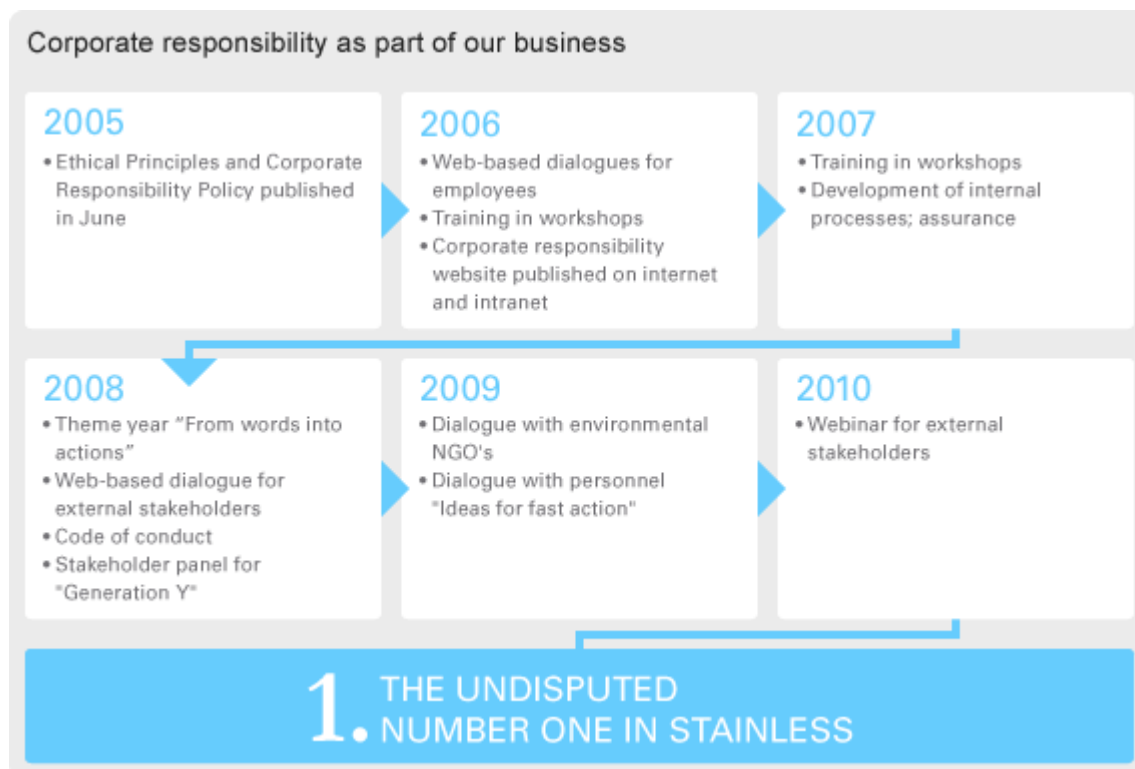


Raising levels of corporate responsibility in a changing world

Improvement of Outokumpu's performance and reporting on corporate responsibility issues continued in a more challenging world. Stated simply, our development concept involves listening to stakeholders, moving from words to actions and turning actions into results step-by-step. Our objective is to listen to our key stakeholders, achieve sustainable competitiveness, combat climate change and improve the well-being and safety of Outokumpu people.

Environmental and health and safety (EHS) issues are – and have always been – subjects of primary importance for the Group's profitability and competitiveness and for the well-being of our personnel. We make no compromises in Outokumpu regarding these issues, and there is always room for improvement. Developments in occupational safety are monitored via regular reports at corporate management meetings. All management committees and equivalent bodies throughout the Group begin each meeting with a safety review, and safety is a top priority at all times even when producing lower volumes. As in 2005, to ensure an exceptionally strong focus on safety issues, 2010 has been named a Safety theme year. We pay particular attention to the well-being of Group personnel, our suppliers and the wishes of our customers. As a listed company, Outokumpu is committed to generating profit for its shareholders.

During the current global downturn, acting responsibly and attempting to keep the three aspects of corporate responsibility in balance is more important than ever. The very sharp decline in demand for stainless steel products in 2008 and 2009 forced us to take heavy actions with impact on us and on our stakeholders.



Outokumpu in many indices and initiatives

- DJSI STOXX and World
- UN Global Compact
- Kempen SRI
- SAM Sector Mover 2010
- ASPI Eurozone® index
- Ethibel Excellence Europe
- Storebrand SRI

Main corporate responsibility goals

1. Corporate responsibility becomes an integral aspect of all our activities and decision-making process, from procuring materials through to production and sales. Economic, environmental and social responsibility issues are in balance. Compliance with legislation constitutes the bedrock of our operations. Continually improving our corporate responsibility performance puts us on the path towards a higher level of achievement.
2. Our business partners, subcontractors and suppliers become familiar with our principles and apply the same high standards in their own activities.
3. To enhance transparency, we aim to establish continuous, systematic and open dialogue on corporate responsibility issues with our key stakeholders, such as shareholders, employees, customers, suppliers and non-governmental organisations. This co-operation contributes towards developing and dutifully reporting our corporate responsibility performance.

Observations by PricewaterhouseCoopers

Outokumpu is in the process of integrating corporate responsibility into business operations. The integration should be further continued to ensure the effectiveness of CR across all functions, e.g. Group Sales and Marketing, and along the whole value chain.

Corporate responsibility highlights



Making responsibility an integral part of all our activities

Even though our main focus was on cost reduction and cash flow generation during the historically difficult year of 2009, we kept our vision in corporate responsibility – to be the most responsible company within our industry – firmly in mind. We continued our step-by-step development approach, and I believe that awareness of corporate responsibility issues has improved among our employees.

Difficult times test a company's attitude to its responsibilities

The year 2009 was very difficult for all stainless steel producers and an exceptional year for Outokumpu with heavy losses but fortunately strong cash flow. Our financial result is discussed in detail in the first part of this online report, here we take the corporate responsibility viewpoint. I believe that acting responsibly in difficult times is of particular importance, as is maintaining a balance between the environmental, economic and social aspects of corporate responsibility.

The economic value distributed to our key stakeholders decreased due to the dramatic drop in demand for stainless steel and the resulting impact on our sales. We continued our efforts to reach the targets set for 2009: reducing energy consumption, waste, and injuries, and improving our employees' well-being. Unfortunately, as part of our cost saving efforts, personnel reductions could not be avoided, and some 900 jobs were lost permanently.

Our levels of production were clearly lower than in the previous year, and our energy consumption therefore also decreased, by 25%. We did not however reach the target of a 2% decrease per processed tonne. We did achieve our target of further 10% reduction in landfill waste per processed tonne – an impressive achievement. The injury rate fell from 9.0 to 5.9 injuries per million working hours, our target was below five. We will continue our efforts – the target figure for 2010 is a challenging four, a good level by global standards. The year 2010 has been named Safety Theme Year, meaning we will be placing additional emphasis on our safety performance. Our long-term target for both injuries and waste is zero. No serious injuries occurred in 2009. In these difficult times the well-being of our personnel remained unchanged; the improvement target was not reached.

We take climate change seriously

Climate change, carbon dioxide emissions and energy consumption continue to be areas of concern for both us and our stakeholders. We take these issues seriously and are doing our share in the shift towards a low-carbon society. Published at the beginning of 2010, our Energy and low-carbon programme includes a commitment to reduce our direct and indirect carbon dioxide emissions by 20% per produced tonne by 2020. In 2009, our direct carbon dioxide emissions totalled 540 000 tonnes, 35% less than in the previous year, primarily because of lower production volumes. Most of our emissions in 2009 remained within permitted limits but some incidents did occur.

I am proud to say that according to a study made by PE International, our stainless products have the smallest carbon footprint in our industry in the EU. Key drivers in our business are that our products have a higher percentage of recycled material than the global industry average, and that our ferrochrome production is a world leader in both energy efficiency and curbing carbon dioxide emissions.

Internal improvement initiatives such as our Operational Excellence programmes are important tools in further improving our operations and our profits. Production excellence focuses on safety and operational efficiency and also concerns eliminating waste and losses. It has an impact on both the economic and the environmental performance of the supply chain. The sustainability of our supply chain is an important issue, especially in challenging new markets. Our goal is that

our suppliers apply ethical standards which are as high as ours. Supplier audit processes will be finalised and gradually adopted in 2010, first in our raw material purchases then in general purchases.

Investigations of our export practices to Russia that were initiated by the Finnish Customs authorities in 2007 have been completed. The prosecuting authorities' process of considering possible charges is to be completed in the spring of 2010.

Awards for our sustainability performance and reporting

I am really pleased that the efforts we are making to improve our corporate responsibility performance and our reporting have been recognised once again. We maintain our position in the sustainability indices in which we already featured and were included in one new one. For achieving the largest improvement in sustainability performance among the top eight sustainable steel companies, we won the SAM Sector Mover 2010 award. In addition, Outokumpu was again selected as Finland's best reporter on corporate responsibility issues.

And the work continues. The valuable feedback we receive from stakeholders is very useful in working towards our vision. There is still much to do and to improve.



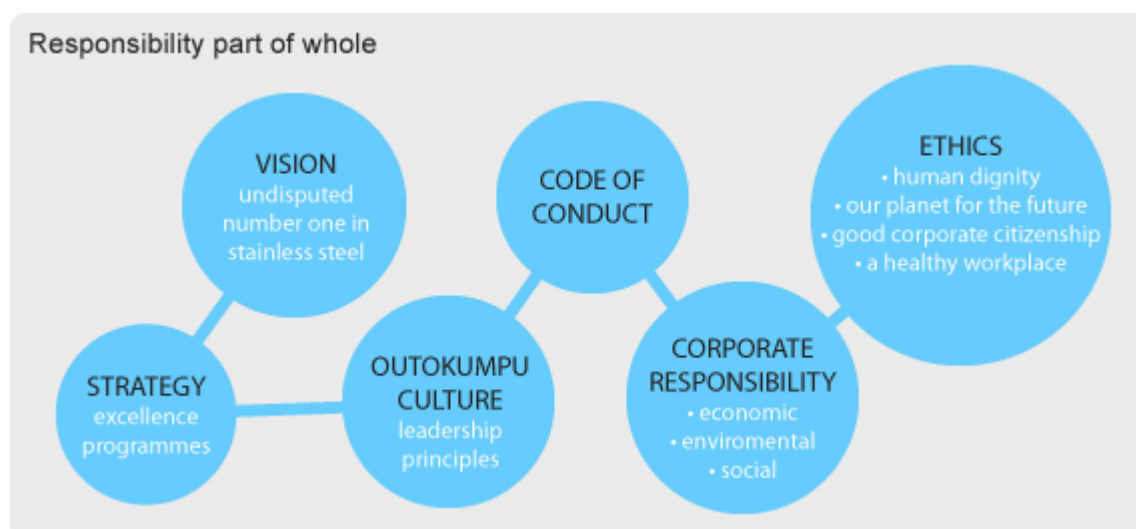
Juha Rantanen
CEO

Corporate governance, commitments and engagement

The Group's parent company, Outokumpu Oyj, is a public limited liability company incorporated and domiciled in Finland.

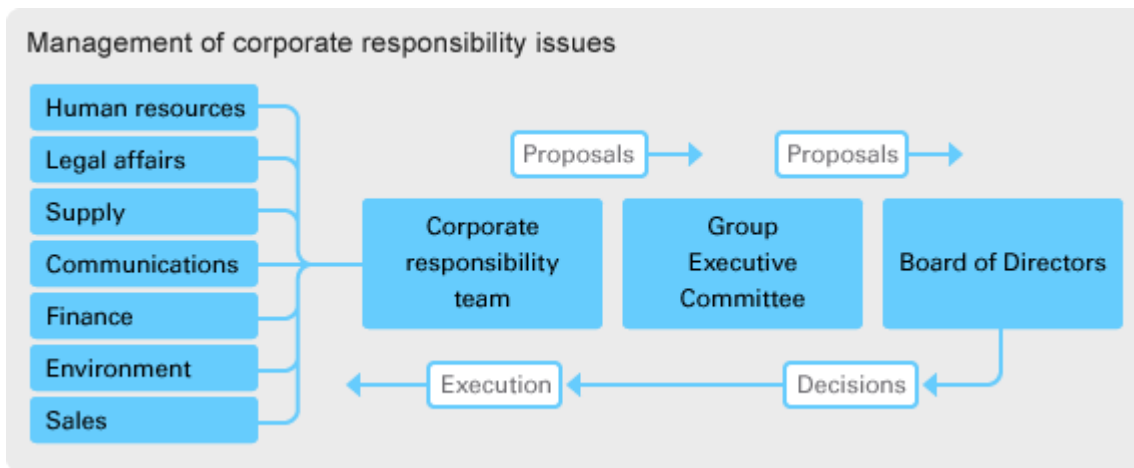
In its corporate governance and management, Outokumpu Oyj complies with Finnish legislation, the Company's Articles of Association and the Corporate Governance Policy resolved and approved by the Board of Directors. Outokumpu observes the Finnish Corporate Governance Code, which came into force on January 1, 2009, by the Securities Market Association and approved by the NASDAQ OMX Helsinki as part of its regulations. As one exception to this code, Outokumpu has both a Board Nomination and Compensation Committee and a Shareholders' Nomination Committee appointed by the Annual General Meeting of Shareholders. Furthermore, Outokumpu complies with all other regulations and recommendations issued by NASDAQ OMX Helsinki.

The governing bodies of the parent company Outokumpu Oyj, i.e. the General Meeting of Shareholders, the Board of Directors and the CEO, have ultimate responsibility for Group management and Group operations. Outokumpu's corporate governance and the duties and responsibilities of the company's governing bodies and the control system are presented in detail [here](#).



Management of corporate responsibility issues

Corporate responsibility in Outokumpu is the responsibility of the CEO. A corporate responsibility team formed by representatives of different business functions is headed by VP – Corporate Responsibility. The team's task is to provide advice on corporate responsibility issues. VP – Corporate Responsibility is responsible for coordinating and developing all aspects of corporate responsibility throughout the Group. Each business unit and function is responsible for ensuring that its own operations are conducted in a responsible manner and that monitoring, data collection and reporting operations are executed in the required manner. We have three overall objectives in corporate responsibility. In addition, every year we set concrete measurable targets at Group-level for environmental and social issues. Local targets are in line with these Group-level targets. The results are reported and monitored.



We have a clear vision

Outokumpu's vision is to become the undisputed number one in stainless steel, with success based on Operational Excellence. Being the number one producer in stainless steel means we strive to be the most successful company, the most efficient producer, the most popular employer and to have the best customer relationships in our business. We intend to gain the number one position by engaging in responsible business practices, helped and supported by our key stakeholders.

Outokumpu's strategic goals

The aim of Outokumpu's strategic goals is to achieve the number one position in stainless steel. We create value through superior production and distribution capabilities, realising this through our excellence programmes. Becoming number one in stainless steel also requires that we maintain our focus on customer needs and continuously develop the skills and know-how of our personnel. Read more about strategic themes [here](#).

Policies are the backbone of our operations

While the underlying principle in Group operations is compliance with local legislation everywhere we operate, we are however willing to raise the responsibilities we accept to a higher level. Our operations are governed by corporate policies and also recommendations published by the United Nations (Global Compact). These include Outokumpu's [Ethical Principles](#), our [Corporate Responsibility policy](#), our [Code of Conduct](#) and our Quality, Environment and Health & Safety policy. The Group's ethical principles are also an integral part of our leadership principles. Individual locations have detailed practical guidelines to support their operations.

Outokumpu's leadership principles

Outokumpu's leadership principles shown below are concrete recommended practices.

- Making sound decisions
- Achieving ambitious targets
- Creating a winning team
- Inspiring to perform
- **Building trust and respect**
 - We act consistently in accordance with clear ethics and values
 - We encourage and require others to adhere to ethical values
 - We demonstrate honesty, loyalty and integrity in our everyday work

More information on the policies followed:

- [Corporate Governance](#)

Environmental responsibility

- [Guidance from management systems and Group policies](#)

Economic responsibility

- [Policies and principles guide us](#)

Social responsibility

- People are most important
- Towards equality

Internal audit monitoring compliance

The mission of the Group's internal audit remained unchanged in 2009: providing consultative auditing on targets and issues separately identified by the Board Audit Committee and the Group Executive Committee. The focus is on distributing information and on identifying and controlling potential business risks. Internal audits are carried out in close cooperation with the Group's finance and risk management functions, with financial administration bodies and external auditors. Internal audit reports to the Audit Committee, which approves its operational plan.

In 2009, 27 individual units or functions were audited either independently or in cooperation with external service providers. Internal audit monitors compliance with Outokumpu's Ethical Principles, Corporate Responsibility policy and Code of Conduct, and the ways in which these principles and policies are incorporated into general operational procedures in Group companies and units. Although no major risks were identified, two cases of suspected infringement and embezzlement within the Group were investigated and the police were notified where this was necessary. The current understanding is that the scale of any possible wrongdoing was not significant.

A confidential **Helpline** has been set up on the company intranet and on the Internet, and this can be used anonymously to report to our internal audit any action that contravenes the Group's Corporate Responsibility principles. Three cases of discrimination reported during 2009 were handled at local level. Two cases of misconduct were reported through other channels. In one of these the police were involved and the employment of the person in question was terminated. The other case involved interpersonal relations and was handled at local level.

Compliance with Corporate Responsibility policies

Outokumpu's CEO is charged by the Board of Directors with formulating and implementing any measures necessary to safeguard systematic compliance with the Group's Corporate Responsibility policy and Ethical Principles. At least once each year, based on a report by the CEO, the Board of Directors carried out an assessment of corporate responsibility issues within Outokumpu. Company management and all company personnel are expected to comply with the Group's Corporate Responsibility principles.

Suspected misconduct

The Finnish customs authorities has been investigating exports to Russia by Outokumpu Tornio Works since the beginning of 2007. The preliminary investigation has now been completed and the case has been forwarded to the prosecuting authorities. The process, and the announcement of any possible consequences, are scheduled to be completed in the spring of 2010. Investigations initiated by the Group have not revealed any evidence that either Outokumpu employees or the company are guilty of any of the crimes suspected by the customs authorities. According to Roschier Attorneys Ltd, a leading law firm based in Helsinki, no evidence of wrongdoing by Outokumpu employees exists, and KMPG Oy Ab, the Group's auditor, has stated that all suspicions are groundless.

Misconduct in businesses sold

Class actions involving the fabricated copper products business sold in 2005 comprised, among others, Outokumpu Copper (USA), Inc, which was served with one individual damage claim associated with ACR tubes under US antitrust laws. Outokumpu believes that the allegations made are groundless. When this business was sold to Nordic Capital, Outokumpu agreed to indemnify and hold harmless Nordic Capital with respect to this claim.

In 2003, the European Commission issued its judgement on Outokumpu's participation in a European price-fixing and market-sharing cartel involving copper air-conditioning tubes during 1988–2001. A fine of EUR 18 million was imposed. In 2004, Outokumpu lodged an appeal with the Court of First Instance for Europe regarding the basis of the calculation and the level of the fine. In 2009 the court announced that the amount is to remain unchanged.

In a cartel investigation concerning copper sanitary tubes, the European Commission issued a judgement in 2004 and imposed a EUR 36 million fine on the Group for participation in cartel activities. Outokumpu subsequently lodged an appeal regarding the level of this fine, which was paid in 2009. The court's final decision is expected to be that the amount of the fine is unchanged.

Honouring the rules of competition

Outokumpu expects all its employees to honor and respect the rules associated with competition. Since the mid 1990's the Legal Affairs has trained sales and marketing personnel on competition rules and legislation. The aim of this training is to alert participants to problematic situations to make sure they will seek professional advice and guidance to avoid possibly illegal arrangements. Training sessions are organised when they are needed.

An e-learning programme was launched in 2009 and is currently in progress within Outokumpu Group. The main purpose of the programme is to train our personnel in competition law. Upon completion of the programme in the end of 2010,

some 500 participants in the commercial organisation will have been reached and duly trained. The follow-up system ascertains that each participant is able to complete the course successfully.

As mentioned in our Ethical Principles and Code of Conduct Outokumpu condemns corruption and bribery and complies strictly with competition legislation. Outokumpu obtains business in a legal and ethical way. Offering bribes and kickbacks is prohibited.

Outokumpu's internal audit monitors compliance with our policies and Code of Conduct. Read more about internal audit and Helpline [here](#).

Security and risk management

Protecting the Group's personnel, assets and reputation against a wide range of potential losses is an essential component in our operations. In all areas of risk management, the key element is having a good overview of any underlying risks. Risk workshops were arranged in business units and key Group functions in 2009, and development work with top management was continued in order to institute frequent risk reporting and follow-up procedures. As instability in the financial and economic environment increased during the year, the emphasis in this work was on the management of strategic and financial risks connected with the weaker market situation, the nickel price and customer credit.

Group risk management strategy was put into practice by issuing operational instructions in connection with personnel security, project security and fire safety as well as by carrying out regular audits and certain special programmes at individual sites. The Outokumpu Security Working Group (OSWG) continued its work on improvements at specific sites. A systematic crisis management programme was instituted during 2009, with crisis management teams being trained in handling challenging situations. Communication during crisis situations was a subject that received particular attention.

