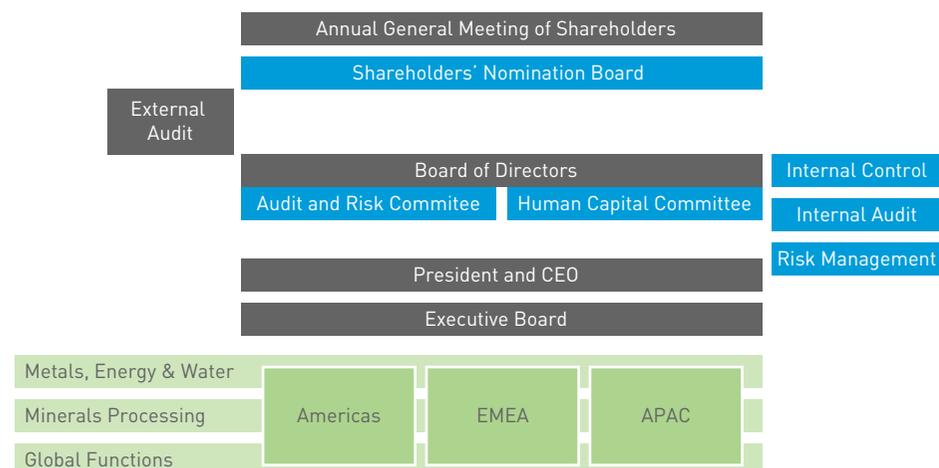


# OUTOTEC'S CORPORATE GOVERNANCE STATEMENT 2015

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The ultimate responsibility for the management and operations of Outotec lies with the governing bodies of the parent company, Outotec Oyj, registered and existing under the laws of Finland. These governing bodies are the General Meeting of Shareholders, the Board of Directors and the President and Chief Executive Officer (CEO). Further, the Executive Board, operating under the authority of the CEO, has been formed for the efficient management of the company.

## OUTOTEC'S GOVERNING BODIES



The governance principles applicable to the company are a combination of the laws of Finland, the Articles of Association approved by the General Meeting of Shareholders and Corporate Governance Policy approved by the Board of Directors. During 2015, Outotec followed the Finnish Corporate Governance Code ("Code") for listed companies issued by the Securities Market Association in 2010. The Corporate Governance Code is based on listed companies' self-regulation and it complements the statutory procedures.

The aim of the Code is to harmonize practices of the Finnish listed companies' corporate governance as well as the information given to shareholders and other investors. It aims also to improve the transparency of the governing bodies and that the Finnish listed companies apply the corporate governance practices of a high international standard. The Code is available on the Securities Market Association homepage at [www.cgfinland.fi](http://www.cgfinland.fi). In addition to the above regulatory framework, Outotec abides by all guidelines and instructions issued by the Financial Supervision Authority, Nasdaq Helsinki Ltd and the Finland Chamber of Commerce, e.g. in the field of insider management, own shares, communications and takeovers.

Outotec's Corporate Governance Statement has been prepared in accordance with the recommendation 54 of the Finnish Corporate Governance Code and related instructions issued by the Securities Markets Association. Outotec's Corporate Governance Statement has been given separately from the financial statements. In addition, Outotec's Corporate Governance Policy in its entirety is published and maintained on Outotec's web site at [www.outotec.com](http://www.outotec.com).

### SELF-REGULATORY FRAMEWORK

Outotec has introduced the Outotec Management System for the purpose of ensuring the due functioning of its operational model. Outotec Management System became effective on February 2011 upon the approval by the Board of Directors. Outotec Management System defines governance, management principles, operational model, roles, responsibilities and authorities within Outotec. Outotec Management System documentation is based on European Foundation for Quality Management (EFQM) management system and processes framework criteria. Documentation defines compatibility and fulfillment of Outotec systems against such standards as ISO 9001:2000 for Quality Management and ISO 14001 for Environmental

Management. Outotec Management System is based on the following general principles and guidance:

- One company principle
- Governance and decision-making
- Mission, strategic intent and vision
- Strategy
- Organization
- Corporate-wide policies, processes, information, applications and quality

Outotec policies constitute a vital part of the Management System. On December 2012 Outotec's Board of Directors approved Outotec's Code of Conduct. The Code of Conduct comprises the values that Outotec's behavior is based on, including human rights, compliance topics, anti-corruption issues, anti-money laundering, health and safety, insider rules, respecting laws and regulations, as well as free and fair trade practices. Disclosure policy provides for timely and accurate investor communication.

Outotec has implemented a Compliance Helpline globally which enables anyone to raise their concerns or seek advice in matters related to compliance to the knowledge of Chief Compliance Officer. Outotec has provided mandatory training to its employees regarding the Code of Conduct and other compliance issues.

### GENERAL MEETING OF SHAREHOLDERS

In accordance with the Finnish Companies Act, the Annual General Meeting of Shareholders (AGM) is the highest decision-making body of Outotec Oyj. 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, the election of the Board of Directors and election of the auditors of the company are the exclusive domain of the General Meeting of Shareholders.

