

## **OUTOKUMPU CORPORATE GOVERNANCE POLICY**

### **1. Governing bodies and governance principles**

The governing bodies of Outokumpu Oyj, i.e. the General Meeting of Shareholders, the Board of Directors and the President and Chief Executive Officer (CEO), have the ultimate responsibility for the management and operations of the Outokumpu Group ("the Group"). The Outokumpu Leadership Team reports to the CEO and supports and assists the CEO in the efficient management of the Group's operations.

In its corporate governance and management, Outokumpu Oyj complies with the laws and regulations applicable to a Finnish public company and the company's Articles of Association. Outokumpu Oyj follows the Finnish Corporate Governance Code (available at <http://cgfinland.fi/en/>), effective as of January 1, 2016. The Finnish Corporate Governance Code is issued by the Finnish Securities Market Association and adopted by Nasdaq Helsinki Ltd.

### **2. General Meeting of Shareholders**

In accordance with the Finnish Companies Act, the General Meeting of Shareholders is the highest decision-making body of the Company. The Act provides that certain important decisions, such as amendments to the Articles of Association, approval of the financial statements, increasing or decreasing share capital, decisions on dividends, and the election of the Board of Directors and the auditors, are the exclusive domain of the General Meeting of Shareholders.

The Companies Act further stipulates that only the Board of Directors has the authority to convene General Meetings of Shareholders. The Board of Directors may decide to convene a General Meeting of Shareholders on its own initiative but it has an obligation to do so in the event that the Company's auditor or shareholders holding at least 10 percent of all the shares in the Company so request. The General Meeting of Shareholders typically convenes once a year.

Each shareholder has under the Companies Act the right to have a matter falling within the competence of the General Meeting included on the agenda of a General Meeting of Shareholders provided that a written request to that effect has been presented to the Board of Directors in sufficient time before a notice of meeting to convene the General Meeting of Shareholders is given.

According to the Company's Articles of Association, the Company has only one class of shares, all shares thus having equal voting power.

### **3. Board of Directors**

#### **3.1 Duties and authority of the Board of Directors**

The general objective of the Board of Directors is to direct the Company's business and strategies in a manner that secures a significant and sustained increase in the value of the Company for its shareholders. To this end the members of the Board are expected to act as a resource and to offer their expertise and experience for the benefit of the Company. The tasks and responsibilities of the company's Board of Directors are determined on the basis of the Finnish Companies Act as well as other applicable legislation.

The Board of Directors has general authority to decide and act in all matters not reserved for other corporate governance bodies by law or under the provisions of the Articles of Association. The gen-



eral task of the Board of Directors is to organize and oversee the Company's management and operations and it has the duty at all times to act in the best interests of the Company.

The Board of Directors shall in the Charter of the Board of Directors further specify the duties of the Board as a whole, the duties of individual members and the Chairman of the Board as well as the Board's practical ways of working.

### **3.2 Composition of the Board of Directors**

According to the Articles of Association of the Company, the Board of Directors shall consist of no less than five and no more than twelve members.

Outokumpu's Annual General Meeting in 2012 resolved to establish a Shareholders' Nomination Board to annually prepare proposals to the Annual General Meeting for the election, composition and remuneration of the members of the Board of Directors.

The Annual General Meeting elects the Chairman, the Vice Chairman and the other members of the Board of Directors for a term expiring at the close of the following Annual General Meeting. The entire Board of Directors is therefore elected at each Annual General Meeting. A Board member may be removed from office at any time by a resolution passed by a General Meeting of Shareholders. Proposals to the Annual General Meeting concerning the election of Board members that have been made known to the Board of Directors prior to the Annual General Meeting will be made public if such a proposal is supported by shareholders holding a minimum of 10% of all the company's shares and voting rights and the person being proposed has consented to such nomination.

The General Meeting of Shareholders decides on the remuneration payable to the members of the Board of Directors.

### **3.3 Diversity Principles of the Board of Directors**

Diversity of the Board of Directors supports the vision and the long-term objectives of the Group. Outokumpu recognizes the importance of a diverse Board, including but not limited to age, educational and international background, professional expertise and experience from relevant industrial sectors as well as a representation of both genders. The Company strives for a Board structure where both genders are represented in a well-balanced manner. The Shareholders' Nomination Board shall take the Diversity Principles into account when preparing its proposals to the Annual General Meeting and an account of the progress in achieving set objectives shall be disclosed annually.

### **3.4 Board Committees**

The Board of Directors has set up two permanent committees consisting of Board members and has confirmed rules of procedure for these committees. Both committees report to the Board of Directors.

The Board *Audit Committee* consists of a minimum of three Board members. At least one of the Committee members shall have an appropriate education and special expertise in corporate finances, accounting or auditing. The Committee's task is, in greater detail than is possible for the Board as a whole, to deal with matters relating to financial statements, the company's financial position, auditing work, internal controls and compliance matters, the scope of internal and external audits, fees paid to auditors, the Group's tax position, the Group's financial policies and other procedures for managing Group risks. In addition, the Audit Committee prepares a recommendation to the Board of Directors concerning the election of an external auditor and auditing fees at a General Meeting. The Committee's rules of procedure shall be further defined in the Board Audit Committee Charter, approved by the Board.

The Board *Remuneration Committee* consists of the Chairman of the Board and a minimum of two additional Board members. The Committee's task is to prepare proposals to the Board concerning the appointment of the company's top management and principles relating to the compensation they receive. The Committee's rules of procedure shall be further defined in the Remuneration Committee Charter, approved by the Board.

