

Remuneration statement 2016

Review of compensation arrangements of the Board of Directors and the Leadership Team of Outokumpu Group

Decision making process and main principles of rewarding in Outokumpu

Decision process for different compensation elements

The Board of Directors nominates and dismisses the CEO and his/her possible deputy and decides on their terms of service, including base salary, fringe benefits, pension benefits and incentive schemes.

The Remuneration Committee of the Board determines and approves the terms of service, including salaries, bonuses, pension benefits and other benefits, of the Outokumpu Leadership Team members other than the CEO and his/her deputy.

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

The remuneration of the Board of Directors is decided annually by the Annual General Meeting.

Main principles of rewarding in Outokumpu

The compensation of the CEO and the members of the Leadership Team consist of base salary, fringe benefits, short-term incentives, share-based long-term incentives and pension arrangements. The total compensation is reviewed regularly by the Board of Directors. The review includes benchmarking the different components of total remuneration to market practices in corresponding positions.

Board of Directors

Board members' compensation

The fees payable to the Board members until the next Annual General Meeting, confirmed by the 2015 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 in Outokumpu shares purchased from the market and 60% in money. The shares are freely disposable after delivery. 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 the meetings of the Board committees.

Remuneration elements of the Leadership Team

Share of short-term and long-term compensation

In 2016, the maximum reward from the short-term incentive program is 95 % of the annual base salary for the CEO. For the other members of the Leadership Team, the maximum reward varies between 50% and 100% of annual base salary in line with market practices. With the exception of CEO Baan, the aggregate gross value of the short-term and long-term incentives, "the variable pay", paid to the members of the Leadership Team in any individual year may not exceed 200 % of the executive's annual base salary. If an executive's variable pay would exceed the above mentioned level, the elements of the variable pay will be cut to the extent decided by the Company.

Fixed elements of compensation

The fixed elements of compensation of the CEO and the members of the Leadership Team consist of base salary, fringe 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.

Pension arrangements

The retirement age for the members of the Leadership Team is 63 years, and they participate in the local retirement programs applicable to employees in the country where their employing company is located. The members employed in Germany are entitled to pension

benefits in accordance with the rules of the German Essener Verband. The members employed in Finland participate in the Finnish TyEL pension system, in addition to which they are entitled to a defined contribution pension plan, for which the targeted pension is 60% of the annual salary at the age of 63 and the maximum premium is 25% of an individual's annual earnings, excluding share rewards. The pension benefits of the other Leadership Team members vary in line with the local market practices.

Terms of notice

The CEO is not entitled to a specific severance payment, and the notice period is three months for both parties. For the other members of the Leadership Team who are employed in Finland, the notice period is six months for both parties, in addition to which there will be additional compensation equivalent to their basic salary in the preceding 12 months plus the monetary value of their employee benefits at the moment of termination, provided that their employment is terminated for a reason other than one caused by the employee. The termination benefits of the other Leadership Team members employed outside of Finland vary in line with local market practices and amount to 18 months' base salary at the maximum, including salary for notice period and severance compensation.

Short-term incentives

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. No reward is paid to the Leadership Team members based on year 2015 targets.

In 2016, the maximum reward from the short-term incentive program is 95 % of the annual base salary for the CEO. For the other members of the Leadership Team, the maximum reward varies between 50% and 100% of annual base salary. The pay-out will be based on the achievement of EBITDA, net working capital, occupational safety and individual objectives.

Outokumpu share-based incentive programs

Outokumpu's long-term incentive programs 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.

Performance Share Plan 2012

Performance Share Plan 2012 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. It consists of annually commencing performance share plans. Each plan contains a three-year earnings period after which the share rewards will be delivered to the participants. The share grants are expressed as gross number of shares. If the performance criteria set by the Board are met, applicable taxes will be deducted of the achieved gross award and the remaining net value will be delivered to the participants in Outokumpu shares.

The first plan, plan 2012-2014, ended on December 31, 2014. The earnings criteria were Earnings Before Interest and Taxes (EBIT) for the year 2012, Earnings Before Interest and Taxes, Depreciation and Amortization (EBITDA) for the year 2013, improvement in Earnings Before Interest and Taxes (delta EBIT) for the year 2014 and relative Total Shareholder Return (TSR) over the three-year period. Based on the achievement of the set criteria, 23,3 % of the maximum award was paid to plan participants in spring 2014.