Fire safety and security levels in the Group were monitored through a total of more than 40 regular site audits executed using Outokumpu's own resources and, to a certain extent, jointly with the Group's insurance experts and insurance brokers. Fire audits and security audits were merged first time.

Activities initiated in 2008 in connection with risk management in the Outokumpu supply chain continued in 2009. One of the year's main goals was preparation for forthcoming changes in customs practices and the achievement of authorised economic operator (AEO) status, which will significantly ease the burden of customs processes and thus shorten lead times. Much effort was put into improving supply chain security as achievement of the authorised economic operator status (AEO). Work related to AEO status continues at certain Group sites in the EU.

Outokumpu's business is capital intensive and the degree of integration in key production processes is quite high. Other interdependencies also exist. To cover related risks, Outokumpu has a comprehensive and global property damage and business interruption (PD/BI) insurance programme. As the Group's most important form of insurance, PD/BI accounts for a substantial proportion of the insurance premiums paid by the Group. Other global insurance programmes which play a significant role include transport, credit and liability insurances. The renewal date for most Group-wide annual insurances is April 1.

More on risk management can be found [here](#).

Stakeholder dialogue promotes understanding

To enhance transparency, we strive for open and regular dialogue with our key stakeholder groups. Awareness of the expectations held by others is essential for development.

Our wish is that information is shared openly. We meet our stakeholders face-to-face in many forums – at seminars, workshops and discussion panels, during road shows, and at fairs and exhibitions. We offer local stakeholders visiting opportunities and "open house" days. We also maintain ongoing dialogues, especially with analysts, investors, employees, customers, goods suppliers and service providers. Our other key stakeholders are NGOs, local communities, authorities as well as industry and business associations. Our stakeholders' involvement in what we do and the trust they have in us are fundamental elements of our business operations.

The main function of the Outokumpu Corporate Responsibility network during 2009 was to distribute information to stakeholders about the Group's corporate responsibility achievements. Feedback from stakeholders proved useful in developing our operations. Plans for 2010 include a webinar for key stakeholders on corporate responsibility issues. In 2009, webinars were organised to provide information and training to our customers and non-customers. The first meeting with Finnish environmental NGOs at corporate level took place during the year, and close interaction with both investors and analysts continued the trend established in earlier years.

In this section the focus is on dialogue with our external stakeholders. The very important interaction with internal stakeholders – our employees – can be found in the [social responsibility section](#).

Stakeholder expectations

	Stakeholders	Outokumpu
Customers	They want high quality, safe products and services at a competitive price, reliable deliveries, flexibility	We need them to buy our products – we also need them to trust us, be responsible and willing to cooperate with us
Suppliers	They want to cooperate with us and expect us to be responsible, be their partners and engage in open discussion	We need raw materials, other consumables and services; we expect them to be responsible
Personnel	They expect us to be responsible and give them challenging tasks, security, occupational safety and well-being, development opportunities, recognition for their work	We need their professional skills – we expect them to be responsible, motivated and committed
Future employees	They expect competitive benefits, challenging tasks, development opportunities, responsibility, work-life balance	We will need them to work for us in the future and expect them to be motivated, responsible and seek to improve themselves
Associations and federations	They expect active participation, joint efforts to promote the industry's interests	We expect them to provide equal support to us, oversee our interests and our business opportunities

Local communities	They expect us to participate, interact, provide support, be responsible, provide jobs	We need their approval, confidence, willingness to cooperate
Shareholders	They expect us to be profitable, provide a return on their investment, and be responsible	We hope they consider us as good, attractive investment – we hope they have confidence in us
NGOs	They expect us to be responsible, transparent and to have joint efforts to promote environmental and social issues	We want their understanding, willingness to cooperate in promoting environmental and social issues

How do we meet stakeholder expectations?

- Ethical operations
- Open and regular communications and dialogues, interaction
- A culture that stresses corporate responsibility
- Open and transparent CR reporting
- Operating as one company
- Safe working environment
- Personnel development, job rotation
- Development of products and processes, R&D
- Stainless steel is a safe and sustainable material

Successes through the "One face to the customer" approach

The Group Sales and Marketing function established in April 2008 was developed and improved during 2009. New Key Account Managers were trained and appointed. Even though the adverse effects of the economic crisis on global activity in the stainless steel sector made the second half of the year particularly difficult, several successes resulted from collaborative initiatives and a "One face to the customer" approach.

A customer survey covering more than 120 Key Accounts is being conducted. Topics covered by the survey include levels of customer satisfaction, Outokumpu's ability to identify the right solution for a customer application and open feedback. The results of the survey will be available during the first quarter of 2010 and the conclusions will provide a solid foundation for developing the Group's customer services. A similar survey is planned for 2010 together with development of a new system for the regular implementation of Group-wide surveys. The results from these ongoing surveys will be linked directly to Outokumpu's operational activities. Although the details have not been finalised, objectives include understanding operational successes and identifying critical areas for further development.

In April 2009, Outokumpu hosted the first in a series of webinars. Open to customers and non-customers who are interested in learning more about Outokumpu and stainless steel, webinars offer the Group a method of providing training and technical information that does not involve travelling and its associated environmental impacts. The first webinar focused on stainless steel fabrication and there were more than 40 participants. The six webinars arranged during 2009 covered a wide selection of topics and the total number of participants exceeded 200. In 2010, the target is to raise both the number of webinars and the range of topics covered.

Webinars enable training and technical information without travelling and its associated environmental impacts.

Outokumpu's sales companies and service centres provide local support, training opportunities and connections with customers. Each location is adopting initiatives that will be of local interest. For example in Japan an annual seminar for over 120 special grade customers was organised for the fifth time to receive quantitative and qualitative feedback, and to find better and lasting solutions for local applications together with customers. A customer day was held for the first time for the Nordic key tubular product customers. In total some 1000 customers in Estonia, Brazil, Chile, Thailand, Malaysia, Singapore and India received training. Customer visits have been organised in Finland often with tailor-made training on mechanical properties, formability, weldability and corrosion resistance. In Sweden there is a plan to start two-day-training in design in stainless steel for Nordic customers, designers and fabricators. Based on the positive feedback received more technical training will be given to customers in the future. On-site customer training is an essential component when handling certain technical topics. Customers seem to be more and more interested also in steel's carbon footprint. The carbon footprint of Outokumpu's products is presented in the [environmental responsibility section](#). Read about product safety issues [here](#).

The Group's Hungarian sales company organised a conference with the Budapest University of Technology (BME) at which the topics included cost-efficient solutions and the environmental friendliness of stainless steel.

A focus on suppliers' environmental impact

As the global financial crisis put pressure on Outokumpu and everyone in the industry, cost control became increasingly important. We bore in mind, though, corporate responsibility issues in supplier evaluations and product development. It is our goal to do business with responsible partners.

General material purchasing

The Procurement Excellence programme launched in 2008 was the key driver in cost reduction and the cumulative savings achieved from the programme increased from the previous year. At the beginning of 2009, a special project Quick Wins, was launched targeting at short-term savings through renegotiating terms and conditions with selected suppliers, as well as a logistics Procurement Excellence programme. The Quick Wins programme has already achieved significant Group-wide savings.

Product development with suppliers

In addition to cost savings, product development was carried out with selected suppliers:

- The protective film team has been able to reduce the thickness of the product employed from 80µm to 70µm. Suppliers require less plastic for their production and impact on the environment is thus reduced.
- The interleaving paper team will start to recycle all the paper used in the Group's production processes.
- The electric motor team is working with suppliers to improve production efficiency and consume less energy.
- We have advised all our suppliers to consider using modes of transportation that are the most environmentally friendly. If trucks are used, we favour eco-friendly driving techniques.

In the long-term, we believe that the most innovative ideas for optimising total cost ownership result from creative cooperation with our suppliers and partners.

We highly appreciate suppliers who maintain the highest ethical standards, respect human rights and the environment. In 2006, we started a project called Sustainable Supply Chain Management Tool to develop a questionnaire to be used for evaluating our suppliers' sustainability. The project was ended in 2008, but the work continues. Read more about Responsible sourcing in the [Social responsibility section](#).

The Procurement Excellence programme will be expanded by establishing more teams, deepening cross-functional and cross-business unit cooperation, training additional skilled professionals to lead these teams and working more closely with selected suppliers with the aim to increase achieved savings compared to previous year. In the long-term, we believe that the most innovative ideas for optimising total cost ownership result from creative cooperation with our suppliers and partners. The key to sustainable development is sharing mutual benefits with responsible suppliers who take economic, environmental, and social responsibilities into account in their daily operations.

Outokumpu's Procurement Development programme reached an important milestone in May 2009 when the first purchase orders and inventory transactions were registered by Tornio Works in a common Outokumpu SAP system built specifically for general materials purchasing and inventory management. We are now one step further along the path of building a common purchasing information system inside Outokumpu. The focus of the Procurement Development programme is now on raw materials purchasing in Tornio.

Employees – Important internal stakeholders

Outokumpu's success is based on the company's most important asset, our personnel. The Group's renewed People strategy aims to attract, retain and develop Outokumpu people globally, enhancing both their motivation and their ability to support the Group in its vision of becoming the undisputed number one in stainless steel.

The very important interaction with internal stakeholders – our employees – can be found in the [social responsibility section](#).

We listen to our future professionals' expectations

We believe that securing future talent is an essential element in ensuring progress towards our vision of becoming the global number one in stainless steel – and being the most popular employer in the stainless steel business. We maintain an active dialogue with potential future employees by visiting universities, hosting visits for school groups and attending recruitment fairs – we attended three fairs in Finland, six in Sweden and two in the UK in 2009. The Outokumpu research centres in Avesta and Tornio are engaged in running technical research projects together with these institutions.

As in 2008, Group CEO Juha Rantanen participated in a panel discussion at a student event together with other CEOs from the leading companies in Finland's metal industry. More than 150 students from several Finnish universities took part. The positive feedback received included requests for the event to be repeated in 2010.

Outokumpu has close contacts with many comprehensive and upper secondary schools. Goals of this cooperation include raising awareness of the steel industry among children and students and encouraging them to learn more about the sector. Outokumpu has adopted schools in many of the Group's operational locations and also awards annual scholarships and stipends to local schools in both Finland and Sweden.

In 2009 Outokumpu improved its ranking among Finnish engineering students in an annual employer branding survey conducted by Universum. The survey tracks both young people's expectations regarding companies and the way they perceive certain individual companies. In the 2009 survey, Outokumpu was placed 22nd in the ideal employer ranking list in Finland and 81st in Sweden. Among Finnish business students, Outokumpu was ranked 85th.

According to a 2009 survey of graduates, Finnish students appear to have confidence in companies even though companies have no open vacancies. All students are in a similar situation. Comments made included general opinions about workplace conditions and job options, and no specific comments were made on Outokumpu.

Industry and business associations – networking

Outokumpu is an active and responsible actor in society. As the world's sixth largest stainless steel producer and Finland's twelfth largest company (2008), Outokumpu has a significant influence in various issues and the company's opinion is voiced in many forums. In 2009, our experts and top management continued to maintain effective liaisons with the authorities and different organisations. Top management participated in dialogue concerning issues such as the challenges of climate change, the global financial situation and stainless steel business in the future. Our aim is to broaden the Group's comprehension of approaches to corporate responsibility by engaging actively with different companies and organisations.

Outokumpu's CEO Juha Rantanen was an active participant in energy-related discussions, especially in connection with the issue of nuclear power plants in Finland. Outokumpu supports nuclear power being one of the owners of Fennovoima which plans to build a nuclear power plant in Finland by 2020.

Outokumpu is a member of international organisations and confederations including the World Economic Forum, Eurofer, EuroInox, and the International Chromium Development Association. Outokumpu is also an associate member of the World Steel Association (previously the International Iron and Steel Institute IISI, now also known as worldsteel) and a member of the International Stainless Steel Forum (ISSF), a stainless-steel-specific suborganisation.

Outokumpu participates in the Climate Change Policy Group.

As a member of worldsteel, Outokumpu participates in the Climate Change Policy Group whose aim is to influence global mitigation of greenhouse gas emissions by the iron and steel industry. In this forum, members share best practices, obtain benchmark data relating to occupational safety from the Safety and Health Committee and contribute their own data to the World Steel Association Sustainability Report. TU Bergakademie Freiberg made a survey in 2009 to investigate stakeholders' perceptions on sustainability issues related to steel and the steel industry in order to help improve the sustainability and worldsteel reporting efforts. The most significant issues pointed out were climate change, efficient use of energy and water resources, protecting the environment, as well as education and recycling.

In Europe, Outokumpu is member of several federations and associations in Finland, Sweden, the UK and the Netherlands. National lobbying and cooperation organisations advance industry views and contribute to legislation in Europe through national representatives in EU governing bodies. Outokumpu is also a member of different business associations in North America.

Eurofer is a lobbying and collaboration organisation for the European iron and steel industry. Outokumpu contributes at presidency level to commercial and trade issues, in committees handling statistics, research and the environment, and in working groups whose focus is climate change and industrial benchmarking. Eurofer conveys opinions to EU governing bodies such as the European Commission, the European Parliament and the European Council, and promotes measures such as Renewal of the Integrated Pollution Prevention and Control IPPC Directive, the implementation of REACH (Registration, Evaluation and Authorisation of Chemicals) and continuation of the European Emissions Trading Scheme (EU ETS) after 2013.

In Finland, Outokumpu is active in corporate responsibility networks. To develop both our expertise in corporate responsibility and the Group's performance, we are an active member of the Finnish Business & Society enterprise network and CSR Europe. To combat corruption and bribery, we are a participant in Transparency Finland, a national chapter of Transparency International. Outokumpu is a signatory to the International Chamber of Commerce (ICC) charter, follows and supports the United Nations Global Compact, and is a member of the UN's Global Compact Nordic Network. To demonstrate the Group's support for sustainability, Outokumpu has also signed the worldsteel Sustainable Development Charter.

Cooperation with local communities

As one of the leading companies in the stainless steel sector, Outokumpu seeks an active presence in the local communities in which it operates. The Group is already the largest industrial employer in communities such as Avesta, Degerfors, Långshyttan (Kloster) and Storfors in Sweden, in New Castle in the US, and in the Kemi-Tornio region in Finland. Our decisions to invest, to postpone planned investments or possibly close operations have a major influence at local level.

Although the 12-month postponement of almost all Group investments announced in December 2008 has clearly had an impact on our production sites and the surrounding communities in Sweden and Finland, Outokumpu's strategy has not changed and all these investments continue to be of strategic importance to us.

As in previous years, numerous visits by stakeholder groups to Group facilities were organised at many of our production sites to further improve relationships with local communities. As defined in Outokumpu's Communications policy, the Group sponsors sports, culture and a variety of events at local level, and also charity work. In 2009, however, lay-offs and redundancies have meant that the level of this input has been reduced, sometimes to zero. For this reason, information concerning Group-wide donations which would normally be reported in the economic responsibility section has not been collected.

Active contacts with investors and analysts continue

We maintained an active dialogue and contacts with our global investor and analyst networks in 2009. Major investor relations events included Outokumpu's annual Capital Markets Day in London for analysts, investors and bankers, 12 road shows in Europe and the US, in connection with the quarterly result announcements. A live webcast was arranged at each result announcement. Outokumpu's Annual General Meeting was held in March in Helsinki, Finland.

In addition to the main events, Outokumpu hosted a total of 13 breakfasts and luncheons for institutional investors in Helsinki, New York, London, Paris, Stockholm and Oslo, and also attended eight industry seminars arranged by different brokers. We also arranged a site visit to Degerfors in Sweden for some institutional investors.

Approximately 300 one-on-one meetings, conference calls and video conferences with investors were arranged during 2009.

To improve the Group's operations, surveys of Outokumpu's performance carried out by external research organisations are monitored on a regular basis. According to the Regi Research & Strategi Ab 2009 survey of investor relations in which areas such as content, functionality, openness and trustworthiness are evaluated, Outokumpu improved its overall ranking significantly, increasing from position number 12 to being ranked number three in Finland.

A dialogue with environmental NGOs has started

To establish a positive and continuing dialogue with non-governmental organisations, we initiated round table discussions with environmental non-governmental organisations (NGOs) located in the Helsinki area in Finland. The dialogue concept will be expanded and used by the Group in other countries in the future.

At the first meeting, the objectives included getting to know each other, free discussion and a listing of possible areas or themes of common interest. The organisations present explained their strategies, objectives and methods of operation. We reported on our activities in the area of corporate responsibility and especially in the field of environmental responsibility. The meeting represented a good start, and the process will continue. While comments made by the NGOs on Group reporting were useful and also complimentary, additional and less complicated material covering future development trends, life-cycle information and carbon footprint data was requested.

Policies guide us

As a listed company governed by the Finnish Companies Act, Outokumpu is responsible for making a profit for its shareholders. The Group's overall financial objective is to generate the maximum sustainable amount of added value. This means that in targeting long-term profits, Outokumpu develops and maintains competitive and profitable operations founded on ethical business practices while also taking into account the environmental and social implications of any decisions that are made. The Group's Ethics Statement, Leadership Principles, Corporate Responsibility Policy and Code of Conduct also guide the company in commercial matters. Outokumpu observes the principles of good corporate governance and transparent financial reporting and its actions are guided by: the rules and regulations that apply to listed companies, international accounting standards, a declaration of competition policy, rules concerning insider trading, and the Group's dividend policy.

The Group's financial targets and results are detailed in Outokumpu's [financial statements](#). This section of the report concentrates on the Group's economic impacts on its stakeholders.

Challenges brought by the global economic situation

The on-going global economic downturn has had a significant effect on the stainless steel industry, Outokumpu's customers and also the Group. The market situation at the beginning of 2009 was uncertain and difficult. The crash in the financial markets at the end of 2008 and the resulting economic downturn reduced demand for stainless steel substantially and, in common with other stainless steel producers, Outokumpu had to cut back production.

During the first half of 2009, destocking activities by distributors led to reduced production levels. After the summer, purchasing activity recovered somewhat due to reduced production, increases in metal prices and an end to destocking among distributors. Some softening in market was visible towards the end of the year. Since production remained at unsatisfactory levels until the end of the year, deliveries by Outokumpu declined 28% to 1 030 000 tonnes (2008: 1 423 000 tonnes). Return on capital employed in 2009 was negative at 11.7% and the Group's 13% target for this was not achieved. Despite a difficult year, Outokumpu's debt-to-equity ratio remained at a relatively good level of 48.2%, below the Group target of a maximum of 75%.

Good cashflow also guarantees uninterrupted business with the company's suppliers and adds value for other stakeholder groups.

Outokumpu's current financial priority is to restore profitability by managing price and grade mix, optimising loading at mills and ensuring cost efficiency. In a volatile market situation, a strong balance sheet ensures flexible access to financing. Good cashflow also guarantees uninterrupted business with the company's suppliers and adds value for other stakeholder groups.

Facing the situation

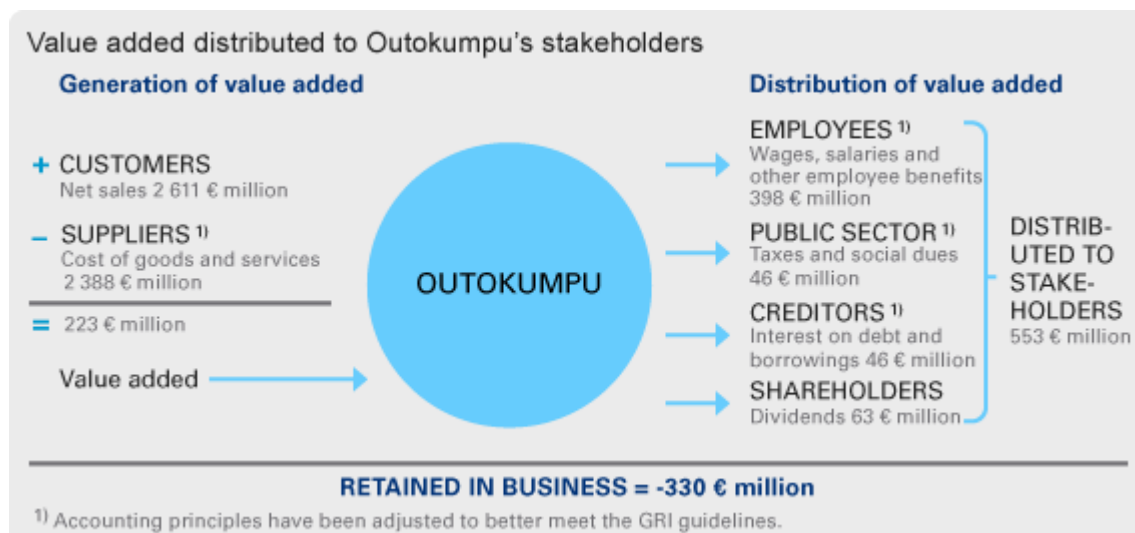
Group's cashflow from operating activities weakened compared to 2008 but remained strong amounting to EUR 198 million (2008: EUR 664 million). Main contributors were the reduction of working capital and lower metal prices. To guarantee necessary levels of liquidity and long-term financing, Outokumpu signed a three-year Revolving Credit Facility of EUR 900 million in 2009 to replace the previous five-year facility of EUR 1 billion. At the end of the year, in addition to cash reserves, the Group had some EUR 1.1 billion of previously-negotiated loans and binding loan commitments from its debtors. Secured financing will help us to live through the financial crisis relatively unscathed while continuing to add value for all our stakeholders.