The Board of Directors may appoint additional committees from among its members and prescribe their agendas.

All Board committees shall report on their work to the Board of Directors. The Board committees shall act as preparatory bodies for the Board of Directors and shall not have an authority to take decisions on matters that fall within the Board's authority unless specifically so authorized by the Board.

## **4. Executive management**

### **4.1 The CEO and the deputy to the CEO**

The President and Chief Executive Officer (CEO) is responsible for the company's operational management, in which the objective is to secure significant and sustainable growth in the value of the company for its shareholders.

The CEO prepares decisions and other matters for the meetings of the Board of Directors, develops the Group's operations in line with the targets agreed with the Board of Directors, and ensures the proper implementation of Board decisions. The CEO is also responsible for ensuring that existing legislation and applicable regulations are observed throughout the Group. The CEO chairs the meetings of the Outokumpu Leadership Team. The deputy to the CEO is responsible for attending to the CEO's duties in the event that the CEO is prevented from doing so.

The CEO shall take his/her most important decisions in the Leadership Team meetings and such decisions shall be recorded in the minutes of those meetings.

### **4.2 Outokumpu Leadership Team**

The Outokumpu Leadership Team consists of the CEO, his/her deputy (if one has been appointed) and other key members of senior management.

The Outokumpu Leadership Team assists the CEO in the overall management of Outokumpu's business. The members of the team have extensive authorities in their individual areas of responsibility, and their duty is to develop the Group's operations in line with the targets set by the Board of Directors and the CEO.

Individual members of the Leadership Team are responsible for the Business Areas and the Group Functions, respectively. Any disagreements between executives with overlapping responsibilities that are not agreed upon between the respective executives are referred to the CEO for resolution.

The Leadership Team meetings are convened by the CEO. Minutes shall be kept for each meeting.

### **4.3 Appointments and benefits**

The CEO, his/her deputy (if applicable) and the other members of the Leadership Team are appointed and their areas of responsibility are defined by the Board of Directors based on proposals by the Remuneration Committee. Equally, the terms of service, including salaries, bonuses, pension benefits and other benefits, of the CEO and his/her deputy are determined and approved by the Board of Directors on the basis of proposals by the Remuneration Committee. The terms of service

of the other executives are determined and approved by the Remuneration Committee. The terms of service shall be recorded in written contracts.

#### **4.4. External board memberships**

The members of the Leadership Team are allowed to accept memberships in boards of directors of other public companies and significant external private companies only with a prior approval. In case of the Chief Executive Officer and his deputy the approval is sought from the full Outokumpu Board of Directors and in case of the other members of the Leadership Team from the Remuneration Committee.

### **5. Auditing and internal controls**

The extent and requirements of auditing the Company are governed by the laws and regulations applicable to Finnish public companies. Accordingly, an independent third party auditor audits annually the accounting records for each financial period, the annual accounts and the corporate governance of the Company. The audit of the Company also includes an examination of the consolidated annual accounts for the Group as well as the relations between Group companies. This calls for cooperation between the auditor of the Company and the auditors or the other Group companies worldwide.

According to the Company's Articles of Association, the Company shall have one or two auditors as resolved by the Annual General Meeting. One of the auditors shall be required to be an entity of Certified Public Accountants or an individual approved by the Central Chamber of Commerce in Finland. The Annual General Meeting elects the auditor(s) for one year at a time.

The Board Audit Committee's task is to review the auditing work, internal controls, the scope of internal and external audits, Group's financial policies, and other procedures for managing the Group's risks. The Committee reports to the Board of Directors.

The Group has an Internal Audit function which operationally reports to the Board Audit Committee. The purpose of the function is to assist the Board of Directors in supervising and controlling the Group. For this purpose, the Internal Auditor identifies and monitors the most important operative risks of the Group, ensures the functionality and fit of the internal control mechanisms of the Group and produces reliable information for the Board of Directors and its Audit Committee.

### **6. Insider management**

The Board of Directors shall ensure that the Company has proper policies governing the management of insider issues in place at all times.

The insider laws and regulations, including the Finnish Securities Act, the Guidelines for Insiders issued by Nasdaq Helsinki Ltd and the Market Abuse Regulation (EU), constitute the primary legal framework for the insider issues relevant to the Group and its employees.

The persons discharging managerial responsibilities in Outokumpu, in the meaning of the Market Abuse Regulation, include members of the company's Board of Directors, the CEO and other members of the Outokumpu Leadership Team ("the Management"). The Management together with the persons or companies closely associated with a member of the Management constitutes the so called "Notifying Persons".

Outokumpu applies a restricted period of thirty (30) calendar days before the announcement, as well as the day of the announcement, of an interim financial report, interim financial statement and a year-end report (the "Closed Window"). During this period the Management, the persons subject to trading restrictions, and any legally incompetent persons under their custody shall not conduct any

transactions, on its own account or for the account of a third party, directly or indirectly, relating to the Company's shares or debt instruments, or derivatives or other financial instruments linked thereto.

## **7. External communication**

The objective of Outokumpu's external communication is to provide stakeholders with sufficient information to have a true and fair picture of the Group's business structure, financial and market position, and especially of goals and the strategy to reach those goals. In general terms, the aim is to provide a sound basis for estimating the fair value of the Company's share.

The Group's external communication practices comply with Finnish legislation and other rules and regulations applicable to a company publicly listed on the Helsinki Exchanges.

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