The Board of Directors has the authority to convene the AGM. The Board of Directors may decide to convene the AGM on its own initiative but has an obligation to convene an Extraordinary General Meeting in the event that either the company's auditor or shareholders holding at least ten (10) percent of all the shares in the company so request. The AGM convenes once a year and is held on May 31 each year at the latest.

In order to participate in the general meeting of shareholders, a shareholder must so inform the company before the end of the registration period stated in the invitation to the general meeting of shareholders, which cannot be earlier than ten days before the general meeting of shareholders and must not fall on a Sunday, Saturday, Midsummer Eve, Christmas Eve or other public holiday. Additionally, what is stated in the Finnish Companies Act concerning entitlement to participate in the general meeting of shareholders must be taken into consideration after the company's shares have been entered into the book-entry securities system. In addition to the company's domicile Espoo, the annual general meeting of shareholders may be held in Helsinki or Vantaa.

Under the Companies Act, each shareholder has the right to have a matter 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 for the General Meeting of Shareholders is issued.

### NOMINATION BOARD

The Annual General Meeting of Shareholders on March 26, 2013 decided to establish a permanent Shareholders' Nomination Board composed of shareholders or their representatives and of the Chairman of the Board of Directors for the purpose of preparing and presenting the election of the members of the Board of Directors and proposals for their remuneration to be submitted for the General Meeting of Shareholders as well as successor planning of the members of the Board of Directors.

The tasks of the Nomination Board consist of:

1. Preparation and presentation to the General Meeting of Shareholders of matters pertaining to the remuneration of the members of the Board of Directors;
2. Preparation and presentation to the General Meeting of Shareholders of matters pertaining to the number of the members of the Board of Directors in accordance with the Articles of Association;
3. Preparation and presentation to the General Meeting of the Shareholders of matters pertaining to the appointment of the members of the Board of Directors and its Chairman and Vice Chairman; and
4. Successor planning for the members of the Board of Directors.

The Nomination Board shall consist of four (4) members. Three of the members shall represent the three shareholders who on October

1 (the "Value Day") preceding the Annual General Meeting represent the largest number of the votes of all shares in the company. The Chairman of the Board of Directors shall be the fourth member of the Nomination Board.

The largest shareholders are determined on the basis of their shareholdings registered in the company's shareholders' register held by Euroclear Finland Ltd. In the event that a shareholder who according to the Securities Markets Act has an obligation to take such ownership into account when making notifications regarding changes in ownership (shareholder subject to flagging notification), notifies the Chairman of the Board of Directors thereof in writing at the latest on the Value Day, the shareholding of such shareholder divided between two or more funds or group companies shall be counted as one. In the event that a shareholder does not wish to use his/her right to appoint a member to the Shareholders' Nomination Board, the right to appoint shall be transferred to the next largest shareholder in the company's shareholders' register, who would otherwise not have a right to appoint.

The Chairman of the Board of Directors convenes the first meeting of the Nomination Board and the representative of the largest shareholder shall be the Chairman of the Nomination Board unless otherwise decided by the Nomination Board. The Nomination Board shall submit its proposals to the Board of Directors at the latest on February 15, preceding the Annual General Meeting.

The composition of the Shareholders' Nomination Board appointed in October 1, 2015 was **Kari Järvinen**, Managing Director (Solidium Oy), **Pekka Pajamo**, Senior Vice-President,

Finance (Varma Mutual Pension Insurance Company), **Mikko Mursula**, Chief Investment Officer (Ilmarinen Mutual Pension Insurance Company) and **Matti Alahuhta** (Chairman of the Board of Directors of Outotec Oyj).

In 2015, the Nomination Board met or had teleconference meetings three times. The attendance of members at Board meetings was 100%.

	Meetings of the Nomination Board
Participation in 2015	
<b>Kari Järvinen</b>	3/3
<b>Pekka Pajamo</b> (since Oct 1, 2015)	2/3
<b>Mikko Mursula</b> (since Oct 1, 2015)	2/3
<b>Matti Alahuhta</b>	3/3
<b>Poju Zabłudowicz</b> (until Oct 1, 2015)	1/3
<b>Harri Sailas</b> (until Oct 1, 2015)	1/3

## BOARD OF DIRECTORS

According to the Articles of Association, Outotec's Board of Directors shall consist of no fewer than five (5) and no more than ten (10) members. The General Meeting of Shareholders elects the Chairman, Vice Chairman and other members of the Board of Directors.