Strategy unchanged despite the economic downturn

In 2007, Outokumpu launched a new strategic phase with the aim of building a more stable and profitable business model. Even though a number of investments were announced in late 2007 and early 2008, one consequence of the global economic downturn was that in December 2008, the Group decided to postpone almost its entire investment programme for a period of at least 12 months.

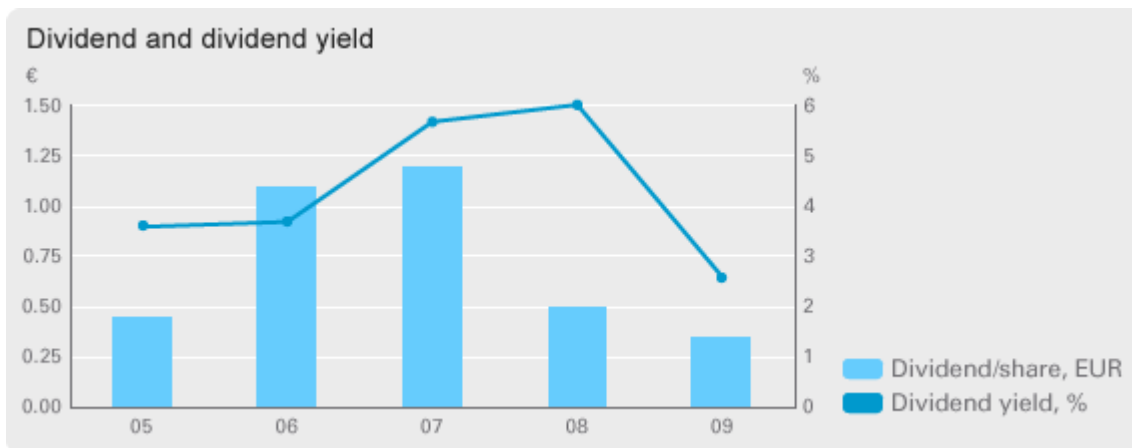
In 2009, a decision was made not to proceed with the melt shop expansion investment at Avesta in Sweden in the foreseeable future as no need for additional melting capacity exists in the medium term. While adverse financial conditions prevail, continuation of any investment project is subject to separate decision based on an updated feasibility study. Further decisions regarding postponed investments will be made by the end of 2010. Regrettably, delays in investments and cancellation of the melt shop expansion at Avesta mean that the positive financial effects through creation of new jobs both in Outokumpu units and indirectly in the local communities will not now occur in the areas where the investments were planned to take place.

Outokumpu's fundamental strategy, however, remains unchanged. The Group is committed to balancing its product mix by increasing the proportion of end-user and project sales, and stabilising the volumes of product purchased by key distributors and growth outside Europe. In accordance with this strategy, expansion of stock and processing capacity at the Group's Service Centre in Willich in Germany was completed in 2009. Outokumpu is also establishing a new service centre at Kunshan in China. These expansions support the strengthening of the Group's network of service centres to increase sales to end-users and project customers. Specialty Stainless production capabilities at Nyby in Sweden and in New Castle in the US have also been expanded. All of these investments will have a positive financial effect on local communities through increased salary payments and the indirect creation of jobs. The Group's Production and Supply Chain Management Excellence programmes are important tools in further improving Outokumpu's operations and profitability in a challenging market environment and in implementing Group strategy. Financial benefits totalling EUR 150 million were achieved through the Group's Excellence programmes in 2009 compared to 2005.



Dividend to shareholders

The two largest shareholders in Outokumpu are the Finnish state (31.0% through Solidium Oy) and the Finnish Social Insurance Institution (8.1%). One result of the global economic downturn has been that the Group's share price suffered a dramatic decline of 61% in 2008. Stock exchanges worldwide recovered in 2009 from very low levels at the beginning of the year. Outokumpu's share price increased by over 60% to 13.26 euros on December 31, 2009. The dividend of EUR 0.50 per share for 2008 resulted in payments totalling EUR 90 million. The dividend proposal for 2009 is EUR 0.35 per share and the effective dividend yield is 2.6%. Over the last five years, dividends distributed by Outokumpu have averaged 80% of the net profits from continuing operations. More investor information can be found [here](#).



Salary payments

At the end of 2009, Outokumpu employed 7 606 people in over 30 countries (2008: 8 471 people). The number of employees was lower than in the previous year because personnel had to be adjusted to take account of lower delivery volumes that are clearly below the Group's maximum production capacity. The closure of Sheffield Special Strip, reduced melting capacity and other adjustments at Sheffield in the UK resulted in the loss of some 350 jobs. In Sweden, personnel adjustments at a number of sites led to approximately 400 jobs being lost. Adjustments also had to be made in other countries including temporary layoffs.

Salary payments including pensions and other benefits paid by Outokumpu in 2009 reduced by 15% to EUR 398 million (2008: EUR 466 million). Bonuses received by Group staff in 2009 were based on both some financial results achieved and key performance indicators defined in 2008. The Group's benefit plans for employees vary by country.

Wages, salaries and other employee benefits by country ¹⁾

€ million	2009	2008	2007
Finland	147	163	163
Sweden	128	168	152
The UK	37	49	44
Other Europe	57	53	45
Other countries	31	33	38
Total	398	466	443

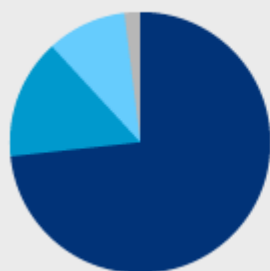
Notes:

¹⁾ Accounting principles have been adjusted to better meet the GRI guidelines. The comparative figures have been restated.

Sales decreased due to low deliveries

Outokumpu's sales and marketing know-how has been combined into a single entity called Group Sales and Marketing. During 2009, the new organisation launched in 2008, has continued to serve customers in the best possible ways. Delivery volumes of stainless steel in 2009 totalled 1 030 000 tonnes, clearly lower than in the previous year (2008: 1 423 000 tonnes). Group sales in 2009 were 52% lower at EUR 2 611 million (2008: EUR 5 474 million). The main reason for the clearly lower sales in 2009 was the extremely low delivery volumes. Because of lower metal prices transaction prices for stainless steel declined and also affected sales.

Sales by region and country



Reduced purchases

The majority of Outokumpu's costs are associated with the purchase of raw materials. The primary raw materials used in stainless steel production – nickel, ferrochrome, recycled stainless and carbon steel, – are purchased on the open market, but a proportion of the Group's ferrochrome needs are sourced internally. The economic downturn and consequently low demand for stainless steel meant that raw material prices remained at a low level in 2009 – the average nickel price was 14 655 USD/tonne, 31% lower than in 2008. As demand for stainless steel was weak, the volumes of raw material purchased by Outokumpu in 2009 were reduced in order to avoid excessive inventories. The reduction in purchases and the low raw material prices reduced the economic value we added for our suppliers. The cost of goods and services purchased in 2009 declined by 51% to EUR 2 388 million.

Since we recognise our responsibilities towards such businesses and the communities in which we operate, our objective is that no single supplier should be too dependent on its business partnership with Outokumpu. The actual number of our raw material suppliers is quite low and most of the Group's raw materials are sourced globally rather than locally. This makes our procurement processes more efficient. Read more about responsible sourcing [here](#).

Cost of goods and services

€ million	2009	2008	2007
Raw material and merchandise	1 522	3 602	4 556
Fuels and supplies	245	364	325
Energy expenses	161	221	189
Freights	133	192	187
Maintenance	75	113	106
Hire processing	27	38	48
Rents and leases	25	26	24
Other expenses	200	271	229
Total	2 388	4 826	5 662

The direct and indirect effects of taxes on societal well-being

Outokumpu contributes to the well-being of local, national and international communities through tax payments, through direct and indirect employment and by participating in other societal activities. In 2009, taxes and social security contributions paid by the Group totalled EUR 46 million, lower than in the preceding year (2008: EUR 61 million). In 2009, Outokumpu received EUR 1 million net tax return payment (2008: taxes of EUR 6 million was paid).

Taxes and social dues by country ¹⁾

€ million	2009	2008	2007
Finland	10	11	34
Sweden	24	29	88
Other Europe	15	20	21
Other countries	-3	0	19
Total	46	61	163

Notes:

¹⁾ Accounting principles have been adjusted to better meet the GRI guidelines. The comparative figures have been restated.

The impacts of climate change are taken seriously

Climate change has attracted increasing attention in Outokumpu in recent years. Both responding to the challenges set by emissions reduction targets and taking these into account in the Group's long-term strategy are important. Outokumpu views climate change as a matter for serious concern and wishes to contribute to targets set by the European Union. While preparations must be made for economic challenges that the Group may face in the future in connection with reducing carbon dioxide emissions, climate change will also present financial opportunities.

Regulatory risks

The greatest regulatory uncertainty for Outokumpu stems from the EU's Emissions Trading Scheme (EU ETS). It creates a financial incentive for companies to restrict their emissions of carbon dioxide as emission allowances that remain unused can be sold on financial markets. Conversely, if the level of a company's emissions exceeds its emission rights, allowances have to be purchased. Our sites in Finland, Sweden and the UK fall within the scheme. While the Group has been granted allowances at no cost in the current trading period (2008–2012), it is highly probable that in the future the Emissions Trading Scheme will mainly be based on auctioning of allowances. This could lead to Outokumpu being placed at a competitive disadvantage compared to stainless steel producers located outside Europe. To dissuade companies currently operating inside the EU from moving to countries without emission reduction targets, industries within the EU that are exposed to high carbon leakage will continue to receive free emission allowances. The iron and steel industry has been identified as a sector that is vulnerable to the risk of carbon leakage and Outokumpu sites will therefore probably receive free allowances even during the 2013–2020 period.

In the future, emission reduction targets will most probably be more stringent and we will have to make preparations for operating in a more restricted environment in connection with carbon dioxide emissions. To manage such risks and prepare for expected developments in the Emissions Trading Scheme, an Emission Management Committee has been established with representatives from different Group functions. The committee's responsibilities include assisting in defining Outokumpu's emissions management strategy and coordinating its implementation.

Price risks

For the Group it is important to secure the cost of compliance for emission allowances. The realised and forecast emissions as well as the granted allowances are monitored regularly. The Group has also aimed at decreasing the cost of compliance by entering into financial transactions such as swapping EU emission allowances to CERs and investing into a carbon fund.

As steel manufacturing is energy intensive, the Group is sensitive to changes in the price of electricity. Power companies transfer the cost of their emission allowances to the prices they charge for electricity, and marginal cost pricing means that all forms of power production are therefore affected by the price of emission allowances. Even though the electricity purchased by Outokumpu is mostly low-carbon, costs of this type have an impact on the Group. The risk related to the future cost of emitting carbon dioxide also adds an element of uncertainty to the planning of new investments and can affect future investment decisions.

As steel manufacturing is energy intensive, the Group is sensitive to changes in the price of electricity.

Physical risks

Climate change could also have a less direct impact on Group operations as it may exacerbate physical risks such as damage to property or loss of production resulting from floods, hurricanes and/or drought. The normal measures required to mitigate these risks have however been incorporated into our risk management and associated policies. Currently, Outokumpu's production facilities include only one tube mill in Florida in an area defined as a "regional hotspot".

Opportunities

Even though climate change represents a significant challenge for the Group, it also opens up new business opportunities. Stainless steel, a sustainable material, is often specified as a construction material in projects whose aim is to improve efficiency in transportation, buildings and production, and in building the low-carbon society. Outokumpu can also help in resolving global challenges such as need for clean water.

In 2009, the temporary shutdown of the ferrochrome plant and production levels that were significantly lower than normal resulted in Outokumpu having a surplus of emission allowances. The Group took the opportunity to use the financial markets for efficient risk management of these allowances. One example was the EUA-CER swap contract in which more-expensive EU emission allowances (EUA) were exchanged for cheaper Certified Emission Reduction (CER) units, a type of Kyoto credit.

To optimise the cost of compliance with the EU Emissions Trading Scheme, Outokumpu has also invested EUR 1.5 million in the Testing Ground Facility (TGF), a Nordic carbon fund managed by the Nordic Environmental Finance Corporation. Aims of the fund include purchasing Emission Reduction Units for its investors at financially attractive terms from projects that bring down carbon dioxide emissions. The Group expects to start receiving these allowances in early 2010.

Grants and community support given, public sector support received

Due to the financial downturn and resulting personnel reductions and lay-offs, our sponsoring activities and donations have been reduced in 2009. Therefore, we have not collected corresponding data from our organisation. Sponsorship of local events and support for charities provided in accordance with Outokumpu's Communications policy totalled some EUR 0.7 million in 2008. Outokumpu does not take part in or otherwise support political activities whether they are local, communal or national. Outokumpu does not make donations to any political parties or groups.

In 2009, Outokumpu and other member companies of the Association of Finnish Steel and Metal Producers founded a fund to promote university-level research, teaching and studies of technology and business issues concerning the metals production and covering the entire production chain. The fund awarded grants totalling EUR 0.3 million in 2009. Outokumpu was also one of the founding members and a corporate partner in the biennial Millennium Technology Prize, the world's largest technology award. The prize of almost EUR 1 million is awarded to a technological innovation that significantly improves quality of life.

The Outokumpu Oyj Foundation did not grant any awards in 2009.

Outokumpu's Swedish Stainless Steel Research Foundation donated EUR 30 000 to Oulu's University Fund. The donation was meant for the research work on stainless steels and it supports future metallurgical research work carried out in the Oulu University.

In 2009, Outokumpu received EUR 0.7 million from the public sector to support Group research and the development of new technologies, products and applications (2008: EUR 0.7 million).

Observations by PricewaterhouseCoopers

Economic responsibility

As part of CR reporting, Outokumpu discloses data on sponsoring activities and donations. Recording and reporting amounts for sponsoring and donation should be further developed to ensure systematic collection of data throughout the organisation.

Longterm commitment shows

Stainless steel is 100% recyclable, hygienic and corrosion-resistant and the environmental impacts resulting from its use are almost non-existent. On the other hand, its production – the manufacturing and reprocessing stages – do have an impact on the environment.

Our main environmental impacts

The most substantial environmental impacts resulting from the stainless steel production process are: dust and particulate emissions into the air; discharges of water from production plants; and the high levels of direct and indirect energy consumption during production. Landfill waste is also created during the production process.

Outokumpu's way to manage environmental issues

Guided by our Environmental and Corporate Responsibility Policies and Ethical Principles, Outokumpu's firm objective is to minimise the environmental burden of our operations as much as this is economically and technically feasible.

Local guidelines and environmental management systems complying with the ISO 14001 standard provide more detailed models for the Group's actions. Environmental issues are an essential part of the management systems employed in Outokumpu's plants and units, and the functioning of these systems is monitored by both internal and external audits. We also provide the relevant authorities with reports on our operations in all the countries in which we operate. At the Group level, operations are managed and best practices are applied through our environment network, whose working groups and environment committee meet once during each quarter.

Observations by PricewaterhouseCoopers

Environmental responsibility

The CR reporting system is used to consolidate unit level environmental data at group level. The production units prepare reports for local environmental authorities by separate, parallel systems. It would enhance consistency and data accuracy, if the CR reporting system was used also for local reporting needs.

Aiming at ambitious targets

Annual routines at all Outokumpu production locations include the setting and monitoring of independent environmental targets. These processes are built into the Group's environmental management systems and there are also key targets for 2010 at the Group level. Having concrete, measurable targets for our operations is a way of focusing attention on specific environmental and energy aspects throughout the Group.

Group indirect and direct CO₂ emissions per tonne produced to be reduced by 20% by 2020.

Outokumpu is committed to the long-term target of reducing its carbon emissions profile (indirect and direct emissions) by 20% per produced tonne by 2020. The setting of this challenging target is a clear demonstration of Outokumpu's desire to improve the Group's energy efficiency, contribute to reducing global emissions of carbon dioxide, and participate in the transformation to a low-carbon society. Outokumpu's Energy & low-carbon programme can be found [here](#).

Site-specific targets

Goals for 2009

Water protection	<p>Avesta: reduce nitrate discharges to water by 10% and achieve 1 kg/tonne as a monthly average.</p> <p>Wildwood: Improve wastewater recycling by reusing some in the pickling process.</p>
Waste management	<p>Avesta: Complete 3 000 tonne Hydroslugde recycling test.</p> <p>Sheffield melt shop: Reduce waste to landfill by 10% compared to 2008 volumes, through recycling.</p> <p>Örnsköldsvik tube mill: Analysis of most optimal future waste reduction possibilities will be done in 2009.</p>
Air protection	<p>Tornio: Achieve usage level of dust reduction units to more than 98% per month.</p>
Soil protection	<p>Sheffield melt shop: Complete and install additional landfill leachate pump.</p>
Use of materials	<p>Kemi Mine: Reuse 250 000 tonnes of lumpy rock and side rock from the Kemi concentrating plant to the underground mine</p> <p>Tornio: Produce steel slag products amounting to 10% of steel production tonnages.</p> <p>Sheffield melt shop: Find a way to return Filter press Slab Caster Backwash rejection sludge to the electronic arc furnace and use it as raw material.</p>
Energy efficiency	<p>Avesta: Reduce electricity consumption by 3% from 980 to 950 kWh per tonne. Reduce consumption of liquid petroleum gas (LPG) by 3% from 66 to 64 kg per tonne.</p> <p>Sheffield melt shop: Reduce specific energy consumption by 2% against reference year 2007.</p> <p>Richburg: Reduce electricity consumption per million tonnes by 10% using 2008 as basis.</p>
Management systems	<p>The process of integrating management systems that comply with the EN-14001, EN-9001 and BS-18001 standards and relevant energy management systems</p>

into a single environment, health and safety, and quality system has been initiated. The target is to start implementation during 2009.

Results 2009

Water protection

Avesta: The goal to reduce nitrate discharges to water by 10% and achieve 1 kg/tonne as a monthly average, was not achieved.

Wildwood: The goal to improve wastewater recycling by reusing some in the pickling process, was not achieved. The project was postponed.

Waste management

Avesta: To complete 3 000 tonne Hydrosledge recycling test was not met.

Sheffield melt shop: The target to reduce waste to landfill by 10% compared to 2008 volumes was not met.

Örnsköldsvik tube mill: Analysis of most optimal future waste reduction possibilities was postponed.

Air protection

Tornio: Not fully achieved. In steel melting shop the goal was not achieved in September due to a fire accident in the dust reduction unit.

Soil protection

Sheffield melt shop: The goal to complete and install additional landfill leachate pump was achieved.

Use of materials

Kemi Mine: The goal to reuse 250 000 tonnes of lumpy rock and side rock was not reached. The result was 120 000 tonnes. It was not possible to reach the target due to the temporary production stop.

Tornio: The target was achieved. 83 350 tonnes of steel slag products were produced, which means over 10% of steel production.

Sheffield melt shop: Trials to return Filter press Slab Caster Backwash rejection sludge to the electronic arc furnace were not successful, work continues.

Energy efficiency

Avesta: The goals to reduce electricity consumption by 3% from 980 to 950 kWh per tonne and to reduce consumption of liquid petroleum gas (LPG) by 3% from 66 to 64 kg per tonne were not reached.

Sheffield melt shop: The target to reduce specific energy consumption by 2% against reference year 2007, was not met.

	Richburg: The target was not met. Due to current difficult economic situation, low capacity utilisation and temporary stops generally, all energy efficiency targets were not met.
Management systems	The Integrated Management System project proceeded and the IMS Manual was drafted. Implementation was not started during 2009.

Goals for 2010

Water protection	Sheffield melt shop: To reduce water consumption by 5% against 2007 usage.
Waste management	Tornio: Produce steel slag products amounting to 32% of total slag production. Degerfors hot rolling: Waste to land fill target 2kg per tonne
Air protection	Tornio Works: Achieve usage level of dust reduction units to more than 98% per month.
Soil protection	Sheffield melt shop: Complete hydrological assessment for the Tinsley Park landfill.
Use of materials	Kemi mine: Reuse 250 000 tonnes of lumpy rock and side rock from the Kemi concentrating plant to the underground mine. Richburg Bar: Reduction of hydraulic oil consumption by 50%
Energy efficiency	Avesta: Reduction of specific energy consumption by 3%
Management systems	IMS Manual to be published and IMS implementation to start from the business units Tornio Works and tubular products. IMS internal audit system starts to operate.

