



Outokumpu and our environment 2008

TURNING
ACTIONS
INTO
RESULTS



OUR CHALLENGES

WITH THE NAME "TURNING ACTIONS INTO RESULTS" we wanted to show that our aim is to go forward in our corporate responsibility – step by step reaching all the time for a higher level. In 2006, the theme of our responsibility report was "Listening to... our stakeholders". We wanted to show that we really listen to our key stakeholders. In 2007, the theme of the report was "From words into actions", which is one step further from listening – only deeds matter. In this 2008 report we aim even higher "Turning actions into results". We named the year 2008 Corporate Responsibility Theme Year and set concrete measurable targets in search for concrete results.

LISTEN TO STAKEHOLDERS

Continual, systematic and open dialogue is vital. Transparency contributes to developing and dutifully reporting our corporate responsibility performance.

GLOBAL FINANCIAL DOWNTURN

The crisis hit the whole world, our industry, our customers and us.

COMBAT CLIMATE CHANGE

Reduction of carbon dioxide emissions is a global challenge. We want to do our part through energy efficiency, use of renewable energy and reduction of waste.

WELL-BEING AND SAFETY

All injuries and work-related illnesses can and must be prevented. Everyone is entitled to a safe and good working environment.

>> **OUTOKUMPU AND RESPONSIBILITY 2**

>> **ECONOMIC RESPONSIBILITY 16**

>> **INDEPENDENT ASSURANCE REPORT 49**

>> **COMPARISON WITH GLOBAL REPORTING INITIATIVE GUIDELINES 50**

OUR RESPONSE

Corporate Responsibility Theme Year 2008

STAKEHOLDER DIALOGUES

Two corporate responsibility dialogues: one on the web and the other one a face-to-face panel to hear what our stakeholders expect from us. Read more on page 14.

SECURING SUSTAINABLE COMPETITIVENESS

We ensure our competitiveness by postponing investments, adjusting operations to delivery volumes, saving costs and focusing on excellence programs. Read more on pages 18–20.

5-MILLION-EURO COMPETITION

Investing in an environmental target identified through a Group wide competition is a way to find innovative suggestions to reduce carbon dioxide emissions and to contribute to combating climate change. Read more on page 25.

SAFETY REPORTING SYSTEM AND AUDITING

Efficient real time reporting on near misses and incidents is a way to reduce accidents. Another way is external auditing. Read more on page 41.

>> ENVIRONMENTAL RESPONSIBILITY 22

>> SOCIAL RESPONSIBILITY 38

>> GLOSSARY 51

>> CONTACT DETAILS 52

>> **OUTOKUMPU AND RESPONSIBILITY**

- 4 CEO's review
- 5 Outokumpu – a responsible company
- 8 We aim to be number one in corporate responsibility
- 9 Responsibility and management systems
- 12 A proactive dialogue with our stakeholders

Our response

STAKEHOLDER DIALOGUES



CEO's review



WE NEED RESULTS

Listening to stakeholders and taking action to implement their ideas is important, but what we need is results. Turning actions into results is the theme of this corporate responsibility report.

WE WANT TO INTEGRATE RESPONSIBILITY INTO ALL OUR ACTIVITIES

To emphasize the importance of environmental and social responsibility within Outokumpu, we made 2008 our Corporate Responsibility Theme Year. The intention was to improve our employees' awareness of and attitude towards corporate responsibility issues, and to move from words to actions. To achieve concrete results, we set measurable targets for our plants and offices: reducing energy consumption, waste and accidents, and improving the well-being of our employees.

There was a clear improvement in all these areas. The challenging targets set for the theme year were not, however, reached in all respects. Energy consumption in our plants was cut by 0.3 percent per processed ton, a good result when production volumes were at a lower level. Landfill waste was reduced by an impressive 40 percent per processed ton due to the long-term efforts made in commercializing by-products. In 2009, we will reduce this figure by a further 10 percent, and our long-term target is zero-waste plants. The injury rate fell to nine injuries per million working hours, our target was eight. The 2009 target is a challenging five, a very good level by global standards. Ultimately, we aim to reach a level of zero. No serious injuries occurred in 2008.

I'm really pleased with the strong commitment our people have shown to both the theme year and its targets. Even though all our offices did not reach the targets, a lot of efforts were made and we saw some very positive examples. As our target is having everyone involved, this work will continue in 2009.

In the fall we published our Code of Conduct with detailed instructions on ethical business conduct. We can only earn the trust and respect of our stakeholders by behaving with honesty, loyalty and integrity in our everyday activities.

STAKEHOLDER CONCERNS ARE BEING TAKEN SERIOUSLY

Climate change, carbon dioxide emissions and energy consumption, among other things, were areas of concern raised by our stakeholders in the 2008 web dialogue. We take these issues seriously and we do our share. The proportion of recycled material in our products is already higher than the global industry average and our ferrochrome production is a world leader in both energy efficiency and curbing carbon dioxide emissions. As climate change is a global challenge, all countries and companies around the world should make their contributions.

Most of our emissions in 2008 remained within permitted limits but some incidents did occur. Our carbon dioxide emissions fell by 6.5 percent, primarily because of lower production volumes. We also decided to invest five million euros in achieving an environmental target that contributes to the reduction of global carbon dioxide emissions. A Group-wide competition has been

organized to decide the exact nature of that target. Seven innovative proposals have already been chosen for further elaboration.

GLOBAL FINANCIAL DOWNTURN

The global financial downturn has naturally affected both us and our stakeholders. Our 2008 operating loss was 63 million; we did not reach our profitability targets. Although Outokumpu's financial position in facing the turmoil is strong, the dramatic slowdown in stainless steel demand forced us to adjust. We postponed the strategic investments announced in 2007 and 2008 and took strong measures to cut costs. Unfortunately, personnel reductions could not be avoided. In total some 2 300 temporary lay-offs and reductions of 700 jobs are being negotiated with personnel. In difficult situations such as this, a company's attitude to its responsibilities is put to the test.

Internal improvement initiatives will be important tools in further honing our operations and our profits in this challenging environment. Production Excellence, established more than two years ago, focuses on safety and operational efficiency and is also about 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 will be a subject of focus, especially as we have our sights set on China and India – challenging new markets. Our goal is that our suppliers apply the same high ethical standards in their activities as we do. A supplier questionnaire covering all areas of responsibility that was finalized in

2008 will be taken into use in 2009.

The Finnish Customs authorities have continued the investigations that began in 2007 into our Russian export practices. Further information about these investigations is expected in February 2009.

AWARDS FOR OUR SUSTAINABILITY PERFORMANCE AND REPORTING

I'm really pleased that the efforts to improve our corporate responsibility performance and our reporting were recognized in 2008. We maintained our position in sustainability indices such as the DJSI STOXX and World, and Outokumpu was selected as Finland's best corporate responsibility reporter. Our participation in the UN Global Compact leadership initiative was confirmed in January 2009, as well as our inclusion, once again, in the SAM Sustainability Yearbook 2009.

Our Corporate Responsibility Theme Year is over, but our efforts will continue guided by the valuable feedback received from our stakeholders. We have a clear vision: to be number one in corporate responsibility. There is still work to do and challenges lie ahead. Our search for further improvements is proceeding step by step – in a much more challenging business environment.

Juha Rantanen
CEO
Espoo, February 3, 2009

Outokumpu – a responsible company

GROUP KEY FIGURES

€ million	2008	2007	2006
Net sales	5 474	6 913	6 154
Operating profit	-63	589	824
Return on capital employed (%)	-1.6	13.9	20.7
Earnings per share (€)	-0.61	3.63	3.34
Dividend per share (€)	0.50 ¹⁾	1.20	1.10
Investments in the environment	18	12	8
Patent applications (pcs)	3	3	3
R&D	20	18	17
R&D (%) of net sales	0.4	0.3	0.3
Personnel on Dec. 31	8 471 ²⁾	8 108	8 159
Personnel expenditure (salaries)	381 ²⁾	355	361
Debt-to-equity ratio (%)	38.4	23.6	42.3
Income taxes and social security payments	115	281	323
Injury rate (injuries/million hours worked)	9	11	17
Carbon dioxide emissions (million tons)	0.87	0.93	1.05

¹⁾ The Board of Directors' proposal to the Annual General Meeting.

²⁾ FTE full-time equivalent

GOOD QUALITIES OF STAINLESS STEEL

- Fully recyclable
- Corrosion resistant
- High-strength
- Hygienic
- Aesthetic
- Low life-cycle costs

OUTOKUMPU LISTED ON MANY INDICES

- DJSI Indices: in 2008, included again on the European index and on the World index
- SAM Sector Mover title in the Sustainability Yearbook 2008
- Included in SAM's Sustainability Yearbook 2009
- Our Carbon Disclosure Project score for 2008 was 61/100
- Included in the Vigeo Group's ASPI Eurozone© index and the Ethibel Sustainability Indexes: Ethibel Excellence Europe and Global



OUTOKUMPU is the sixth largest player in the global stainless steel market with operations in some 30 countries and a global network of service centers. As proof of our sustainable performance we have been accepted as members in several sustainability indices. Moreover, our product stainless steel is one of the key building blocks for a sustainable future as it is maintenance free, very strong, durable and 100 percent recyclable.

Outokumpu operates globally and is the world's sixth largest producer of stainless steel. We are widely recognized both inside and outside our industry as an innovator in the fields of technical support and research and development. Currently, our main market is Europe, but we have our sights set on Asia – on China and India. According to statistics issued by international organizations, such as Eurofer and the International Stainless Steel Forum, Outokumpu has 6 percent of the world market and 18 percent of the European market for stainless steel coil.

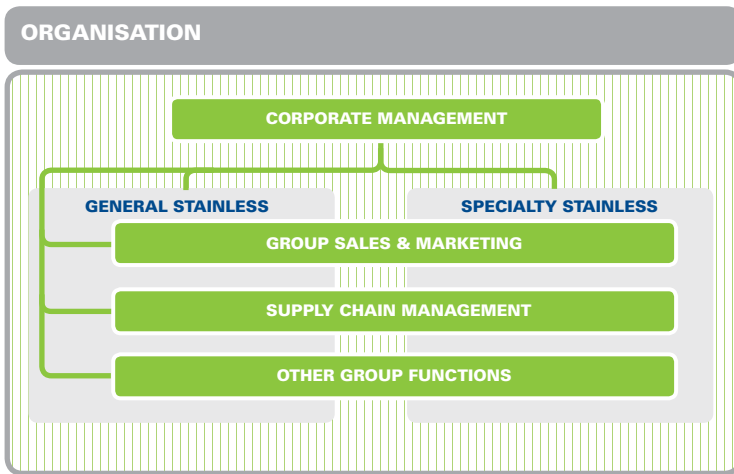
In 2008, Outokumpu operated in some 30 countries and employed

8 471 people. Net sales amounted to 5 474 million euros, of which more than 95 percent was generated outside Finland. Outokumpu's headquarters are located in Espoo, Finland. Outokumpu Oyj has been listed on the Helsinki stock exchange since 1988.

MAIN PRODUCTS AND THEIR CUSTOMERS

Our main products are hot and cold rolled stainless steel sheets, plates and strips that are used in numerous applications in the construction industry, in the automotive industry and in manufacturing equipment used in the process industries. We also

produce precision strips, tubes and tube components. Thick and wide individually-rolled quarto plates are used in the energy sector, in extracting salt from seawater and transporting chemicals, and are widely employed in the process industries for manufacturing pressure cylinders, tanks, thick-walled tubes, bridge structures and process equipment. The tubes we produce are mainly used in the oil refining and pulp and paper industries, while the bars we make are so-called 'long products', from which for instance rebar is manufactured. All our stainless steel products are 100 percent recyclable. Our customers include the process and construction industries,



food and electronics industries, the transportation sector, and producers of household and industrial machinery around the world.

MAIN PRODUCTION PLANTS

Our main production plants are in Tornio (ferrochromium plant, steel melting shop, hot and cold rolling mills) and Kemi (chromium mine) in Finland; Avesta (steel melting shop, hot and cold rolling mills), Nyby, Långshyttan (cold rolling mills at both locations) and Degerfors (hot rolling mill) in Sweden, Sheffield

(steel melt shop) in UK and New Castle (hot rolling mill) in the US. Long products are manufactured in Sweden, the US and UK, while welded tubes and tube components are produced in Finland, Sweden, Estonia, Canada and the US. We currently operate 12 service centers.

OBJECTIVE OF THIS REPORT

The objective of this report is to support the open dialogue that exists between Outokumpu and its stakeholders. We address the needs of our current and future personnel, share-

holders, customers, and other parties interested in Outokumpu and its business and have attempted to pay special attention to addressing the concerns of these stakeholders.

We are utilizing the opportunity offered by this report 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 both the people and the natural environment that we depend on. While Outokumpu has a long history of responsible business practices, we hope to make our operations even more sustainable. We report on matters we consider to be important and essential to our business operations, such as stainless steel – our product and the material of sustainable development. We highlight the activities that took place during our Corporate Responsibility Theme Year.

During 2008, we have received valuable feedback from the reporting competition in Finland, from the Generation Y panel, from analyst reports and from our assurance providers. All these inputs help us as we seek to further improve our reporting - it is our firm belief that thorough re-

porting furthers the development of both our operations and way of working.

SCOPE OF THE REPORT

Outokumpu and our Environment 2008 is a natural continuation of our previous sustainability reports in 2005, 2006, and 2007. We base our reporting on the widely-recognized and applied Global Reporting Initiative (GRI/G3) guidelines and follow the recommended tripartite division into economic, environmental and social responsibility. We also reflect on the impacts our operations have on different stakeholders. The table on page 50 shows how this report corresponds with the GRI guidelines.

The report covers economic and social information from the perspective of Outokumpu's entire stainless steel operations but environmental indicators include data on our production plants, which have the greatest impacts on the environment. Due to the closure of Meadowhall and Stockbridge in the UK and Fagersta in Sweden, they are not included in this 2008 report as they were in previous reports. Their share is some

CORPORATE RESPONSIBILITY THEME YEAR 2008

<p>JANUARY</p> <ul style="list-style-type: none"> Group wide Safety Log introduced 	<p>FEBRUARY – MARCH</p> <ul style="list-style-type: none"> Web dialogue for external stakeholders "Outokumpu and the Environment 2007" published 	<p>JUNE</p> <ul style="list-style-type: none"> Decision to double ferrochrome capacity in Tornio Outokumpu Ideas on corporate responsibility published Remaining copper asset sale closed 	<p>JULY</p> <ul style="list-style-type: none"> SoGePar acquired 	<p>AUGUST</p> <ul style="list-style-type: none"> Code of Conduct published
--	---	---	---	--


two percent of the total environmental impact of our 22 production sites. There may be more than one production unit at one site.

In April 2008, as planned Outokumpu sold the Group's remaining copper tube assets (730 personnel, sales totalling 510 million euros). The transaction was closed in June. The Group still owns Outokumpu Brass operations (personnel 157; net sales of 59 million euros), which we have announced we will be divesting. Information about this brass bar business is not included in this report or in the previous corporate responsibility reports.

COMPARABILITY OF STATISTICS

Despite major changes in the Group's structure and organization, statistics quoted in 2005, 2006, 2007, and 2008 are comparable - the focus in the three preceding reports was exclusively on our stainless steel operations, currently our main business. Figures relating to businesses divested in 2005-2008 are not included. As in 2007, this report includes an assurance report submitted by independent assurance providers. The assurance report can

be found on page 49. Data based on the financial statement has been audited by KPMG.

 Besides the printed corporate responsibility report, we deal with these matters in our annual report and on our website at www.outokumpu.com -> About us -> Corporate responsibility, where the report is available in electronic format. Contact persons with their contact information can be found on page 52.

Concrete targets of the theme year for plants and offices:

>> **Decrease energy consumption** (Read more from pages 27 and 30)

>> **Decrease waste** (Read more from pages 26-27, 32-34)

>> **Decrease accidents by one third** (Read more from pages 40-43 and 45)

>> **Improve well-being at work** (Read more from pages 43-45)

TO RAISE AWARENESS of responsibility issues within the Group, 2008 was declared Outokumpu's Corporate Responsibility Theme Year. We set concrete, measurable goals regarding environmental and social responsibility. Targets connected with energy consumption and non-classified waste were set for production plants and offices. We also recommended teleconferences rather than flying, low-emission company cars (below 200 g CO₂/km), and launched an investment competition to reduce carbon dioxide emissions.

Measuring whether awareness of corporate responsibility issues has improved as a result of the theme year was difficult. A study was carried out in November by interviewing some 30 Outokumpu employees in different parts of the Group. It seems that while some have shown strong commitment to our targets, others remain unaware of our efforts.

For example, New Castle and Richmond in the US have embraced our intentions and increased recycling (see the case on page 32). The Group Sales and Marketing organization is looking at ways to reduce non-classified waste, energy use and carbon dioxide emissions. Plans by our Spanish sales office to reach the theme year targets set for offices include small – but important – measures such as double-sided printing.

Hopefully, these good examples will serve as inspiration for those who have not joined the efforts yet. Although the theme year has now ended, we will continue our efforts to contribute to the global climate change combat.

SEPTEMBER

- Membership maintained in DJSI stxx and World
- Donation to University of Oulu
- Outokumpu best corporate responsibility reporter in Finland
- Intention to close Sheffield's thin strip business announced
- DuPont safety survey

OCTOBER

- World Steel Association's charter on sustainable development signed

NOVEMBER

- Stakeholder panel
- O'People survey

DECEMBER

- Seven proposals of 5-million-euro-competition to be elaborated
- Lay-off negotiations
- Fagersta plant closes
- Signing up Global Compact

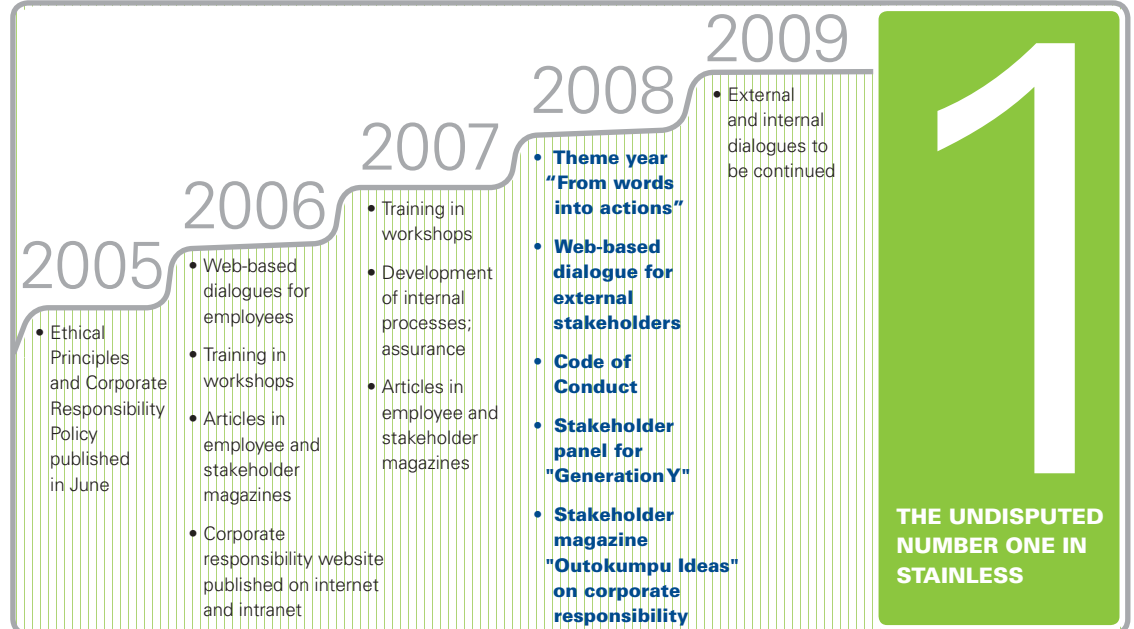
We aim to be number one in corporate responsibility

OUR VIEW OF corporate responsibility is that it covers environmental, economic and social aspects and their impacts on our key stakeholders. These three aspects of responsibility should be in balance. To highlight the importance of operating in a responsible manner and to increase our employees' awareness of this topic, we named 2008 Corporate Responsibility Theme Year and set ourselves concrete measurable targets in both environmental and social responsibility.