### The Board's composition

#### Matti Alahuhta

Chairman of the Board of Directors  
Doctor of Technology  
b. 1952, Finnish citizen  
Board member and chairman since 2013,  
chairman of the Human Capital Committee

Independent of the company and owner  
President and CEO of KONE Corporation  
until 2014

#### Timo Ritakallio

Vice Chairman of the Board of Directors  
LL.M., MBA  
b. 1962, Finnish citizen  
Board member since 2011, member of the  
Audit and Risk Committee  
Independent of the company and owner  
President and CEO of Ilmarinen Mutual  
Pension Insurance Company

#### Eija Ailasmaa

M. Pol. Sc, Graduate of the Sanoma School  
of Journalism  
b. 1950, Finnish citizen  
Board member since 2010, member of the  
Human Capital Committee  
Independent of the company and owner  
President and CEO of Sanoma Media B.V.  
until 2011

#### Klaus Cawén

LL.M Columbia University, LL.M. University  
of Helsinki  
b. 1957, Finnish citizen  
Board member since March 30, 2015,  
member of the Audit and Risk Committee  
Independent of the company and owner  
Executive Vice President of KONE  
Corporation

#### Anja Korhonen

Master of Science (Economics)  
b. 1953, Finnish citizen  
Board member since 2013, chairman of the

Audit and Risk Committee  
Independent of the company and owner  
Senior Vice President, Corporate Controller  
of Nokia Corporation until 2011

#### Ian W. Pearce

B.Sc., University of the Witwatersrand,  
South Africa  
b. 1957, Canadian citizen  
Board member since March 30, 2015,  
member of the Audit and Risk Committee  
Independent of the company and owner  
Founding Partner of X2 Resources Partners  
LP Inc.

#### Poju Zabłudowicz

B.A. (Economics and International Relations)  
b. 1953, Finnish citizen  
Board member since 2012, member of the  
Audit and Risk Committee until  
March 30, 2015, member of the Human  
Capital Committee since March 30, 2015  
Independent of the company and owner  
Chairman and CEO of Tamares Group

#### Tapani Järvinen (until March 30, 2015)

M.Sc. (Eng.), Lic.Sc. (Tech.)  
b. 1946, Finnish citizen  
Board member as of 2010, member of the  
Human Capital Committee until March 30,  
2015  
Independent of the company and owner  
President and CEO of Outotec Oyj until 2009

#### Hannu Linnoinen (until March 30, 2015)

B.Sc. (Econ.), LL.M.  
b. 1957, Finnish citizen  
Board member as of 2006, chairman of the

Audit and Risk Committee until March 30,  
2015  
Independent of the company and owner  
Senior Executive Vice President and Chief  
Financial Officer of SRV Group Plc

#### Björn Rosengren (until September 18, 2015)

Master of Science (Mechanical Engineering)  
b. 1959, Swedish citizen  
Board member since 2014  
Independent of the company and owner  
CEO of Wärtsilä Corporation

### Duties of the Board

The general objective of the Board of Directors is to direct Outotec's business and strategies in a manner that secures a significant and sustained increase in the value of the company for its shareholders. 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 Board of Directors acts within the remit of the powers and responsibilities provided under the Finnish Companies Act and other applicable legislation. According to the Companies Act, the Board of Directors has general authority to decide and act on all matters not reserved by law or under the provisions of the Articles of Association to other corporate governing bodies. Further, the Board is responsible for the organization of Outotec's management and operations, and it has the duty at all times to act in the best interests of the company.

The Charter of the Board of Directors further specifies the duties of the Board of Directors as a whole, the duties of individual members

and the Chairman of the Board, as well as the Board's methods of working at a practical level.

In the field of directing the Outotec's business and strategies the Board of Directors shall decide on Outotec's basic strategies and monitor their implementation, decide on the authority frames for capital expenditure for Outotec and monitor their implementation, decide on major business acquisitions and divestments as well as on any other major and strategically significant investments, decide on all individual major sales contracts and all contracts that represent an exceptional risk position taking into account Outotec's size. The Board of Directors shall further decide on any major financing arrangements by any Outotec company, or which are organized by way of public offerings, or which are otherwise out of Outotec's normal course of business.

In the field of organizing the Outotec's management and operations the Board of Directors appoints and dismisses the Chief Executive Officer (the "CEO"), his/her possible deputy and the other members of the Executive Board and decide on their terms of service, including incentive schemes, and successor planning, monitor issues relating to top management resources, decides on any significant changes in Outotec's business organization, defines Outotec's ethical values and modes of activity, ensures that policies outlining the principles of corporate governance and the principles of managing the Outotec Oyj's insider issues are in place, as well as ensures that other policies, as the Board of Directors may consider appropriate, concerning issues within the Board of Director's duties and authorities are in place.

In the field of preparing issues for the General Meeting of Shareholders' resolution, the Board of Directors establishes the corporate policy for dividend distribution and makes proposals regarding dividend distribution to the General Meeting of Shareholders, and makes proposals to the General Meeting of Shareholders concerning other decisions within the authority of the General Meeting of Shareholders.

In the field of financial control and risk management the Board of Directors discusses and approves the interim reports and annual accounts, monitors issues pertaining to significant risks and risk management activities related to Outotec's operations, and ensures that adequate policies for risk management are in place.

