

REVIEW OF COMPENSATION ARRANGEMENTS OF THE BOARD OF DIRECTORS AND THE LEADERSHIP TEAM OF OUTOKUMPU GROUP

1 BOARD OF DIRECTORS

The 2013 Annual General Meeting decided that the number of Board members be eight from the closing of the Annual General Meeting, including Chairman and Vice Chairman, as proposed by the Nomination Board formed by the Annual General Meeting 2012 and by Solidium Oy.

Olli Vaartimo, Guido Kerkhoff, Harri Kerminen, Heikki Malinen, Elisabeth Nilsson and Siv Schalin were re-elected as members of the Board of Directors, and Jorma Ollila and Markus Akermann were elected as new members, until the close of the following Annual General Meeting. The 2013 Annual General Meeting elected Jorma Ollila as Chairman and Olli Vaartimo as Vice Chairman of the Board of Directors.

1.1 Board members' Compensation

The fees to the board members until the next Annual General Meeting, confirmed by the 2013 Annual General Meeting, are as follows:

Annual fee in EUR

Chairman	140 000
Vice Chairman	80 000
Other Board members	60 000

40% of the annual fee is paid as Outokumpu shares purchased from the market and 60% in money. The members of the Board are not entitled to any other share-based rewards.

In addition to the annual fee, all members of the Board of Directors are paid a meeting fee of EUR 600 (EUR 1 200 for Board members residing outside Finland). The meeting fee is also payable for meetings of Board committees.

2 CHIEF EXECUTIVE OFFICER

Salaries and rewards paid to the CEO in 2012 are displayed in the table below.

2012	Salaries and fees with employee benefits, EUR	Performance/project-related bonuses, EUR	Options, EUR	Total, EUR
CEO Mika Seitovirta	882 692*	90 000	-	972 692

*) This figure includes the compensation of 271 223 euros for the value of the shares of the Innoxum transaction scheme at the time of the and taxes and social security contributions related to that.

2.1 Base salary and benefits

The current monthly base salary of the CEO is EUR 60 000.

Outokumpu Oyj
Konserninjohto

Riihitontuntie 7 B, PL 140, 02201 Espoo
Puh. (09) 4211, Faksi (09) 421 3888, www.outokumpu.com
Kotipaikka Espoo, Y-tunnus 0215254-2, ALV 02152542

2.2 Shares received from incentive programs

No reward was paid to the CEO in 2012 from share-based incentive programs. The CEO has possibility to receive share rewards from Outokumpu's share-based incentive program 2009–2013, earnings period 2011–2013 and Performance Share Plan 2012, earnings periods 2012–2014 and 2013–2015. The possible share rewards will be delivered in spring 2014, 2015 and 2016 respectively, if the performance targets set for the earnings periods are met

2.3 Pension arrangements – age and principles of defining the pension

The CEO is included in a defined contribution pension plan and has the right to retire at the age of 63. The targeted pension is 60% of the salary at the age of 63. The maximum annual insurance payment is 25% of CEO's annual income, including fringe benefits and performance related short-term incentive payments.

2.4 Terms of notice

The period of notice for the CEO is six months on CEO's side and 12 months on the Company's side. If Outokumpu terminates the CEO's employment for a reason or reasons unconnected with his performance or events interpreted as him having failed in his duties, the Company will make a compensation payment. The amount of this payment will equal to the CEO's base salary in the preceding 12 months plus the monetary value of his employee benefits at the moment of termination.

3 DECISION MAKING PROCESS AND KEY PRINCIPLES OF REWARDING IN OUTOKUMPU

3.1 Share of short and long term compensation

The compensation of the CEO and the members of the Leadership Team consist of the following elements: base salary, benefits, short-term incentives, long-term incentives and pension arrangements.

The aggregate annual reward comprising of shares and cash under the long-term programme together with other short term and long term incentives must not exceed 200 % of the annual salary.

In 2013, the maximum reward from the short-term incentive programme is 50% of the annual base salary for the CEO and for the other members of the Leadership Team.

3.2 Decision process for different compensation elements and their maximum levels

3.2.1 Fixed elements of compensation

The compensation of the CEO and the members of the Leadership Team consist of the following fixed elements: base salary, benefits and pension arrangements. No separate remuneration is paid to the Group CEO or members of the Leadership Team for membership of this Team or the Group's other internal governing bodies.

3.2.1.1 Base salary

Base salary of the CEO is decided annually by the Board of Directors. The base salaries for other members of the Leadership Team are decided annually by the Board's Remuneration Committee.

2012	Salaries and fees with employee benefits, EUR	Performance/ project-related bonuses, EUR	Options, EUR	Total, EUR
CEO Seitovirta	882 692*	90 000	-	972 692
Deputy CEO Lager	300 341	70 636	-	370 977
Other Leadership Team members	1 390 112**	194 314	-	1 584 426

*) This figure includes the compensation of 271 223 euros for the value of the shares of the Inoxum transaction scheme at the time of the and taxes and social security contributions related to that.