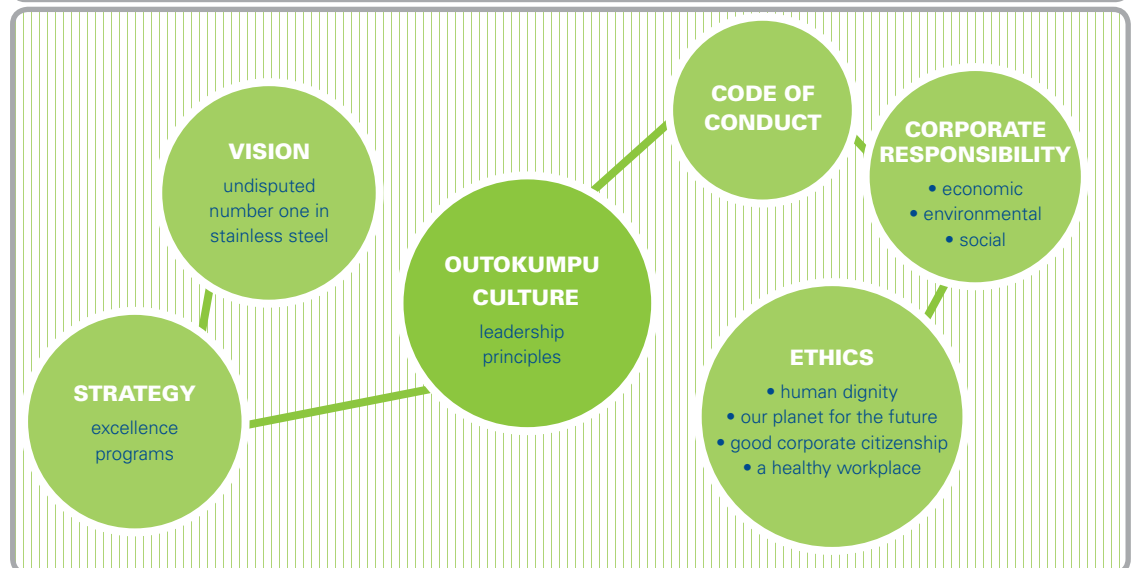
For both our profitability and our competitiveness as well as for the well-being of our personnel, environmental and health and safety issues are - and always have been - of fundamental importance. At Outokumpu our approach allows no compromises in these respects, and there is always room for improvement. Within the Group, safety must be of top priority even in times when we are producing lower volumes. We are particularly attentive to the well-being of our personnel, our suppliers and the wishes of our customers. As a listed company, Outokumpu is committed to generating profit for its shareholders.

In the current global financial downturn, which has also affected Outokumpu, acting responsibly and trying to keep the three aspects of corporate responsibility in balance is even more important. The very sharp decline in demand for stainless steel products forced us to take decisive actions that impacted both us and our stakeholders.

CORPORATE RESPONSIBILITY AS PART OF OUR BUSINESS



RESPONSIBILITY PART OF WHOLE



Responsibility and management systems

OUR VISION

Outokumpu's vision is to become the undisputed number one in stainless steel, basing our success on operational excellence. To us, being number one means that we strive to be the most successful company, the most efficient producer, the most popular employer and the best customer relationship manager in our sector. We intend to achieve the number one position through responsible business practices and the help and support of our key stakeholders.

OUR STRATEGIC GOALS

The aim of Outokumpu's strategic goals is to take us to the number one position in stainless steel. Our strategy is to create value through superior production and distribution capabilities and we aim to realize this value through our excellence programs. We also believe that becoming the number one in the stainless steel industry means we must continuously develop our personnel while maintaining a clear view of our customers' needs.

GUIDELINES AND POLICIES ARE THE BACKBONE OF OUR OPERATIONS

While the underlying principle of our operations is compliance with local legislation in each of the countries we operate in, our intention is to raise our responsibilities to a higher level. Our operations are also governed by recommendations issued by the United Nations (UN) and our own corporate policies. We have also signed the ten principles of the UN Global Compact. Our own policies include our Ethical Principles, our Corporate Responsibility Policy, our new Code of Conduct and our Environmental

Policy and Health and Safety Policies. Our Ethical Principles are also integrated into our Leadership Principles. Individual locations have more detailed practical guidelines to support their operations.

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, published on October 20, 2008 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 the other regulations and recommendations issued by the NASDAQ OMX Helsinki.

Ultimate responsibility for the Group's administration and operations rests with the governing bodies of Outokumpu Oyj, the parent company, which comprise the Annual General Meeting, the Board of Directors and the CEO. Outokumpu's corporate governance and the duties and responsibilities of the company's governing bodies and the control sys-

tem are presented in detail on pages 54–59 of our annual report.

INTERNAL AUDITING

The mission of the Group's Internal Audit function has not been changed during 2008. Internal audit provides consultative auditing on targets and issues that have been separately identified by the Board Audit Committee and the Group's 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, financial administration and external auditors. The internal audit reports to the Audit Committee, which approves its operating plan.

In 2008, 28 separate units or functions were audited by the internal audit function working either independently or in co-operation with external service providers. Internal audits monitor 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. While no major risks were identified, two suspected infringements and thefts within the Group were investigated and the police authorities were notified where this was necessary. Our current understanding is that these infringements or thefts were not on a significant scale.

According to the 1312 (2004) standards issued by the Institute of Internal Auditors, an external quality assessment should be conducted by a qualified, independent reviewer at least

once every five years. Ernst&Young carried out this type of assessment on the Group for the first time in 2008.

SECURITY AND RISK MANAGEMENT

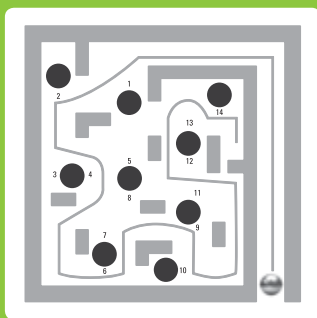
An essential part of the activities of a responsible business enterprise is protecting its personnel, information, processes, environment, assets and reputation from a wide spectrum of losses. In 2008 Outokumpu initiated a systematic program of preventive actions covering personnel and material security in particular. From a safety and security viewpoint, it is essential that we are constantly aware of both people and material and their movements within our premises.

A dedicated full-scope risk management organization with an overall focus on total Group-level risks and their mitigation was strengthened in 2008. The main risks to the Group were reviewed, identified and prioritized by the Group Executive Committee in order to identify actions that could be taken to mitigate these risks. This work will continue in 2009 at business unit and functional level. The key element in all areas of risk management is a good overview of the underlying risk. Development work to create frequent risk reporting and follow-up procedures was therefore continued. Because of the instability in the financial and economic environment, the emphasis was managing financial risks, such as the risks related to nickel price and customer credit risks.



Outokumpu's corporate policies are available at www.outokumpu.com -> About us -> Corporate responsibility

Building Trust and Respect – Code of Conduct



OUTOKUMPU'S CODE OF CONDUCT was published in August 2008 as part of our Corporate Responsibility Theme Year. The Code aims to set detailed instructions for business conduct to support our Ethical Principles and Corporate Responsibility Policy. The impulse for the Code came from our own employees as they wanted to have more concrete and detailed instructions

on how to behave in certain situations. The Code in a pocket book format was distributed to each employee in his or her native language. Outokumpu's Code of Conduct is available in 21 different languages.

The underlying principle of our Code is building trust and respect. Outokumpu wants to be respected and trusted by all our stakeholders.

Some 100 top managers confirmed their personal commitment to the Code by replying with an "I agree" message to the statement "I have received my personal copy of the Outokumpu Code of Conduct booklet and commit to comply with the Code." All employees are asked to sign a form in the performance and development dialogue after having read the Code.

The strategies for risk management were put into practice by issuing operational instructions and by carrying out regular audits and certain special programs at Group sites. Prepared in co-operation with the newly established Outokumpu Security Working Group, the main risk management instructions issued in 2008 cover physical security, travel safety, crisis management and personal security.

The Group's fire safety and security levels were monitored through a total of more than 40 regular site audits carried out using our own resources and, to a certain extent, jointly with our insurers' experts and insurance brokers.

One of the main goals for 2009 is

to prepare for forthcoming changes in customs practices and to achieve the authorized economic operator status for elected sites in the EU - this will significantly ease customs processes within the Group and shorten lead times.

COMPLIANCE WITH THE PRINCIPLES OF RESPONSIBILITY

Outokumpu's Board of Directors charges the CEO 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, the Board of Directors assesses Outokumpu's corporate responsibility in the light of a report by the CEO. The company's

MAIN CORPORATE RESPONSIBILITY GOALS

The three main objectives of our corporate responsibility policy

- 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 continual, systematic and open dialogue on corporate responsibility issues with our key stakeholders, such as shareholders, employees, customers, suppliers and non-governmental organizations. This co-operation contributes towards developing and dutifully reporting our corporate responsibility performance.

LEADERSHIP PRINCIPLES

Outokumpu's Leadership Principles shown below are concrete recommended practices that follow the previous Group values called The Outokumpu Way. One of the principles is explained below in detail and serves as an example.

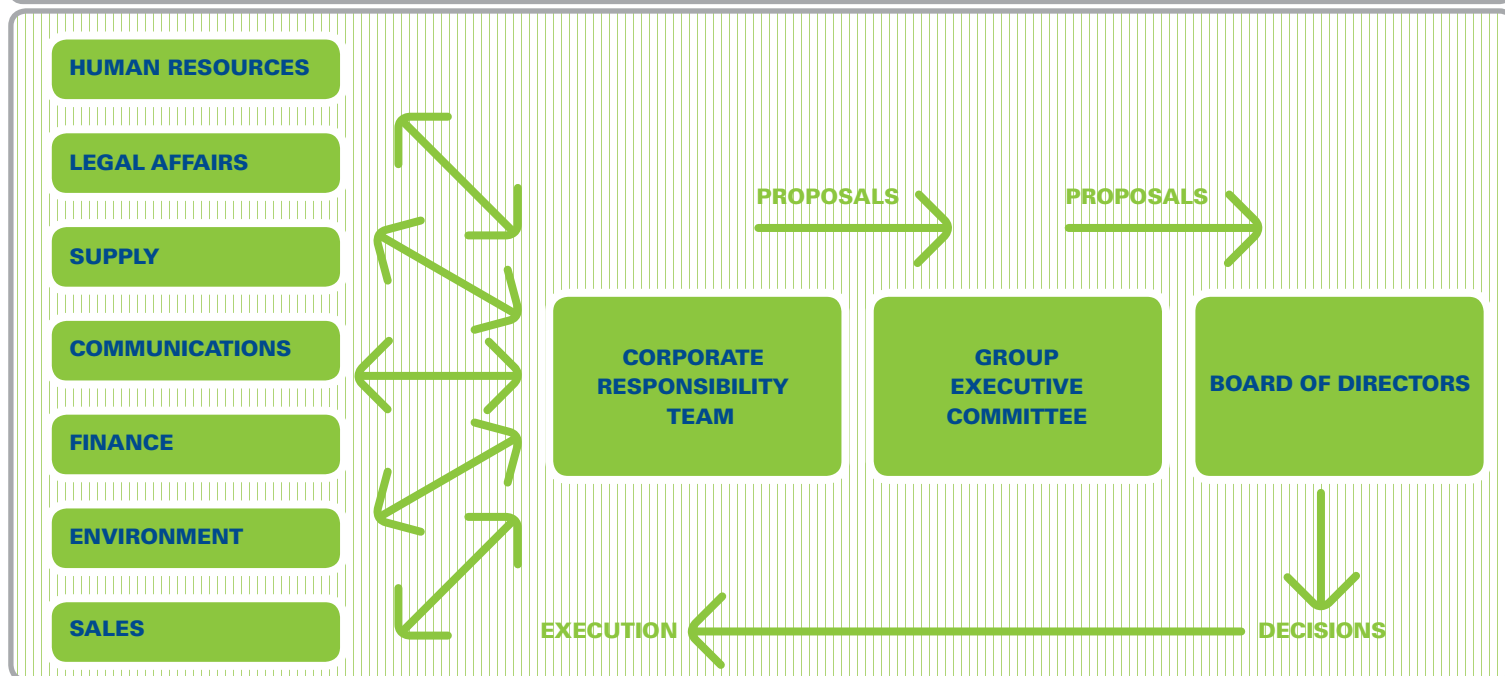
- Making sound decisions
- Achieving ambitious targets
- Creating a winning team
- Inspiring to perform
- **Building trust and respect**
 - We act consistently in accordance with clear ethics and values
 - We encourage and require others to adhere to ethical values
 - We demonstrate honesty, loyalty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

management and its employees are expected to comply with the principles of corporate responsibility.

A confidential help line which can be used to report on an anonymous basis to our Internal Audit any action that contravenes the principles of our corporate responsibility is up and running on our intranet and the internet. One notification, concerning our Leadership Principles, was received in 2008.

The Finnish Customs authorities initiated investigations onto Outokumpu's export practices to Russia at the beginning of 2007. The Group's own investigations did not reveal any evidence that either our employees or the company are guilty of any crimes or suspected wrongdoing. The investigations have been on-going during 2007 and 2008. A progress report by the Customs is expected in February 2009.

MANAGEMENT OF CORPORATE RESPONSIBILITY ISSUES



RULES OF COMPETITION HONORED

Outokumpu expects all its employees to honor and respect the rules associated with competition. Since the mid 1990's the Legal Affairs Department 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. 300 people attended the most recent training sessions organized in 2007. Training sessions are organized when they are needed.

It was our intention to launch an e-learning program in 2008 with the aim of training and remind-

ing personnel of the importance of competition. However, extensive change within our commercial organization resulted in the method of implementation for this program being changed. It will now be gradual starting with Italy as a pilot in early 2009. The program will finally reach some 500 people in the commercial organization. Material will be emailed directly to participants and automatic reminders will be sent until each individual has completed the program.

CORPORATE RESPONSIBILITY ORGANIZATION

Outokumpu's corporate responsibility affairs are the direct responsibility of the Group's CEO. Our Corporate Communications function fronts a

corporate responsibility team that includes representatives from different Group functions. The task of this team is to provide advice on matters that concern corporate responsibility and Corporate Communications is responsible for coordinating and developing corporate responsibility matters across the Group. Each business unit and function is responsible for ensuring their own operations are conducted in a responsible manner and that monitoring, data collection and reporting are duly carried out.



OBSERVATION BY PRICEWATERHOUSE-COOPERS

Implementing corporate responsibility
 Top management has clearly stated its commitment to corporate responsibility. However, in the business units, the level of commitment could still be improved. Outokumpu could focus on the implementation of corporate responsibility issues in the business units by raising awareness and training.

A proactive dialogue with our stakeholders

WITH THE AIM of enhancing transparency we strive for open and regular dialogue with our key stakeholder groups about corporate responsibility issues. We consider it essential to be aware of the expectations placed on us.

In parallel with the work of sharing information, the forums in which we meet our stakeholders face-to-face include discussions, arranging seminars, workshops and panels, road-shows, fairs and exhibitions, visits and open house days. Analysts, investors, employees, customers, goods suppliers and service providers are a particular focus of the on-going dialogue. Our other key stakeholders are NGOs, local communities, authorities as well as industry and business associations. Their involvement and the trust they place in us are fundamental to the success of our business operations.

Within Outokumpu, the theme year for 2008 was corporate responsibility and the year began with a web-based dialogue for our external stakeholders on related future areas of concern. A case study can be found on page 14. Participants were invited to join the Outokumpu CR network and some 30 accepted. Close-knit interaction with our investors and analysts continued the trend set in previous years. The 2008 issue of Outokumpu Ideas (previously Outokumpu Factor), our stakeholder magazine, dealt with supply chain management, water management and diversity as a key to success. In this section of the corporate responsibility report, we focus on the dialogue with our external stakeholders. The very important interaction with our internal stakeholders – our employees – can be found on page 43, in the social responsibility section of this report.

ACTIVE CONTACTS WITH INVESTORS AND ANALYSTS

We maintained an active dialogue and contacts with our global investor and analyst networks in 2008. Our main investor relations' events included the Group's Capital Markets Day in London for analysts, investors and bankers, 11 road shows in Europe and the us and the Annual General Meeting, which was held in Helsinki, Finland. During the year, there were four results announcements and interested parties were able to follow these via a live web-cast.

In addition to our main events, we hosted a total of 12 breakfasts and luncheons for institutional investors in Helsinki and London and attended five industry seminars arranged by different brokers. We also partici-

pated in several events arranged for retail investors in Finland. A group of our analysts and investors had an opportunity to visit our Kemi and Tornio facilities in Finland in May. During 2008, almost 300 one-on-one meetings and conference calls with investors were arranged.

SUPPLIERS IN FOCUS

In our previous 2007 corporate responsibility report "Outokumpu and the Environment" we said that our target for 2008 was to develop the sustainability of our supply chain, meaning that our aim is to work with responsible suppliers who take economic, environmental and social factors into account in their everyday operations.

We currently have some 10 000 suppliers, the biggest being our raw material suppliers who represent the vast majority of our purchasing spend. Less than one percent of these entities are located in low-cost or cost-competitive countries such as China, India, Indonesia and Russia.

To improve the economic sustainability of our supply chain, we have implemented two so-called excellence programs whose aim is to improve the cost-efficiency of our procurement processes. A three-year Procurement Excellence program supporting our strategic goal of operational excellence was launched in 2008. The aim of this program is continuous improvement in procurement by eliminating losses that result from a lack of alternative sources and uncontrolled spending and logistics costs. As part of the program, our cross-functional teams cooperate closely with potential suppliers who are interested in – and capable of – establishing future rela-

tionships that are beneficial for both Outokumpu and themselves. We recognize that the most innovative suggestions for total cost savings usually result from creative cooperation with our suppliers.