In 2015, the special focus areas of the Board of Directors have been the challenges in macroeconomic environment, cost efficiency, project risk management, organizational structure as well as Outotec's long-term strategy.

In 2015, the Board of Directors met or had teleconference meetings 15 times. The average attendance of members at Board meetings was 96%. Fees paid to the Board of Directors in 2015 totaled EUR 431,400.

Participation in 2015	Meetings of the Board of Directors
<b>Alahuhta Matti</b>	15/15
<b>Ritakallio Timo</b>	15/15
<b>Ailasmaa Eija</b>	14/15
<b>Cawén Klaus</b> (since March 30, 2015)	10/15
<b>Korhonen Anja</b>	15/15
<b>Pearce Ian W.</b> (since March 30, 2015)	12/15
<b>Zabludowicz Poju</b>	11/15
<b>Järvinen Tapani</b> (until March 30, 2015)	3/15
<b>Linnoinen Hannu</b> (until March 30, 2015)	3/15
<b>Rosengren Björn</b> (until September 18, 2015)	8/15

#### Evaluation of Board's work

The Board of Directors conducts an annual evaluation of its operations and working methods. The purpose of this evaluation is to establish how the Board of Directors has executed its tasks during the year and to act as a basis for the development of the Board of Directors work.

#### The Committees of the Board of Directors

The practical ways of working of the Board's Committees shall be further defined in their Charters approved by the Board of Directors. The Board of Directors may appoint additional committees from among its members and prescribe their agendas. All Board Committees shall report 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 of Director's authority unless specifically so authorized by the Board of Directors.

#### Audit and Risk Committee

The Board has established an Audit and Risk Committee consisting of four Board members, who are independent of the company. The Audit and Risk Committee's task is to monitor the reporting process of financial statements and to supervise the financial reporting process. The Audit and Risk Committee also monitors the efficiency of Outotec's internal control mechanisms as well as risk management systems.

In addition, the Audit and Risk Committee monitors the statutory audit of the financial statements and consolidated financial statements, and evaluates the independence of the statutory auditor or audit firm, particularly the provision of related service to the company.

In addition, the committee shall prepare recommendations to the General Meeting of Shareholders concerning the election and fees of the auditor for the company. The committee's operation procedures have been specified further in the Board Audit and Risk Committee Charter, approved by the Board of Directors.

The Board's assembly meeting on March 30, 2015 elected Ms **Anja Korhonen** (Chairman), Mr **Klaus Cawén**, Mr **Ian W. Pearce**, and Mr **Timo Ritakallio**, all having appropriate education and experience in corporate finance as members of the Audit and Risk Committee.

In 2015, Outotec's Audit and Risk Committee focused especially on project related risk reviews as well as on Outotec's internal risk management systems and internal controls.

In 2015, the Audit and Risk Committee met six times.

The attendance of members in Audit and Risk Committee meetings was the following (100%):

Participation in 2015	Meetings of the Audit and Risk Committee
Korhonen Anja	6/6
Ritakallio Timo	6/6
Cawén Klaus (since March 30, 2015)	4/6
Pearce Ian W. (since March 30, 2015)	4/6
Linnoinen Hannu (until March 30, 2015)	2/6
Zabludowicz Poju (until March 30, 2015)	2/6

#### Human Capital Committee

The Board has established in November 2010 a Human Capital Committee, which consisted of three members in 2015. The Human Capital Committee shall, in addition to the customary duties belonging to remuneration committees, assume a strong role in duties pertaining to human resources policies and processes.

The Human Capital Committee is charged with duties relating to employee benefit plans and compensation as well as remuneration of the CEO and other executives. The Human Capital Committee will also prepare matters pertaining to the appointment of the CEO and his/her possible deputy and other executives as well as the identification of their successors.

The Human Capital Committee operation procedures have been further specified in the Board's Human Capital Committee Charter, approved by the Board.

The Board elected in its assembly meeting on March 30, 2015 Mr **Matti Alahuhta**

(Chairman), Ms **Eija Ailasmaa** and Mr **Poju Zabludowicz** as members of the Human Capital Committee.

The attendance of members in Human Capital Committee meetings was the following (89%):

Participation in 2015	Meetings of Human Capital Committee
Alahuhta Matti	3/3
Ailasmaa Eija	3/3
Järvinen Tapani (until March 30, 2015)	1/3
Zabludowicz Poju (since March 30, 2015)	1/3

#### DUTIES AND RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER (CEO)

The CEO is responsible for managing and controlling the company's business and day-to-day operations with the aim of securing significant, sustained increase in the value of the company for its shareholders.

The CEO prepares matters for decision by the Board of Directors, develops Outotec in line with the targets agreed upon with the Board of Directors and ensures proper implementation of the decisions of the Board of Directors.