Group-wide environmental targets

Goals for 2009

- Group-wide reporting tool taken into use in 2009.
-

Energy efficiency:

- Uniform energy efficiency plans ready at all production sites by the end of 2009.
 - Identification of most important energy efficiency investments at corporate level by the end of 2009 – based on site-specific energy efficiency plans.
 - Reducing specific energy consumption per processed tonne by 2% – base year 2007.
-

Material efficiency:

- Reducing waste to landfill per processed tonne – base year 2007 and further reductions of 10%.
 - Identification of most feasible material efficiency investments at corporate level by the end of 2009 – based on site-specific plans.
-

Results 2009

- The target was fully achieved. Group wide reporting tool was taken into use. Energy and environmental reporting 2009 was successfully carried out with the new system.
-

Energy efficiency:

- The energy efficiency targets were not met. Most of the production sites have energy efficiency plans and mappings ready but not yet uniformly reported by the end of 2009.
 - Specific energy reduction target was not met due to low production levels.
-

Material efficiency:

- Further 10% reduction of waste to landfill per tonne processed achieved.
 - Most of the sites have material efficiency or waste reduction schemes. However the most feasible material efficiency plans were not identified at Group level.
-

Goals for 2010

- Zero significant environmental incidents
 - Reduction of our direct and indirect CO₂ emissions in line with the long term target of 20% by 2020.
-

Energy efficiency:

- Reducing specific energy consumption per processed tonne by 1% – base year 2007.
-

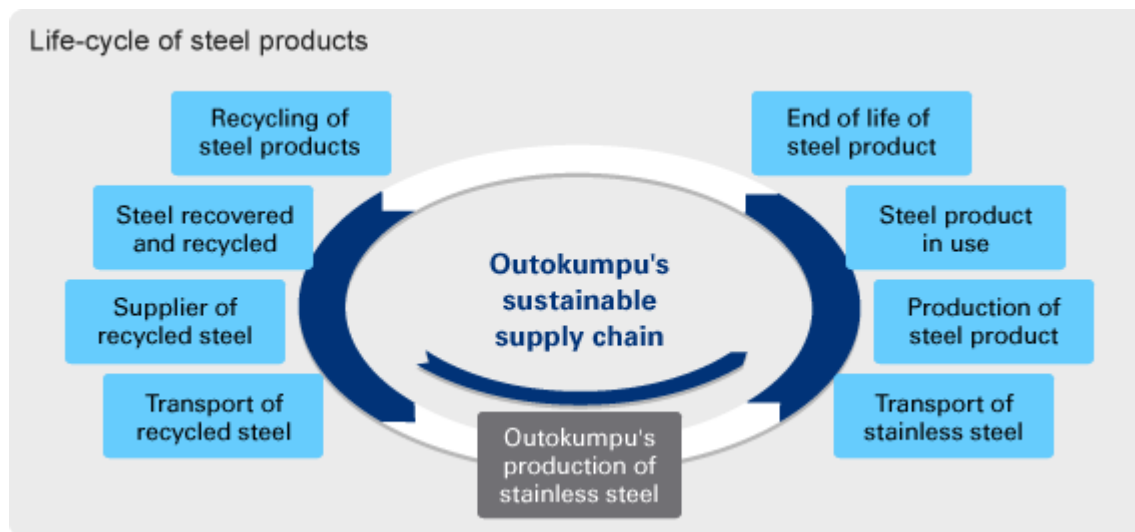
Material efficiency:

- Further reduction of waste to landfill per tonne.
-

The recycled content of Outokumpu's steel is 90%

For Outokumpu, the most important raw materials used in producing stainless steel are recycled stainless steel and recycled carbon steel. Together with metals recovered from waste and by-products of the production process, they raise the recycled content of stainless steel produced by the Group. The recycled content of Outokumpu stainless steel is approximately 90%, and higher than the global industry average of 60% (according to the International Stainless Steel Forum ISSF). In addition to the recycled steel, alloying elements are also required. These include iron-containing alloys and other metals such as chromium, nickel and molybdenum.

Slag and dust are produced as by-products of the steelmaking process. Considerable research and development effort has been invested by Outokumpu in methods of retrieving valuable metals from this slag and dust as these can be recycled as raw materials in the Group's melt shops. For example, to minimise emissions into the environment, filters collect more than 99% of the dust generated by the Group's production operations. All of the dust generated by the company's melt shops is recycled. Dust fractions with the highest metal content are recycled directly, and the remainder of the collected dust is recycled following metal recovery. In the Nordic region this residue is sent to an external facility in Sweden which treats the dust to recover the metals it contains. In the UK, there is a metal recovery facility on site.



There are many phases in the life-cycle of stainless steel products. It is Outokumpu's aim to improve the sustainability of each phase – from production to re-use. Outokumpu's sustainable supply chain from supplier of recycled steel to production of stainless steel productions.

Improved waste utilisation and less landfill waste

Outokumpu has the twofold aim of improving levels of efficiency in using materials and reducing the quantities of waste sent to landfills. By paying special attention to waste management and segregation techniques, many waste fractions are now recycled and the amount of waste sent to landfills has been reduced.

In Tornio, a full-scale process involving a local contractor has been established to recycle refractories and linings from melt shops by crushing and reprocessing them. The reprocessed material is used as a substitute for virgin material such

as lime in the melt shop. This technique also reduces the amount of waste sent to landfill and improves metal recovery rates.

Outokumpu's melt shop in Sheffield continues to increase the quantities of stabilised and solid slag sold as roadstone. During 2009, some 84% of all slag from the melt shop was recycled in this manner.

Hydroflux, a product developed by Outokumpu, is made using descaling waste generated on the Group's stainless steel annealing and pickling lines. It can be used to replace the calcium fluoride used as a flux in stainless steel slag management. The aim is to enable full scale utilisation.

Entire life-cycle taken into account, 20% increase in recycled content corresponds avoidance of CO₂ emissions of 1.2 tonnes per tonne of stainless produced.

Maximising economic value while minimising the environmental burden

Achieving the Outokumpu vision of being the undisputed number one in stainless steel, means in environmental matters creating the highest possible amount of economic value using the lowest possible levels of resources while reducing any resulting ecological burden to an absolute minimum. With this in mind, the Group has built up a model to develop an internal environmental value chain. Environmental costs and the resources employed in running processes and manufacturing products are evaluated from a value creation perspective, with aim that resources are employed in the most efficient ways possible.

Assessing each value creation phase by comparing it with the environmental consequences and material requirements by grade and by process allows Outokumpu to maximise the eco-efficiency of the Group's production. This model was created under a project called ENO (Environmentally number one) during 2007–2009. Although the project was ended in the beginning of 2009, the model is still valid. Adopting a value added approach has provided extremely useful information about material flows and streams. Since the model is able to provide a measurement of the eco-efficiency of Outokumpu's commercial value creation processes, the ENO approach is viewed as one of the best ways to encourage sustainable production. It is also very helpful when deciding the most efficient environmental investments.

A good example is the recycled content in stainless steel. Raising this from an average of 70% to an average of 90% drastically reduces the environmental burden which results from manufacturing stainless steel. Recycled input replaces the virgin materials that would otherwise have been required, and this affects the whole supply chain. If the entire life-cycle is taken into account, a 20% increase in recycled content corresponds to the avoidance of carbon dioxide emissions totalling 1.2 tonnes per tonne of stainless steel. At the 2009 production level of 1.2 million tonnes, the tonnage of carbon dioxide emissions avoided in this way would equal 1.4 million tonnes.

Material balance

Material balance

	2009	2008	2007
Material used, tonnes			
Recycled steel	1 131 144	1 367 858	1 480 332
Recovered metals	45 513	97 463	105 480
Ferrochrome	168 600	265 412	282 001
Nickel alloys	63 837	100 654	105 697
Other alloys	63 272	86 564	100 274
Additives, tonnes			
Slag formers	191 190	227 302	237 454
Melt shop process gases	155 978	179 851	181 048
Pickling acids bought	10 106	13 220	11 322
Pollution prevention materials	25 715	27 216	17 365
Packaging materials used for final products	10 876	14 885	11 797
Energy, million GJ			
Electricity	7.4	9.9	10.5
Propane	3.7	4.5	4.4
Carbon monoxide gas	0.7	1.4	1.7
Natural gas	0.5	0.7	0.6
Light and heavy fuel oil	0.7	0.8	1.4
Output, tonnes			
Steel slabs, billets	1 245 532	1 650 068	1 718 704
Emissions to air, tonnes			
Carbon dioxide	568 000	871 000	932 000
Nitrogen oxides	1 207	1 925	1 653
Sulphur oxides	179	277	451
Dust	134	216	265
Ozone-depleting substances	0	19	20

Emissions to water, tonnes

Metals (Cr, Ni, Mo, Zn)	14.9	15.5	17.2
Nitrates	438	578	575

Hazardous waste, tonnes

Oily sludge to the treatment	5 907	4 978	4 834
Hydroxide sludge landfilled	38 444	49 646	44 967
Steel making dust to recovery	25 265	37 240	39 000

Waste and by-products, tonnes

Slag, total	324 832	593 777	547 620
Slag utilised	185 576	443 517	220 000

Material efficiency and by-products

The efficiency of using materials within the Group is also continually being improved. The input per tonne of steel produced has been reduced as the recycled content has increased. Unavoidable by-products such as slag have been successfully utilised as substitute for other virgin materials. All these measures result in substantial environmental benefits.

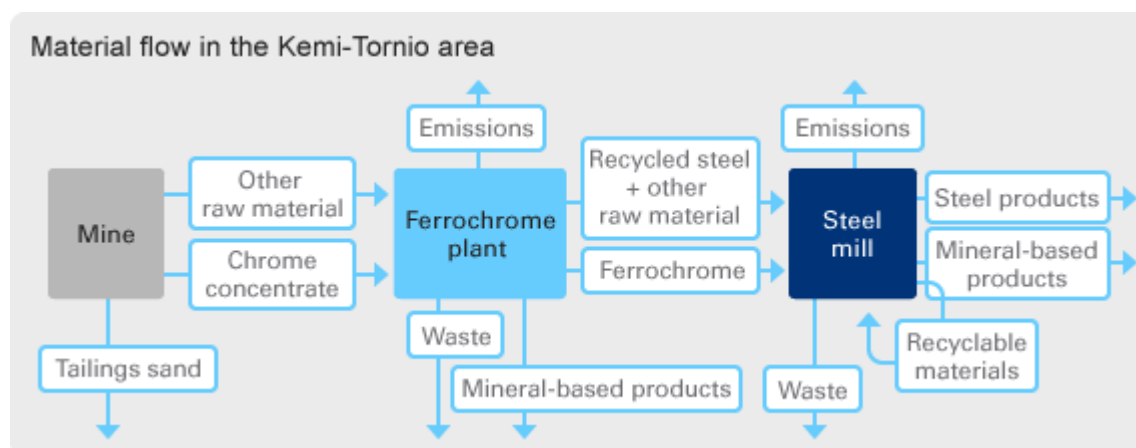
Material efficiency is a cornerstone in Outokumpu's environmental responsibility thinking. The Group has completed many materials-related research and development projects in recent years and a number of schemes to reduce waste volumes have been implemented. One of the most important ways of reducing the quantities of waste generated in the steel industry is to modify melting shop processes so that slag is produced as a product.

Outokumpu has invested several million euros in developing slag-based products for construction and neutralising purposes.

Until the beginning of 2009, steel melting slag from the Tornio Works was processed in a grinding metal-separation process to retrieve and then reuse the valuable materials it contained. The problem was that slag treated in this way becomes a very fine powder which is difficult to utilise. During 2009, the process was modified to retrieve the metal content just as effectively but allow the slag to remain in a coarser form, making it easier to use as construction material. The new process will be launched in 2010.

Practically all significant waste streams are studied in order to reduce environmental impact. For example Outokumpu's Tornio Research coordinated following environment related research projects during 2009:

1. ISSF-project GRASCA – FINCON (Granulation of Slag under Controlled Atmosphere and Use of Stainless Steel Slag as Filler in Concrete)
2. Tests with fine steel slag as neutralising material for acidic mine waters.
3. Reuse of OPAR acid regeneration salts from Tornio in nickel production.
4. Bioleaching processes to treat metallurgical wastes to more inert and less harmful (PROBIO) and to create new, remote monitoring systems for ground and waste waters (MONIWATER).
5. Dust treatment study
6. Recover the metals from mill scale sludge, oily sludge and steel dusts.
7. Use of oil containing waste waters in ferrochrome sintering plant.



In the UK Alloy Steel Rod unit worked with a Thermal Recovery plant to look at the possibility of treating and reuse the mill scale. The melt shop started a project to recover metallic finds from the caster open water systems.

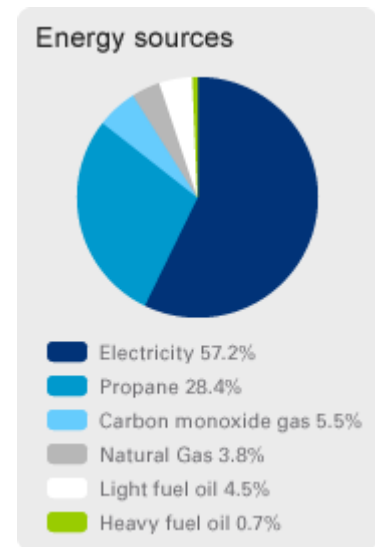
More than 84% of all the slag produced at the Sheffield melt shop is being used as an additive in asphalt used in road construction. Roads built using stainless steel slag are considered to be safer for drivers as the slag provides additional grip during braking (Source: MiMer 2003, Minerals and Metals recycling centre, Luleå University, Sweden and Recmix 2008 Belgium). In Avesta, a test road has been built in which slag has been used as a construction material. Avesta, Nyby and Degerfors are also engaged in a project to develop ways of reusing hydroxide flux instead of sending it to landfill.

The Sheffield melt shop is licensed by the UK Environment Agency as an accredited packaging reprocessor, an important and vital component in the UK's packaging compliance and waste reduction policies. Packaging waste from Sheffield is recycled to be used in the production of new packaging materials.

Energy efficiency a key priority

The steel industry is energy intensive and Outokumpu's steelmaking and rolling processes are no exception. We do however recognise the need for energy to be used efficiently. Hard work has given the Group a very good record in reducing energy consumption, and Outokumpu processes are considered to be Best Available Techniques (BAT) as defined in the EU's integrated pollution prevention and control directive. Energy consumption in our ferrochrome production in Tornio, for example, is very close to the theoretical minimum and only two thirds of the level in traditional processes. Process heat is recovered and used for heating.

Outokumpu sites use a range of fuels including direct energy sources such as natural gas, propane, heavy fuel oil and electricity. Direct energy use by the Group totalled 13 million gigajoules (GJ) in 2009. Electricity consumption totalled 7.4 million GJ (2.1 million megawatt hours), which is in practice some 25% of the annual capacity of a modern 1600 MW nuclear power plant.



Combating climate change – Outokumpu's Energy & low-carbon programme

Being a global player in an energy-intensive industry means that our targets are ambitious. Outokumpu's long-term efforts and results in the field of energy and material efficiency, R&D and product stewardship – and the results achieved – have reinforced our leadership position and provide a solid base in our way towards a low-carbon society.

The Outokumpu Energy and low-carbon programme presents both the Group's ambitious targets and the actions required to reach them. In the last ten years Outokumpu has managed to reduce its direct carbon dioxide (CO₂) emissions by 25% per tonne of stainless steel produced. Outokumpu's target is a 20% reduction in the Group's specific carbon emissions profile (indirect and direct CO₂ emissions) in stainless steel production by 2020.

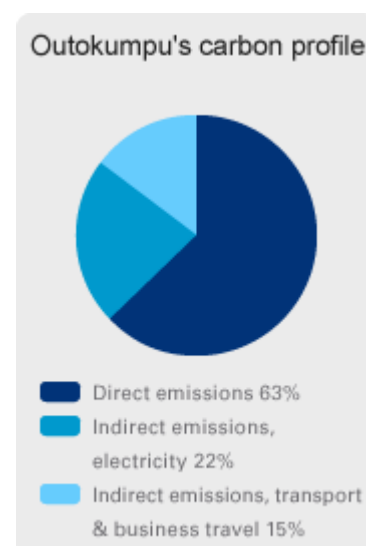
Emissions are calculated per tonne of stainless steel produced hence highlighting not only the actual reductions but also production efficiency.

Outokumpu carbon profile consists of:

- direct emissions from production operations,
- indirect emissions from purchased electricity as well as
- emissions resulting from transport of products and business travel.

The targeted annual reduction is approximately 370 000 tonnes of CO₂ emissions totalling 2 200 000 tonnes during the programme period 2010–2020, calculated against current capacity and products.

The primary actions within the programme consist of further improvements in energy efficiency, increasing the share of low-carbon electricity and targeting for efficient and optimal production levels. Additionally, air travel offsetting will be implemented for business travelling, and sustainable aspects will be integrated when planning logistics and transportation. These actions cover our operations in all countries and business units. Progress in the different plans will be monitored and reported on an annual basis. The full report can be read [here](#).



Participation in life-cycle studies

Outokumpu recognises the importance of life-cycle data, both for internal use in highlighting areas for improvement and for communications purposes in the supply chain. Outokumpu participated in a project to collect and update European Life Cycle Inventory (LCI) data for the production of stainless steel during 2007–2008. The results were published in 2009. Compared to a similar exercise in the late 90s, the carbon efficiency (CO₂ efficiency) of stainless steel manufacturing had improved dramatically. According to the study the carbon footprint of austenitic stainless steel was now more than 40% lower than a decade ago. This is possible through better process efficiency, higher input of recycled stainless steel and better electricity mix today.

Carbon footprints of Outokumpu products are smaller than EU average.

Outokumpu's production sites are well positioned when it comes to carbon efficient steel manufacturing. All Outokumpu products had smaller carbon footprints than the average EU stainless steel. The carbon footprint of quarto plate products was almost 20% smaller than the average European values. Austenitic flat products were about 10 times more carbon efficient than average. Also the ferritic grade 430 performed well compared to average. Outokumpu ferritic data was updated with new information since ferritic production was almost non existing when this study was started.

Outokumpu has also actively participated in the Swedish Steel Eco-Cycle research project. The project is the first large and coherent research effort with an environmental focus in the steel industry in Sweden. It is looking for areas to improve in all stages of steel's life-cycle, from mining to steel products and recycling. Projects involving life-cycle assessment, recycling and slag utilisation have been of special interest to Outokumpu. The first phase of the project that started in 2004 has now been successfully completed. The second phase, stretching from 2009 to 2012 has been initiated.

A long-term approach to energy efficiency

Outokumpu takes a long-term approach to energy efficiency and the target is continuous improvement. Energy efficiency is a component in the environmental management systems at most of the Group's mills. Major production sites have also had long-term, prioritised energy efficiency investment plans since 2009. In general terms, the largest energy saving potential lies in recovering waste heat, improving process integration and improved efficiency in using raw materials.

Improvements in energy efficiency are not however only associated with large, energy specific investments. The systematic monitoring and analysis of energy consumption is very important, as is life-cycle analysis when purchasing new electrical equipment. The Group provides energy efficiency training for production personnel.

Voluntary agreements to improve energy efficiency

Outokumpu has participated in voluntary national energy efficiency agreements in Finland, Sweden and the UK for many years. The Tornio Works joined the Finnish programme at the beginning of the 1990s. Achieved energy savings in electricity, heat and fuel sum up to total of 650 GWh during 2009. To continue these systematic improvements in energy efficiency, Outokumpu sites in Finland signed new energy efficiency agreements in December 2007. These new agreements are valid from 2008 to 2016. In Sweden, the first round of the PFE (Programmet för energieffektivisering i energiintensiv industri) agreement ended in the summer of 2009 having achieved annual savings in electricity consumption totalling 8 GWh rather than the agreed 4 GWh. The Group has now applied for the second period between 2009 and 2014. In connection with energy issues, Outokumpu usually works closely with the authorities – with Motiva in Finland and by participating in the Jernkontoret forum in Sweden.

Outokumpu has participated in voluntary national energy efficiency agreements in Finland, Sweden and the UK for many years.

Continuous improvement, efficient operations and maintenance are essential part of our energy efficiency work. In our Avesta Works measures for improvements during 2009 were:

- New routines for maintenance shut downs to shut down motors when not used.
- Improved control system of flameless combustion in the annealing line, which resulted in fuel savings and lower emissions.
- New pressurised air control system installed and work started to find leakage to improve compressor utilisation and save energy.
- New industrial water pump station installed with increased capacity. frequency controlled pumps save energy and improve regulation.
- Amount of free cooling from the water increased by replacing a larger power supplied compressor.
- Energy and data collection system developed and better analysing tools prepared.

Sustainable power solutions

Outokumpu is protected against price volatility in the Nordic electricity market by having its own electricity production facilities and long-term electricity purchasing agreements. In addition to reasonable and stable electricity prices, one of the Group's aims is to purchase environmentally sustainable electrical power. Outokumpu has acquired low-carbon nuclear, hydropower and windpower production assets.

Nuclear power

Outokumpu has a 20 MW share in the new Olkiluoto 3 nuclear power project currently under construction in Finland. As one of the shareholders in Fennovoima, a company planning to build a new 1500–2500 MW nuclear power plant in Finland by 2020, Outokumpu's aim is to have access to an additional 150 MW of low-carbon electrical power.

Hydropower

Through a long-term lease agreement, Outokumpu has access to 104 MW of Norwegian hydropower capacity in Rana, Norway until 2020.

Windpower

Outokumpu is a minority shareholder in Rajakiiri Oy, a company building a wind farm in Tornio. The first investment decisions regarding eight shoreline wind generators were made in 2009. Rajakiiri is also drawing up plans for an offshore wind farm that will produce up to 200 MW.

The winning proposal of Outokumpu's internal EUR 5 million competition was to invest in power generation by wind turbines to reduce CO₂ emissions. The investment will be made in Rajakiiri. More about the competition can be found at Outokumpu's [website](#).

Combined Heat and Power (CHP)

The Group has a minority stake in a Combined Heat and Power (CHP) plant in Tornio. This plant delivers heat to the Tornio Works, and a proportion of the fuel used is carbon monoxide gas created as a by-product of the ferrochrome production process. The CHP plant has also acquired a local heating business in Tornio. This acquisition will lead to better optimisation of the CHP plant, improvements in energy efficiency and a reduction in the level of carbon dioxide emissions in the Tornio-Haparanda region.