Previously, Outokumpu's business units employed different processes and tools in assessing suppliers. A common process for screening suppliers' social responsibility was lacking, and the purchase contracts in force did not include criteria, for example, relating to human rights.

To ensure that our suppliers adhere to the same ethical standards as Outokumpu, the Sustainable Supply Chain Management Tool project was launched in co-operation with the Helsinki University of Technology in 2006. This three-year project mapping the requirements that corporate responsibility policy places on links in the supply chain was completed in 2008. The project's main deliverable is a bank of questions for assessing suppliers' corporate responsibility, a questionnaire covering all three areas – economic, environmental, and social. This tool has been submitted to our procurement processes so that it can be integrated into our procedures. It will be of particular value for us when authorizing new suppliers. Our target is to have the tool in use in 2009.

CLOSER TO THE CUSTOMER

At the beginning of April 2008, we established a new function called Group Sales and Marketing. The new organizational structure divides our sales force into seven different units based on customer industries. Customer surveys carried out in 2007 indicated that customers viewed Outokumpu as a complex organization that was

TOP FIVE ISSUES RAISED IN WEB DIALOGUE

>> The environmental impact of stainless steel

Read more from pages 47–48

>> High energy consumption accelerating climate change

Read more from pages 28–30

>> R&D is vital for obtaining new innovative solutions

Read more from pages 46–48

>> Health aspects of stainless steel

Read more from page 48

>> Climate change and carbon dioxide emissions

Read more from pages 20–21, 24, 29 and 33

not easy to work with. The aim of the new organization is to reduce this complexity.

Interviews conducted with our customers indicate that customers expect us to have a better understanding of their business activities, to react faster to market fluctuations that affect prices and to provide them with solutions that are more innovative.

We are addressing these shortcomings by continuously building our understanding of segment-specific business environments. Through interviews we try to develop a better understanding of our customers' needs and how we can serve those needs. Our new organization also makes it easier to serve customers who operate in several countries. In 2008, as a result of requests by our customers, we established a Group level pricing office that uses intelligence and reporting tools to respond to the changing market prices in a more efficient way. Furthermore, our Code of Conduct has contributed to more detailed

guidelines for commercial activities in different national markets. Full implementation and communication of this Code of Conduct will be executed in 2009.

On the basis of informal feedback, it is possible to conclude that our new organization is better equipped to address our customers' needs. Customers feel that Outokumpu is placing additional focus on them and that our general knowledge of their business has improved. Customers have also indicated that they are very happy to have a single point of entry within our organization if they should have any major issue to discuss.

We need to make sure, however, that our sales and marketing strategies are in line with the way our customers want to be approached. It is important for us to monitor the changing market trends and to listen to our customers so we can adapt our behavior to their needs whenever and wherever possible.

WE WANT TO HEAR THE EXPECTATIONS OF FUTURE EXPERTS

We believe that in order to ensure we keep on moving towards our vision of becoming the number one in stainless steel, securing future talent is essential. To do this we aim to maintain an active dialogue with future talent and follow studies that keep track of the expectations that young people place on a company, as well as taking steps to understand their perception of Outokumpu. Each year we attend several recruitment fairs. The 2008 Universum Finnish graduate survey indicates that students believe that Outokumpu can offer them challenging job profiles, competitive remuneration, and an international working environment. Although we improved our overall score among students in several categories, we still have work to do to become their number one employer of choice.

To acquire first-hand knowledge of students' expectations we hosted a face-to-face dialogue on the theme of corporate responsibility in November. During this we discussed corporate responsibility and how we at Outokumpu approach our responsibility. Students also discussed their own values and the expectations they place on future employers and commented on our 2007 corporate responsibility reporting. Read more on page 14.

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 eighth-largest company, Outokumpu exerts a major influence

and our voice is heard in many forums. In 2008, our experts and top management continued to maintain strong relations with the authorities and different organizations, participating in the dialogue at a variety of forums that dealt with issues such as the challenges presented by climate change and topics relating to business life and stainless steel. By engaging actively with different organizations and companies, we also hope to learn how others approach their corporate responsibility.

Outokumpu is a member of international organizations and confederations including the World Economic Forum, Eurofer, EuroInox and the International Chromium Development Association. The Group is also an associate member of the World Steel Association, the iron and steel sector organization (previously the International Iron and Steel Institute) and a member of the International Stainless Steel Forum (ISSF), a non-profit research organization.

In the World Steel Association, Outokumpu's aims are to influence the global mitigation of green-house gas emissions by the iron and steel industry in the Climate Change Policy Group, share best practices, obtain benchmark data relating to occupational safety in the Health and Safety Committee, and as a member of the Sustainability Forum, contribute with the Group's own data to the World Steel's Sustainability Report.

At national level, Outokumpu is member of various federations and associations based in Finland, Sweden, the UK, The Netherlands and North America. National lobbying and cooperation organizations tend to promote industry views at national level

Case

INVOLVING OUR STAKEHOLDERS



The workshop gave us insight into the expectations of future talents. Through the workshop we discovered that three out of four participants consider corporate responsibility important.

Outokumpu aspires to maintain an open dialogue with its stakeholders in order to ensure an awareness of the expectations placed upon us.

WEB-BASED DIALOGUE ON RESPONSIBILITY

In February–March 2008 we gave our stakeholders an opportunity to voice their opinions by arranging our first open web dialogue on the subject of corporate responsibility. Feedback was provided by a total of 141 respondents representing a variety of stakeholder groups. In this online dialogue, participants were asked to identify the future corporate responsibility issues that concerned them most. The main concerns raised included climate change, the importance of research and development for exploring innovative solutions that reduce emissions, and the health aspects of stainless steel.

EXPECTATIONS OF FUTURE TALENTS

In November, Outokumpu hosted a workshop in Espoo, Finland for 16 university and high school students and four young Outokumpu employees. Aged 18–30, the participants represented the so-called “Generation Y”. Objectives of the workshop were threefold: We sought to gain additional



The workshop was facilitated by PricewaterhouseCoopers.

insight into participants' expectations regarding Outokumpu's corporate responsibility; feedback on our reporting of corporate responsibility topics, and a discussion of students' expectations regarding future employers. Laptops were provided to create a forum for anonymous feedback and discussion, but conversation between participants was also encouraged.

The feedback received clearly indicates that Generation Y expects companies to carry out their business in a responsible manner. Participants emphasized the need to achieve profitability without viewing sustainability issues as a threat. One student commented as follows: “I... believe there are new business opportunities to be explored; ones that are 'responsible'”.

The workshop also gave us insight into the expectations of future talents. While a company's most important quality was considered to be providing opportunities for career development, three out of four participants considered a company's performance regarding corporate responsibility issues to be important.

To help us further develop both our operations and our reporting, we will be studying the valuable material obtained from both of these dialogues in more detail.

STAKEHOLDER EXPECTATIONS



and try to contribute to the European legislation through national representatives in EU governing bodies.

Eurofer is a lobbying and collaboration organization for the European iron and steel industry. Outokumpu contributes at the presidency level in commerce and trade issues, in a variety of committees such as statistics, environment and research, and in working groups such as climate change and industry benchmarking. Eurofer is a mouthpiece for our industry to the European Union's governing bodies, the European Com-

mission, the European Parliament and the European Council on many topics such as renewal of the Integrated Pollution Prevention and Control IPPC Directive, the implementation of REACH (Registration, Evaluation and Authorization of Chemicals), as well as continuation of the EU's Emissions Trading Scheme after 2013.

To develop our expertise and performance in corporate responsibility, we are members of both the Finnish Business & Society enterprise network and its umbrella organization CSR Europe. To support the

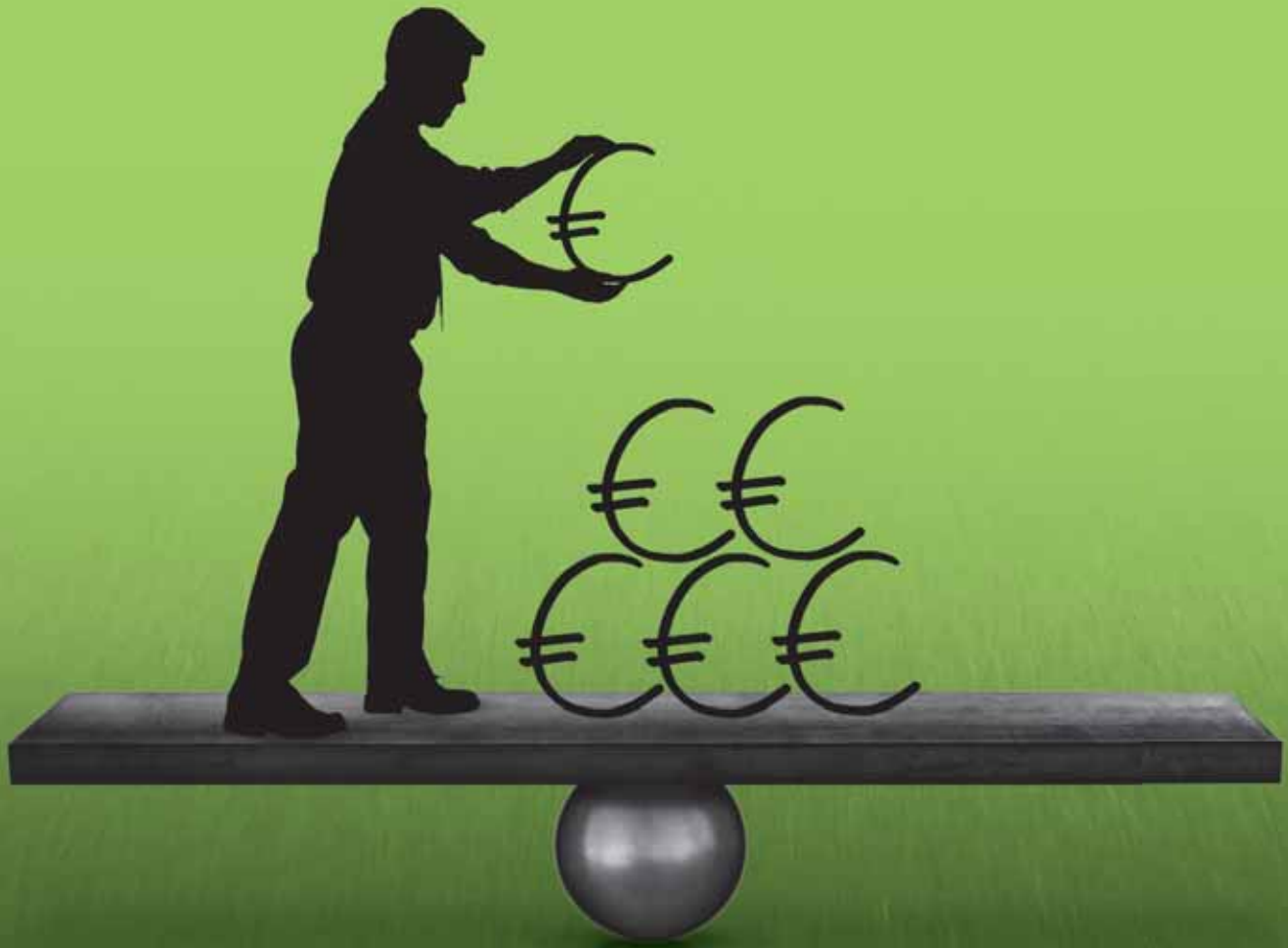
battle against corruption and bribery, Outokumpu participates in Transparency Suomi-Finland, the national chapter of Transparency International. Outokumpu Oyj has also signed the International Chamber of Commerce (icc) charter, and signed the United Nations Global Compact principles in 2008. In October, Outokumpu signed the World Steel Sustainability Charter to indicate the Group's support for the principle of sustainability.

>> ECONOMIC RESPONSIBILITY

- 18 Economic impact on our stakeholders
- 20 Impact of climate change

Our response

SECURING SUSTAINABLE COMPETITIVENESS



Economic responsibility

OUTOKUMPU'S vision is to be the undisputed number one in stainless steel, first in Europe, then globally. We aim to develop and maintain competitive and profitable operations that are founded on ethical business practices. Our customers include the processing and construction industries, the transport sector, the food and electronics industries and the producers of household and industrial machinery around the world.

As a listed company governed by the Finnish Companies Act, Outokumpu is responsible for making a profit for its shareholders. Our overall financial objective is to generate the maximum sustainable amount of added value. This means that when targeting long-term profits we also take into account the environmental and social implications of the decisions we make. We achieve this by developing and maintaining competitive and profitable operations that are founded on ethical business practices. Our Ethics Statement, Leadership Principles, Corporate Responsibility Policy and Code of Conduct also guide us in economic matters.

Outokumpu observes the principles of good corporate governance and transparent financial reporting. We are guided by the rules and regulations for listed companies, by international accounting standards, by the 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 annual report and accounts. This section of "Outokumpu and our Environment 2008" concentrates on the economic impact of the Group on its stakeholders.

THE GLOBAL ECONOMIC DOWNTURN

The on-going global financial crisis has affected our industry, our customers and us. Although Outokumpu is in a very good position to face the crisis, its effects were unavoidable. Our responses have economic implications on our key stakeholders.

During the first half of 2008, the recovery of stainless steel demand,

The global economic downturn affected Outokumpu and our stakeholders.

which started already during the second half of 2007, continued. In July, markets started to weaken at an accelerating pace as a result of the global financial downturn and low levels of investment activity. Outokumpu's stainless steel deliveries remained virtually unchanged from 2007, totaling 1.423 million tons in 2008. At the same time the global stainless steel market contracted by 6 percent. Our operating profit was clearly lower than in 2007 at negative 63 million euros. We did not reach our 13 percent target for return on capital employed. It was negative at -1.6 percent. Raw material prices declined substantially releasing cash from working capital. Our debt-to-equity ratio was 38.4 percent, comfortably below the company's target of a maximum of 75 percent.

As 2008 came to an end, we were forced to take action to prepare for a period of prolonged weakness in demand for stainless steel.

Our current priorities are to improve short-term profitability and maximize cash-flow. In a volatile market situation, a strong balance sheet ensures that we can maintain financing in a flexible manner. Good cash-flow also ensures that we can continue to do business with our suppliers and to add value to our other stakeholder groups.

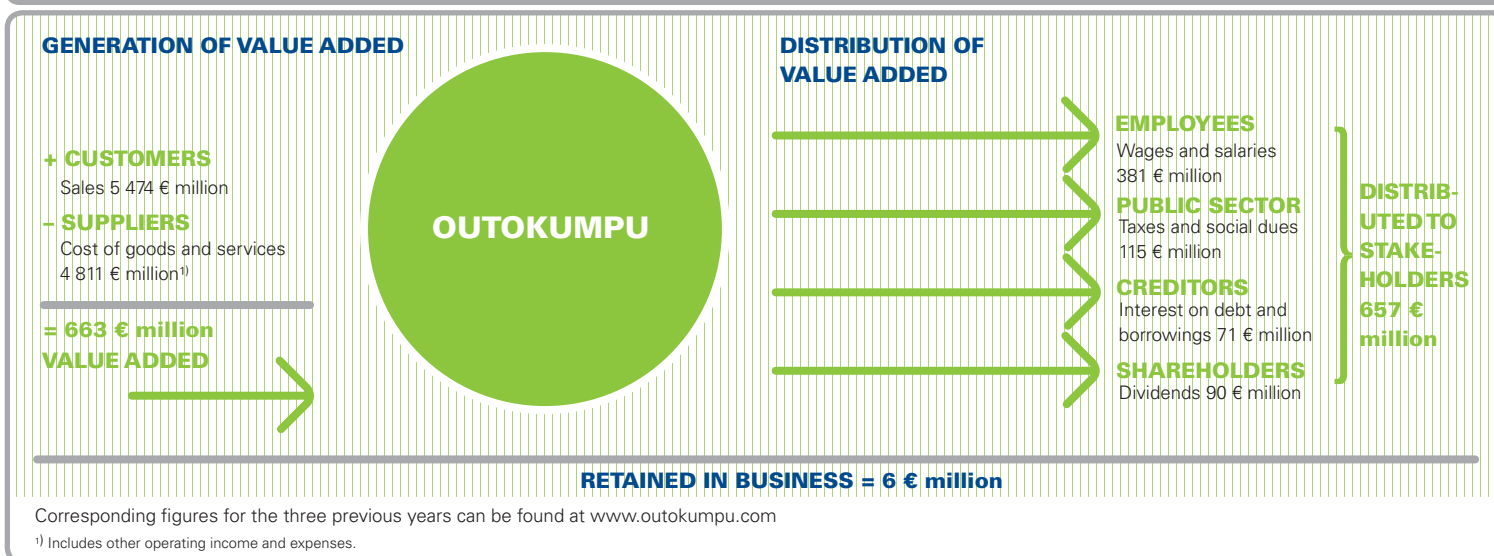
FACING THE FINANCIAL CRISIS

Despite unsatisfactory levels of profitability, our cash-flow remained good. The main reason for this was that Group spending on raw materials fell as their prices declined. To ensure we maintain a comfortable amount of cash at all times, we extended our loan repayments by several years. At the end of 2008, in addition to cash reserves, we had 1 010 million euros worth of previously negotiated loans and binding loan commitments from our debtors. These measures will help us ensure that we live through the financial crisis relatively unscarred and that we can keep adding value to all of our stakeholders.

STRATEGY UNCHANGED

Following the 2007 launch of a new strategic phase aimed at building a more stable and profitable business model, a number of investments were announced by Outokumpu in late 2007 and early 2008. As the financial downturn began to escalate in the fall of 2008, its effects started to impact global investment activity and consequently stainless steel demand. In December 2008 the Group announced that almost all elements in its investment program – including capital expenditure totalling 1.5 billion euros – would be postponed for a period of at least 12 months. Our strategy, however, remains un-

VALUE ADDED DISTRIBUTED TO OUTOKUMPU'S STAKEHOLDERS



WAGES AND SALARIES BY COUNTRY

€ million	2008	2007	2006
Finland	135	125	125
Sweden	138	124	125
Britain	40	39	44
Other Europe	45	39	41
Other countries	22	29	26
Total	381	355	361

TAXES AND SOCIAL DUES BY COUNTRY

€ million	2008	2007	2006
Finland	37	86	136
Sweden	45	127	126
Other Europe	22	34	60
Other countries	12	34	1
Total	115	281	323

changed. We remain committed to balancing our product mix, growing outside Europe, increasing the share of end-user and project sales and stabilizing the volumes purchased by key distributors.

Unfortunately, delays in investments mean we will not be adding financial value through salary payments and the indirect creation of jobs in communities where investments were planned to take place. Despite our original plans, we were unable to, for example, offer the employees laid-off in Fagersta jobs at our plant in Avesta because the new positions we originally envisaged are not being created now.