***) Hautala January 1–December 28, 2012; Lu, Tuutti, Albrecht-Früh and Florey December 29–31, 2012.

3.2.1.2 Benefits

Benefits of the CEO are decided annually by the Board of Directors. For other members of the Leadership Team they are decided annually by the Remuneration Committee.

3.2.1.3 Pension arrangements

Pension arrangements of the CEO are decided annually by the Board of Directors. For other members of the Leadership Team they are decided annually by the Remuneration Committee.

In December 2009, the Board of Directors confirmed that the retirement age is 63 for all new members of the Leadership Team (at the time called Group Executive Committee). Other members of the Leadership Team are entitled to retire at the age of 60.

For Finnish members of the Leadership Team appointed before January 1, 2007, pension benefits amount to 60% of the total average annual salary in the last five full years of service. For other Finnish members of the Leadership Team, the targeted pension is 60% of annual salary at the age of either 60 or 63 depending on the date when the executive concerned was appointed to the Leadership Team. Earnings calculated from the year of appointment, including fringe benefits and performance-related short-term incentives are used as the basis for the insurance premium. The maximum premium is 25% of an individual's annual earnings. The member of the Leadership Team who lives in Sweden belongs to Swedish ITP pension plan and the two members who reside in Germany are entitled to pension benefits in accordance with Essener Verband. One member of the Leadership Team resides in China and is covered by the state pension plan in China, in addition to which 15% of his annual salary is paid for a supplementary pension scheme.

3.2.2 Variable parts of compensation

The variable part of compensation of the CEO and the members of the Leadership Team consists of short-term and long-term incentives.

3.2.2.1 Short-term incentives

Terms and conditions and the objectives of the Short-term incentive program of the CEO are decided annually by the Board of Directors. For other members of the Leadership Team they are decided annually by the Remuneration Committee.

The earning period of the Short-term incentive program is calendar year. Possible rewards are paid for the participants after the publishing of the annual accounts in the following year.

In 2013, the maximum reward from the short-term incentive program is 50% of the annual base salary for the CEO and for the other members of the Leadership Team.

3.2.2.2 Long-term incentives

The Board of Directors decides on the interpretation and implementation of the terms and conditions and on any other matters relating to the long-term incentive programs. The Board also decides on the exact contents of the performance criteria, and any possibly required changes to it.

3.3 Outokumpu Share-based Incentive Programs

Outokumpu's long-term incentive programmes have been devised as part of the key employee incentive and commitment system. The objective of the programs is to reward selected employees for good performance which supports Outokumpu's strategy, to engage them and to form part of a competitive incentive package. The purpose of the programs is also to direct the employees' attention to achieving Outokumpu's financial targets and increasing shareholder value over a longer period of time. Outokumpu has currently no active stock option programs.

3.3.1 Share-based incentive programme 2009–2013

On February 3, 2009, Outokumpu's Board of Directors confirmed a share-based incentive program which will last five years and comprise of three earnings periods, each lasting three calendar years and commencing on January 1, 2009, January 1, 2010 and January 1, 2011. The Board of Directors has decided on the persons who are entitled to participate in the program for each earnings period. If the participants of the earnings period 2011–2013 were to receive the maximum reward, the aggregate number of shares to be distributed would be 1 214 200 shares (April 2013 status), in addition to which cash equal to taxes not exceeding 1.5 times the value of the shares at the time they are distributed would be paid.

3.3.1.1 Performance criteria

For the earnings period 2009–2011, the reward was based on the relative development of TSR (Total Shareholder Return).

For the earnings period 2010–2012, the reward was based on the relative development in Total Shareholder Return (TSR, 2/3 weight of the maximum reward) over the three-year earnings period and annual Earnings per share (EPS, 1/3 weight of the maximum reward) for calendar years 2010 and 2011. For the year 2012, the EPS criterion was replaced with EBIT.

For the earnings period 2011–2013, the reward was based on the relative development in Total Shareholder Return (TSR, 50% weight of the maximum reward) over the three-year earnings period and annual Earnings per share (EPS, 50% weight of the maximum reward) for the year 2011 and Earnings Before Interest and Taxes (EBIT, 50% weight of the maximum reward) for the year 2012. For the year 2013, the EBIT criterion was replaced with Earnings Before Interest and Taxes, Depreciation and Amortization (EBITDA, 50% weight of the maximum reward)

3.3.1.2 Maximum reward and lock-up period

The aggregate annual total payment of rewards (shares and cash) under the program, together with other short-term and long-term incentives, must not exceed 200% of the participant's annual salary at the end of the earnings period. Rewards allocated under the program for the earnings period (both shares and cash) will be reduced accordingly if the above limit is exceeded. Under the program, participants must retain the shares in their possession for a period of at least one year from the date of distribution.

3.3.1.3 Pay-out history of Share-based incentive program 2009–2013

The Board of Director's has confirmed that the targets set for the earnings periods 2009–2011 and 2010–2012 were not met and therefore no reward was paid to the participants .