Energy and emissions trading

Energy needed in processes is the main source of Outokumpu's carbon dioxide emissions. Outokumpu's carbon dioxide emissions in 2009 totalled 568 000 tonnes. Outokumpu's emissions trading activities fully comply with the relevant EU laws and regulations, with agreed procedures and with the Group's trading and risk policies. Carbon dioxide emissions under EU Emissions Trading Scheme were at a very low level in 2009 due to reduced levels of production, approximately 540 000 tonnes (2008: 820 000 tonnes). Outokumpu's carbon dioxide allowances in the UK, Sweden and Finland were sufficient for the Group's planned production.

The EU Emissions Trading Scheme after 2012

The European Commission (EC) and the European Parliament have agreed that the EU Emissions Trading Scheme (ETS) will continue, with the next trading period being 2013–2020. The most important issue for Outokumpu has been to qualify for a free allocation of emissions allowances during 2013–2020 by being part of an industry sector where there is a significant risk of carbon leakage. According to an EC decision, all of Outokumpu's ETS operations are qualified.

Free allocations of emissions are to be distributed according to efficiency based product benchmarks which will be finalised by the end of 2010. The renewed ETS directive states that member states can offer companies compensation for carbon dioxide related increases in electricity prices. As Outokumpu has three electricity intensive installations in three different EU countries, this is an important issue.

More information on climate change can be found [here](#).

Outokumpu's energy

Energy supplies of Outokumpu are based on long-term supply agreements and investments in power-generation capacity.

The primary tasks of the Group's Energy function are to procure electrical energy for Outokumpu's Nordic sites at favourable and stable prices and to hedge against future changes in price. The Energy function also supports Group companies in their energy related activities.

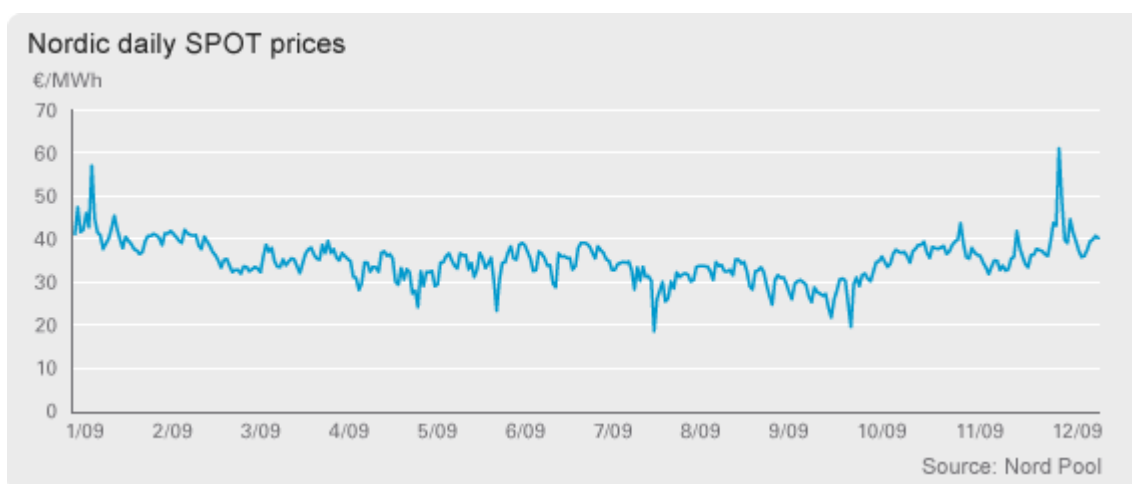
Energy used 2009

Unit	Electricity (GWh)	Fuel energy (GWh)	Total (GWh)
Tornio	1 398	913	2 311
Avesta	318	319	637
Sheffield	134	90	224
Other	205	216	421
Total	2 055	1 538	3 593

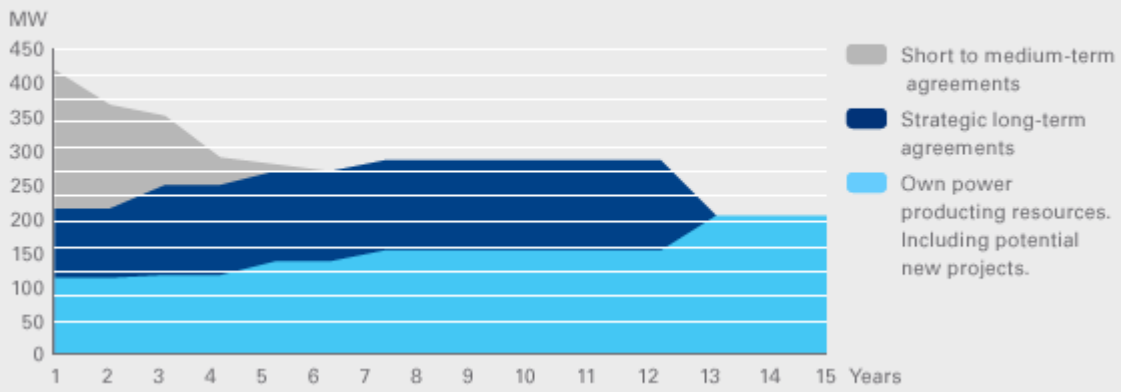
Origin of Electricity (figures based on estimates)

	2009
Renewable sources	45%
Nuclear	35%
Fossils and turf	20%

Final figures are available in May 2010.



Outokumpu's planned power procurement model (indicative)



Water – a natural resource for cooling

Steel manufacturing requires high temperatures. Whenever large amounts of heat are generated or used, cooling is required to protect people and equipment. As in most industrial processes, water is the natural resource used for cooling. Outokumpu's main production operations also use large volumes of water for rinsing and cleaning tasks. To minimise the risk of pollution that could affect local resources, water used in the Group's production processes is recirculated.

All Outokumpu's melt shops are situated in areas where the intake or use of cooling water does not place an unreasonable burden on the water resource environment.

At Avesta, for example, the Group's water intake is less than 0.05% of the total volume of the Dalälven river which runs past the site. Environmental impacts in this location are further reduced by the fact that most of the water used is only employed in cooling processes and then returned to the river (source: Dalälvens Vattenvårdsförening).

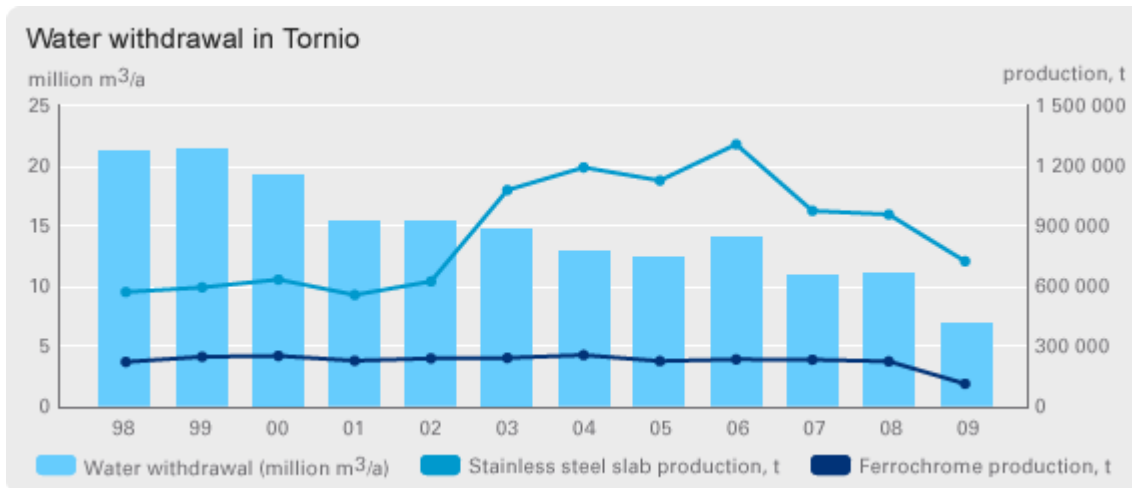
Water withdrawal and discharges

	2009	2008	2007
Water withdrawal by source			
Surface water, million m ³	17.2	19.3	20.3
Municipal water, million m ³	0.9	1.1	1.1
Water discharges by type and destination			
Cooling water out, million m ³	8.1	11.5	10.6
Waste water out, million m ³	7.3	7.8	8.6
Metal discharges to water, tonnes	9.9	15.5	17.2
Nitrogen in nitrates, tonnes	437	578	574

High levels of water recycling

Cooling water is used either directly in contact with steel or indirectly via a heat exchanger in which fresh cold water is used to reduce the temperature of a continuously circulating stream of cooling water. In the latter case, the only contamination associated with the outgoing water is that it has a higher temperature than incoming water when it is pumped back into the water system from which it was extracted. The percentage of water recycled at each Outokumpu site varies, but the average is above 90%.

High levels of recycling of cooling and process waters are achieved at many of the Group's sites by employing recirculating cooling systems and water treatment programmes. The actual recycling rate varies from season to season. In Tornio in winter, for example, cooling water is only partially recycled – after it has been used for cooling, some water is pumped into the Tornio harbour basin to help reduce the amount of ice. In a cold climate, preventing ice formation in the harbour is more energy efficient than operating ice breakers. Even though cooling water is used in this way, considerable reductions in overall water use have been achieved as can be seen in the above mentioned table.



Responsible treatment of rainwater

Significant volumes of rainwater fall on Outokumpu sites. At Avesta, for example, where the works cover a total area of 2.4 square kilometres, at least a million cubic metres of water falls as rain or snow each year. While some of this water evaporates, a large proportion is collected and combined with used cooling water. All of this water is channelled through oil separation facilities before being discharged into watercourses.

At Tornio, rainwater that has filtered through the landfill is collected. These filtrates are alkaline and also contain small amounts of hexavalent chromium, a harmful form of chromium that can not be released without further treatment. An automated reducing and neutralisation station has therefore been constructed. In the neutralisation process, ferrosulphate is used to reduce the hexavalent chromium to a harmless oxidised state and also neutralise the water before it is discharged.

Surroundings at stainless steel sites remain unharmed

Stainless steel production does not employ or reserve large areas of land or have a significant effect on biodiversity in surrounding natural areas. Outokumpu production sites are not located in sensitive areas such as Unesco World Heritage Sites, Ramsar Sites or Unesco Biosphere Reserves. During recent decades, the Group sites have not been found to disturb biodiversity in any unacceptable manner.

Regular evaluations of impacts on biodiversity

None of the species included on the International Union for the Conservation of the Nature and Natural Resources (IUCN) Red List, a list reviewing the conservation status of species, are known to be affected by Outokumpu's activities. Although the Group does not have any significant operations in ecologically sensitive areas, impacts on biodiversity at Outokumpu production sites are evaluated on a regular basis as part of environmental management.

The environmental authorities have evaluated the EU Natura areas located near our Tornio site. Reports and statements indicate that the Group's activities do not exert a negative impact or threaten biodiversity in these areas.

At the Outokumpu site in Sheffield in the UK, an area has been established to provide protection for wading birds who nest there during the spring. Measures are taken to ensure that the nesting birds are not disturbed, and ornithologists ring birds as part of a programme to monitor breeding and migration patterns.

During recent decades, the Group sites have not been found to disturb biodiversity in any unacceptable manner.

Former production sites returned to their natural state

Outokumpu takes care to return areas that have been subjected to production operations to their natural state. At the Group's Kemi Mine, waste rock extracted from the mine is now being utilised and intermediate rock storage locations are being used for underground construction and gallery fillings.

At the Kemi Mine, the use of one 22.5 hectare concentrating sand bond in production processes ceased in 2008. Drying out has commenced and landscaping and reforestation will be carried out in accordance with the remediation plan. Bonds that are still in active use support a rich waterfowl population which includes rare species.

Pöyry, a consulting company, has produced a summary report concerning the effects of wastewaters from the Group's Tornio Works on local sea areas. No significant effects on fish, bottom feeding animals, vegetation or algae were observed. The overall condition of the local sea areas was judged to have improved over the last 10 years.

Decommissioning of earlier closed production sites Meadowhall and Stockbridge in the UK is proceeding according to plans with local authorities. No environmental issues have emerged.

BAT technology for emission control

It is an Outokumpu principle that best available techniques (BAT) be employed to reduce emissions and minimise harmful environmental impacts which may result from the Group's operations. BAT means economically and technically best available pollution prevention technology that is agreed and published by the EU. Using BAT means that Group emissions are kept at the lowest achievable level by using the latest technology. To maintain good levels of emission control in the future, Outokumpu is continually developing its processes and pollution prevention techniques and is also an active participant in the process of updating the reference documents (BREF) which define the technologies, helping to set high standards which are applicable all over the EU.

- [Efficient systems help in preventing spills and non-compliances](#)
- [Safety first with radiation sources](#)
- [Investments in technology reduce dust emissions](#)

Efficient systems help in preventing spills and non-compliances

All Outokumpu's larger production sites employ Environmental Management Systems (EMS) or risk based management systems which help to avoid spills and accidents that could be harmful to the environment or to humans. All of these systems operate in accordance with ISO 14001, the international standard for environmental management systems. We aim to achieve one group-wide certification, currently 91% of the production sites have separate certification.

Emissions and discharges were generally at normal levels and in compliance with environmental permits in 2009, but some spills and non-compliances did take place.

There was a fire in the steel melting shop at Tornio. Hot combustion gases penetrated one bag filter and melted some of the filter tubes. Even though quick and effective measures were taken, 2.3 tonnes of dust was released into the air. This amount corresponds to 15% of annual emissions by the steel melting shop.

At the ferrochrome plant in Tornio, the operation time ratio for the dust filtering unit in the feed silo was 93% in January (permitted level: 97%). Dust emissions to the air totalled three tonnes during this period. Because of the difficulties being experienced with the cleaning units, the supervising authority requested an action plan to resolve the malfunctions. Among other items, the action plan included a timetable for installing continuous measurement instruments in outlets whose significance was higher. The action plan was approved in March 2009 and the dust cleaning units have been working without any difficulties.

At the Nyby site small acid leakage occurred. At Sheffield there have been minor emission breaches from the Direct Current Arc Furnace extraction system. Långshyttan (Kloster), Sweden, and Meadowhall site, the UK, reported incidents of discharges to the local brooks. The environmental authorities were informed on all occasions and no environmental damage was reported.

Safety first with radiation sources

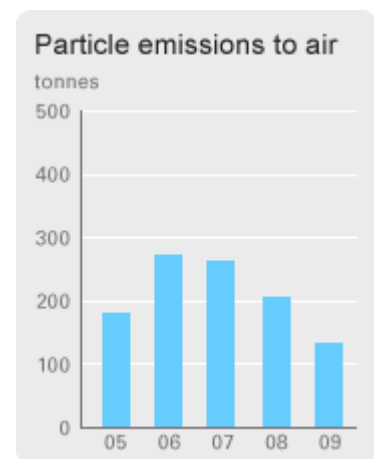
The source of radioactive material may enter the stainless steel production chain via the recycled stainless steel used in the process. Such radiation is usually from natural occurring sources. In some cases, the source of radiation is old measuring equipment extensively used in heavy industry. Such items of equipment contain small amounts – a maximum measured in grams – of radioactive isotopes. These are normally detected before they enter the Group's production process.

Three incidents occurred at Outokumpu's Tornio facilities in 2009 during which radioactive material entered the electric arc furnace despite the presence of alarm systems. The radioactive material concerned was identified as americium 241, an isotope employed in measurement instruments. All dusts and slag from the melt affected were separated and measured, and the radioactive materials were stored separately in accordance with guidelines provided by the national authorities.

The dose rate associated with the radioactive material in these Tornio cases was approximately 10 times the dose rate of the background radiation that humans are exposed to in their everyday lives. By way of comparison, travelling by air involves exposure to a dose rate 50 times higher than the dose rate of background radiation.

Investments in technology reduce dust emissions

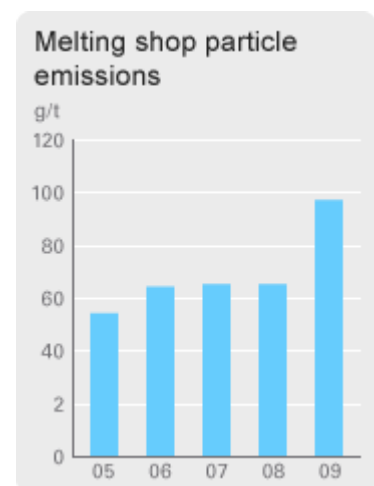
Dusts have traditionally been the most significant type of emission by the steel industry. The majority of Outokumpu's particle emissions originate from the Tornio, Avesta and Sheffield steel mills and the New Castle hot rolling mill. In the 2002–2006 period, the Group's steel plants invested more than EUR 20 million to improve their environmental performance and minimise dust emissions. Even though total production of stainless steel has increased during that period, levels of dust emissions by Outokumpu have declined significantly in recent years.



Close monitoring of emissions

The steel melting shop in Tornio has been monitoring dust particle emissions with a continuous emissions measurement system since the beginning of 2007. Having daily emissions data helps in detecting potential filter leakages quickly.

The impacts of emissions by the Group on local air quality at major Outokumpu production sites are regularly assessed. At the Avesta Works, specific measurements of mercury emissions from the steel melting shop were performed and reported to the authorities in 2009.



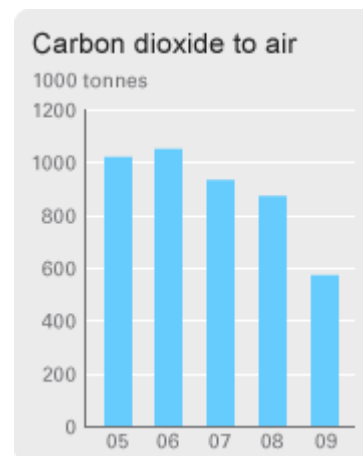
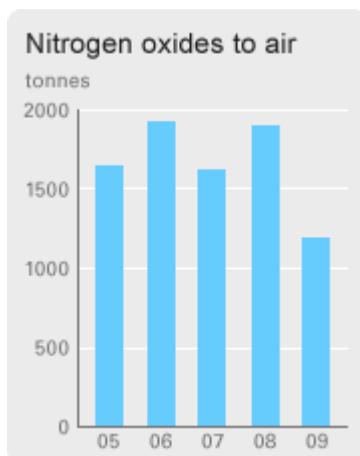
Reductions in emissions

Dust emissions from the Group's operations typically contain small quantities of metals (including iron, chromium and nickel) and these are mainly present in a harmless form. Chromium, for example, is usually found in its trivalent form and not as the hazardous hexavalent form. In recent years, Outokumpu has supported many studies investigating the effects of metal emissions on both the environment and human health.

Emissions of nitrogen oxides have also declined. Reductions have been achieved by investing in new technology and abatement plants. To minimise their emissions, Outokumpu production sites in Tornio, Avesta and Nyby are employing the latest burner technology and selective catalytic reduction (SCR) technologies for certain processes.

The primary origin of the Group's sulphur dioxide emissions is the district heating unit at Tornio Works which is used only occasionally during the cold winter season.

Recovering heat from waste furnace gases at the Tornio and Avesta Works also reduces the Group's energy consumption. Emissions of nitrogen oxides, carbon dioxide and sulphur dioxide are correspondingly lower as fuel does not need to be combusted to produce heat. The energy efficiency measures that have been implemented have reduced Outokumpu's specific carbon dioxide emissions.



In general terms, ambient air quality in the Tornio and Haparanda communities is equivalent to that in other communities of similar size in Finland and Sweden. The most significant impacts on air quality in these locations come from traffic and dust in the streets. Studies made in cooperation with local municipalities and authorities in recent years indicate that the effects that operations at Tornio Works have on air quality are very local.

Ongoing developments in waste handling bring results

Dust and scale collected from stainless steel manufacturing operations are considered by Outokumpu to be significant waste streams. Wherever practicable, these waste materials are collected and recycled to recover the valuable alloying elements they contain – these include nickel, chromium and molybdenum. Where necessary, specialist recovery techniques are employed such as the Group's DC arc furnace at the melt shop in Sheffield or external treatment facilities operated by other companies. The total quantity of dusts and scale collected and treated by Outokumpu in 2009 was 47 000 tonnes.

Wastes from Outokumpu production units are sent to appropriate treatment facilities or to landfill sites licensed to accept such materials. Both hazardous and non-hazardous wastes are involved, and pre-treatment of the waste material is completed when this required. Hazardous wastes (oily wastes and hydroxide sludge) generated by the Group's operations in 2009 totalled 44 351 tonnes. All hazardous wastes are treated, reused or disposed of in accordance with current legislation and best practices.

Outokumpu owns and manages landfill sites at some production sites in Finland, Sweden and the UK. In Tornio a new 5 hectare landfill site for hazardous waste has been prepared, but an older one is still in use. The closure process has been initiated with completion scheduled in 2012. Both landfill sites fulfil all high requirements and standards set by European legislation.

Material efficiency a cornerstone of our strategy.