Our production and supply chain management Excellence Programs will be important tools in further improving our operations and profits in the challenging market environment that the Group faces in 2009. In March 2007, we launched a program to develop a uniform Outokumpu

Way with regard to purchasing. The aim is to reduce total costs and risks associated with procurement (such as the inefficient use of materials, human error or purchase volume fragmentation) throughout the Group. Achievements of the first concrete results will be received in 2009. Financial benefits totalling 86 million euros were achieved through all of our excellence programs in 2008.

DIVIDENDS TO SHAREHOLDERS

The two largest shareholders in Outokumpu are the Finnish state through Solidium Oy (31.1 percent) and the Finnish Social Insurance Institution (with an 8.1 percent).

One result of the global financial downturn was that the Group's share price suffered a dramatic decline by 61 percent. Although this fall was more than the 53 percent decline in the Helsinki general index, it was in-line with the share-price development

of comparable cyclical companies.

Outokumpu paid a total of 216 million euros in dividends for 2007, 1.20 euros per share. The proposed dividend payment for 2008 is 0.50 euros per share. The effective dividend yield for 2008 is 6.0 percent. Over the last five years, dividends distributed by Outokumpu have averaged 47 percent of the Group's net profits.

PERSONNEL ADJUSTMENTS NEEDED

At the end of 2008, Outokumpu employed 8 471 people in some 30 countries (2007: 8 108 people). The number of employees was higher than in the preceding year because of the acquisition of SoGePar and establishment of the new Group Sales and Marketing organization. Outokumpu paid 381 million euros in salaries in 2008, (2007: 355 million euros). Bonuses received by Group staff in 2008 were based on the financial results and key performance indicators as defined in

2007. The Group's benefit plans for employees vary by country.

As the dramatic slow-down in demand for stainless steel led to a reduction in our production volumes, it became evident that we have to adjust our operations to delivery volumes that are clearly below our maximum production capacity and to prioritize our short-term profitability and cash-flow. Unfortunately also personnel adjustments are needed. Read more on pages 44 and 47.

TO EXPAND CUSTOMER KNOWLEDGE

To ensure that we serve our customers in the best possible way, Outokumpu's sales structure has been reorganized. The new Group Sales and Marketing organization was launched at the beginning of April 2008. Based on teams that focus on specific customer industries, the new arrangements reinforce new levels of understanding of our cus-

tomers and their business logics. Our delivery volumes of stainless steel were slightly higher than in 2007 at 1.423 million tons (2007: 1.419 million tons). As a result of clearly lower prices, our group sales declined by 20.8 percent to 5 474 million euros (2007: 6 913 million euros).

BUSINESS WITH SUPPLIERS

The majority of our costs relate to purchases of raw material. The primary raw materials we use in stainless steel production – recycled stainless and carbon steel, ferrochrome and nickel – are purchased on the open market, but a proportion of the Group's ferrochrome needs are sourced internally.

As a result of the global financial downturn and low demand for stainless steel, raw material prices declined substantially in 2008. The average nickel price in 2008 was about 43 percent lower than in 2007. Since demand for stainless steel weakened significantly in the second half of 2008, purchases of raw material by the Group towards the year-end were reduced substantially to avoid excessive inventories. As we reduced our purchases due to the difficult market situation and as raw material prices declined, the economic value we added for our suppliers also decreased.

As we recognize the responsibility we have towards these businesses and the communities in which they operate, our objective is that no supplier should be too dependent on business conducted with Outokumpu. Even though the actual number of our raw materials suppliers is quite low, most of the raw materials we use are sourced globally rather than locally. Sourcing the Group's needs on a global scale rather than plac-

ing orders in an individual manner makes our procurement processes more efficient.

In addition to financial considerations, the Group's new Supply Chain Management Tool also takes environmental and social issues into account when sourcing. Read more on pages 12 and 48.

TAXES DISTRIBUTING WEALTH

Outokumpu contributes to the well-being of local, national and international communities through the payment of taxes, through direct and indirect employment and by participating in other societal activities.

In 2008, Group taxes and social security payments decreased to 115 million euros (2007: 281 million euros). As Group profits were negative 63 million euros, the amount of income tax was positive at 24 million euros (2007: -138 million euros).

GRANTS AND COMMUNITY SUPPORT

Sponsorship for local events and supported charities provided in accordance with Outokumpu's support and sponsorship policy totalled some 730 000 euros in 2008 (2007: 390 000 euros). As the figure for 2008 includes a larger number of sponsorship activities than in previous years due to improved data collection, the two figures are not directly comparable.

In 2008, the Group's most significant financial donation – 200 000 euros – was to the University of Oulu's Centre for Advanced Steel Research, an organization that promotes interdisciplinary steel research, education and cooperation with industry.

The Outokumpu Oyj Foundation awarded a total of 222 900 eu-

ros in grants in 2008. The foundation aims to promote academic research and university education in the fields of metal production and processing, metal and mining technology and ore geology, and to encourage corresponding business activity. Outokumpu is also one of the founding members and corporate partners in the biannual Millennium Technology Prize, the world's largest technology award. The prize of close to one million euros is awarded to a technological innovation that significantly improves quality of life.

PUBLIC SECTOR SUPPORT

In 2008, Outokumpu received 705 000 euros from the public sector to support research and the development of new technologies, products and applications (2007: 603 000 euros). The Finnish Work Environment Fund awarded Tornio Works a research grant of 77 000 euros in 2008. Further information about this research grant can be found on pages 47–48.

IMPACT OF CLIMATE CHANGE

Outokumpu takes climate change seriously. Climate change poses both financial risks and opportunities for Outokumpu. The major greenhouse emissions from our production are direct carbon dioxide emissions as a result of using fossil fuels and processing emissions from our steel making operations.

Regulatory Risks

The greatest regulatory risk for the Group stems from the EU's Emissions Trading Scheme (ETS). ETS creates a financial incentive for companies to restrict carbon dioxide emissions as they can sell "emission allowances" that they

have not used. Conversely, if companies need more allowances than they have been granted, they must purchase them. Each allowance is equated to one ton of carbon dioxide. Our sites in Finland, Sweden and the UK fall under the scheme. In the current trading period (2008–2012), we will be granted allowances for free. Eventually the emissions trading scheme will mainly be based on auctioning allowances on the market.

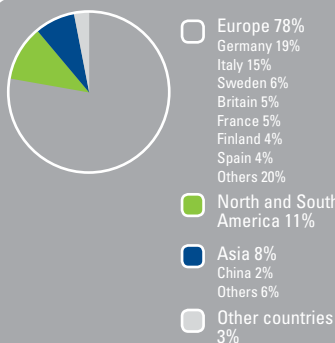
The EU plans to continue ETS even if the system is not global. This means companies operating in countries outside trading schemes would not be required to pay for their emissions. The industry opposes the trading scheme as long as the system is not global. To prevent companies in the EU from moving to these countries and causing so called "carbon leakage", the EU reached an agreement at the end of 2008 that industries exposed to high carbon leakage would continue to receive free allowances. The amount of allowances granted would be based on a sector efficiency benchmark. Our sites may qualify for carbon leakage. The Commission is expected to make its final decision by the end of 2009.

If we do not use all the allowances we have, they can be sold. In 2008, we had some 470 000 surplus allowances. The surplus was mainly due to the low capacity utilization rate of the boiler house in Tornio, maximum use of recycled steel as a raw material, improvements in production efficiency and lower than expected production volumes. Direct financial impacts also result from EUA-CER swap contracts. This means that we sell the more expensive EU emission allowances (EUA) in exchange for cheaper Certified Emission Reduction (CER) units, one type of Kyoto credit.

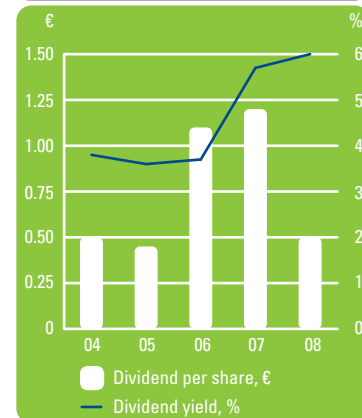
COST OF GOODS AND SERVICES

€ million	2008	2007	2006
Raw materials and merchandise	3 602	4 556	3 466
Fuels and supplies	364	325	325
Energy expenses	221	189	239
Freights	192	187	227
Maintenance	113	106	111
Hire processing	38	48	44
Rents and leases	26	24	26
Other expenses	271	229	199
Total	4 826	5 662	4 637

SALES BY REGION AND COUNTRY



DIVIDEND AND DIVIDEND YIELD



In order to optimize the cost of compliance to ETS, Outokumpu has also invested in the Testing Ground Facility (TGF), a Nordic carbon fund managed by the Nordic Environmental Finance Corporation. Companies can invest in the carbon fund, which purchases emission allowances for its investors from projects that benefit the environment. We will begin receiving these allowances in 2009.

The Emissions Trading Scheme also influences electricity prices and this is a risk for Outokumpu as our operations are energy intensive. In 2008, the Nordic electricity market continued to be very volatile as a result of fluctuations in fuel prices, prices for emissions allowances and the global financial downturn.

In the Nordic market, the price of electricity is determined by condensing power. The power companies transfer the cost of their emission allowances to the market price. However, for carbon dioxide free production the power companies do not have to purchase any allowances but according to the current market

price mechanism, they still get the extra profit caused by the emission allowance price. For electricity consumers this means paying more than the electricity producers have paid for their actual realized emissions.

To mitigate the possible risks resulting from ETS, Outokumpu has an Emission Management Committee, with representatives from different functions. The committee is responsible for co-ordinating the implementation of emission management strategy and assisting in defining this strategy.

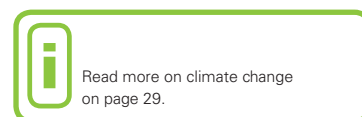
Physical risks

Physical risks relate to, for example, damage or loss of production that results from floods, hurricanes and drought. Of its current production operations Outokumpu has just one tube mill in Florida, us in an area, defined by the 2007 report by the German Advisory Council on Global Change called "World in Transition: Climate Change as a Security Risk" as a "regional hotspot" with an increased frequency of more in-

tense hurricanes. However, this area has always been hurricane sensitive, the measures necessary to mitigate risks have already been taken.

Opportunities

Although climate change is presenting significant challenges to us, it also opens new opportunities for doing business. Stainless steel is often specified as a construction material in projects that aim to improve efficiency in transportation, buildings, production, and low-carbon energy generation.



>> ENVIRONMENTAL RESPONSIBILITY

- 24 Key environmental events of the year
- 24 Recycled content of our steel raised
- 26 Targets and achievements
- 28 Energy efficiency as a priority
- 29 Water: a natural resource for cooling
- 30 Biodiversity
- 31 Emissions, effluents and waste
- 33 By-products
- 35 Transport
- 37 Expenditure and investments

Our response

5-MILLION-EURO COMPETITION

CO₂CO₂CO₂



Environmental responsibility

KEY ENVIRONMENTAL OBJECTIVES

- Preventing soil contamination
- Reducing emissions into water and air
- Improving energy efficiency and enhancing the use of renewable energy
- Optimizing the use of water
- Optimizing the use of recycled steel as raw material
- Reducing the generation of waste

KEY ENVIRONMENTAL EVENTS IN 2008

- All substances produced were registered according to the REACH directive
- Carbon monoxide gasholder was taken into use in Tornio
- Tornion Voima combi-fuel plant was taken into use
- Phase two of the eco-efficiency project called ENO was started in Avesta
- State-of-the-art six step scrubber inaugurated in New Castle
- Groupwide reporting and analysing tool project started

OUR IMPACTS

The most substantial environmental impacts of the production process of stainless steel are: dust and particulate emissions into the air; soil contamination as a result of metals settling out of dust emissions or spills of metals; the intake of cooling water; discharges from plants which may cause water or soil contamination; and high levels of direct and indirect energy consumption during production which contribute to global warming. In particular, the use of some primary raw materials consisting of natural ores requires consumption of a significant amount of energy. Landfill waste is also created during the production process.

MANAGEMENT SYSTEMS AND POLICIES GUIDE US

At Outokumpu, guided by our Environmental and Corporate Responsibility Policies and Ethical Principles, our firm objective is to minimize the environmental burden of our operations as much as economically and technically feasible.

Local guidelines and environmental management systems complying with the ISO 14001 standard provide more detailed models for our 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 report to relevant authorities on our operations in all the countries where we operate. At 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.

WE HAVE TARGETS

In addition to the normal environmental development targets for 2008, we set ourselves specific Corporate Responsibility Theme Year targets; concrete, measurable targets for both our plants and our offices. Our aim was to pay special attention to some environmental and social responsibility aspects during 2008. For instance in environmental issues, we want to contribute to reducing the global carbon dioxide emissions as well as reduce our energy consumption and waste.

RECYCLED CONTENT OF OUR STEEL RAISED TO 90 PERCENT

For Outokumpu the most important raw materials used in the production of stainless steel are recycled stainless steel and recycled carbon steel. Today, the recycled content of our steel is around 90 percent, which is considerably higher than the global industry average that is 60 percent according to the International Stainless Steel Forum (ISSF). In addition to the recycled steel, alloying elements are needed. These are, for example, ferroalloys containing iron and other metals like nickel, chromium or molybdenum.

Large amounts of slag and dust are produced as by-products of the steel making process. Considerable research and development efforts have been conducted in order to retrieve valuable metals from slag and dust. These metals can be recycled as raw materials in the melt shops. For example, to minimize emissions to the environment dust is collected by using filters. The dust from our melt shops in the Nordic region is collected and sent to an external facility in Sweden that treats the dust to recover the metals. In the UK, there is a dust recovery facility on the plant.

STAINLESS STEEL is 100 percent recyclable, corrosion resistant and hygienic and the environmental impacts resulting from its use are almost non-existent. However, the production – manufacturing and reprocessing stages – of stainless steel have an impact on the environment. Outokumpu makes every effort to minimize the environmental burden of its operations as much as economically and technically feasible.

Recycling schemes and waste management

Outokumpu aims to improve material efficiency and reduce landfill waste. With a special focus on waste management and segregation many waste fractions have been recycled and a reduction in waste to landfill has been achieved.

For example, the Bar facility in Richburg, us demonstrated a reduction in landfill volumes. Cardboard recycling started in February 2008 with an impact on landfill volumes.

Trials to dry and reuse alloy and steel rod filter cakes at the Sheffield melt shop were not successful due to difficulties in the contractor's facilities. Alternative facilities in the UK and continental Europe are sought.

In Tornio and Sheffield efforts were made to recycle refractories and linings from the melts shop by crushing and reprocessing this end-of-life material. After reprocessing, the material is used as a lime substitute at the melt shop. This methodology reduces the waste to landfill, replaces virgin materials and improves metal recovery.

The Sheffield melt shop continues to increase the amount of stabilized and solid slag to road stone. During 2008 some 86 percent of all slag from the melt shop has been recycled this way.

Hydroflux, a product being developed by Outokumpu is made of de-scaling waste from stainless steel annealing and pickling lines. It can be used as flux instead of calcium fluoride in stainless steel slag management. Avesta Works has signed a three-year (2007–2009) contract to maintain the development of the production of Hydroflux at a minimum rate of 1 000 tons per year until a per-

mit is granted for treatment of higher volumes. Originally we planned to produce a batch of 3 000 tons of sludge; however, due to technical difficulties the project is delayed until May 2009.

Maximizing economic value while minimizing environmental burden

For Outokumpu to be the undisputed number one in environmental matters it is necessary to create the most economic value with the least resources and ecological burden. Outokumpu has started a challenging project called ENO

We want to reduce landfill waste.

(Environmentally Number One), in order to develop an internal environmental value chain. The ENO project aims to build a model that integrates environmental costs to the material value chain. Environmental costs and resources used related to process and products will be evaluated from a value creating point of view and resources should be used as efficiently as possible.

Assessing every value-creating phase in comparison with environmental consequences and material requirements by grade and by process allows Outokumpu to maximize the eco-efficiency of its production. ENO includes analyses and valuations of specific emissions, side streams and

Outokumpu combats climate change – 5-million-euro competition

One of our Corporate Responsibility Theme Year objectives for 2008 was to contribute to reducing the global carbon dioxide emissions.

On February 23, 2008 we announced that we would invest 5 million euros in an environmental cause that would be determined through a Group wide competition. The key criterion for the competition was to propose new and innovative ways to reduce carbon dioxide emissions and to facilitate the recycling of our by-products to avoid the use of virgin raw materials inside and outside Outokumpu. The proposals were asked to suggest new ways of working, investments in equipment, or research proposals with clearly defined targets.

By the end of September we received 12 proposals ranging from introducing videoconferences to decrease travel, investing in wind turbines, making production processes more energy efficient, to recycling of our by-products. Pekka Erkkilä, Executive Vice President of General Stainless and member of the competition jury, was pleased with the interest shown by our employees "The overall aim to reduce carbon dioxide emissions and increase the recycling of our by-products was well seen in the proposals. I'm pleased of the innovative efforts of our people and truly encourage everyone to such creative improvement ideas - also after the theme year".

In order to make the final decision, the jury requested more detailed investment proposals from seven proposals selected at this stage. The final results will be announced at the end of April 2009.

environmental costs of different stainless steel grades and product phases.

The first phase of the ENO Project was carried out at Tornio Works in 2007. The second phase started in Avesta in 2008. The second phase will be finished in spring 2009. A value added approach has proven to give extremely useful information on material flows and streams. The ENO approach is seen as one of the best ways to encourage sustainable production of products, as the model can measure how eco-efficient our economic value-creating processes are.

For example raising the average recycled content from 70 percent to 90 percent drastically decreases the environmental burden of stainless steel.

Recycled input replaces virgin materials that would otherwise have been needed. This affects the entire supply chain. If the whole life-cycle is taken into account, a 20 percent raise in recycled content means avoided carbon dioxide emissions of 1.2 tons per ton of stainless steel. At 2008 production level of 1.65 million tons the avoided carbon dioxide emissions equated to 1.98 million tons, which is double the direct emissions of the Group.