It is further the duty of the CEO to ensure that Outotec's operations are in compliance with the laws and regulations applicable at the time. The CEO may have a deputy who will attend to the duties of the CEO in the event that the CEO is prevented from doing so him/herself. The CEO shall make his/her most important decisions in the Executive

Board meetings, and such decisions shall be recorded in the minutes of these meetings.

On June 4, 2009, the Board of Directors of Outotec Oyj appointed Mr. **Pertti Korhonen**, born in 1961, M. Sc. (Eng) as the President and Chief Executive Officer of Outotec Oyj. Mr. Korhonen joined Outotec on September 1, 2009, served as Chief Operating Officer as of October 1, 2009 and has assumed the duties of the CEO as of January 1, 2010. No deputy to the CEO has been appointed.

#### EXECUTIVE BOARD

The Executive Board consists of the CEO, his/her deputy (if one has been appointed), the Chief Financial Officer and the Executive Vice Presidents and Senior Vice Presidents responsible for the regions, business areas and global functions. The role of the Executive Board is to manage Outotec's business as a whole. The Executive Board members have extensive authorities in their individual areas of responsibility and have the duty to develop Outotec's operations in line with the targets set by the Board of Directors and the CEO. Executive Board meetings are convened by the CEO on a regular basis and all decisions made are recorded in minutes of the Executive Board. The Executive Board has no statutory official role determined by law or by the Articles of Association, however it plays a significant role in Outotec's management.

In 2015, the Executive Board's special focus areas have been the business steering in challenging macroeconomic environment, securing the planned cost reductions from the 45 MEUR

cost savings plan and ensuring good project execution.

#### OUTOTEC EXECUTIVE BOARD

**Pertti Korhonen**, President and CEO  
**Kimmo Kontola**, Executive Vice President, President of Americas region (until December 31, 2015)  
**Adel Hattab**, Executive Vice President, President of EMEA region  
**Stuart Sneyd**, Executive Vice President, President of APAC region (until December 31, 2015)  
**Robin Lindahl**, Executive Vice President, President of Metals, Energy & Water business area  
**Kalle Härkki**, Executive Vice President, President of Minerals Processing business area  
**Michael Frei**, Senior Vice President, Delivery & CPO (until December 31, 2015)  
**Kari Knuutila**, Chief Technology Officer (until December 31, 2015)  
**Olli Nastamo**, Senior Vice President, Operational Excellence (until December 31, 2015)  
**Minna Aila**, Senior Vice President, Marketing, Communications & Corporate Responsibility (until October 18, 2015)  
**Jari Älgars**, Chief Financial Officer (since October 1, 2015)  
**Mikko Puolakka**, Chief Financial Officer (until October 1, 2015)  
**Kirsi Nuotto**, Senior Vice President, Human Resources, Communications  
**Nina Kiviranta**, General Counsel  
**Pia Käll**, Senior Vice President, Strategy and M&A, Marketing, Product Management

## CONTROL SYSTEMS

The general governance principles and Outotec's self-regulatory framework provide the basis for Outotec's operations. In order to ensure the proper functioning of the governance model Outotec Oyj's Board of Directors has defined the principles for Outotec's internal control.

## INTERNAL CONTROL FRAMEWORK AND RISK MANAGEMENT



## INTERNAL AUDIT

Internal audit is a fundamental part of Outotec's corporate governance and management systems. Internal audit assists the Board of Directors in supervising and controlling the company. The role of internal audit activity is to monitor that the company's operations are efficiently managed and profitable, and risk management and internal controls are at sufficient level. The internal audit system also verifies that the defined principles, policies and instructions are followed and internal audit assists in the investigation of suspected fraudulent activities within the organization.

Internal audit is designed to add value and improve Outotec's operations by acting as an independent, objective assurance and consulting service. Internal audit helps Outotec to support a good organizational governance, give an independent perspective for management in considering and reviewing company operations, and accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

The company's Internal Audit function reports administratively to the Chief Financial Officer but in matters related to the internal audit directly to the Board's Audit and Risk Committee and the CEO. The Audit and Risk Committee approves the annual and long-term internal audit plans. Audit findings, recommendations and management corrective actions are reported regularly to the Audit and Risk Committee.

In 2015, specific audits were conducted in following areas: Market Area Sub-Saharan

Africa and Market Area Middle East, company-wide delivery process audit, an audit of Morocco service projects as well as follow-up audits of the Supply function, and India and Russia office audits.

## RISK MANAGEMENT

Risk management is an integral part of Outotec's management system and internal control framework. It aims at assessing risks in a systematic way in order to facilitate profound planning and decision making process. Risk management covers all parts of the organization and captures risks from strategic to operational risks. Risk management supports the management and the Board of Directors to ensure that the company can execute its strategy effectively.

Outotec operates in accordance with its enterprise risk management policy, which acts as an umbrella for all risk management activities within Outotec.