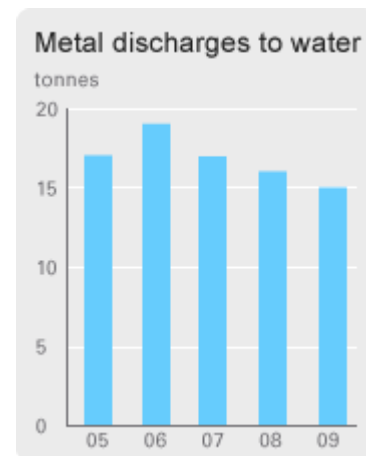
As material efficiency is a cornerstone of Outokumpu strategy, an investigation of waste material flow at Tornio Works has been launched. The aim is to establish the most cost effective ways of recycling, reusing, treating or disposing of waste materials and minimising the amounts produced by the Group.

A good example of the results emerging from this project is the sludge produced by water treatment in the Group's ferrochrome plant. Previously, this was disposed of as landfill. Technical investigations revealed that the material's properties make it a very effective barrier to water flow. Results obtained from an experimental installation carried out at a landfill site in the City of Oulu in Northern Finland were very promising, and the material is now employed in Outokumpu's own landfill area, with approximately 100 000 tonnes of ferrochrome water treatment sludge being used as a mineral sealing layer in the surface structure. The Group's ultimate target is zero waste production plants.

At Outokumpu sites Richburg and New Castle in the US continued a waste programme that has reduced the monthly tonnage of waste produced. The broad spectrum action plan includes cardboard recycling, sending shot blast grits and baghouse dust to recycling, the recycling of cardboard and office paper, and chipping of waste wood to produce mulch.

Working towards reductions in water discharges

From an environmental perspective, the most significant components in water discharges from stainless steel production processes are metal compounds and nitrates resulting from the neutralisation of acidic waste generated in cold rolling units. Effluent discharges at all of Outokumpu's production units are controlled in order to minimise their impact on the environment. At Tornio Works, for example, levels of metals in the main discharges from the plant are much lower according to external studies, than the natural loading of metals in local rivers that flow into the Gulf of Bothnia.



Action to reduce nitrate loads

Nitrate loadings originate in the pickling acids used in descaling stainless steels. A number of different techniques are employed by the Group to reduce the nitrate load in effluent discharges from these operations, including pickling acid recycling technologies. Outokumpu is working on the development of discharge handling techniques to further reduce effluent loadings.

At the Group's Kemi Mine, the main source of nitrates is explosives. A small proportion of the explosive charges used remains and washes out into the water circulation system. Passage through three large ponds (a total of almost 200 hectares) located upstream of the point at which discharges into the recipient water system take place results in the water's nitrate content being reduced by some 60%. These water ponds are natural removal units and there are no negative impacts on the recipient water system, the Iso-Ruonaoja.

R&D to reduce water discharges

Several research projects aimed at reducing nitrate discharges have been carried out at a number of Outokumpu's production sites in Sweden. At Avesta, this has resulted in the investment of EUR 28 million in a new acid recycling system. Installation will take place during 2010 and process start-up is scheduled for early 2011. Discharges of nitrates will be reduced drastically through the recycling of acids. As the process also produces a metal oxide that can be used as a raw material in the steel melting process, the new system will also reduce the amount of sludge sent to landfill.

The oil separation station at the Avesta site used for purifying cooling water and rainwater converted into a modern lamella filter unit. The process control ensures that oil is separated from the water stream. At Tornio, plans have been made to use the large dredging pond near the harbour as a post treatment area for process waste waters with the aim of further reducing concentrations of nitrogen and suspended solids.

Reducing water discharges to protect marine ecosystems

Located in the estuary of the Tornionjoki river on the coast of the Gulf of Bothnia and close to nature reserves, the Tornio Works in Finland is probably Outokumpu's most ecologically-sensitive production site. Many studies monitoring the biological, physical and chemical conditions have been carried out near the Tornio site since the 1970s. In 2008, the results of voluntary research concerning the impact of nitrates on recipient water at the Tornio site and the Kemi Mine were published. These showed that impacts are restricted to the immediate proximity of the discharge points at Tornio and cause slight eutrophication. At the Kemi Mine, the impacts on sea areas are in practice negligible.

Pollution prevention techniques being employed by Outokumpu mean that increases in emissions can be avoided, and further reductions from previous levels will be achieved in many cases even at higher than current production levels. Annual studies carried out by Pöyry, a consulting company, have shown that impacts on the sea areas close to the Group's production plants have diminished during the last decade and that the marine ecosystem is in good health.

Outokumpu shoulders its responsibility for the Baltic Sea.

A number of studies which include the continuous monitoring of discharge levels have shown that discharges of chromium and nickel are now 60–80% below the levels measured ten years ago. These metals are considered to be the most significant metals released into the sea by Group activities at Tornio, current discharge levels of chromium and nickel are only a fraction of the total metal loading which originates in the main from natural sources in the northern part of the Gulf of Bothnia. This is because Tornionjoki and Kemijoki, the two local rivers, carry far greater concentrations of these metals into the sea than the combined amount discharged by Outokumpu's Tornio Works and Kemi Mine. Activity in local fisheries located near the Tornio Works is at healthy levels and commercial fishing is carried out near the production plant. Research indicates that the metals released from the Group's facilities do not accumulate in the marine food chain.

Outokumpu is participating in the Baltic Sea challenge with the practical measures it has already taken in the 2000s and will take in the future to improve the condition of the sea. Outokumpu's action programme can be found [here](#).

Working to prevent leakages

Soil contamination mapping or remediation was ongoing at several sites according to plans. Soil surveys were made in Avesta, Fagersta, Molkom and Nyby. Since 2002 open soil contamination issues in Degerfors were positively completed without further action demands. In Meadowhall and Stocksbridge decommissioning of plant continues. The closure of the old landfill areas continued in Tornio and Nyby according to plans. Also the capping of Tinsley Park Landfill, Sheffield, continued. Remediation activity in connection with contaminated groundwater continues at the Outokumpu site in Wildwood, the US. Remediation work also continued with an old oil leakage at Outokumpu's Montreal facility in Canada. During 2009, the system has operated normally. The oil levels are stable to declining.

Rail transportation significantly improves environmental performance

Outokumpu has been working hard to improve the environmental performance of the Group's transportation networks. Transport of products has been included also in the Group's [Energy and low-carbon programme](#) as well as long-term targets for indirect and direct CO₂ emissions.

Outokumpu has signed a five year contract covering the 2008–2012 period with the EuroLink railway system. EuroLink connects Tornio, Avesta, Nyby, Degerfors and Sheffield and is the Group's primary internal, rail based, rail-ship-rail materials transportation solution. Unique equipment is used to transport coil, slab and billet products and raw materials, and as finished material is transported intermodally, products are only handled during loading and offloading operations.

Supply Chain Management goals in system solutions such as EuroLink include maintaining a reliable and frequent service between the Group's different sites throughout Europe. The system has a high capacity and very good reliability with low costs. As it is rail based and most of the engines use electric drive, EuroLink has an excellent environmental profile when compared to alternative methods of transportation such as trucks or ships which are driven by internal combustion engines.

Outokumpu is moving from truck to rail transportation.

To illustrate this, a comparison between rail and truck transportation was made using actual tonnages and mileage figures from 2008 when the system is 100% utilised. The results indicate the potential for radical improvement in Outokumpu's environmental performance that the rail based system offers.

In 2009, carbon dioxide emissions resulting from transportation of finished products by the Group totalled 128 285 tonnes. The proportion of products transported by truck totalled 55% and the proportion transported by ship totalled 28%, while 17% were transported by rail. The volume of products transported in 2009 was lower than in the preceding year at 1.0 million tonnes (2008: 1.4 million tonnes). Thus, the main reason for the significant reduction in the transportation emissions is likely to be the smaller volumes that were transported.

Application for an environmental permit in connection with plans to increase the capacity of Outokumpu's Kemi Mine led to an environmental impact assessment (EIA) being completed during 2009. The only clear impact identified was an increase in levels of traffic between the Kemi mine and the Tornio Works. However, not even a doubling of traffic will cause significant harm to settlements along the route.

Environmental investments further improve sustainability

Operational costs for Outokumpu's environmental activities totalled EUR 58 million in 2009, with costs for the treatment and disposal of waste totalling EUR 3 million. Provisions and guarantees connected with environmental considerations totalled EUR 13.4 million. In addition to this, provisions for the aftercare of old mining sites totalled EUR 0.5 million. Environmental investments by Outokumpu totalled some EUR 11.7 million (2008: EUR 18 million), despite the economic downturn. This shows great commitment from the Group.

Environmental investments despite the economic downturn.

Main environmental investments

In 2009, the Group launched a project to install a new acid regeneration plant at Avesta, an investment of EUR 28 million. The objective of this two year project is to reduce the amount of nitrates discharged into the Dala River by a third.

Other environmental investments in 2009 included the following:

- Tubular Products Wildwood in Florida, the US substituted propane for natural gas in its annealing furnaces.
- A new acid unloading station at Degerfors, Sweden (EUR 1.5 million).
- At the Tornio Works, Finland construction of a new steel recycling facility in cooperation with Refelco Oy. Outokumpu's share of this investment is EUR 5 million and Refelco's share is EUR 1.5 million.
- New bulk storage for acids was installed at New Castle, IN, the US.
- A new sulphuric acid tank was installed at Alloy Steel Rod plant, in Sheffield in the UK.

People are most important

How we treat people – not only own employees but also various stakeholders – is most important.

Our Ethics Statement, Corporate Responsibility Policy and Code of Conduct define our approach to social responsibility:

- People must be treated equally and fairly irrespective of their ethnic origin, nationality, religion, political views, gender, sexual orientation or age.
- Outokumpu is completely opposed to the use of forced and child labour, and the Group condemns all forms of corruption and bribery.

Social goals and results

In 2009, Outokumpu's social responsibility goals were to reduce injuries, to develop the Group's Leader Pool through job rotation, to further develop Human Resources data collection and reporting, to hold performance and development dialogues for all Outokumpu employees, and that the Supply Chain Tool would be taken into use. To measure our success in improving our employees' well-being, the O'People personnel survey was conducted at the end of the year. The target for O'People score was 660, as set in spring 2009.

Group-wide social targets

Goals for 2009

Further SAP HR development to cover more GRI social performance indicators.

Job rotation for 20% of personnel within Leader Pool. Job rotation reported at all levels throughout the Group.

Performance and development dialogues for all.

Decrease injuries to below 5 per million hours worked.

Sustainable Supply Chain Management Tool taken into use.

Results 2009

The target for SAP HR development reached, all but 4 GRI-indicators were reported via SAP HR. SAP HR is now also used as master data source for monthly Full Time Equivalent (FTE) reporting.

The target of job rotation for 20% of personnel within Leader Pool was not achieved as the figure was 9.5%. The target of job rotation reported at all levels throughout the Group was achieved.

The target of performance and development dialogues for all, was not fully achieved. On Group level some 90% of white collars completed the dialogues and some 65% of blue collars. The number of dialogues was affected by e.g. lay-offs.

The injury rate fell from 9.0 to 5.9 injuries per million working hours, but the target below five was not achieved.

The goal to take the Sustainable Supply Chain Management Tool into use was not achieved. Supplier audit template is being developed.

Goals for 2010

To build a global interface for the SAP HR system so that HR data can be fed to other Group systems. In this way to reduce manual work and the possibility of human errors. As the data quality improves the aim is to increase the usage of people-related data in the strategic business decision making.

To improve job rotation practices and reporting further in SAP HR.

Performance and development dialogues to all (white collars by the end of February and blue collars by the of May) and to improve dialogue reporting.

Reduction of injuries to below four per million hours worked.

Improve employees' well-being. Well-being is measured by O'People employee survey, aim to increase the overall score to 660.

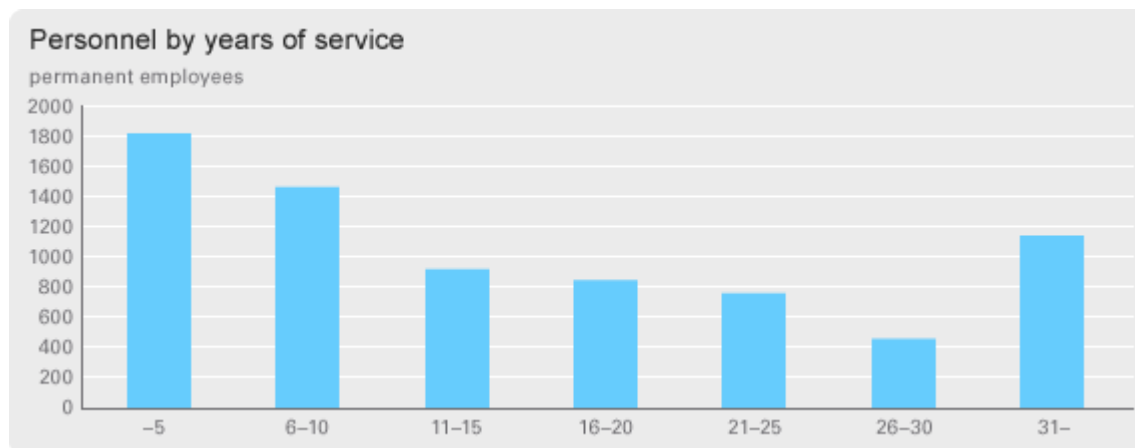
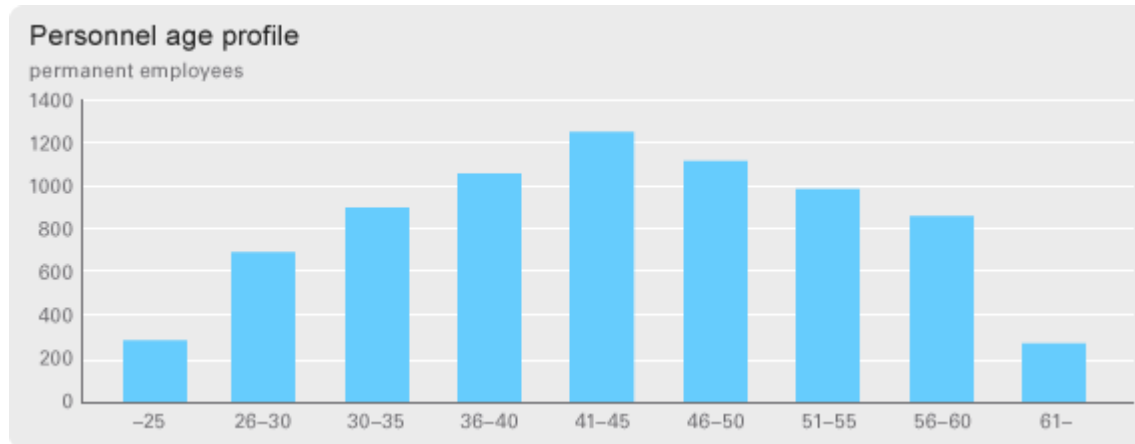
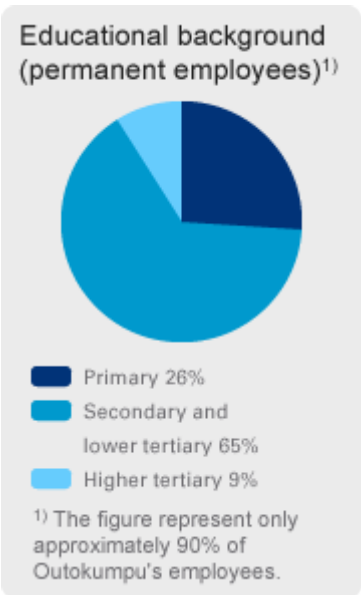
Supplier audit processes finalised in 2010 and gradually taken into use.

Personnel is important

Outokumpu's success is based on the company's most important asset, our personnel. The Group's renewed People strategy aims to attract, retain and develop Outokumpu people globally, enhancing both their motivation and their ability to support the Group in its vision of becoming the undisputed number one in stainless steel.

At the end of December 2009, Outokumpu employed 7 606 people (2008: 8471, figures as full time equivalent). Approximately 42% of Group's employees are white collar workers, 17.9% are women (2008: 18.8%, 2007: 18.0%), and 82.1% are men. Outokumpu employs people in some 30 countries, with 93% located in Europe (35.5% in Finland, 36.1% in Sweden, and 7.4% in the UK).

In 2009, the number of permanent employees who had worked for Outokumpu for more than 30 years totalled 1 168, and for less than 5 years the number employed was 1814 (6-10 years 1 459 employees). The average age of the Group's permanent employees was 43.6 years and the average length of service 15.8 years. The average length of service at Outokumpu and the average age of employees seem to indicate that a "generation shift" is taking place in the company. Average turnover among permanent employees in 2009 was 7.6% (2008: 7.03%), the hiring rate being 5.2% and the leaving rate 10.0%. 198 employees had fixed-term contracts.



Personnel figures

	2009	2008	2007
Sales/person, € million	0.3	0.6	0.8
Incentives of total personnel costs, % ¹⁾	2.3	4.9	5.6
Training costs of total personnel costs, % ^{1) 2)}	4.2	1.4	1.4
Training days/person	2.4	2.8	3.3
Days lost due to strikes	911	4	1 235
Personnel turnover, %	7.6	7.0	6.1

¹⁾ Accounting principles of total personnel costs have been changed from previous year, and thus the figures from previous years are not comparable. 2009 figure includes social security expenditure and other employee benefits that have not been included in previous year figures.

²⁾ Accounting principles of and the way of collecting data for training costs have been changed from previous year, and thus the figures from previous years are not comparable.

Personnel by country, Dec.31¹⁾

	2009	2008	2007
Europe			
Sweden	2 749	3 211	3 070
Finland	2 703	2 798	2 759
The UK	564	717	862
Italy	292	340	141
The Netherlands	240	260	253
Germany	197	214	194
Other European countries	342	388	321
	7 087	7 928	7 600
North and South America			
The US	321	403	394
Canada	29	38	34
Brazil	4		
	354	441	428
Asia	137	72	51
Australia	24	25	25
Africa	5	5	5

Group total	7 606	8 471	8 108
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¹⁾ FTE full time equivalent.

Observations by PricewaterhouseCoopers

HR

Outokumpu reports HR figures in full-time equivalent instead of headcount. In the corporate responsibility context, headcount figures would be more descriptive of Outokumpu's human resources.

Further improvements in HR data collection and management

In May 2009, a two-year project to implement a global SAP HR system was successfully concluded. Our target for 2009 was to develop HR data collection and reporting in SAP HR. Data concerning all Outokumpu employees is now stored in a single HR system and standard SAP functionality is in place to support the most mature People Processes such as Performance and Development Dialogues. All Group managers and employees can now use a portal to access, view and execute HR-related tasks.

The SAP HR development plan has been completed and the system will be developed in accordance with the priorities allocated to Outokumpu's People Strategy and People Processes. In 2010, the first major activity is to build a global interface for the SAP HR system so that HR data can be fed to other Group systems. In this way to reduce manual work and the possibility of human errors. As the data quality improves the aim is to increase the usage of people-related data in the strategic business decision making.

Everyone deserves a safe working environment

Outokumpu is committed to providing its personnel with safe and healthy working environments. The Group is also accountable for the safety of contractors and suppliers while they are working in Outokumpu's production plants and other Group facilities. Development of occupational safety is monitored via regular reporting to corporate management meetings, and all management committees and equivalent bodies throughout Outokumpu start each meeting with a safety review. Safety is a key performance indicator linked to our bonus system.

The importance attached to safety has been highlighted by making it a separate function in Outokumpu's organisation, increasing the personnel resources available, and developing a new safety vision and principles for the Group. Our new Occupational Safety Committee has begun developing Group-wide safety standards. The learning of DuPont Safety Resources evaluation at 2008 was enforced.

We have clear targets: injury prevention and hazard awareness

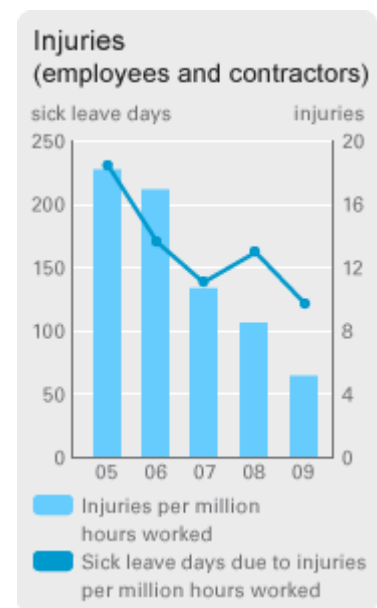
In 2005, the Group's Occupational Safety Theme Year set a target of reducing the injury rate to less than five per million hours worked by 2009. As the rate in 2009 was 5.9 lost-time injuries per million hours worked (including contractors), the target was not achieved in full. The target has been tightened. Efforts within the Group to reach it will be strengthened. We believe all injuries are avoidable. Our ultimate target is no injuries at all.

Although we did not reach our goal, the 2009 figure is an improvement over the previous year (2008: nine injuries per million hours worked). Injuries resulted in 120 sick leave days per million hours worked (including contractors) in 2009 and a total of 92 individual lost-time injuries occurred (including contractors), none of which were fatal. The EU average of stainless steel producers for the World Steel Association member companies in 2008 was 8 injuries per million hours worked.