The second plan, plan 2013-2015, ended on December 31, 2015. The criteria set for the plan were Outokumpu share price at the end of 2015, EBITDA (earnings before interest, taxes, depreciation and amortization) for the year 2013, EBIT (earnings before interests and taxes) improvement for the year 2014, EBIT excluding non-recurring items for the year 2015 and achievement of Innoxum transaction related synergies. Based on the achievement of the targets the participants will receive 65.1% of the target number of shares as reward. After deductions for applicable taxes, altogether 182,593 shares will be delivered to 84 persons by the end of April 2016, subject to uninterrupted employment until the share delivery. Of these, 36,606 shares will be delivered to Leadership Team members. Outokumpu will use its treasury shares for the reward payment, which means that the total number of shares of the company will not change.

January 1, 2016 status of the on-going Performance Share Plans:

Performance Share Plan 2012 (PSP)	Plan 2014-2016	Plan 2015-2017	Plan 2016-2018
Number of participants	119	133	133
Maximum number of gross shares to be paid 1)			
CEO Baan	-	-	220,000
Other Leadership Team members	308,904	468,000	589,500
Other participants	1,185,618	1,143,900	1,980,900
Total maximum number of gross shares to be paid 1)	1,494,522	1,611,900	2,790,400
Earning criteria	EBIT improvement for the year 2014, EBIT excluding non-recurring items for the year 2015 and Underlying EBITDA for the year 2016, Annual Business Cash Flow for the years 2014, 2015 and 2016 and Outokumpu ROCE in the end of 2016.	EBIT excluding non-recurring items and Business Cash flow for the year 2015, ROCE ranking among peers in the end of 2017 and Outokumpu's gearing in 2017.	Outokumpu's profitability and the efficiency with which its capital is employed compared to a peer group and Outokumpu's gearing in 2018.
Share delivery year	2017	2018	2019

1) The maximum number of gross shares (taxes included) payable if the set performance targets are achieved in full.

Restricted Share Pool

Restricted Share Pool program 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 share grants are expressed as gross number of shares. Applicable taxes will be deducted of the gross award and the remaining net value will be delivered to the participants in Outokumpu shares.

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 Remuneration Committee.

Plan 2012-2014 of the Restricted Share Pool program ended on December 31, 2014. In total 14,350 shares were delivered to three participants of plan 2012-2014 in spring 2015.

Plan 2013-2015 of the Restricted Share Pool program ended on December 31, 2015. In total 7,426 shares will be delivered to two participants of plan 2013-2015 by the end of April 2016, subject to uninterrupted employment until the share delivery. Outokumpu will use its treasury shares for the reward payment, which means that the total number of shares of the company will not change.

January 1, 2016 status of the on-going Restricted Share Pool plans:

Restricted Share Pool (RSP)	Plan 2014-2016	Plan 2015-2017	Plan 2016-2018
Number of participants	6	6	-
Number of gross shares to be paid 1)			
CEO	-	-	-
Other Leadership Team members	-	5,400	-
Other participants	20,700	30,800	-
Total number of gross shares to be paid 1)	20,700	36,200	330,000 2)
Share delivery year	2017	2018	2019

1) The gross number of shares (taxes included) paid 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.

2) The maximum number of gross shares (taxes included) that can be allocated by the CEO from the 2016-2018 plan

Guidelines for ownership of shares received from incentive schemes

Outokumpu maintains a share ownership requirement policy pursuant to which members of the Outokumpu Leadership team are required to maintain a specific minimum share ownership in the company as long as he/she is a member of the Leadership Team.

In accordance with the share ownership policy, 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 (including fringe benefits and holiday allowance and excluding any bonuses or any other variable compensation). In line with the Terms and Conditions of the Performance Share Plan 2012 and Restricted Share Pool programs, 50 % of the net shares received under the programs must be used to fulfil the above ownership requirement.