Site-specific targets

	GOALS FOR 2008	RESULTS
Water protection	<p>Avesta: Reduce nitrate discharges to water by 10% and achieve 1 kg/ton as a monthly average.</p> <p>Sheffield melt shop: Reduce specific water consumption by 5% with 2007 as the reference year.</p> <p>Degerfors: Increase water filter capacity in the hot rolling mill to minimize the risk of accidental discharges.</p>	<p>Avesta: Not achieved. Target will continue in 2009.</p> <p>Sheffield melt shop: Not achieved. Water consumption reduced by 1.9%. Target not met due to lower production levels. All individual actions completed.</p> <p>Degerfors: Achieved. Filter capacity increased.</p>
Waste management	<p>Tornio: Reduce quantity of landfill waste by 10% per final product ton.</p> <p>Sheffield melt shop: Increase the quantity of waste being recycled so that the amount of waste sent to landfill is reduced by 10%.</p> <p>Örnsköldsvik tube mill: Reduce deposited material by 10%.</p> <p>Sheffield rod mill: Reduce the quantity of general waste being sent to landfill by 10% by identifying additional opportunities to reduce, reuse or recycle material that is currently being disposed of in this way.</p>	<p>Tornio: Achieved. All steel slag produced was utilized.</p> <p>Sheffield melt shop: Achieved. Waste reduced by 20%. Partly due to lower production levels.</p> <p>Örnsköldsvik tube mill: Not achieved. Analysis of most optimal future waste reduction possibilities will be done in 2009.</p> <p>Sheffield rod mill: Partially achieved: Reduction of 4.1% (3.68 tons).</p>
Air protection	<p>Tornio: Increase usage of dust reduction units to more than 98% per month.</p> <p>New Castle: Add a new scrubber to one of the production lines.</p>	<p>Tornio: Not fully achieved. Targeted utilization rate achieved during 8 months.</p> <p>New Castle: Achieved. Dust emissions from line down to almost zero.</p>
Soil protection	<p>Sheffield melt shop: Improve ground protection by installing storage tanks and bunds for grinder cellar water.</p>	<p>Sheffield melt shop: Achieved. New tank and bund installed.</p>
Use of materials	<p>Kemi mine: Reuse 200 000 tons of lumpy rock from the concentrating plant to backfill stopes in the underground mine.</p> <p>Sheffield, melt shop: Reduce consumption of hydraulic oil by 10% (with 2007 as the reference year) through a program of leakage reduction measures. Maintain the on-site recycling for primary dusts to match dust output from the melting shop.</p> <p>Tornio: Produce more than 120 000 tons of steel slag products.</p>	<p>Kemi mine: Achieved. 248 000 tons of lumpy rock and side stone was reused.</p> <p>Sheffield melt shop: Achieved. Consumption of hydraulic oil reduced by 16%.</p> <p>Tornio: Not achieved, 75 300 t produced.</p>
Energy efficiency	<p>Avesta: Reduce electricity consumption by 3% from 980 to 950 kWh per ton. Reduce consumption of liquid petroleum gas (LPG) by 3% from 66 to 64 kg per ton.</p> <p>Sheffield, melt shop: Reduce specific energy consumption by 2%.</p> <p>Nyby, tube mill: Reduce total energy consumption by 2%.</p>	<p>Avesta: Not achieved.</p> <p>Sheffield melt shop: Not achieved, due to lower production levels. All individual actions completed.</p> <p>Nyby, tube mill: Achieved. Reduction of energy use was 2.7%, (4 269 MWh).</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 into a single environment, health and safety quality system has been initiated. The target is for at least one business unit to be ready for implementation by the end of 2008.</p>	<p>Not achieved, project will be continued in 2009.</p>

GOALS FOR 2009

Avesta: Reduce nitrate discharges to water by 10% and achieve 1 kg/ton as a monthly average.

Wildwood: Improve wastewater recycling by reusing some in the pickling process.

Avesta: Complete 3 000 ton Hydrosolids recycling test.

Sheffield melt shop: Reduce waste to landfill by 10% compared to 2008 volumes, through recycling.

Örnköldsvik tube mill: Analysis of most optimal future waste reduction possibilities will be done in 2009.

Tornio: Achieve usage level of dust reduction units to more than 98% per month.

Sheffield melt shop: Complete and install additional landfill leachate pump.

Kemi mine: Reuse 250 000 tons of lumpy rock and side rock from the Kemi concentrating plant to the underground mine

Tornio: Produce steel slag products amounting to 10% of steel production tonnages.

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.

Avesta: Reduce electricity consumption by 3% from 980 to 950 kWh per ton. Reduce consumption of liquid petroleum gas (LPG) by 3% from 66 to 64 kg per ton.

Sheffield melt shop: Reduce specific energy consumption by 2% against reference year 2007.

Richburg: Reduce electricity consumption per million tons by 10% using 2008 as basis.

The process of integrating management systems that comply with the EN-14001, EN-9001 and BS-18001 standards and relevant energy management systems into a single environment, health and safety, and quality system has been initiated. The target is to start implementation during 2009.

Group-wide environmental targets

GROUP-WIDE GOALS FOR 2008

- To reduce waste: landfill from plant operations by 10 percent per ton processed, and non-classified (e.g. plastic cups and other non-recyclable material) from offices by 5 percent.
- To reduce energy consumption: at plants by 2 percent per ton processed, and in offices by 5 percent (e.g. using energy saving lamps, turning off lights and computers when not in use, not leaving in stand-by position).
- To contribute to reducing global carbon dioxide (CO₂) emissions
 - » New company cars to be low emission cars (below 200 g CO₂/km);
 - » Outokumpu promotes tele/videoconferences vs. flying; travel policy to be revised;
 - » Outokumpu invests 5 million euros in an environmental target to be identified through a group wide competition.

GROUP-WIDE RESULTS 2008

- The energy efficiency target was not achieved.
- The target for material efficiency was achieved. The main contributors to this success were the use of steel slag for landscaping at Tornio Works, the increased use of slag in asphalt at the Sheffield melt shop in the UK (86% in 2008), and the Hydroflux product produced using waste from Avesta. Efforts at Long Products, Richburg and Hot Plate, New Castle also made a significant contribution.

GROUP-WIDE GOALS FOR 2009

- Groupwide 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 ton by 2 percent – base year 2007.
- Material efficiency:
 - » Reducing waste to landfill per processed ton – base year 2007 and further reductions of 10 percent.
 - » Identification of most feasible material efficiency investments at corporate level by the end of 2009 – based on site-specific plans.

MATERIAL BALANCE

	2008	2007	2006
Materials used, tons			
Recycled steel	1 367 858	1 480 332	1 797 000
Recovered metals	97 463	105 480	91 923
Ferrochrome	265 412	282 001	354 987
Nickel alloys	100 654	105 697	130 829
Other alloys	86 564	100 274	103 084
Additives, tons			
Slag formers	227 302	237 454	264 711
Meltshop process gases	179 851	181 048	241 349
Pickling acids bought	13 220	11 322	23 286
Pollution prevention materials	27 216	17 365	16 700
Packaging materials used for final products	14 885	11 797	14 200
Energy, million GJ			
Electricity	9.9	10.5	11.3
Propane	4.5	4.4	5.1
Carbon monoxide gas	1.4	1.7	1.9
Natural gas	0.7	0.6	0.9
Light and heavy fuel oil	0.8	1.4	1.9
Output, tons			
Steel slabs, billets	1 650 068	1 718 704	2 079 000
Emissions to air, tons			
Carbon dioxide	871 000	932 000	1 050 000
Nitrogen oxides	1 925	1 653	1 942
Sulphur oxides	277	451	736
Dust	216	265	276
Ozone-depleting substances	19	20	14
Emissions to water, tons			
Metals (Cr, Ni, Mo, Zn)	15.5	17.2	18.6
Nitrates	578	575	600
Hazardous waste, tons			
Oily sludge to the treatment	4 978	4 834	5 800
Hydroxide sludge landfilled	49 646	44 967	53 000
Steel making dust to recovery	37 240	39 000	42 000
Wastes and by-products, tons			
Slag, total	593 777	547 620	624 000
Slag utilized	443 517	220 000	223 000

ENERGY EFFICIENCY
AS A PRIORITY

The steel industry is energy intensive and Outokumpu's steel making and rolling processes are no exception. However, we recognize the need for efficient use of energy. We have worked hard to achieve an impressive record in reducing our energy consumption. Our processes are considered to be "Best Available Techniques" (BAT) as defined by the EU integrated pollution prevention and control directive.

Outokumpu's sites use a range of fuels to satisfy the operating demand of our business, including direct energy sources such as coal, natural gas, propane, heavy fuel oil and electricity. Group wide this amounted to 17.4 million gigajoules (GJ) of direct energy use in 2008. Our electricity consumption was 9.9 million GJ (some 2.8 million megawatt hours). According to Greenpeace, the average household in European OECD countries consumes 4 667 kilowatts per hour (kwh) of electricity annually. This means that Outokumpu's energy consumption equates to approximately 591 000 European households.

Although we are an energy intensive industry, our operations are energy efficient. For instance our ferrochrome production in Tornio is classified as a best available technique. The energy consumption is very close to the theoretical minimum and one third lower than in traditional processes. The process heat is recovered and used in the heating of our own buildings at the plant and also in some neighbouring communities.

However, we also hope to develop our own sustainable power solutions that are environmentally friendly. We have committed ourselves to carbon

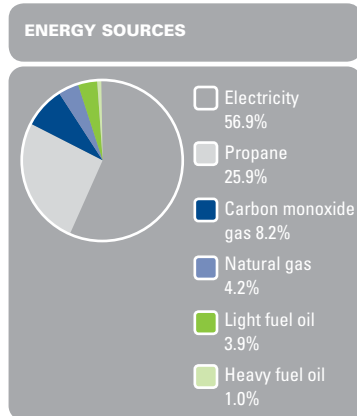
dioxide free nuclear, hydro, and wind power production assets. For instance Outokumpu is a shareholder in Fennovoima, which plans to build a new 1 500–2 500 megawatt nuclear plant in Finland by 2020. Outokumpu aims to receive a 150-megawatt share of carbon dioxide free power. Additionally, Outokumpu has leased a share of a Norwegian hydro company until 2020. We are also a minority shareholder in a company that plans to build a wind power park near our Tornio plant.

Outokumpu has taken a long-term approach to energy efficiency and our aim is to achieve continuous improvements. Levels of energy efficiency feature in the environmental management systems of most of the Group's mills. By the end of 2008, long-term prioritised energy efficiency plans have been created at Outokumpu's major production sites. Similar plans for the remainder of our production sites were created during January 2009. In general terms the greatest potential for energy savings lies in heat recovery, improved process integration and higher levels of efficiency in the use of materials.

CLIMATE CHANGE

Energy consumption is one of the main factors that cause global warming. Our total carbon dioxide emissions were 871 000 tons in 2008. The best way for us to help to combat the cause of climate change is by paying attention to the efficiency of our material and energy use, by reducing coke consumption in our ferrochrome production facility, and favoring renewables in electricity purchases.

Outokumpu has been a signing member of national voluntary ener-



gy efficiency agreements in Finland, Sweden, and the UK for many years.

WATER: A NATURAL RESOURCE FOR COOLING

The manufacture of steel requires high temperatures. Whenever large amounts of heat are generated or used, cooling is also needed 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. To minimize any risk of pollution that could affect local resources, the water used in the Group's production processes is re-circulated.

All our melt shops are situated in areas where the intake or use of cooling water does not unreasonably burden the environment of water resources.

At Avesta, for example, our water intake is less than 0.05 percent of the total volume in the Dalälven river that flows past the plant. The environmental impact of the site is further reduced as most of the water used is only involved in cooling processes,

Unit	Electricity (GWh)	Fuel energy (GWh)	Total (GWh)
Tornio	1 884	1 271	3 155
Avesta	372	399	771
Sheffield	212	129	341
Other	289	288	577
Total	2 757	2 087	4 844

Source	2008
Renewable sources	48%
Nuclear	34%
Fossils and turf	18%

Final figures are available in May 2009.

and then returned to the river (source: Dalälvens Vattenvårdsförening).

Recycling of cooling and process waters

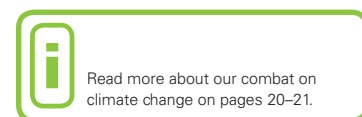
Cooling water is used either directly in contact with steel, or indirectly via a heat exchanger in which the cold fresh water is used to reduce the temperature of a continuously circulating stream of cooling water. In the latter case, the only "contamination" associated with the outgoing water is having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

High levels of recycling are achieved for cooling and process waters at many of the Group's sites due to the use of re-circulating cooling systems and water treatment programs. The recycling rate can vary from season to season, for example in wintertime only partial recycling of cooling water

in Tornio is carried out. After being used for cooling, some of the water is pumped into the Tornio harbor basin to help to reduce the amount of ice. In a cold climate preventing ice formation in the harbor in this way reduces the amounts of energy required to operate ice breakers. Even though cooling water is employed in this way, overall water use has been considerably reduced.

Rainwater collected and used

Volumes of rainwater falling on Outokumpu sites are significant. At Avesta, for example, where the works area totals 2.4 square kilometers, at least 1 million cubic meters of water falls either as rain or snow each year. Some of this water evaporates, but a large proportion is collected and run together with used cooling water. All



Reducing energy consumption in 2008

- At our larger Swedish sites routines have been implemented to always purchase the most energy efficient equipment when payback time is less than 3 years. Evaluations are made using the energy classification provided on electrical equipment and, when applicable, life cycle cost.
- Taking the Tornion Voima power plant into full use in 2008 resulted in a reduction of approximately 10 000 tons of heavy fuel oil consumption. The new plant uses peat, wood and carbon monoxide to produce energy.
- To increase the rate at which carbon monoxide gas is utilized instead of fossil fuels, Tornio inaugurated a new carbon monoxide gasholder in September.
- A new energy reporting system was finalized at Tornio at the end of 2008.
- An Energy Efficiency System has been incorporated into Tornio's environmental management system.
- Tornio completed an improvement project, which allows previously unutilized carbon monoxide gas to be used for condensate electricity production in the power plant. This increases the amount of carbon monoxide gas utilized, especially in summer.
- The use of flameless oxyfuel in the ferrochrome converter allows for fuel savings and lower emissions in Tornio.
- Tornio has initiated several investigations to increase the levels of energy efficiency in the plant.
- The Tubular Product business unit is aiming to reduce electricity consumption by three percent each year in Europe and America and the results achieved so far look promising.
- New routines have been implemented during maintenance shutdowns at Avesta to avoid running motors that are not being used.
- Degerfors reduced energy consumption in the terminal dispatch area by 58 percent by replacing an oil boiler with liquid petroleum gas infrared heaters. A decision has been taken to make similar changes in other areas.
- Work on general utilization of buildings within the Degerfors plant area will result in lower rates of energy consumption.

this water passes through oil separation facilities before being discharged into watercourses.

At Tornio rainwater that has filtered through the Sallee landfill is collected. These filtrates are alkaline and also contain small amounts of hexavalent chromium, a harmful form of chromium that cannot be released without further treatment. An automated reducing and neutralization station has therefore been constructed. In this process treatment with ferrosulphate reduces the hexavalent chromium to a harmless oxidized state and also neutralizes the water before it is discharged.

BIODIVERSITY

Outokumpu production sites are not located in sensitive areas such as UNESCO World Heritage Sites, Ramsar Sites or UNESCO Biosphere Reserves. In recent decades, our sites have not been found to disturb biodiversity in any unacceptable manner.

Environmental authorities have evaluated the EU Natura areas located near our Tornio site. According to reports and statements Outokumpu's activities are not having a negative impact or threatening the biodiversity of these areas.

Former production locations returned to their natural state

Outokumpu operates in a responsible manner towards the natural world and biodiversity. Areas that have hosted production operations are returned to their natural state. At the Group's Kemi mine, waste rock material extracted from the mine is now being utilized. Intermediate rock storages are used for underground construction and gallery fillings.

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

A summary report written by Pöyry consulting company concerning the effects of wastewaters from Tornio Works on local sea areas was released. No significant effects on fish, bottom feeding animals, vegetation or algae were observed. The overall condition of the sea area was judged to have improved during the last 10 years.

According to a thesis titled "Cycle, behavior and importance of nitrogen in the aquatic environment of the Bothnian Bay near the discharging points of Outokumpu Tornio Works and Kemi mine", a shortage of phosphorus in the water means that no harmful effects result from the releases of nitrogen compounds by the plant and the mine into sea areas.

At our Sheffield site, an area was established by Outokumpu to provide protection for wading birds that decide to nest there during the spring. Activities include checking that nesting birds are not being disturbed and ringing to establish future breeding and migration patterns.

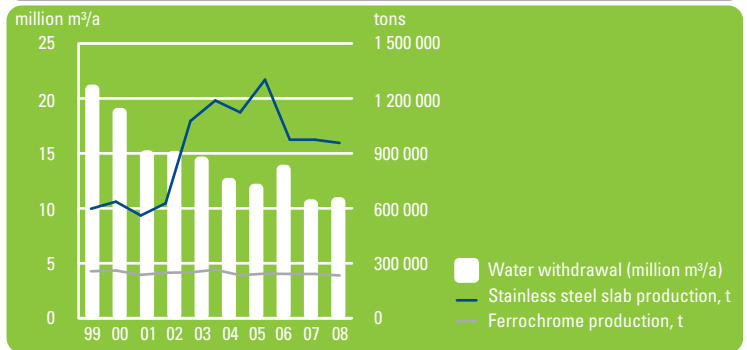
Regular evaluations of impacts on biodiversity

None of International Union for the Conservation of the Nature and Natural Resources (IUCN) Red List species, a list reviewing the conservation status of species in national conservation lists are known to be affected by Outokumpu's activities. Although we do

WATER WITHDRAWAL AND DISCHARGES

	2008	2007	2006
Water withdrawal by source			
Surface water, million m ³	19.3	20.3	25.9
Municipal water, million m ³	1.1	1.1	1.2
Water discharges by type and destination			
Cooling water out, million m ³	11.5	10.6	16.4
Waste water out, million m ³	7.8	8.6	7.2
Metal discharges to water, t	15.5	17.2	18.6
Nitrogen in nitrates, t	578	574	600

WATER WITHDRAWAL IN TORNIO



not have any significant operations in sensitive areas, impacts on biodiversity at Outokumpu production sites are evaluated on a regular basis as part of environmental management.

EMISSIONS, EFFLUENTS AND WASTE

Spills and non-compliances

All the Group's larger production sites have an Environmental Management System (EMS) or risk-based management systems in place, and 22 of these 26 systems are certified to ISO 14001, the international standard for environmental management systems. This way of working helps to avoid many spills and accidents that could be harmful to humans or the environment.

In general terms, although some spills and non-compliances occurred in 2008, the emissions and discharges that took place were normal and in compliance with environmental permits.

At Tornio, two ferrochromium mill bag filter malfunctions led to dust emissions exceeding the annual permitted level of particle emissions (20 tons) by 12.8 tons.

At the Sheffield melt shop, there were a number breaches of dust emission levels set for the DC Arc Furnace extraction system. Work with the UK's Environment Agency on improving emissions performance has continued during 2008 and an improvement was recorded in the fourth quarter.

The Meadowhall site in the UK has reported a number of incidents of emissions of metals into the local watercourse. The UK's Environment Agency was informed on each occasion. No environmental damage was reported following these incidents. An action plan to improve the quality of the effluent discharges from the Meadowhall site was implemented during 2008.

In January 2008, machining lubricant at the bar facility in Richburg, US, was found to have leaked through a crack in the floor. The foundations of the building have been repaired and the contaminated soil removed and replaced. Bioremediation was judged to be unnecessary by a third party. A second lubricant spill that occurred in July at the same site has been cleaned up. An intentional discharge of machining lubricant into

storm water drainage that almost reached neighbouring property was cleaned up and preventive actions were taken.

Radiation

At both Tornio and the melt shop in Sheffield, slag contaminated with low-activity radioactive material was separated and stored safely in accordance with local guidelines provided by the national authorities (STUK in Finland and the Environment Agency in the UK).