3.3.2 Performance Share Plan 2012

On January 31, 2012 the Board of Directors of Outokumpu approved the establishment of a new share-based incentive plan, Performance Share Plan 2012, which is part of the remuneration and commitment program for the key management of Outokumpu Group. The Plan offers a possibility to receive Outokumpu shares as a long-term incentive reward, if the targets set by the Board of Directors for each earnings period are achieved.

The Performance Share Plan 2012 consists of annually commencing performance share plans. Each plan contains a three-year earnings period after which the share rewards possibly earned will be delivered to the participants. The first plan commenced at the beginning of 2012 and the share rewards possibly to be delivered based on the first plan will be delivered in the spring 2015. The second plan commenced at the beginning of 2013 and the share rewards possibly to be delivered based on the second plan will be delivered in the spring 2016.

3.3.2.1 Performance criteria

For the plan 2012–2014, the reward is based on Earnings Before Interest and Taxes (EBIT, 70% weight of the total reward) for the year 2012 and relative Total Shareholder Return (TSR, 30% weight of the total reward). For the year 2013, EBIT has been replaced with Earnings Before Interest and Taxes, Depreciation and Amortization (EBITDA) criterion.

For the plan period 2013–2015, the reward is based on Earnings Before Interest and Taxes, Depreciation and Amortization (EBITDA), Outokumpu share-price adjusted with dividends and achievement of Inoxum transaction related synergies, each equaling to 1/3 weight of the total reward.

The Board of Directors has approved 164 people to be in the scope of the program for the 2013–2015 plan. If the participants of plans 2012–2014 and 2013–2015 were to receive the maximum reward, the aggregate number of shares to be distributed would be 17 183 100 gross shares (April 2013 status), from which applicable taxes would be deducted and the remaining net value would be delivered to the participants in Outokumpu shares.

3.3.3 Restricted Share Pool

On January 31, 2012 the Board of Directors approved the establishment of a Restricted Share Pool program, which is part of the remuneration and commitment program for selected key resources of Outokumpu Group. It consists of annually commencing plans with a three-year vesting period after which the allocated share rewards will be delivered to the participants provided that their employment with Outokumpu continues uninterrupted throughout the duration of the plan, until the shares are delivered.

The first plan commenced at the beginning of 2012 and the share rewards to be delivered based on the first plan will be delivered in the spring 2015. In 2012, four people were invited to participate in Plan 2012–2014 and they were granted in total 322 123 gross shares. The second plan commenced at the beginning of 2013 and the share rewards to be delivered based on it will be delivered in spring 2016.

Restricted share grants are approved annually by the CEO on the basis of the authorization granted by the Board of Directors, with the exception of possible allocations to Leadership Team members, which will be approved by the Board of Directors.

In line with the authorization relating to the second plan within the Restricted Share Pool, the maximum number of shares that may be allocated within the plan is 2 000 000 gross shares from which applicable taxes will be deducted and the remaining net value will be delivered to the participants in Outokumpu shares.

3.3.4. Other terms

The aggregate reward of an individual participant under the above programs, together with other short term and long term incentives of the participant, may not exceed 200% of the participant's annual base salary.

No new shares will be issued in connection with the above share-based incentive programs and therefore the programs will have no diluting effect.

3.3.5. Guidelines for ownership of shares received from incentive schemes

The Shares received from the share-based incentive programs shall be governed by the share ownership plan of the Leadership Team of Outokumpu Group, and the terms and conditions of that plan apply to the holding of shares received by such persons and shall prevail in case of any discrepancy with the terms and conditions of the program.

In accordance with the share ownership plan, members of the Outokumpu Leadership Team are obliged to hold Outokumpu shares acquired or received under incentive programs for the value of their annual gross base salary. 50% of the net shares received under the new long-term incentive programs established in 2012 (Performance Share Plan 2012 and Restricted Share Pool) must be used to fulfil the above ownership requirement.

3.4 Shares and options of the Leadership Team (April 2013 status)

Executive	Shares	Share-based incentive program 2011-2013 *	Performance Share Plan 2012-2014 **	Performance Share Plan 2013-2015 **	Restricted Share Pool 2012-2014 ***
Mika Seitovirta	200 000	96 000	544 000	1 063 500	-
Ulrich Albrecht-Früh	-	-	-	324 000	117 284
Reinhard Florey	-	-	-	324 000	117 284
Esa Lager	224 000	36 000	170 000	324 000	-
Austin Lu	-	-	65 200	324 000	-
Kari Parvento	8 000	36 000	170 000	324 000	-
Johann Steiner	-	-	-	324 000	-
Jarmo Tonteri	144 282	-	-	-	-
Kari Tuutti	20 000	-	65 200	324 000	-

*) The maximum number of net shares (taxes excluded) payable if the set performance targets are achieved in full.

***) The maximum number of gross shares (taxes included) payable if the set performance targets are achieved in full. For Austin Lu, the possible LTI reward will be paid in cash instead of shares, due to local legislation.

****) The gross number of shares (taxes included) payable in spring 2015 if the employment has continued until the delivery date of the shares and no notice of termination has been given prior to the delivery date.