Shares allocated from the share-based incentive programs (January 1, 2016 status)

Executive	Performance Share Plan 2014-2016 ¹⁾	Performance Share Plan 2015-2017 ¹⁾	Performance Share Plan 2016-2018 ¹⁾	Restricted Share Pool 2015-2017 ²⁾	CEO Matching Share plan
Roeland Baan	-	-	220,000	-	1,157,156
Reinhard Florey	55,200	75,000	-	-	-
Liam Bates	10,500	20,250	49,500	-	-
Pekka Erkkilä	55,200	49,500	75,000	-	-
Jan Hofmann	22,104	20,250	49,500	5,400	-
Olli-Matti Saksi	45,000	75,000	108,000	-	-
Johann Steiner	55,200	49,500	75,000	-	-
Saara Tahvanainen	10,500	30,000	49,500	-	-
Kari Tuutti	55,200	49,500	75,000	-	-
Michael Williams	-	75,000	108,000	-	-

¹⁾ The maximum number of gross shares (taxes included) payable if the set performance targets are achieved in full.

²⁾ The gross number of shares (taxes included) payable in spring 2018 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.

The share grants allocated from the plans which started in 2014 have been technically adjusted in June 2014 due to reverse split of shares. The reason for the adjustment was to maintain the proportional position of the allocated shares in relation to the Company's outstanding shares since there was a change in the number of the outstanding shares of the Company as a result of the reverse share split.

Chief Executive Officer

Base salary and fringe benefits

The annual base salary of the CEO is EUR 950,000. In addition, he is entitled to taxable housing benefit, medical and life insurance and compensation for schooling costs of his children in Finland.

Short-term incentive

In 2016, the maximum reward from the short-term incentive program is 95 % of the annual base salary for the CEO. The pay-out will be based on the achievement of targets related to EBITDA, net working capital, occupational safety and individual objectives.

CEO Matching Share Plan

According to the Matching Share Plan, CEO Baan is entitled to receive in total 1,157,156 gross shares including taxes on the condition that he has personally invested EUR 1 million into Outokumpu shares by February 20, 2016. The matching shares will then be delivered in four equal installments in the end of 2016, 2017, 2018 and 2019, respectively. The CEO is required to keep all the shares he acquires and at least the first vesting portion, i.e. 25% of the net amount of the received matching shares throughout his service with Outokumpu. If the CEO's service contract is terminated without any fault or negligence attributable to him, all unvested matching shares (ie. shares not yet delivered) will vest at the expiry of the CEO agreement,

provided that the ownership requirement for the CEO is fulfilled.

Shares received from incentive programs

In spring 2015, the former CEO Mika Seitovirta received a gross award of 15,232 shares before deduction of applicable taxes, based on the results of earnings period 2012-2014 of the Performance Share Plan 2012. The net number of shares delivered to Mika Seitovirta was 8,021, in addition to which EUR 51,774 was paid for taxes. CEO Baan has possibility to receive share rewards from the Matching Share Plan and plan 2016-2018 of the Performance Share Plan 2012.

Pension arrangements

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 annual insurance payment may not be more than 25 % of CEO's annual income, including fringe benefits and performance related short-term incentive payments.

Terms of notice

The CEO is not entitled to a specific severance payment, and the notice period is three months for both parties.

Salaries and Rewards paid to the Leadership Team In 2015

2015	Salaries and fees with employee benefits, EUR	Performance/ project-related bonuses, EUR ³⁾	Share rewards, EUR ⁴⁾	Total, EUR
CEO Seitovirta ¹⁾	634,888	303,912	110,408	1,049,207
Deputy to the CEO	512,072	250,000	100,675	862,748
Other Leadership Team members ²⁾	3,039,955	1,015,241	48,035	4,103,231

1) 1.1.-26.10.2015

2) Lu 1.1.-31.3.2015, Hofmann 1.4.-31.12.2015, Wallis 1.1.-30.4.2015, Salas 1.5.-30.6.2015, Williams 1.7.-31.12.2015, Parvento 1.1.-5.11.2015, Bates 5.11.-31.12.2015

3) Short-term incentive payment made in March 2015 based on the achievement of 2014 operational objectives.

4) Gross, including the value of the shares on the day of delivery and taxes