Three slag pots from a total of four, contaminated by Pu 238 at the Sheffield melt shop in 2000 were moved to the low-level-waste Drigg Depository. Options for the safe storage and disposal of the fourth slag pot are being investigated.

It should be noted, however, that the radioactive material is present in the melting process in very small quantities and no harm has occurred to our employees or the environment. All cases have been reported to the authorities.

For example, in the Tornio case the dose rate of radioactive material was approximately 10 times the dose rate

of the background radiation humans are exposed to in the environment. In comparison, humans are exposed to 50 times the dose rate of background radiation when traveling by airplane.

The source of the radioactive material is the recycled stainless steel that is used in our production process. The radiation is most often naturally occurring radioactivity. In some cases, however, it comes from the measuring equipment used by heavy industries or pharmaceutical companies that contain small amounts – grams at the very most – of radioactive isotopes. Normally, these are detected before they enter the production process.

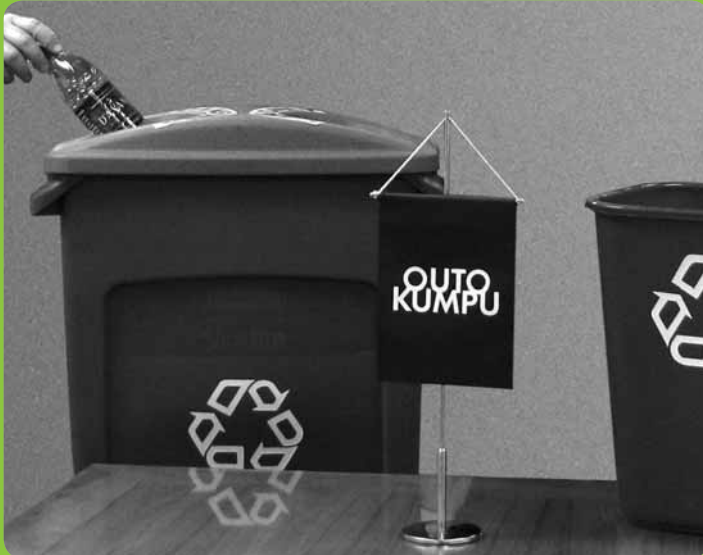
Emissions into the air

Dust emissions have traditionally been the most significant of releases by the steel industry. Outokumpu's main particle emissions originate from the Tornio, Avesta and Sheffield steel mills and from the New Castle hot rolling mill. In recent years, however, total dust emissions by the Group have fallen despite an increase in production levels.

Since the beginning of 2007, a continuous emissions measurement

Case

THEME YEAR DEVOTION IN NEW CASTLE



The corporate responsibility team in New Castle believes that the efforts made to recycle have led to a real culture change. Most employees have embraced recycling and even contractors have been involved in the efforts.

One of Outokumpu's theme year goals was to reduce landfill waste from plant operations by 10 percent per ton processed, and to reduce non-classified trash from offices by 5 percent.

Encouraged by the 2008 theme year targets, employees at Outokumpu's New Castle plant, in Indiana in the us, decided to take initiative and begin recycling. A corporate responsibility team consisting of Tim Linegar, Doug Zimmerman, Ryan Gross, and Tom McKee was set up to spearhead the efforts. As virtually all waste had previously been sent to landfill sites, the team set themselves the challenge of reducing general trash by 10 percent.

To generate concrete information on performance, a systematic method of measuring waste was adopted. A team board, modeled on Outokumpu's production excellence program, was set up in the plant so that everyone could monitor progress in the collective recycling efforts. By the end of December, the level of general waste was down by 5.74 percent per category, a 6.79 percent reduction per cubic meter compared to 2007 – slightly under their goal.

But recycling was not easy, as New Castle has been in a phase of plant expansion. Packaging material from deliveries of new equipment and several components of the old machines that could not be recycled resulted in a great deal of waste. As a result, performance levels did not reflect the reductions achieved in offices or on the whole of the site. An added challenge was that the workforce featured 75 additional people employed by contractors, causing the team to fear a peak in general trash.



New Castle's corporate responsibility team consists of (left to right) Doug Zimmerman, Tim Linegar, Tom McKee and Ryan Gross.

They were happy to learn that the contractors had joined the efforts to recycle, and the amount of general trash rose only marginally.

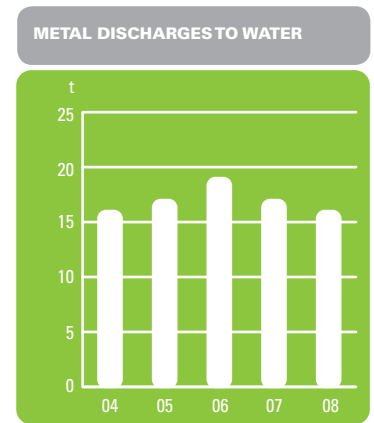
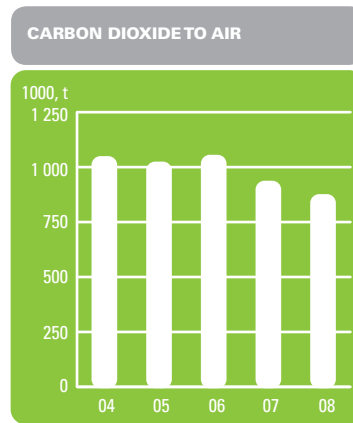
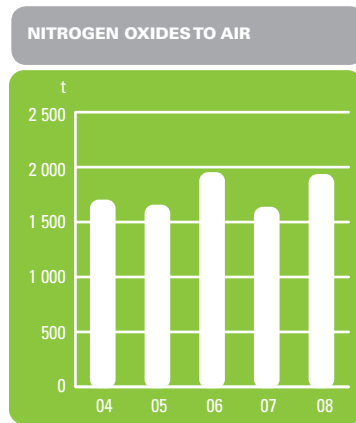
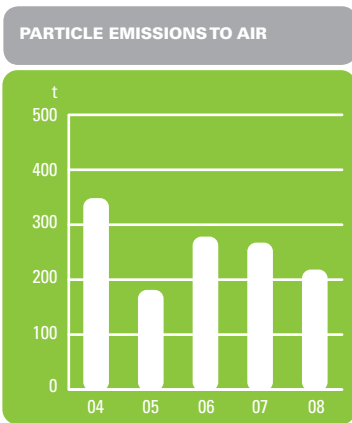
"We are still trying to tweak and understand recycling concepts here," says Tim. "As the government does not mandate recycling working with vendors has been difficult, but we have managed to find some who are ready to recycle for us. We have even reached 100 percent recycling levels for shotblast dust and grit by-products from the production of stainless steel."

Despite these challenges Tim feels they have been able to "do some good." The plant is now able to sell its recycled materials to vendors, and some of the profits made from recycling have been donated to a local food pantry. Knowing that the money will be invested in a good cause has acted as both an incentive and as a way of self-policing the desire to continue recycling.

According to New Castle's corporate responsibility team, efforts to recycle have resulted in a real culture change and most employees have now embraced the recycling concept. The team's commitment to recycling is strong, and they hope to see general trash levels slashed in the future.

Recycling in New Castle

- Waste reduced by 5.74% per category, a reduction of 6.79% per cubic meter in 2008 compared to year 2007.
- Items recycled include: scrap lumber, mill grease, shotblast dust and grit, mill scale, general trash-office paper, plastic bottles, aluminum cans, cardboard.



system has been used at the Tornio steel melting shop to monitor emissions of dust particles. As the continuous measurement technique provides emission data on a daily basis, possible filter leakages can be detected more rapidly and repairs carried out more quickly.

Dust emissions from the company's operations typically contain some metals (including iron, chromium and nickel), which are present in a harmless form. Chromium, for example, is usually present in its trivalent, not the hazardous hexavalent form. In recent years, Outokumpu has supported many studies examining the effects of metal emissions on the environment and human health.

Emissions of nitrogen oxides have also remained low. These reductions have been achieved by investing in new technology and nitrogen oxides abatement plant. Production sites in Tornio, Avesta and Nyby, for example, are using the most up-to-date burner technology and Selective Catalytic Reduction (SCR) technologies are also being employed in specific processes to minimize emissions.

In September 2008, the New Castle

mill inaugurated a state-of-the-art six step scrubber incorporating acid-mist elimination, pH adjustment and SCR.

Utilizing waste gas from furnaces for heat recovery at Tornio and Avesta not only results in lower energy consumption, it also has a corresponding effect on the site's emissions of nitrogen oxides, carbon dioxide and sulfur dioxide – the releases which would otherwise result from combusting fuels to provide the heat – are avoided. In general terms, measures implemented to improve energy efficiency have decreased e.g. specific carbon dioxide emissions.

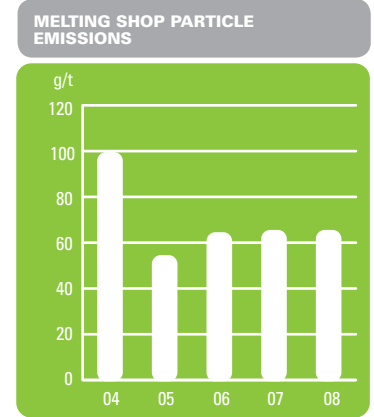
The impact of Outokumpu's emissions into the air on local air quality at major production sites are studied by the Group on a regular basis. At Avesta, measurements of mercury emissions from the steel melting shop have been carried out and reported to the authorities.

In Finland results from a study of mosses conducted at five-year-intervals by METLA, the Finnish Forest Research Institute clearly show that the quantity of metals carried by suspended particulates has fallen over the last ten years. For example, the chro-

mium content of moss around Tornio has diminished and the area affected by chromium has become smaller.

BY-PRODUCTS

One of the most important ways of reducing the amount of waste that results from steel industry operations is to modify melt shop processes so that the slag produced becomes a by-product. Outokumpu has invested several million euros in developing slag-based products, including the investment of one million euros in 2005 for an automatic steel slag analyzer for Tornio, to help ensure that the new steel slag products satisfy the necessary environmental and technical requirements. One result is that an increasing amount of stainless steel slag products are being sold and used each year in Finland, the UK and Sweden, mainly as construction materials. In 2008, approximately 75 300 tons of stainless steel slag and 320 000 tons of ferrochrome slag were sold as products by Tornio. The remainder of stainless steel slag was used as construction material at the site. Two of the steel slag products at Tornio have already received CE-certificates, a manufacturer's



declaration that the product complies with the essential requirements of the relevant European Health, Safety, and Environmental Protection legislation. Additionally more than 86 percent of all the slag produced at the melt shop in Sheffield is being used as an asphalt additive and then employed in road construction. Roads constructed using stainless steel slag are considered to be safer for the driver as their surfaces provide added grip when braking in wet weather. In Avesta, a test road has been built using slag as the construction material.

At Avesta, Nyby and Degerfors a project has been conducted to develop ways of reusing hydroxide flux, instead of landfilling.

Tornio is participating in UUMA, a national joint project that began in 2006 for authorities and industry to develop the use of by-products in Finland. UUMA is financed by the Ministry of the Environment.

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

WASTE

Dust and scales collected from the Group's stainless steel manufacturing operations are considered to be significant waste streams at Outokumpu. Wherever practicable, these wastes are collected and recycled in order to recover the valuable alloying elements that are present such as nickel, chromium, and molybdenum. The total amount of dusts and scales collected and treated in 2008 was 53 041 tons. Waste from the Group's production units is sent to appropriate treatment facilities or to landfill sites licensed to accept such materials. Waste includes both hazardous and non-hazardous substances and pre-treatment of the wastes is completed where required. Hazardous wastes (oily waste, steel-making dust and hydroxide sludge) generated by Outokumpu's operations in 2008 totaled 91 864 tons. All hazardous wastes are treated, re-used or disposed in accordance with prevailing legislation and best practices.

Outokumpu owns and manages landfill sites at some of the Group's production sites in Finland, Sweden and the UK.

As proof that efficiency in the use of materials is a cornerstone of our strategy, an investigation into the flow of each waste material at Tornio was initiated. The aim of this project is to determine the most cost-effective way of recycling, reusing, treating or disposing of materials and thus minimizing the amount of waste produced. The long-term target is a zero-waste plant.

Water discharges

The most significant discharges into water that result from stainless steel production are metal compounds and the nitrates produced in neutralization of acidic wastes produced in cold rolling units. Effluent discharges at all of the Group's production units are controlled in order to minimize the impact of such releases. At Tornio, for example, the natural load of metals carried by the local rivers to the Gulf of Bothnia in the Baltic Sea is much greater than the main discharges of metals (iron, chromium, nickel and zinc) resulting from operations at the steelworks.

The nitrate load referred to in the preceding paragraph originates from the pickling acids used to descale stainless steels. A number of different techniques are used to reduce the nitrate load in effluent discharges from these operations including a range of different technologies for recycling pickling acid. Outokumpu is developing discharge handling techniques to further reduce effluent loading.

At the Kemi mine, the main source of nitrate in waters is the explosive agent employed in mining operations.

Roads built using stainless steel slag are considered to be safer for the driver, as the slag gives added grip when braking in wet weather.

A small proportion of the explosive remains will wash out in circulating water. Covering an area of almost 200 hectares, the three large water ponds that have to be traversed before water reaches the point at which it is discharged into recipient water system appear to reduce nitrate levels by at least 60 percent. Research projects focusing on the reduction of nitrate discharges were launched at several of our production sites in Sweden.

The oil separation station in Avesta for cooling water and rainwater from the site was rebuilt to a modern lamella filter unit with process control to secure that oil in the water stream is separated.

Impacts of water discharges and runoff

From an environmental perspective, the Group's most sensitive production site is Tornio Works, which is located, in the estuary of the Tornionjoki river on the coast of the Gulf of Bothnia. This is on the border between Finland and Sweden and close to several nature reserves. Many studies monitoring biological, physical and chemical properties have been carried out in the vicinity of the Tornio site since the 1970s. In 2008, the results from voluntary research concerning the

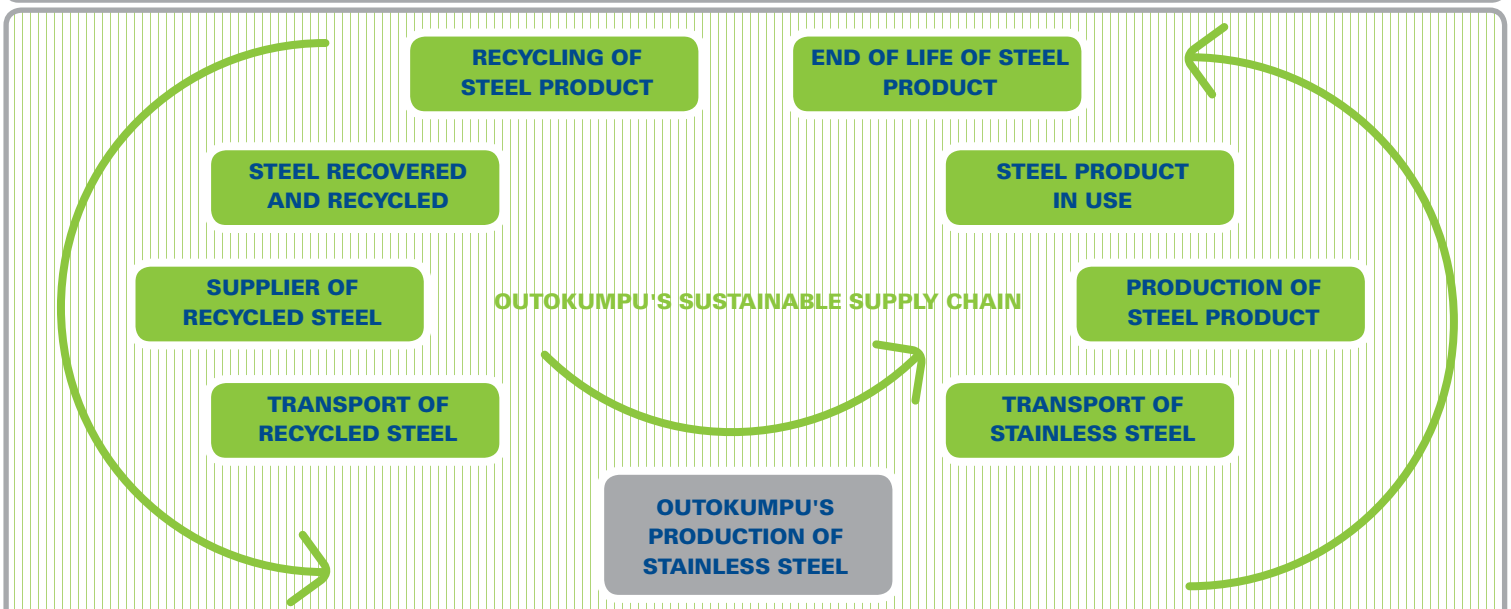
impact of nitrates in recipient water at the Tornio site and the Kemi mine were published. The results showed that impacts are restricted to the closest vicinity of the discharge points at Tornio and result in slight eutrophication. Impacts on the sea area in the vicinity of the Kemi mine are in practice negligible.

Over the last few years, output from Tornio has increased significantly. However, the pollution prevention techniques being employed will prevent corresponding increases in emissions and in many cases reductions from previous levels will be achieved. Annual studies regarding the condition of the sea area in front of the plant have shown that its environmental impact has diminished over the last ten years and the marine environment is healthy.

A number of studies (including the continuous monitoring of discharges) have shown that the levels of chromium and nickel discharged by Tornio are 60 to 80 percent lower than amounts discharged a couple of years ago.

Fish stock close to the Tornio site have been found to be healthy and commercial fishing operations are being carried out in the immediate vicinity of the site. According to research,

LIFE CYCLE OF STEEL PRODUCTS



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 products.

releases by the site do not accumulate in fish or in the marine food chain.

Impacts on soil and groundwater

At Tornio, dust from steel melting operations in the 1970s and 80s and contained in the Selvee landfill has contaminated local groundwater. The contamination was discovered in early 2000, protection and maintenance for the area's groundwater as well as environmental monitoring has been carried out ever since. Additional remedial actions were undertaken in the summer of 2008 under the supervision of the environmental authorities. 11 000 tons of old dusts have been extracted and a reactive barrier containing ferrosulphate has been injected around the af-

ected area. Metals recovered from the dust have been recycled as raw material, and follow-up activities that include the regular sampling of ground water will be conducted by Outokumpu in future years. Planning for closure of the whole landfill site is ongoing.

At Fagersta in Sweden, preparation work regarding environmental responsibilities in connection with closure of the Outokumpu Fagersta tube mill is proceeding. Based on an environmental study and analysis, intrusive samples have been taken from soil and groundwater.

Remediation associated with contaminated groundwater continues at Wildwood, us. In April, the Florida Department of Environmental Pro-

tection reviewed the Group's Semi-annual Groundwater Sampling reports, which include comparisons of levels measured in the 1999-2007 period. After noticing the substantial progress achieved, the department decided that the current pumping level is sufficient to complete as planned.