Outotec's project risk management process, financial risk management activities, QEHS (Quality, Environment, Health and Safety) systems, and Corporate Responsibility Policy form an integral part of the enterprise risk management. Outotec's risk management includes Group level and project-specific risk management processes, which all increase the reliability of the financial reporting.

Outotec's Board of Directors oversees and approves Outotec enterprise risk management policy and the related processes. The policy defines the objectives, principles, operating procedures, organization and responsibilities of risk management as well as the reporting and follow-up procedures. Board's Audit and

Risk Committee is responsible for reviewing the risk assessments and reports to the Board. The Audit and Risk Committee also oversees how the management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Outotec.

The CEO and the Executive Board are responsible for defining and implementing risk management processes and for ensuring that risks are taken into account in the company strategy planning and operative business. Business areas, regions and global functions are responsible for achieving their strategic targets and for mitigating and managing all their risks with support from risk management, contract management and internal audit function.

Risk management and operational control is managed by the Corporate Finance & Control function headed by the Chief Financial Officer. Functionally risk management has direct access to the Executive Board, the CEO, the Audit and Risk Committee and the Board of Directors.

Risks are assessed regularly and the risks and related risk management measures are

reported regularly to the CEO and the Executive Board, the Audit and Risk Committee and the Board of Directors. The main risks related to Outotec are strategic, operational, project and finance risks, which may affect significantly Outotec's reported financial information. Most significant risks and uncertainties related to Outotec's business are described in the Board of Director's report. Financial risks are described in the notes to financial statements. Operational and project risks are assessed according to Outotec Operational Risk Management policy and the related processes, as described on Outotec's website ([www.outotec.com/en/Investors/Outotec-as-an-investment-2/Risks-related-to-operations](http://www.outotec.com/en/Investors/Outotec-as-an-investment-2/Risks-related-to-operations)).

During 2015 Outotec has further developed the risk management process and implemented revised project risk management tools for the sales and delivery phases. The process and revised tools are applied to all major projects as of March 1, 2015 and the key objective is to identify and manage risks and opportunities in an integrated and transparent end-to-end process covering all stages of a project.

## FINANCIAL REPORTING CONTROLS

Internal control in the framework of financial reporting aims at providing assurance that the financial reporting is reliable and in line with the generally accepted accounting principles, applicable laws and regulations as well as internal reporting principles. The financial reporting framework in Outotec is based on Group wide instructions, financial processes and common reporting platform. This framework is supported by Outotec's values, honesty and high ethical standards as well as frequent training and information exchange through meetings where information about financial processes is shared.

## OUTOTEC FINANCIAL REPORTING CONTROLS



The Board of Directors bears the overall responsibility for the internal control over financial reporting. Financial performance is reviewed by the Board. The Board has appointed an Audit and Risk Committee, which in addition to other tasks monitors on regular basis also the financial reporting principles and accuracy of financial reporting. The CEO

and the Executive Board as well as the management teams in Business Areas and Regions conduct a monthly review of the historical financial performance and business outlook. Central part of the review is the financial performance of delivery projects. Controlling functions in subsidiaries are responsible for ensuring that the business transactions are

reported according to Group accounting principles. The Internal Audit function performs regular checks on the financial reporting and report directly to the Audit and Risk Committee and the CEO. The corporate wide financial management and control is coordinated by the Corporate Finance & Control function headed by the Chief Financial Officer. The operational

responsibility for internal controls lies in subsidiaries, Business Areas, Regions and Global Functions.

The Corporate Finance & Control function maintains common instructions for financial reporting, acts as process owner for financial processes and controls centrally the reporting platforms. The application and interpretation of accounting standards for the Group wide purposes is done by the Corporate Finance & Control and those principles are documented in the Outotec Accounting Policy and reporting manual. Reporting principles are implemented by the network of controllers in business areas, regions and global functions. Outotec's financial transactions are currently recorded in several different financial transaction systems. As part of global process and IT systems harmonization process started in 2011 several legacy systems have already been replaced with Outotec's standard enterprise resource planning (ERP) system, namely SAP. Outotec replaced most of the remaining legacy systems by the end of year 2015. The financial information is collected from the ERP systems to a common consolidation system to ensure standardized external and internal financial information. Internal management reporting is always matched with the external reporting in order to ensure that the internal and external reporting is based on the same information. Changes in accounting system master data are managed centrally to ensure data integrity. Automatic interfaces between financial transaction platforms and the consolidation systems are applied when reasonable. User rights for the financial IT systems and segregation of duties as well as consistent and well docu-

mented processes are an important part of the internal control.

Outotec's monthly financial review process forms a key control mechanism when measuring the effectiveness of operations and the development of the company versus the set financial targets. Monthly reporting includes detailed analysis of deviations between actual results, budget, previous year and latest forecast. In addition to the financial information the reporting covers also other key performance indicators for measuring the operational performance of Outotec, Business Areas and Regions as well as cost development of Global Functions. As project deliveries represent majority of Outotec's sales, project risk management and project control are the key processes for providing information for financial control and reporting.