Outokumpu employees are encouraged to report all the near-miss situations they encounter in the workplace. Reporting activity has slightly improved from previous year, but we are still far below the 2007 figure. A total of 2898 reports (including contractors) were received in 2009 (2008: 2521 and 2007: 4 480).

Safety Log, a Group-wide occupational safety system for data collection and management was launched in 2008 at all Outokumpu's business units and service centers as well as in the Group's head office. Sales companies joined the system at the beginning of 2009. Development of the system was conducted in 2009. This tool allows us to log and monitor our safety status in real time and also compare reports and data received from all Outokumpu units.

Group top management is strongly committed to achieving improved levels of safety. Year 2010 has been designated Safety Theme Year. The aim is to discuss the Group's new safety vision and principles with everyone working in Outokumpu.



Staying healthy in the workplace

Occupational health services provided by the Group at operating locations are in line with national legislation and local needs. Activities focus on improving working environments and employees' health is monitored through a variety of occupational health checks and fitness tests. Industrial hygiene measurements are carried out at Group production plants to monitor work-related exposure to, for example, noise and dust. Issues relating to the work environment are also studied through joint research projects carried out in collaboration with universities and specialist institutions.

It is vital to listen to our employees on a regular basis. Feedback helps us when further improving our performance. At the Group's headquarters in Espoo, for instance, regular satisfaction surveys on occupational health are carried out. In 2009, the study was made by the Finnish Institute of Occupational Health. A link to the survey was sent to all 150 persons who visited the occupational health unit during September. The unit serves 750 employees of nine companies operating at the campus area in Espoo, 25 percent of which work for Outokumpu. The response percentage was good, 69 percent, and overall feedback positive. Our occupational health unit was better than the reference group in communicating in different ways the necessary measures to prevent adverse work related health effects. The unit promotes workplace safety and improves the work environment, co-operates with the employer and employees to improve well-being at work. Development areas were also pointed out and proposals for improvement received. They will be studied in detail and discussed with the personnel. Possible measures to be taken will be considered case by case.

In 2009, an average of 5 900 days per million hours worked of own employees (2008: 7 445) in the Group were lost as a result of sickness or injury. The number of cases of occupational disease diagnosed in 2009 was 9 (2008: five cases).

"Stop Flu" Research Project

In the early months of 2009 and well before the "swine flu" virus appeared in April, Finland's National Institute for Health and Welfare and four major international companies whose head offices and integrated occupational health services are located in the Helsinki area, one of which was Outokumpu, launched an 18-month follow-up and intervention study. The aim is to obtain scientific evidence to support recommendations for hand hygiene routines to be used when making preparations to cope with serious pandemics. The study will continue until June 2010 and preliminary results will be available later in 2010. The study programme is a global spearhead initiative which will benefit all workplaces.

Study of occupational exposure and respiratory health effects in Tornio

Outokumpu has been studying exposure to chromium compounds in the stainless steel production chain and their long-term effects on respiratory health since 1985. The latest research programme - a joint venture between Outokumpu and the Finnish Institute of Occupational Health co-sponsored by The Finnish Work Environment Fund - is a logical continuation of these studies.

A total of 350 Group employees participated in the clinical studies carried out in 2009. Levels of occupational exposure were studied using very sophisticated methods including chromium speciation and measurements of ultrafine particles. A preliminary report will be published in 2010, and scientific articles will follow.

Observations by PricewaterhouseCoopers

Occupational health and safety

Outokumpu should streamline the reporting practices for occupational safety and well-being, and further improve implementation of reporting systems locally in order to avoid manual work and thus reduce risks of errors.

Attracting and developing talent through continuous training

Outokumpu's People strategy highlights the need to proactively develop the Group's resource and competence base and leadership capabilities to meet the rapidly evolving requirements of the sector in which we operate. Part of this work is continuing personnel development and training. During individual performance and development dialogues, managers and personnel together identify future development needs.

Outokumpu has different types of internal development and training programmes for developing competences and skills at different stages of individual's career. The planning and implementation of competence development takes place at Group level as well as at functional and business-unit levels.

In 2009, training costs in Outokumpu amounted to 4.2% of total personnel costs (2008: 1.4%, 2007: 1.4% and 2006: 1.1%). In 2009 the training costs have been reported more thoroughly since the reporting practices and guidelines have been clarified. Thus the previous training cost figures are not comparable to 2009 figures and due to this it seems that the costs have tripled. The Group provided 2.4 training days per employee (2008: 2.8, 2007: 3.3 and 2006: 2.9). Incentive bonuses in 2009 totalled 2.3% of total personnel costs (2008: 4.9%, 2007: 5.6%, 2006: 4.2%).

Development programmes motivate and increase capabilities

Outokumpu's Group level development programmes focus on leadership development and supporting the Group's strategy implementation. One of the key principles in our People strategy is that all Outokumpu leaders regard themselves as accountable for people management. The backbone of leadership development in Outokumpu is our [Leadership Principles](#). To bring these principles to life, two Leadership Excellence programmes were arranged during 2009. The programmes had altogether 37 participants.

In 2009 Outokumpu started a new development programme called High Potential Development Programme. Through this programme Outokumpu identifies individuals with ability, aspiration, engagement and potential to move from their current roles to more demanding positions. For these individuals the programme offers a structured way to develop themselves and build their career in Outokumpu according to their personal long-term development plan. One development method for them is a possibility to participate in a Reference Group, which target's to enhance the dialogue between the employees and the Group Executive Committee. The first Reference Group has six members and they meet the Group Executive Committee three times during September 2009-April 2010 in order to change views and work on given assignments.

Also Outokumpu's internal Coaching Programme started in 2009. The aim of the programme is to train certified internal coaches in Outokumpu. Coaching not only helps individuals in improving their performance and motivation, it also supports Outokumpu managers who face challenging situations. The programme is designed for managers and specialists who wish to develop themselves and are especially motivated to help others develop their abilities. Two Internal Coaching Programmes were arranged in 2009. When these two programmes have been completed, the Group will have some 30 certified internal coaches.

Outokumpu's Stainless Pro International Graduate Programme has proved to be a good way of attracting young talents, as it gives us a concrete way to cooperate with universities, to tell students about Outokumpu and what we have to offer, and also to hear what they expect from us. This two-year programme for recent university graduates was launched in 2007. In 2009, the first eight Stainless Pro graduates transferred to new positions such as Business Analyst, Development engineer and Manager –BU Strategy, within Outokumpu. Seven new Stainless Pro Graduates started the

programme in September 2008, and are set to finish the programme in August 2010. The next programme for 6 new talents will start in September 2010.

Employees' opinions are heard

To increase the motivation of Outokumpu's employees and their level of job satisfaction, open and interactive dialogue is vital. To understand employees' needs better, O'People, the Group's personnel survey, was conducted for the fifth time in 2009.

One aim was to increase the survey response rate to 80%. As the response rate was 72.1% (2008: 75.5%, 2007: 64%) the desired level was not achieved, but as this was higher than 60%, the results can be considered reliable.

The overall O'People index for 2009 stood at 617 (2008: 621, 2007: 595) when our target for 2009 was 660. Even though our score declined slightly, it is encouraging to see that the index figure has remained almost unchanged during difficult times – a sign of the commitment and professionalism of Outokumpu people. The Leadership Index improved to 64 points in 2009 (2008: 63, 2007: 53).

Ideas for fast action – survey to engage personnel

In order to get employees' ideas and creativity in use a web-based survey was organized in the spring. Focus was on concrete ideas on how to get through the difficult times, on ways to cut costs and to improve overall performance. Ultimately, how we can be even stronger in the long-term. Altogether 8 613 improvement ideas and comments were received. The ideas ranged from big to smaller concrete improvements concerning energy savings, increasing videoconferencing, limiting travelling, cutting use of consultants and reviewing service level of health station. During the summer all units went through the ideas concerning their respective units and made their action plans. Actions and achieved results are reported to the Group Executive Committee, and successes and best practices are also presented on the intranet.

Spontaneous comments from employees

It seems that the awareness of corporate responsibility issues within our personnel has grown. Questions and spontaneous comments have arisen on issues such as air travel carbon offsetting, selling stainless steel to risk industries or eating tuna fish. Internal corporate responsibility updating sessions were started in management team meetings in Finland and in Sweden. These sessions will continue in 2010. Towards the end of the year, our personnel also got the possibility to comment on internal news on the intranet. This has been quite actively used and useful comments have been received through this channel as well.

Performance management supports our strategic goals

Becoming the undisputed number one in stainless steel requires clear direction, world-class operations and motivated people. High-quality leadership and a strong Performance Management process help the Group achieve this.

Performance Management, a 365-day process based on dialogue, focuses on improving business performance by enhancing employees' performance and levels of competence. The Performance and Development Dialogue is an important component in Performance Management. The dialogues consist of a formal annual review of each individual's performance and development against established targets in the preceding 12 months, together with development of a new Performance and Development plan for the next 12 months. Almost all Group employees participated in Performance and Development Dialogues in 2009, but the goal of 100% coverage was not achieved.

Both the Performance Management and the Performance and Development Dialogue processes were revised in 2009. The improved approach to Performance Management will be applied from 2010.

Cooperation between management and personnel

Outokumpu's Personnel Forum is a joint consultative body which provides an information channel between company personnel and management. Established in 1994 in response to a European Works Council Directive, it includes 21 personnel representatives from the Group's European operations, people representing the HR function and members of Outokumpu's senior management teams. Usually convened once each year, the 2009 Personnel Forum was held in Espoo, Finland. Topics included the renewed People strategy and the processes of culture change involved in operating as "one company".

The Personnel Forum appoints a working committee which is responsible for ongoing cooperation between Group personnel and management. During 2009, this committee held six meetings with members of the senior management team, including the CEO.

Towards equality

Outokumpu's Ethical Principles require that every individual is treated equally, discrimination is prohibited and the Group has zero tolerance regarding the use of forced and child labour. Since January 2009, we have officially supported the ten principles of the United Nations Global Compact. These are derived from The Universal Declaration of Human Rights, The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

Outokumpu maintains a consistent freedom of association policy, meaning that personnel in all the Group's operating locations are free to join trade unions in line with the rules and regulations that apply in local labour markets. In 2009, approximately 6586 Outokumpu employees were covered by collective agreements. There were 911 strike days in 2009 (2008: 4, 2007: 1 235 and 2006: 15).

The overall percentage of women permanently employed by Outokumpu is 17.9 (2008 18.8%) – this low proportion is typical of heavy industries. The Group's aim is to address diversity issues e.g. when renewing Outokumpu's Recruitment Policy. Three members of the Outokumpu Board of Directors are female, one of the Group Executive Committee and 53 women hold key positions in the Group.

Hard times also for personnel

As a response to the very weak demand for stainless steel Outokumpu took a number of actions to adjust to the poor market conditions. Production was cut back heavily and consequent adjustments of personnel numbers through both temporary and permanent layoffs were implemented.

In Finland, the low order load resulted in temporary layoffs for most employees at the Tornio Works. Some 250 employees at the Kemi Mine and the ferrochrome plant were temporarily laid off from March until the end of September. Approximately 1 600 employees working on other steel production lines, maintenance and support functions were temporarily laid off in sequences starting from March. In September, some 700 employees were taken back and the remaining 900 who had been laid off temporarily returned to work in October. All head office employees (some 150) located in Finland were temporarily laid-off for ten days during the spring 2009. Some 50 permanent job reductions were made in Finland in 2009.

In Sweden, a total of some 400 job reductions were made in 2009. The number of working shifts was reduced and related temporary lay-offs were implemented. In the UK, the closure of Sheffield Special Strip, reduced production in the Sheffield melt-shop and actions taken in the service centre and the sales company resulted in approximately 350 job reductions and temporary adjustments due to reduced working shifts. Approximately 150 job reductions were implemented in other countries.

Altogether actions taken included temporary lay-offs affecting more than 2 000 people and some 900 permanent job reductions, being the main contributor to the Group fixed costs being reduced by some EUR 185 million in 2009. Outokumpu follows local laws and regulations also in job reductions and lay-offs.

Close involvement with research

Outokumpu invested EUR 19 million in research and development in 2009 (2008: EUR 20 million and 2007: EUR 18 million). Research activities are conducted by the Group in collaboration with customers, research institutes and universities as well as independently. Both research and students are also supported by two Outokumpu-related foundations, the Outokumpu Stainless Research Foundation in Sweden and the Technology Industries of Finland Centennial Foundation Fund for the Association of Finnish Steel and Metal Producers.

Joint R&D projects with research institutes and universities are conducted within national and European research programmes. Outokumpu is a shareholder in two Finland-based strategic centres for science, technology and innovation: the Finnish Metals and Engineering Competence Cluster (FIMECC Ltd) and the Cluster for Energy and Environment (CLEEN Ltd). During 2009, Outokumpu had an active role in launching first research programmes of FIMECC, and is now participating in three extensive five-year research programmes: Light and Efficient Solutions, Demanding Applications, and Energy & Life-cycle Efficient Metal Processes. The focus in these programmes is on long-term research into life-cycle-efficient and sustainable steel products, applications and production processes.

Two patent applications for new inventions associated with stainless steel raw materials and welding were submitted by the Group during 2009.

Working with other stainless steel producers in the ISSF (International Stainless Steel Forum) Outokumpu contributes to global statistics, runs joint research programmes in pre-competitive product and application development areas and produces data and evidence regarding the environmental effects of stainless steel. In recent years, a substantial amount of effort has been put into proving that the levels at which constituent elements of stainless steel are released into foodstuffs and human body fluids is extremely low. The use of slag products and improvements in the properties of such materials have also been topical subjects. Working together with associations of key raw material producers, the use of new production routes that would result in reduced quantities of greenhouse gases being emitted has been investigated.

As a ferrochromium producer, Outokumpu is a member of the International Chromium Development Association (ICDA). In addition to producing statistics, the focus of associated activities has been firmly on demonstrating that the production and use of both metallic chromium and chromium-containing alloys results in no harmful effects on human health or the natural environment. ICDA made an extensive contribution by establishing a consortium for ferrochromium which produced data for REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals regulations).

Tornio is currently engaged in a research project titled "Respiratory symptoms caused by chromium compounds, ultra-fine particles and other exposures in the workplace air in the stainless steel production chain".

More about Outokumpu's research and development can be found [here](#).

Suppliers of raw materials to be evaluated

One of our overall goals is that our suppliers and contractors adhere to ethical standards that are as high as the ones we follow within Outokumpu. In 2006, we started to develop a Supply Chain Management Tool, a questionnaire together with one of our raw material suppliers and the Helsinki University of Technology. Our raw material suppliers represent a vast majority of our total purchasing volume. The idea behind this project was to screen human rights issues together with matters that affect social, environmental and economic sustainability. The project was completed in 2008.

In 2009, we continued to develop further the questionnaire, the supplier audit template. The aim was to assess how our raw material suppliers behave in different contexts. A trial was carried out with our biggest external supplier of recycled stainless steel, our biggest supplier of ferrochrome and a major supplier of nickel. Feedback received from these companies will be used to amend the template before it is distributed to all Outokumpu suppliers. Work to finalise the form of this audit template should be completed in April 2010. Our aim is to assess first 80% of our main raw material suppliers and then continue with our general materials suppliers. There is still some way to go before we can claim that the majority of our suppliers (or the suppliers who make most deliveries, either in financial or volume terms) have been assessed.

A focus on product safety from product development to recycling

Taking health and safety issues into account is important not only during the manufacturing of stainless steel, but also when Outokumpu customers are processing the material further, when stainless steel products are being used, and when it is returned for re-melting.

As stainless steel is an inert material and non-reactive when employed correctly, its potential impacts on people's health and safety are very limited. This is why stainless steel is so widely used in both medical appliances and in equipment used in the food processing industry. Outokumpu manufactures stainless steel grades that are standardised and proven safe for their recommended uses. All Outokumpu's main production sites are certified according to the ISO 9001 quality standard to ensure that all products produced comply with the specified requirements. All our service centres have ISO 9001 quality certificate and about half of them also ISO 14001 environmental management system.

Careful testing and compliance to ensure safety

When new stainless steel grades are developed they are carefully tested for safety. One recent example is Outokumpu's new LDX duplex grade. In addition to internal test programmes the steel grade was tested in contact with water and acetic acid by an external laboratory and approved according to the Italian requirements for materials in contact with food. In the US LDX 2101 has been tested and approved for incorporation in the NSF-ANSI 61 standard for components in contact with drinking water and the same grade has also received a food equipment acceptance certificate according to the 3A sanitary standard.

Outokumpu takes account of specific end-use concerns. Outokumpu does not use metal compounds such as lead, cadmium, mercury and hexavalent chromium in its manufacturing process, as there are restrictions for their use in the electronic and automotive industries.

The Group works actively with REACH to ensure that all substances used and produced are registered correctly and on time. Products sold by Outokumpu do not contain any SVHC (Substances of Very High Concern) as defined by the European Chemicals Agency (ECHA).

Most stainless steels contain nickel that has been classified as harmful in the EU. However, since stainless steel is inert there is no risk to either human beings or environment from normal use of stainless steel products. This has been demonstrated both in laboratory studies and through a long history of use. Unfortunately, the fact that steel is a very different material from its components is sometimes not well understood by regulators. For example, in an effort to simplify the EU Ecolabel Directive, all substances classified as harmful were excluded, regardless of real risk to man or environment. Since nickel is banned from receiving the Ecolabel, it automatically means that stainless steel products cannot receive the label either, although stainless steel has very different properties compared to nickel.

Since stainless steel is inert there is no risk to either human beings or environment from normal use of stainless steel products.

Extensive product information

Outokumpu provides health and safety information on materials supplied by the Group. Technical data sheets offer detailed information on the chemical and technical properties of each stainless steel grade. Information on topics such as Occupational Exposure Limits for substances contained in stainless steel is also provided in Safety Data sheets, as well as safety measures to be employed during operations that involve welding.

Reports on the health and environmental impacts associated with the use of stainless steel are issued by the industry's marketing organisations such as EuroInox. Information is also available from the product safety bulletin issued by international nickel, chromium and molybdenum organisations.

Reporting provides information for stakeholders

The overarching objective in Outokumpu's corporate responsibility reporting is to support an open dialogue between the Group and its stakeholders. Our aim is to address the needs of our current and future personnel, shareholders, customers and other parties who are interested in Outokumpu and its business. We pay special attention to addressing the concerns of these stakeholders. Read about our stakeholder dialogues [here](#).

We utilise reporting as an opportunity to illustrate what Outokumpu has done to ensure the sustainability of its business operations, and what actions we hope to take in the future to enhance the well-being of people and the natural environment that surrounds us. The Group has a long history of responsible business practices and we hope to make our operations even more sustainable. We report on matters considered important and relevant to our business operations, such as stainless steel – our product and the material of sustainable development. We also cover current global themes that have an effect on us, our operations and our stakeholders.

Valuable feedback was received during 2009 from the reporting competition in Finland, from analyst reports and from our assurance providers. Our first Group-level meeting with environmental NGOs was very useful in this connection. Feedback helps us as we seek to further improve our reporting – we believe that thorough reporting promotes development of our way of working and our operations.

Contact details for questions regarding the contents of this report can be found [here](#).

Scope of the report

Outokumpu's corporate responsibility report is published annually. The reporting period is the same as our financial reporting period i.e. a calendar year. Our previous report "Outokumpu and our environment 2008" was published on March 13, 2009 together with Annual Report 2008.

This 2009 online report is a natural progression from our previous, printed sustainability reports in 2005–2008. Since 2004, Outokumpu's reporting has been based on the widely recognised and applied Global Reporting Initiative (GRI) guidelines (G3 from 2007), and follows the recommended tripartite division into economic, environmental and social responsibility. We also reflect on the impacts of Group operations on different stakeholders. A comparison of Outokumpu reporting with the GRI guidelines and the 10 principles of the UN Global Compact can be found [here](#).

Economic and social information is covered from the perspective of Outokumpu's entire stainless steel operations. Environmental indicators include all Outokumpu Stainless Steel production plants.

While Outokumpu still has brass bar operations (a total of 149 employees and net sales of some EUR 31 million), the Group has announced that these are being divested. Information concerning this business is not included in this or previous corporate responsibility reports.

Comparability of statistics

Even though major changes have taken place in Outokumpu's organisational structure, the statistics provided in the Group's 2005, 2006, 2007, 2008 and 2009 reports are comparable as the reporting focuses solely on the Group's stainless steel operations, our main business today. As mentioned in our previous reports, we have closed some smaller stainless steel units in Sweden and the UK. However, their impact on our emissions or other figures is insignificant.

Figures for copper and brass businesses divested in 2005–2008 have not been included. We have not noticed nor are aware of any errors in the data provided in our earlier reports. Since 2007, Outokumpu reports have included an assurance report that has been submitted by independent external assurance providers. This independent assurance report is available [here](#). The data based on the financial statements has been audited.

Measurement techniques

Economic responsibility

All the economic figures in the Corporate Responsibility section only cover our stainless steel operations ie. excluding our so-called discontinued operations (non-core operations).

Accounting principles have been adjusted to better meet the GRI guidelines. The comparative figures have been restated in the tables: Wages, salaries and other employee benefits by country and Taxes and social dues by country.

Environmental responsibility

Environmental expenditure

Financial information related to environmental investments is collected according to group wide unified guidance in line with GRI and World Steel Association principles. Data is aggregated through our EER reporting system, which also has group guidance integrated.