TRANSPORT

We have been striving to improve the environmental sustainability of our transportation networks. In 2008, 17.6 percent of our products were transported by rail and in 2008 Outokumpu signed a five-year contract with the EuroLink railway system. Compared with alternative



OBSERVATION BY PRICEWATERHOUSE-COOPERS

Environmental expenditure reporting

There are limited corporate guidelines on how to account and disclose environmental expenditure. Sites in different countries also use different principles for reporting environmental expenditure. Common instructions for expenditure reporting should be drafted and communicated internally.

Case

HAZARDOUS CARBON MONOXIDE TURNED INTO USEFUL ENERGY IN TORNIO



An image from inside the carbon monoxide gasholder.



The carbon monoxide gasholder in Tornio.

One of Outokumpu's theme year goals was to improve the Group's energy efficiency. One way of reducing our energy consumption is to utilize more carbon monoxide gas (CO), a by-product of our ferrochrome production, as a source of energy.

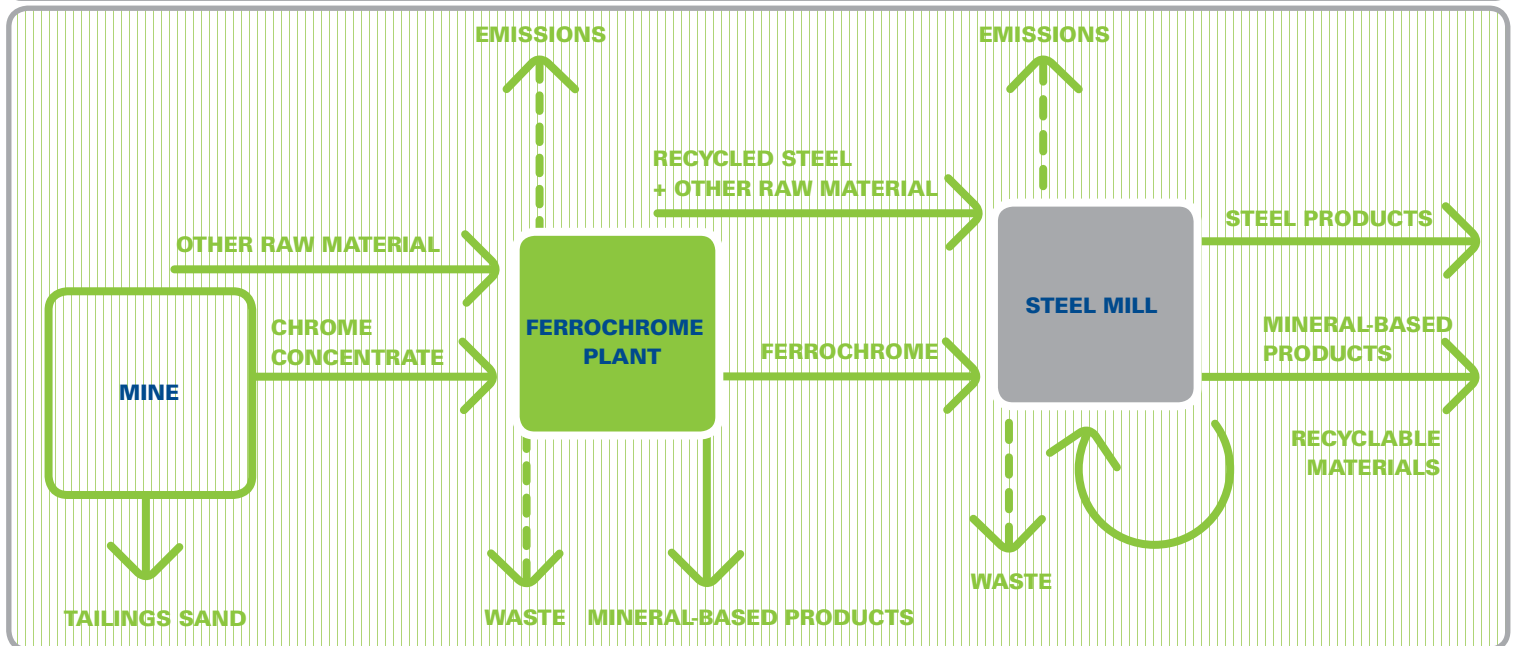
A gasholder was constructed and taken into use in September 2008 in order to allow the utilization of CO produced as a by-product of our ferrochrome production process in Tornio, Finland. At a total cost of seven million euros, the CO gasholder represents a significant environmental investment. The Group's environmental investments in 2008 totaled 18 million euros. As a larger proportion of carbon monoxide gas can now be utilized in our production process as fuel, use of the gasholder improves our energy efficiency and thus reduces total carbon dioxide emissions.

The CO gas produced in Tornio at our ferrochrome production process can be used to fuel downstream processes such as the adjacent hot-rolling and cold-rolling mills. Excess CO gas is also utilized by the Tornion Voima power plant located at our site. We produced 1.4 million giga joules (GJ) of CO in 2008. Before construction of the gasholder, we were unable to utilize all of the CO produced because of breaks in production. When these occurred, the CO had to be flared and released into the environment as carbon dioxide because CO is hazardous to human health. As the new

gasholder holds excess gas when this cannot be directly delivered to downstream units, it acts as a buffer during short breaks in production. According to Anne Kärki, a Section Manager for energy at our Tornio plant, the CO gasholder brings flexibility to our production operations in Tornio, allowing the CO utilization rate to be higher. "The gasholder also stabilizes the gas pressure, which improves both quality and levels of safety," she says. The carbon dioxide emissions resulting from the approximately 300 000 tons of CO we produce will continue. However, as the CO is utilized as fuel in downstream processes, this means that carbon dioxide emissions associated with purchasing and using other forms of fuel are avoided."

The steel gasholder is 41 meters high and 35 meters wide. It has a maximum capacity of 20 000 cubic meters, which is equivalent to one hour of gas production. The new CO gasholder enabled total energy savings amounting to 324 000 GJ. The total amount of CO-gas utilized 1.4 million GJ of energy during 2008. Introducing the gasholder into the production process has also contributed to a reduction of approximately 20 000 tons in annual carbon dioxide emissions at Tornio. In 2008, the Group's carbon dioxide emissions totaled 871 000 tons.

MATERIAL FLOW IN THE KEMI-TORNIO AREA



methods of transportation, EuroLink has an excellent environmental profile and is now responsible for most of our internal material flows. In addition to lower emissions, the EuroLink system features high capacity and enables us to maintain a reliable and frequent service between our different plants located throughout Europe. It is also a low-cost option. EuroLink connects our Tornio, Avesta, Nyby, Degerfors and Sheffield plants using a rail-ship-rail solution. Coil, slab, billet, raw and finished materials are transported inter-modally and the materials only have to be handled during loading and offloading phases.

In 2008, carbon dioxide emissions resulting from the Group's transportation of our products fell to 156 537 tons from 285 629 tons in 2007. The emissions fell even though the percentage of products transported by truck rose from 47.2 percent in 2007 to 60.2 percent in 2008 and yet the proportion transported by ship also fell to only 22.2 percent (2007: 41 percent). Simultaneously, the volume decreased from 1.6 million tons in 2007 to 1.4 million tons of products in 2008. Thus, the main reason for the significant reduction in the transportation emissions is likely to be shorter transport distances.

LARGEST ENVIRONMENTAL INVESTMENTS IN 2008

- New carbon monoxide gasholder in Tornio (2.5 million euros)
- Closure of Sellee industrial landfill area in Tornio (1.5 million euros)
- Renewal of dust filtering units in ferrochrome plant (three places) in Tornio (0.8 million euros)
- Improvement to caster fume collection in the Sheffield melt shop (0.3 million euros)
- Six step ph adjustment, Selective catalytic reduction (scr), acid scrubber in New Castle (some one million euros)

EXPENDITURE ON ENVIRONMENTAL PROTECTION AND INVESTMENTS

Environmental investments by Outokumpu in 2008 totaled some 18 million euros (2007: 12 million euros), operation costs in 2008 totaled 57 million euros, of which the treatment of waste and disposal amounted to 3.0 million euros. Provisions and guarantees related to environmental considerations at the end of 2008 totaled 19 million euros. In addition, the provision for after-care of old mine sites was 0.15 million euros.

>> **SOCIAL RESPONSIBILITY**

- 40 Personnel
- 40 Everyone deserves a safe working environment
- 43 Continuous training and development
- 43 Employees' voices are heard
- 44 Diversity and equal rights
- 45 Targets
- 47 Co-operation with local communities and educational establishments
- 47 Close involvement with research
- 48 Responsible sourcing
- 48 Product safety and product liability

Our response

SAFETY REPORTING SYSTEM AND AUDITING



Social responsibility

Our Ethics Statement, Corporate Responsibility Policy, and Code of Conduct clearly define our approach to social responsibility at Outokumpu: 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 labor, and we condemn all forms of corruption and bribery. The foundation for Outokumpu's human resources policy is our firm conviction that success comes from our most important asset – our personnel.

In addition to normal development work, 2008 featured the challenging targets set by our Corporate Responsibility Theme Year. In social responsibility our goals were to reduce injuries by one third and to improve the well-being of our personnel. Active leadership and development of the talent pool, support for the new commercial organization and the human resources SAP project were the priorities in Human Resources. At the end of the year, a new, light version of the O'People personnel survey was conducted to find out whether our efforts to improve employees' well-being had been fruitful.

The global financial crisis impacted both Outokumpu and our personnel. Unfortunately, workforce reductions could not be avoided. Lay-off negotiations affecting 450 people in our Swedish units and 350 people in global headoffice functions began in December. At Tornio, cost savings achieved through short-term measures made it possible to avoid temporary lay-offs in December.

As the poor demand for stainless steel continued, however, in February 2009 we were forced to announce a series of further actions. Including the December negotiations, in total some 2 300 temporary lay-offs and reductions of 700 jobs are being negotiated with personnel.

OUR PERSONNEL – THE KEY FIGURES

At the end of December 2008, the Group employed 8 471 people in some 30 countries. The number of employees increased by 363 persons compared to December 2007. The average length of service was 15 years, and personnel turnover for permanent employees amounted to 7 percent. The average age of the Group's permanent employees was 43.3. In 2008, roughly 7 500 employees were covered by collective agreements and employment of 354 persons was based on fixed-term contracts. There were 4 strike days in 2008 (2007: 1 235 and 2006: 15).

93.6 percent of the employees who make up our global workforce are located in Europe. 37.9 percent of our employees are located in Sweden, 33.0 percent in Finland and 8.5 percent in the UK. 18.8 percent of us are women (2007: 18), and 81.2 percent are men. Outokumpu maintains a consistent freedom of association policy, meaning that personnel in all operating locations are free to join trade unions in line with the rules and regulations that apply in the local labor market.

The low proportion of women in our workforce is very typical of heavy industries, such as ours. Our aim, however, is to increase this proportion.

Group Sales and Marketing, a new commercial organization that includes service centers, was formed in 2008. Approximately 80 employees were recruited for this central function. As a result of the SoGePar acquisition and the creation of the new commercial organization, the number of people employed by the Group rose by 363 in 2008.

Improving data collection and management

At the beginning of 2008, a Group wide human resources SAP system was launched to facilitate human resources data collection and support global human resource processes. Roughly 350 key employees based in Finland took part in a pilot project related to performance and development dialogues and skills management. During 2008, management of training programs and recruitment process were incorporated into the system. All Outokumpu personnel were included by the beginning of 2009, which means that information on basic master data and skills and competences of every employee will be easy to find in the SAP-based system.

EVERYONE DESERVES A SAFE WORKING ENVIRONMENT

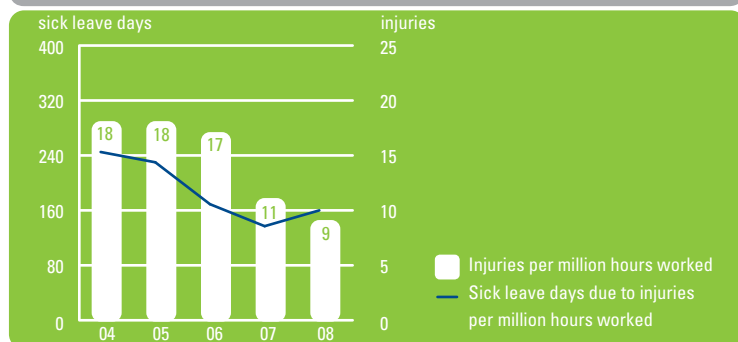
Outokumpu is committed to providing its personnel with a safe and healthy working environment. The Group is also accountable for the safety of contractors and suppliers while they are working in Outokumpu's production plants and in other Group facilities. The development of occupational safety is monitored in our Group through regular reports at corporate management meetings, and all management committees and equiva-

OUTOKUMPU'S goal is to become the undisputed number one in both stainless steel and corporate responsibility. In the area of social responsibility, we plan to achieve the number one position by working hard at being both a great workplace and an important and visible player in the local communities in which we operate.

KEY FIGURES

	2008	2007	2006
Sales/person, € million	0.6	0.8	0.7
Incentives of total remuneration costs, %	4.9	5.6	4.2
Training costs of total remuneration costs, %	1.4	1.4	1.1
Training days/person	2.8	3.3	2.9
Days lost due to strikes	4	1 235	15
Personnel turnover, %	7.0	6.1	10.1

INJURIES
(EMPLOYEES AND CONTRACTORS)



lent bodies throughout the group start their meetings with a safety review.

A new Occupational Safety Committee comprising of safety experts from the Group's different business units and corporate management was established and held its first meeting in September. This committee will convene quarterly.

DuPont Safety Resources conducted a safety evaluation in September-October. Eighteen sites were visited and a survey of safety perception levels among our personnel was conducted via the intranet. The final report was received in November.

Tornio Works First Aid Team won the Finnish First Aid competition organised by the Finnish Red Cross. In this competition first aid groups

from Finnish workplaces are tested on their knowledge of first aid and related skills.

Injury prevention and hazard awareness

During the Group's Occupational Safety Theme Year in 2005, the target of reducing the injury rate to less than five per million hours worked by 2009 was set. The target set for the 2008 Corporate Responsibility Theme Year was to reduce injuries by one third, i.e. to 8 injuries per million hours worked or less. The actual rate in 2008 was 9 injuries per million hours worked. This figure includes our contractors. Although we did not reach our theme year goal, this is an improvement compared to 2007 (11

PERSONNEL BY COUNTRY

31.12.	2008	2007	2006
Europe			
Sweden	3 211	3 070	3 061
Finland	2 798	2 759	2 802
Britain	717	862	845
Italy	340	141	138
The Netherlands	260	253	233
Germany	214	194	216
Other European countries	388	321	379
	7 928	7 600	7 673
North America			
The United States	403	394	388
Canada	38	34	33
	441	428	421
Asia	72	51	35
Australia	25	25	26
Africa	5	5	5
Group total	8 471	8 108	8 159

FTE full-time equivalent

injuries per million hours worked). There were 160 sick leave days per million hours worked due to injuries. A total of 160 individual lost-time injuries occurred in 2008, none of which were fatal. In 2007, the EU average for the World Steel Association (previously IISI) member companies was 7.7 injuries per million hours worked. Any work-related injury which prevents an employee or a contractor's employee from returning to work on their next scheduled work day is considered to be a lost-time injury. Lost-time injuries occurring in the Group are reported in accordance with definitions issued by the World Steel Association. Last year we referred to injuries as accidents, but this year we will comply with the World

Steel Associations terminology.

The figures reported include injuries suffered by both Outokumpu's own personnel and people employed by contractors. Outokumpu employees are also encouraged to report all near-miss situations they encounter in the workplace. A total of 2 521 reports were received in 2008 (2007: 4 480 and 2006: 3 478).

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

Case

ALL EYES ARE ON SAFETY AT TERNEUZEN



Patrick de La Ruelle at Terneuzen's safety board.



Patrick de La Ruelle at a train platform designed to make getting on and off the train safer. This is just one example of measures taken to improve safety at Terneuzen.

"Our employees deserve a safe working environment... but this requires the constant attention of everyone" – Outokumpu CEO Juha Rantanen April 8, 2008.

Outokumpu believes we must strive to become the undisputed number one in stainless steel in a responsible way, and this includes taking care of our employees. Our group-wide goal is to reduce the number of work-related injuries to zero in the long run, with the target of less than five injuries per million man hours worked by 2009. The injury figure relates to any work-related injury, which prevents an employee from returning to work on the next scheduled work day.

The Outokumpu plant in Terneuzen, The Netherlands has set a good example for us in safety. Terneuzen's rate of injuries per million hours worked in 2008 was three, so they are already ahead of our target of 2009. The 2008 average for the entire Group was 9. The EU average for member companies of the Worldsteel Association in 2007 was 7.7.

Frank de Meijer, Terneuzen's Managing Director, credits much of the plant's success in safety matters to management getting involved and a change in attitudes. Earlier, recognition of safety issues was less than adequate, but incidents that involved unsafe behavior are now receiving considerably more attention. Nowadays, as well as injuries, both risks and near misses are monitored and reported.

Measures to monitor safety levels include safety-related observation tours and meetings. The observation tours are a way of uncovering safe and unsafe behavior. Safe practices are commended, while employees' attention is drawn to any unsafe practices being used. The goal is to reveal whether employees are fully aware of all aspects of what they are doing and any possible consequences. Safety-related meetings held each month include short instructions on a specific safety topic. The agenda for these meetings can include anything from revision lessons to analyzing the root causes of injuries and devising appropriate countermeasures.

Other companies have recognized the good levels of performance achieved at Terneuzen and the practices employed there have been used as a benchmark. Representatives from both Friesland Foods and Heineken have visited the plant to investigate Terneuzen's safety processes.

According to Frank de Meijer, further improvements are on the way. To enhance safety levels, the Terneuzen team is proposing that safety experts be present on each shift, on each production line and in each department. In safety and injury rates, no number can compete with zero.

compare reports and data from all of the Group's units. Previously, Outokumpu had several different systems recording occupational injuries and compiling statistics. Safety Log is based on international standards laid down by the International Labour Organization (ILO) and the International Organization for Standardization (ISO).

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.

In 2008, an average of 5.6 percent (2007: 6.2 percent) of working time of our employees was lost due to sickness or injuries. A total of five occupational diseases were diagnosed during the year (2007: four cases). AIDS awareness at Outokumpu is handled as part of the healthy lifestyle counseling provided by our occupational health staff. The HIV infection rate in communities close to our operational locations has not given cause for arranging more extensive campaigns.

CONTINUOUS TRAINING AND DEVELOPMENT

Outokumpu emphasizes the importance of continuous personnel training

and development. During individual performance and development dialogues, supervisors identify future development needs together with members of their team. The Group has a number of training programs and opportunities that focus on developing skills and competences.

Our management training programs are designed for middle management and are based on developing each participant's skills according to our leadership principles. These principles state that a good manager makes sound decisions, achieves ambitious targets, creates a winning team, inspires to perform and builds trust and respect. Our programs are always related to Outokumpu's strategy: they either communicate, help understand, or improve strategic thinking skills. Some programs even contribute to the development of our strategy.