Financial performance and outlook are reviewed on monthly basis on all organizational levels. Special emphasis is put on the review of project related contractual risks, project provisions and financial performance. Project related financial performance and risks are reviewed also by the Audit and Risk Committee on quarterly basis. Controllers participate in evaluating the performance as well as in planning activities. Controllers' responsibility is also to ensure that the reporting follows corporate guidelines and time schedules.

In 2015 Outotec has implemented financial shared service center which handles centrally most of Outotec's financial transactions. The shared service center enables improved end-to-end control of the financial processes.

During year 2015, special emphasis was put on implementing the financial shared service

center, completing the remaining country level financial process and SAP implementations, reorganizing the project controller organization and improving the financial reporting, especially for the delivery projects.

## AUDITORS

The company has one auditor which shall be an auditing firm authorized by the Finland Chamber of Commerce. The auditor is elected by the Annual General Meeting to audit the accounts for the ongoing financial year and its duties cease at the closure of the subsequent Annual General Meeting. The audit firm performs an annual audit of the accounting records for each financial year, 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 company, as well as the relationships between Outotec companies. This calls for cooperation between the auditor of Outotec Oyj and the auditors of the other Outotec companies world-wide. In the scope of the audit, it is taken into account that the company has its own separate internal audit function. On closing of the annual accounts, the external auditor submits the statutory auditor's report to the company's shareholders, and it also regularly reports the findings to the Board of Directors' Audit and Risk Committee. An auditor, in addition to fulfilling general competency requirements, must also comply with legal independence requirements guaranteeing the execution of an independent and reliable audit.

In 2015, the company paid a fee of EUR 860,500 (2014: EUR 896,100) for the auditing

services. Additionally, the company paid to the auditor EUR 519,900 (2014: EUR 456,400) for non-auditing related consultation.

In the Annual General Meeting on March 30, 2015, Public Accountants PricewaterhouseCoopers Oy was elected as the company's auditor.

## REMUNERATION

Outotec has adopted a compensation policy reflecting the following principles:

- The total compensation package should closely align the interests of Outotec, its shareholders, and all employees of Outotec
- A significant proportion of total compensation should be based on the company's operating performance in the short- and long-term, and on each employee's individual performance
- In order to attract and retain highly competent professionals, the total compensation package of employees with key competence and a high level of individual performance should be competitive compared to relevant labor market compensation

In 2015, the total compensation in Outotec included the following components which vary by employee:

- 1) Base salary
- 2) Short-term incentives
  - Alternatively Outotec's global annual bonus system, project bonus, or sales incentive
- 3) Long-term incentives
  - Share-based Incentive Program or comparable system for selected employees
  - Share Savings Plan or comparable for all personnel

- 4) Rewards for innovation
- 5) Ad-hoc rewarding for extraordinary achievements
- 6) Pension and life insurance benefits

## Short-term incentives

At Outotec, annual bonuses are determined on the basis of attainment of the company's financial targets, as well as targets set for the employees or departments concerned. Personal targets usually add up to one third of an individual's total annual bonus opportunities. As a general rule, the maximum bonus percentage ranges from 10 to 60 percent of the employee's annual salary, depending on the job grade or the position of the employee. The annual bonus program covers almost all personnel of Outotec. Project bonus or sales incentive may be used instead of annual bonus in selected delivery projects or respectively for sales personnel.

## Long-term incentives

### Share-based Incentive Program 2013–2015

Outotec's Board of Directors decided on January 16, 2013 to adopt a Share-based Incentive Program for the company's key personnel for years 2013–2015. The Board of Directors determines annually the maximum number of allocated shares, the participants, the length of earning period, the amount of the maximum reward for each individual, the earning criteria and the targets established for them. The length of the earning and measurement period can vary from one to three years. A precondition for the Executive Board members for being eligible for the Share-based Incentive Program

is that s/he also participates in Outotec's Employee Share Savings Plan.

#### Earning period 2015

The Board of Directors set targets for earnings per share, order intake, and service sales growth, as well as authorized the CEO to decide on the participants for the program's 2015 earning period. At the end of 2015, there were 168 participants with a right to earn a maximum number of 809,000 Outotec shares and a cash payment that equals income taxes.

#### Earning period 2014

A total of 98,156 Outotec shares were allocated for the 2014 earning period with a cost of approximately EUR 1.5 million, which is booked for the financial periods 2014–2016.

#### Earning period 2013

A total of 36,423 Outotec shares were allocated for the 2013 earning period with a cost of approximately EUR 0.7 million, which is booked for the financial periods 2013–2015.

#### **Employee Share Savings Plan**

Outotec's Board of Directors decided on September 25, 2012, to launch an Employee Share Savings Plan for Outotec employees globally. The plan commenced from January 1, 2013, with the first savings period being one calendar year.

