 months.

²⁾ Number of gross shares at target level. The number of shares was determined using the share price at the time of plan approval: EUR 2.66 for PSP 2020–2022, EUR 2.31 for PSP 2021–2023, and EUR 5.57 for PSP 2022–2024.