Water

Water use reporting is based on measured and calculated consumption and information is collected according to group wide unified guidance in line with GRI and World Steel Association principles. Water balance information is aggregated through our Energy and Environment Reporting System, which also has group guidance integrated.

Social responsibility

Lost Time Injury

(Worldsteel Association's principle) Injuries per million hours worked

Any work-related injury, resulting in the Company or Third Party Contractor employee not being able to return to work the next scheduled work day. Returning to work with work restrictions does not constitute lost time injury status, no matter how minimal or severe the restrictions.

EU average LTI

From statistics supplied by Worldsteel Association which is followed by all member companies.

Near miss incidents

Come from our own hyperion system, where number of incidents is collected at business unit level. Source of information is Safety log, but also other reporting sources as not all units use Safety log.

Sick leave days

Business units report data on sickness absence and occupational diseases on a monthly basis together with financial reporting. In the future sick leave days will be reported per million hours worked, not in percentages which is slightly controversial as there are differing ways in different countries.

Personnel figures

We use, as in previous years, the full-time equivalent (FTE) to calculate our personnel. This will, however, be changed as of 2010, when we start using actual headcount figures, as recommended by our assurance providers.

Total personnel costs

The figure includes wages, salaries, bonuses, social costs or other personnel expenses and fringe benefits paid during the reporting year 2009. The 2008 total personnel costs were calculated without social costs or other personnel expenses and fringe benefits.

Training costs

External and internal training costs (in euros) are counted from the specific account assigned to training costs per company. Costs also include the salaries of internal trainers. Wages and salaries of the participant are not included.

Training days per employee

The number of actual internal and external training days in which 8 hours equals one day (actual training day = training hours/8).

Incentive bonuses

Amount of bonuses (in euros) is counted from the specific account assigned to bonuses per company without social costs or other personnel costs or personnel expenses and without fringe benefits.

Personnel turnover (termination and recruitment turnover separately)

$(\text{new hired} + \text{leavers}) / (2 \times \text{average headcount})$

Days lost due to strikes

Number of employees, who have been on strike multiplied by scheduled working days. The count begins the day the strike has started.

GRI & UN Global Compact

Comparison with GRI guidelines and Global Compact

Global Compact Principles	GRI Content	Included	Section
1	Strategy and Analysis		
1.1	CEO's statement	Yes	<ul style="list-style-type: none"> ■ Management committed to corporate responsibility
1.2	Key impacts, risks and opportunities	Yes	<ul style="list-style-type: none"> ■ Management committed to corporate responsibility ■ Corporate responsibility ■ Risk management of corporate responsibility ■ 2009 highlights
2	Organisational profile		
2.1	Name of the organisation	Yes	
2.2	Primary brands, products and services	Yes	<ul style="list-style-type: none"> ■ This is outokumpu ■ Business Operations
2.3	Operational structure	Yes	<ul style="list-style-type: none"> ■ Business Operations ■ Corporate Governance
2.4	Location of organisation's headquarters	Yes	<ul style="list-style-type: none"> ■ This is Outokumpu
2.5	Number of countries and location of operations	Yes	<ul style="list-style-type: none"> ■ This is Outokumpu ■ Operating environment
2.6	Nature of ownership and legal form	Yes	<ul style="list-style-type: none"> ■ Corporate responsibility governance ■ Shares and shareholders
2.7	Markets served	Yes	<ul style="list-style-type: none"> ■ General Stainless ■ Specialty Stainless
2.8	Scale of the reporting organisation	Yes	<ul style="list-style-type: none"> ■ Key figures

2.9	Significant changes regarding size, structure or ownership	Yes	<ul style="list-style-type: none"> ■ Review by the Board of Directors
2.10	Awards received in the reporting period	Yes	<ul style="list-style-type: none"> ■ Management committed to corporate responsibility
3	Report parameters		
3.1	Reporting period	Yes	<ul style="list-style-type: none"> ■ Reporting principles
3.2	Date of most recent report	Yes	<ul style="list-style-type: none"> ■ Reporting principles
3.3	Reporting cycle	Yes	<ul style="list-style-type: none"> ■ Reporting principles
3.4	Contact point for questions regarding the report	Yes	<ul style="list-style-type: none"> ■ Contact us
3.5	Process for defining report content	Yes	<ul style="list-style-type: none"> ■ Reporting principles <p>(The report addresses the needs of Outokumpu's stakeholders. Outokumpu reports on matters considered relevant to its business operations and current global themes that have an effect on Outokumpu, its operations and stakeholders. The reporting is based on GRI G3 Guidelines).</p>
3.6	Boundary of the report	Yes	<ul style="list-style-type: none"> ■ Reporting principles
3.7	Limitations on the report's scope or boundary	Yes	<ul style="list-style-type: none"> ■ Reporting principles
3.8	Basis for reporting subsidiaries and joint ventures	Yes	<ul style="list-style-type: none"> ■ Reporting principles
3.9	Data measurement techniques and bases of calculations	Yes	<ul style="list-style-type: none"> ■ Reporting principles <p>(More information on accounting principles are reported in connection with the figures in question)</p>
3.10	Explanation of re-statements	Yes	<ul style="list-style-type: none"> ■ Reporting principles
3.11	Significant changes from previous reporting periods in the	Yes	<ul style="list-style-type: none"> ■ Reporting principles

	scope, boundary or measurement methods		
3.12	GRI content index	Yes	<ul style="list-style-type: none"> ■ GRI & UN Global Compact
3.13	Assurance policy and practice	Yes	<ul style="list-style-type: none"> ■ Independent assurance report ■ Reporting principles
4	Governance, Commitments and Engagement		
	Governance		
4.1	Governance structure of the organisation	Yes	<ul style="list-style-type: none"> ■ Governance 2009
4.2	Position of the Chairman of the Board	Yes	<ul style="list-style-type: none"> ■ Board of Directors ■ Board of Directors
4.3	Independence of the Board members	Yes	<ul style="list-style-type: none"> ■ Board of Directors
4.4	Mechanism for shareholder and employee consultation	Yes	<ul style="list-style-type: none"> ■ General meeting on shareholders ■ Shareholders' nomination committee
4.5	Executive compensation and linkage to organisation's performance	Yes	<ul style="list-style-type: none"> ■ Remuneration
4.6	Processes for avoiding conflicts of interest	Yes	<ul style="list-style-type: none"> ■ Board of Directors
4.7	Processes for determining expertise	Yes	<ul style="list-style-type: none"> ■ Board Committees ■ Board of Directors
4.8	Implementation of mission and values statements, code of conduct and other principles	Yes	<ul style="list-style-type: none"> ■ Corporate responsibility governance ■ Operational Excellence ■ Management systems
4.9	Procedures of the Board for overseeing management of	Yes	<ul style="list-style-type: none"> ■ Compliance ■ Board of Directors

		sustainability performance, including risk management		
	4.10	Processes for evaluating the Board's performance	Yes	<ul style="list-style-type: none"> ■ Board of Directors
		Commitments to External Initiatives		
7	4.11	Addressing precautionary approach	Yes	<ul style="list-style-type: none"> ■ Risk managements of corporate responsibility ■ Risk management
1–10	4.12	Voluntary charters and other initiatives	Yes	<ul style="list-style-type: none"> ■ Associations and federations ■ Corporate Responsibility
1–10	4.13	Memberships in associations	Yes	<ul style="list-style-type: none"> ■ Associations and federations
		Stakeholder Engagement		
	4.14	List of stakeholder groups	Yes	<ul style="list-style-type: none"> ■ Our stakeholders
	4.15	Identification and selection of stakeholders	Yes	<ul style="list-style-type: none"> ■ Our stakeholders
	4.16	Approaches to stakeholder engagement	Yes	<ul style="list-style-type: none"> ■ Our stakeholders
	4.17	Key topics raised through stakeholder engagement	Yes	<ul style="list-style-type: none"> ■ Our stakeholders ■ Employees voices
	5	Management Approach and Performance Indicators		
1, 4, 6, 7		Management approach to economic responsibility	Yes	<ul style="list-style-type: none"> ■ Economic responsibility ■ Economic goals and results ■ Strategic themes

7, 8, 9		Management approach to environmental responsibility	Yes	<ul style="list-style-type: none"> ■ Management systems ■ Environmental responsibility ■ Environmental goals and results ■ Emissions, effluents and waste
1, 3, 6		Management approach to social responsibility	Yes	<ul style="list-style-type: none"> ■ Management systems ■ Social goals and results ■ Diversity and equal rights
Economic Performance Indicators				
Economic Performance				
	EC1*	Direct economic value generated and distributed	Yes	<ul style="list-style-type: none"> ■ Economic impact on our stakeholders ■ Public sector support
7	EC2*	Risks and opportunities due to climate change	Yes	<ul style="list-style-type: none"> ■ Impact of climate change ■ Emissions trading
	EC3*	Coverage of defined benefit plan obligations	Yes	<ul style="list-style-type: none"> ■ Remuneration (Pension benefits for Group Executive Committee)
	EC4*	Significant subsidies received from government	Yes	<ul style="list-style-type: none"> ■ Public sector support
Market presence				
1	EC5	Entry level wage compared to minimum wage	No	
	EC6*	Spending on local suppliers	No	
6	EC7*	Local hiring	No	
Indirect Economic Impacts				
	EC8*	Infrastructure investments provided for public benefit	No	
	EC9	Significant indirect economic impacts	No	

Environmental Performance Indicators				
Materials				
8	EN1*	Materials used by weight or volume	Yes	<ul style="list-style-type: none"> ■ Material balance
8, 9	EN2*	Recycled materials used	Yes	<ul style="list-style-type: none"> ■ Materials efficiency
Energy				
8	EN3*	Direct energy consumption	Yes	<ul style="list-style-type: none"> ■ Energy and climate change ■ Material balance
8	EN4*	Indirect energy consumption	Partly	<ul style="list-style-type: none"> ■ Energy sources (Electricity consumption)
8, 9	EN5	Energy saved due to conservation and efficiency improvements	Yes	<ul style="list-style-type: none"> ■ Energy efficiency
8	EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Yes	<ul style="list-style-type: none"> ■ Energy efficiency
8	EN7	Initiatives to reduce indirect energy consumption	Partly	<ul style="list-style-type: none"> ■ Corporate responsibility highlights 2009 ■ Transport
Water				
8	EN8*	Total water withdrawal	Yes	<ul style="list-style-type: none"> ■ Water
8	EN9	Water sources significantly affected by withdrawal of water	Yes	<ul style="list-style-type: none"> ■ Water
8, 9	EN10	Percentage and total volume of water recycled and reused	Yes	<ul style="list-style-type: none"> ■ Water (Average percentage of water recycled)
Biodiversity				
8	EN11*	Location and size of land holdings in	Yes	<ul style="list-style-type: none"> ■ Biodiversity

		areas of high biodiversity		
8	EN12*	Description of significant impact of activities, products, and services on biodiversity	Yes	<ul style="list-style-type: none"> ■ Biodiversity
8	EN13	Habitats protected or restored	Yes	<ul style="list-style-type: none"> ■ Biodiversity
8	EN14	Managing impacts on biodiversity	Yes	<ul style="list-style-type: none"> ■ Biodiversity
8	EN15	Species with extinction risk with habitats in areas affected by operations	Yes	<ul style="list-style-type: none"> ■ Biodiversity
Emissions, Effluents and Waste				
8	EN16*	Total direct and indirect greenhouse gas emissions	Yes	<ul style="list-style-type: none"> ■ Material balance
8	EN17*	Other relevant indirect greenhouse gas emissions	Yes	<ul style="list-style-type: none"> ■ Combating climate change
7, 8, 9	EN18	Initiatives to reduce greenhouse gas emissions	Yes	<ul style="list-style-type: none"> ■ Combating climate change ■ Transport
8	EN19*	Emissions of ozone-depleting substances	Yes	<ul style="list-style-type: none"> ■ Material balance
8	EN20*	NOx, SOx, and other significant air emissions	Yes	<ul style="list-style-type: none"> ■ Material balance ■ Emissions, effluents and waste
8	EN21*	Total water discharge	Yes	<ul style="list-style-type: none"> ■ Water ■ Water discharges
8	EN22*	Total amount of waste	Yes	<ul style="list-style-type: none"> ■ Waste ■ Material balance
8	EN23*	Significant spills	Yes	<ul style="list-style-type: none"> ■ Emissions, effluents and waste
8	EN24	Transported, imported,	No	

		exported, or treated hazardous waste		
8	EN25	Water bodies and habitats affected by discharges of water	Yes	<ul style="list-style-type: none"> ■ Impacts of water discharges and runoff
Products and Services				
7, 8, 9	EN26*	Mitigating environmental impacts of products and services	Yes	<ul style="list-style-type: none"> ■ Materials efficiency
8, 9	EN27*	Reclaimable products and reuse	No	
Compliance				
8	EN28*	Significant fines and sanctions for non-compliance with environmental regulations	Partly	<ul style="list-style-type: none"> ■ Emissions, effluents and waste
Transport				
8	EN29	Environmental impacts of transportation	Yes	<ul style="list-style-type: none"> ■ Transport (CO₂ emissions of transportation)
Overall				
7, 8, 9	EN30	Total environmental protection expenditures and investments	Yes	<ul style="list-style-type: none"> ■ Expenditure and investments
Social Performance Indicators				
Labor Practices and Decent Work				
Employment				
	LA1*	Total workforce by employment type, employment	Yes	<ul style="list-style-type: none"> ■ Employees

		contract and region		
6	LA2*	Total number and rate of employee turnover	Yes	<ul style="list-style-type: none"> ■ Employees ■ Redundancies (Turnover among permanent employees)
	LA3	Employee benefits	No	
Labor/ Management Relations				
1, 3	LA4*	Coverage of collective bargaining agreements	Yes	<ul style="list-style-type: none"> ■ Diversity and equal rights
3	LA5*	Minimum notice period regarding operational changes	Yes	<ul style="list-style-type: none"> ■ Redundancies (Outokumpu follows local laws and regulations also in job reductions and lay-offs).
Occupational Health and Safety				
1	LA6	Representation in joint health and safety committees	No	
1	LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Yes	<ul style="list-style-type: none"> ■ Safe working environment
1	LA8*	Education and prevention programmes regarding serious diseases	Yes	<ul style="list-style-type: none"> ■ Safe working environment
1	LA9	Health and safety topics covered in formal agreements with trade unions	No	
Training and Education				
	LA10*	Average training hours per year	Yes	<ul style="list-style-type: none"> ■ Training and development (Training days per employee)

	LA11	Programmes for skills management and lifelong learning	Yes	<ul style="list-style-type: none"> ■ Training and development (Description of development and training programmes)
	LA12	Employees receiving regular performance and career development reviews	Yes	<ul style="list-style-type: none"> ■ Employees voices
Diversity and Equal Opportunity				
1, 6	LA13*	Composition of governance bodies and breakdown of employees	Yes	<ul style="list-style-type: none"> ■ Diversity and equal rights (Breakdown of total workforce by gender, age and education. Composition of governance bodies by gender).
1, 6	LA14*	Ratio of basic salary of men to women by employee category	No	
Human Rights				
1–6	HR1*	Investment agreements with human rights clauses or that have undergone human rights screening	No	
1–6	HR2*	Suppliers and contractors that have undergone human rights screening	Partly	<ul style="list-style-type: none"> ■ Responsible sourcing
1–6	HR3	Human rights related training for employees	No	
1, 2, 6	HR4*	Incidents of discrimination and actions taken	Yes	<ul style="list-style-type: none"> ■ Internal audit ■ Management systems
1, 2, 3	HR5*	Supporting right to freedom of association and	Partly	<ul style="list-style-type: none"> ■ Diversity and equal rights

		collective bargaining in risk areas		(Ethics Statement, Corporate Responsibility Policy and Code of Conduct)
1, 2, 5	HR6*	Measures taken to eliminate child labour in risk areas	Partly	<ul style="list-style-type: none"> ■ Diversity and equal rights ■ Social responsibility (Ethics Statement, Corporate Responsibility Policy and Code of Conduct)
1, 2, 4	HR7*	Measures taken to eliminate forced labour in risk areas	Partly	<ul style="list-style-type: none"> ■ Diversity and equal rights ■ Social responsibility (Ethics Statement, Corporate Responsibility Policy and Code of Conduct)
1, 2	HR8	Human rights related training for security personnel	No	(not relevant)
1, 2	HR9	Incidents involving rights of indigenous people and actions taken	No	(not relevant)
Society				
Community				
	SO1*	Managing impacts of operations on communities	Partly	<ul style="list-style-type: none"> ■ Local communities
Corruption				
10	SO2*	Business units analysed for corruption risks	Partly	<ul style="list-style-type: none"> ■ Compliance ■ Management systems ■ Social responsibility (Ethics Statement, Corporate Responsibility Policy and Code of Conduct)
10	SO3*	Anti-corruption training	Partly	<ul style="list-style-type: none"> ■ Compliance ■ Management systems ■ Social responsibility (Ethics Statement, Corporate Responsibility Policy and Code of Conduct)
10	SO4*	Actions taken in response to incidents of corruption	Partly	<ul style="list-style-type: none"> ■ Compliance ■ Management systems ■ Social responsibility

(Ethics Statement, Corporate Responsibility Policy and Code of Conduct)

Public Policy

1–10	SO5*	Public policy positions and participation in public policy development and lobbying	Partly	<ul style="list-style-type: none"> ■ Associations and federations ■ Management systems (Code of Conduct)
10	SO6	Contributions to political parties and related institutions	Yes	<ul style="list-style-type: none"> ■ Public sector support (Code of Conduct)
	SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly	Yes	<ul style="list-style-type: none"> ■ Compliance

Compliance

	SO8*	Fines and sanctions for non-compliance with laws and regulations	Yes	<ul style="list-style-type: none"> ■ Compliance
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Product Responsibility

Customer Health and Safety

1	PR1*	Assessment of health and safety impacts of products	Yes	<ul style="list-style-type: none"> ■ Product safety and liability ■ Research
1	PR2	Non-compliance with regulations concerning health and safety impacts of products	No	

Product and Service Labeling

8	PR3*	Product information required by procedures	Yes	<ul style="list-style-type: none"> ■ Product safety and liability
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8	PR4	Non-compliance with regulations concerning product information and labelling	No	
	PR5	Customer satisfaction	Yes	■ Customers
Marketing Communications				
	PR6*	Adherence to marketing communications laws, standards and voluntary codes	No	
	PR7	Non-compliance with marketing communications regulations and voluntary codes	No	
Customer Privacy				
1	PR8	Complaints regarding breaches of customer privacy	No	
Compliance				
	PR9*	Fines for non-compliance concerning the provision and use of products and services	No	
* GRI Core indicator				

Based on its own assessment, Outokumpu has followed the B+ application level of the GRI guidelines. The application level has been checked by a third party, PricewaterhouseCoopers Oy.

Independent Assurance Report

To Outokumpu Oyj's Management

At the request of Outokumpu Oyj's Management we have performed the procedures agreed with you and detailed below concerning the limited assurance engagement on the Outokumpu Oyj's Corporate Responsibility section in online Annual Report 2009 (the Report) consisting of the economic, social and environmental information (Subject Matter) within reporting period 1.1.-31.12.2009.

Management's Responsibility

Outokumpu Oyj's Management has prepared the Report, and is responsible for the collection and presentation of information within the Report in accordance with the reporting criteria as set out in Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G3 version together with Outokumpu Oyj's own reporting guidelines (Criteria).

Practitioner's Responsibility

Our responsibility is to express an independent conclusion on the Subject Matter based on our limited assurance engagement. Our assurance report has been made in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Outokumpu Oyj for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 applicable to assurance engagements other than audits or reviews of historical financial information. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that causes us to believe that the Subject Matter does not provide a balanced and reasonable representation of Outokumpu Oyj's corporate responsibility performance based on the Criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We have planned and performed our evidence gathering procedures to obtain sufficient appropriate evidence on which to base our conclusion. We have performed amongst others the following procedures:

- Interviewing five (5) persons in Group Management in order to ascertain the current targets for Outokumpu Oyj's corporate responsibility as part of the business strategy and operations;
- Interviewing persons responsible for corporate responsibility at Outokumpu Group;
- Reviewing management and reporting systems relating to information disclosed in the Report;
- Assessing the data management procedures used in compiling and reporting the quantitative data;
- Interviewing persons responsible for the practices and procedures used for data generation, recording, compilation and consolidation both at the Group Head Office and at two sites (Tornio, Avesta);
- Testing existency of reported information on a sample basis from primary documentation at two sites (Tornio, Avesta);
- Testing the completeness, accuracy and comparability of the quantitative data presented in the Report on a sample basis of primary documentation at two sites (Tornio, Avesta) as well as performing recalculations at Group level;
- Reviewing the content and quality of information presented in the Report.

Our conclusions

Based on our work described above, nothing has come to our attention that causes us to believe that the Report in all material respects, based on the aforementioned Criteria, is not providing a balanced and reasonable representation of Outokumpu Oyj's corporate responsibility performance.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for corporate responsibility information. This independent assurance report should not be used on its own as a basis for interpreting Outokumpu Oyj's performance in relation to its policies of corporate responsibility.

Espoo, 24 February 2010
PricewaterhouseCoopers Oy



Marko Korhonen
Partner



Sirpa Juutinen
Director, Sustainable Business Solutions

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