Outotec employees have a possibility to save a portion of their salary for purchasing Outotec shares. To encourage participation, Outotec offered each participant in the 2013 plan one free share for each acquired share (in 2014, 2015 and 2016 the ratio is one free share for

two acquired shares) after a designated holding period of approximately three years. Free shares are taxable income for the recipient and will be paid partly in Outotec shares and partly in cash. The cash proportion is intended for covering taxes and tax-related payments.

The Plan has continued in 2015 and on September 30th, 2015 the Board of Directors decided to continue the plan also in 2016. The 2016 savings period is exceptionally only 10 months (from March to December). The following savings periods are subject to a separate Board decision.

The total savings of employees have been capped to EUR 7 million in 2013 and EUR 6 million in 2014, 2015 and 2016. Globally approximately 34% of Outotec employees in 2013, 33% in 2014 and 27% in 2015 are participating in Employee Share Savings Plan.

#### **Remuneration for members of the Board of Directors**

Pursuant to the Companies Act, Outotec Oyj's shareholders determine the amount of compensation for members of its Board of Directors at the Annual General Meeting of Shareholders. The Annual General Meeting 2015 confirmed the annual remunerations to the Board members as follows: Chairman EUR 72,000 and other Board members EUR 36,000 each, Vice Chairman and Chairman of the Audit and Risk Committee in addition EUR 12,000 each, and each Board member EUR 600 for attendance at each Board and Committee meeting as well as reimbursement for direct costs arising from Board work. 60% of the remuneration will be paid as cash and 40% as Outotec shares in amounts corresponding to

EUR 28,800 for Chairman and EUR 14,400 for other Board members, and EUR 19,200 for Vice Chairman and Chairman of the Audit and Risk Committee.

#### **Remuneration and service contract of CEO**

The compensation of the President and CEO is subject to the decision of the Board of Directors of the Outotec Oyj. The annual base salary of the President and CEO includes following fringe benefits: company car, home and mobile phone and home computer. In addition to base salary, the President and CEO has been entitled to an annual bonus that is maximum 60% of his base salary. Targets for the bonus are decided annually by the Board of Directors.

The President and CEO also participates Outotec's share-based incentive program for key personnel and the O'Share Employee Share Saving's Plan.

#### **Period of notice**

The service contract of the President and CEO can be terminated by the company with 12 months notice period and by the President and CEO with 6 months notice period. The President and CEO will be compensated with a total lump sum corresponding to the base salary of 12 months if the service contract is terminated either by the company, or by the President and CEO because of the justified reason related to company. This kind of reason can be, for example, transfer of the tasks of the President and CEO to a third party.

No such separate compensation will be paid if the President and CEO resigns by his own request for other reasons than above

mentioned justified reason related to company, or if the company terminates the service contract because of the substantial breach of contract by the President and CEO comparable to reasons mentioned in chapter 8 section 1 of the Employment Contracts Act, or it is agreed mutually between the company and the President and CEO that s/he will transfer to a new position in Outotec.

#### **Retirement age**

The contract shall expire without separate termination when the President and CEO retires, earliest at the age of 63. The CEO's pension benefits are determined by valid statutory Finnish pension legislation.

Fees paid to the Board of Directors, EUR	2015	2014
Alahuhta Matti, Chairman	<b>84,000</b>	82,900
Ritakallio Timo, Vice Chairman	<b>59,400</b>	58,800
Ailasmaa Eija	<b>48,000</b>	48,600
Cawén Klaus	<b>43,800</b>	
Korhonen Anja	<b>59,400</b>	48,600
Järvinen Tapani (until March 30, 2015)	<b>4,200</b>	48,600
Linnoinen Hannu (until March 30, 2015)	<b>3,000</b>	60,000
Pearce Ian W.	<b>44,400</b>	
Rosengren Björn (until September 18, 2015)	<b>41,400</b>	42,000
Zabludowicz Poju	<b>43,800</b>	43,200

Remuneration paid to the CEO and Executive Board members in 2015, EUR	Wages	Benefits	Bonuses	Share based benefits	Total
CEO	<b>591,862</b>	<b>22,282</b>	<b>48,192</b>	<b>85,574</b>	<b>747,909</b>
Other Executive Board	<b>3,012,126</b>	<b>354,632<sup>1)</sup></b>	<b>266,953</b>	<b>443,924</b>	<b>4,077,635</b>

<sup>1)</sup> Two members of the Executive Board were assigned temporarily abroad in 2015. As in 2014, benefits include compensation of costs related to these foreign assignments for example accommodation and car lease.

Remuneration paid to the CEO and Executive Board members in 2014, EUR	Wages	Benefits	Bonuses	Share based benefits	Total
CEO	575,088	24,313	70,071	54,034	723,507
Other Executive Board	3,056,971	581,418 <sup>1)</sup>	387,119	174,195	4,199,704

<sup>1)</sup> Two members of the Executive Board were assigned temporarily abroad. As a difference to previous years, benefits include compensation of costs related to these foreign assignments for example accommodation and car lease.