Employees with a university degree, who have been with Outokumpu for one or two years, have the opportunity to attend a Group wide introduction program which prepares them for increasingly challenging tasks. As well as being an excellent networking platform within the company, the program includes workshops on the theme of corporate responsibility that focus on concrete challenges and solutions.

To maintain our position as the cost leader in the stainless steel industry, we have been implementing so-called Excellence Programs since 2005. This program consists of theoretical training, practical project work and leadership training. Employees who graduate from the program are given the task of promoting the Excellence Programs' objectives.

Outokumpu emphasizes the importance of continuous personnel training and development.

In 2008, Outokumpu's training costs amounted to 1.4 percent of total salaries (2007: 1.4 percent and 2006: 1.1 percent). The Group provided 2.8 training days per employee (2007: 3.3 and 2006: 2.9). Incentive bonuses in 2008, totaled 4.9 percent of total salaries (2007: 5.6 percent and 2006: 4.2 percent).

Stainless Pro trainee program

Our Stainless Pro trainee program has proved a good channel for securing young talent. This international program for young graduates who have completed a university level degree began in 2007. Each year a maximum of 10 applicants are selected for a two-year training program during which they have an opportunity to work at different Outokumpu business units and gain in-depth knowledge of the stainless steel business. Seven new trainees started the program in September 2008.

EMPLOYEES' VOICES ARE HEARD

For us to be able to influence the motivation of employees and their job satisfaction, it is vital that we listen and that matters are discussed in an open manner.

In 2008, the O'People personnel survey was conducted for the fourth time. The purpose of the survey is to

understand the needs of our personnel. The aim is to further personal and workplace development.

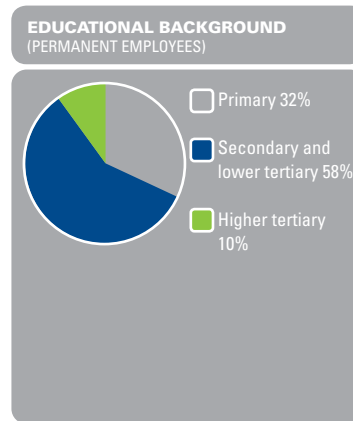
One of the goals set for Corporate Responsibility Theme Year was to improve well-being at work. We believe that the O'People survey index and response rate are appropriate ways of measuring individuals' well-being.

In spring 2008, the Group wide target of increasing the average O'People score by 10 percent was set. A particular hope was to achieve an improvement in motivation, in the quality of performance and development dialogues, in the recognition of jobs well done, and in the understanding of our customers and their businesses.

The 2008 light version of O'People was a follow up to the 2007 survey to assess if the actions taken in 2008 to improve well-being have been successful. The 2007 survey mapped how well our leadership principles had taken root.

The results showed an improvement in scores in each category, and the overall O'People index for 2008 stood at 621 (2007: 595). Although this represents an improvement of 4.3 percent, it was short of our goal of an increase of 10 percent.

The response rate in 2008 was 75.5 percent, an improvement of 11.5 percent over 2007.



All team leaders with at least six subordinates who answered the survey were assigned a score between 0-100 based on the Group's Leadership Index. Action was taken to improve the leadership skills of all team leaders whose score was less than 50. In 2008, 22 middle-level managers took part in a leadership-skills training program that consisted of three modules. The Leadership Index improved to 63 points in 2008 (2007: 53)

Another Group objective was that 20 percent of Outokumpu employees should participate in job rotation schemes during 2008. Job rotation fell one percent under our target.

Performance and development dialogues for all

Nearly all Group employees participated in performance and development dialogues in 2008, thus not fully achieving our goal for the year. During the discussion each employee's performance in the previous 12 months is reviewed and new targets are set for the year ahead. Also the employee's competence and development needs are discussed.

Co-operation between management and personnel

Outokumpu's Personnel Forum is a joint consultative body that also provides an information channel between Group personnel and management. Established in 1994 in response to the European Works Council Directive, the forum includes 21 personnel representatives from our European operations, people representing human resources and members of the senior management team. The Personnel Forum generally convenes once each year. The 2008 event – the 17th annual meeting – was held in Cremona, Italy and the theme being the ongoing process of culture change in how we operate as a one company.

The Personnel Forum appoints a working committee which is responsible for ongoing co-operation between personnel and management. During 2008, the committee held seven meetings with members of the senior management team including the CEO.

DIVERSITY AND EQUAL RIGHTS

Outokumpu's ethical principles require that every individual be treated equally. Discrimination and intolerance are not permitted. The Group complies with international labor treaties, and is absolutely opposed to the use of forced and child labor. We support the ten principles of the United Nations Global Compact based on international conventions on human rights, anticorruption, International Labour Organization (ILO) conventions, workplace rights and sustainable development. Our participation in this UN Global Compact initiative was confirmed in January 2009.

Statistics regarding the proportion of women at different levels of the Group have not been collected on a systematic basis. The overall percentage of women in the Group's personnel is 18.8 and our aim to increase this figure. Three members of the Outokumpu Board of Directors are women. 35 of Outokumpu's key position holders are female. The Outokumpu Board of Directors and Executive Committee are presented on pages 60-63 of our annual report.

REDUNDANCIES AND INVESTMENTS

Closing our plant in Fagersta

The Fagersta Tube Mill was closed down and people left on December 9, 2008. Some twenty individuals who have decided to take early retirement packages will help dismantle machinery and clear out the facilities before they leave the company. This work is expected to take place in the first quarter of 2009. The Fagersta tube mill employed 144 people when the closure decision was taken in 2006. Some twenty were offered early retirement, seven will remain with the Group based in an office in Avesta, and 36 were laid off. The remainder left the company before closure of the plant was implemented.

The plan to offer jobs in new positions at the Group's planned investment in Avesta has been cancelled because of the global financial situation.

Lay-offs in Sheffield

Stainless production at our Meadowhall site in the UK, ceased in December 2008. The site employed 130 people.

Of the employees made redundant, 55 are currently undertaking further training courses to provide additional qualifications and new skills in an attempt to attract future employers.

Another 50 employees will leave in March 2009, as carbon steel production was brought to an end. They will receive the same training opportunities as those who have already left. The remaining 23 employees will help with decommissioning the plant before leaving in fall 2009.

In both Avesta and Sheffield, employees received training such as fork lift truck training, assistance with

Group-wide social targets

GOALS FOR 2008	RESULTS	GOALS FOR 2009
Develop internal data collection; Human Resources SAP	Achieved. Human resources SAP usage started globally in the Group in January 2009.	Further HR SAP development to cover more GRI social performance indicators.
Job rotation for 20% of personnel within Leader Pool, which consists of high potentials and personnel in key positions.	Almost achieved. Goal reached by Business units and corporate functions by 99%. Due to organisational changes, which increased job rotation substantially in commercial organization exact results not available. Actual percentage most likely higher than reported one.	Job rotation for 20% of personnel within Leader Pool. Job rotation reported at all levels throughout the Group.
Performance and development dialogues for everyone	Almost achieved. In 2008 performance and development dialogues included also production workers. In business units 89% of production workers and 94% of office workers had dialogues, in corporate functions 94%. Changes in commercial organization and decision to close down Sheffield Special Strip affected the number of dialogues in 2008.	Performance and development dialogues for all.
Eyes on the supply chain	Achieved. Sustainable Supply Chain Management Tool introduced.	Tool taken into use.
THEME YEAR GOALS	RESULTS	GOALS FOR 2009
Reduction of injuries by one third (i.e. to 8 per million hours worked)	Not achieved. Injury rate was 9 per million hours worked.	Decrease injuries to below 5 per million hours worked.
Improve well-being (O'People score by 10%; approx. to 660)	Not achieved. O'People score was 621 (2007: 595), a 4.4% improvement.	Goals will be set in spring 2009.

Case

DEVELOPING INNOVATIVE USES FOR STAINLESS STEEL



A newly developed tram made of stainless steel for street traffic.



Photo courtesy of Siemens.

"Our target is to increase the awareness of new, durable stainless steel grades that can decrease the environmental load of the modern streetcars", says Tero Taulavuori (left). Tero and Jukka Säynäjäkangas work at Outokumpu with the INSAPTRANS-project.

Outokumpu supports the expansion of knowledge and skills in steel and associated technology. Our stakeholders consider research and development a vital tool for exploring innovative solutions to combat climate change and create new applications for stainless steels.

Our target is to develop both lightweight structures and new, more durable stainless steel grades and their production methods, which are increasingly environmentally friendly. In the quest for innovative solutions using stainless steel, Outokumpu participated in "Innovative Stainless Steel Applications in Transport Vehicles" (INSAPTRANS), a collaborative European project seeking to promote the use of stainless steel in public transportation vehicles. The foundations for this project were previous joint research projects financed by the European Union's Research Fund for Coal and Steel.

VTT Technical Research Center of Finland coordinated the INSAPTRANS project and partners included both European research institutes and companies from the industry. The dissemination project was launched in July 2007 and ended in late 2008. As part of the research project, a manual for the use of stainless steel in transportation was developed and the results were presented to industry experts at a series of seminars. In order to

reach a wider audience, the results were also published by EuroInox, the European market development association for stainless steel. There are numerous benefits of using stainless steel in public transportation. As stainless steel enables the reduction of vehicle weight fuel, both consumption and consequent carbon dioxide emissions are lower. While actual levels of CO₂ emissions depend on a number of variables, reducing the weight of a city bus by 1 000 kg cuts fuel consumption by about two liters per 100 kilometers. Not only is such a vehicle more sustainable, its life-cycle costs are also lower. Using stainless steel can enhance impact resistance, improve safety levels in a fire, and its corrosion-resistant properties reduce maintenance costs.

Investment in public transportation is already rising as a result of growing traffic congestion. Demand for lighter forms of rail transportation are already significant in China, India and the EU, and rail travel is increasingly considered a viable alternative to air transportation. Stainless steel is already widely employed in both buses and trains.

The INSAPTRANS project is a good example of how Outokumpu advances the results achieved through collaborative research and development into novel sustainable solutions that are attractive to expanding end-user segments.

working on a curriculum vitae, training interviewing techniques, financial planning assistance and help with looking for new employment.

Temporary lay-offs at Tornio

In November 2008, because of the reduced level of orders resulting from the global financial downturn, Outokumpu initiated statutory negotiations regarding temporary full or part-time lay-offs at our Tornio plant. Both Group and employee representatives were active in seeking alternatives, and the temporary lay-offs were avoided through a range of measures. These included measures that achieved substantial cost savings, Outokumpu's own people executing a higher proportion of maintenance work, investing time in training and operational improvement programs and encouraging the use of flexible work hours and other forms of leaves.

FURTHER ACTIONS TO BE TAKEN

As demand for stainless steel suddenly weakened, Outokumpu was forced to take further actions that included permanent and temporary reductions in personnel numbers. In December, negotiations with personnel representatives initiated regarding reductions at the Group's Swedish production sites and head office functions. As a result of the negotiations some 20 people from our head office function will leave, mainly through retirement packages. The negotiations in Sweden are on-going.

Unfortunately the cost savings initiated in December were not sufficient, and due to poor stainless steel demand, we were forced to announce that further negotiations with personnel regarding temporary and per-

manent lay-offs will be started. Including the lay-offs and reductions announced in December, the negotiations are expected to result in 2300 lay-offs and 700 job reductions.

CO-OPERATION WITH LOCAL COMMUNITIES AND EDUCATIONAL ESTABLISHMENTS

As a leading company in the stainless steel market, Outokumpu seeks to have an active presence in the local communities in which it operates. Outokumpu is already the largest industrial employer in communities such as Avesta, Degerfors, Långshyttan 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 investment or close operations have a major influence at local level. The 12-month postponement of almost all our investments announced in December has certainly had an impact on our production sites and the surrounding communities in Sweden and Finland. Investments in new service centers have also been postponed except for those in Willich, Germany and in China. The Group's strategy, however, has not changed and all these investments continue to be of strategic importance for us.

As in previous years, numerous visits by stakeholder groups to Group facilities were organized at many of our production sites to further improve relationships with local communities.

As defined in Outokumpu's support and sponsorship policy, we sponsor sports, culture and a variety of events at local level, and we also support charity work. More information about the Group's sponsorship activities can be found on page 20.

Further information on Outokumpu's stakeholder relations is presented on pages 12–15 of this report.

Diverse co-operation with universities, colleges and schools

To be able to reach our future corporate goals, we have a continuing need to attract talented people. We therefore reach out to potential young employees by visiting universities, hosting school groups and attending recruitment fairs. At an interactive student event, for example, our CEO Juha Rantanen attended a student event in a panel discussion together with other CEOs from Finland's metals industry. More than 150 students from various universities in Finland took part, and their positive reactions included the hope that the event will be repeated in 2009.

As in previous years, we continued our cooperation with several universities. The Outokumpu Research Centers in Avesta and Tornio are engaged in running technical research projects together with these institutions.

Outokumpu has close contacts with many comprehensive and upper secondary schools. One of the goals of this co-operation is to raise awareness about the steel industry among children and young people and to encourage them to learn more about the sector. Outokumpu has adopted schools in several of the Group's operational locations and awards annual scholarships and stipends to local schools in Finland and Sweden.

One result of these efforts was that Outokumpu improved its ranking among Finnish technical students in the 2008 student employer branding survey organised by Universum.

CLOSE INVOLVEMENT WITH RESEARCH

Outokumpu invested 20 million euros in research and development in 2008, (2007: 18 million euros and 2006: 17 million euros). Outokumpu conducts research independently as well as in collaboration with its customers, research institutes and universities.

Working with other stainless steel producers in the ISSF (International Stainless Steel Forum) Outokumpu contributes to global statistics, runs joint research programs in pre-competitive product and application development areas and produces data and evidence regarding the environmental influence 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



OBSERVATION BY PRICEWATERHOUSE-COOPERS

Group guidelines for defining training

Definition of training varies at different sites. In Tornio, only training lasting longer than four hours is reported, whereas another approach is used in Avesta. The sites should follow more closely corporate instructions on training reporting procedures and internal communication could be improved.

properties of these materials have also been topical subjects. Working together with associations of key raw material producers, new production routes that would result in reduced quantities of greenhouse gas being emitted have 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 activities has been strongly on demonstrating that the production and use of both metallic chromium and chromium containing alloys results in no harm for human health or the natural environment. ICDA made an extensive contribution in establishing a consortium for ferrochromium that 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". Launched in September 2008, field studies associated with this project will continue until March 2009 and results will be available in 2010. More than 300 employees will participate in a survey of symptoms, in lung function tests and in the measurement of biomarkers and nitrogen oxides in exhaled air.

Outokumpu is a shareholder in two Finland-based strategic centers for science, technology and innovation: the Finnish Metals and Engineering Competence Cluster (FIMECC Oy) and energy and environment cluster (CLEEN Oy). These organizations offer a new way for universities, research institutes and companies to engage in

close, long-term cooperation. One of Outokumpu's research and development objectives is to develop techniques that allow new, more durable stainless steel grades to be produced in an increasingly environmentally friendly manner. By using more durable steel grades end-users can construct lighter products which are more environmentally friendly. The handling and utilization of production and slag is another important area of research. Read the case on innovative applications of stainless steel on page 46.

Three patent applications for new inventions were submitted by the Group during 2008. These inventions are associated with new applications for stainless steel tube material and duplex grades of stainless steel.

RESPONSIBLE SOURCING

In our 2007 report we indicated that we would pay more attention to the sustainability of our supply chain. We expect our suppliers and contractors to adhere to ethical standards that are as high as the ones that Outokumpu observes. Currently, our business units employ a variety of processes when assessing supplier responsibilities. We have therefore developed a new Supply Chain Management Tool for screening human rights issues together with matters that affect social, environmental and economic sustainability. Additional information can be found on pages 12 and 20 of this report.

PRODUCT SAFETY AND PRODUCT LIABILITY

Research has clearly shown that using stainless steel products is not harmful to an individual's health. Also,

the concentrations of metals in food cooked in stainless steel containers have been analyzed and found to be insignificant in comparison to the levels that occur in foodstuffs naturally. As stainless steel is an extremely hygienic material and does not impart any taste or odor, products made from it are widely used in the food sector. It is important to note that the properties of stainless steel differ from those of the individual metals from which it is manufactured. For example, the most common nickel-containing grades of stainless steel do not cause any allergic reactions, even in people who suffer from nickel allergy.

Guidelines for safe downstream processing

Outokumpu provides customers with complete and thorough product safety descriptions, which elaborate on both the environmental influences of products made from stainless steel and potential health issues. Although stainless steel itself is a safe product, certain issues should be taken into consideration during its downstream processing. The inhalation of welding gases, for example, can be harmful and use of the correct protective gear and compliance with safety guidelines are therefore of prime importance. The complete safety guidelines are available in Outokumpu's Material Safety data sheet issued by the Group. The data sheet can be found at www.outokumpu.com.

All Outokumpu products undergo testing in our own laboratories to ensure that they meet the strictly defined technical criteria.

All of Outokumpu's business units have a quality management system in place. The ISO 9001:2000 manage-

ment standard constitutes the minimum requirement for the Group's quality policy. Ninety-seven percent of our production plant and service center quality management systems have been certified.

Reports on the health and environmental impacts associated with the use of stainless steel are issued by the industry's marketing organizations such as EuroInox. Information is also available from the product safety bulletins issued by international nickel, chromium and molybdenum organizations. Outokumpu contributes to the process of drafting this type of communications.

Independent assurance report

TO OUTOKUMPU GROUP'S MANAGEMENT

At the request of Outokumpu Group's Management we have performed the procedures agreed with you and detailed below concerning the limited assurance engagement on the Outokumpu and our environment 2008 report (the Report) consisting of the economic, social and environmental information (Subject Matter) within reporting period 1.1.–31.12.2008.

Management's Responsibility

Outokumpu Group'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) Reporting Guidelines G3 version and Outokumpu Group's own reporting guidelines.

Practitioner's Responsibility

Our responsibility is to express an independent conclusion on the Subject Matter based on our limited assurance engagement. 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 comply in all material respects with the criteria.

In a limited assurance engagement the evidencegathering 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.

The procedures that we have performed are summarised as follows:

- We interviewed five (5) persons in Group Management in order to ascertain the current targets for Outokumpu's corporate responsibility as part of the business strategy and operations;
- We interviewed Outokumpu Group's people responsible for reporting
- We reviewed policies, management and reporting systems and documents relating to information disclosed in the Report
- We assessed the data management procedures used in compiling and reporting the quantitative data;
- We interviewed the persons responsible for the practices and procedures used for data generation, recording, compilation and consolidating both at the Group Head Office and at the three sites (Tornio, Avesta and Sheffield)

- We tested the existency of reported information based on a sample basis of primary documentation at three sites (Tornio, Avesta and Sheffield)
- We reviewed the content and quality of information presented in the Report and definition of boundaries
- We tested the completeness, accuracy and comparability of the quantitative data presented in the Report on a sample basis of primary documentation at three sites (Tornio, Avesta and Sheffield) together with the initial numeric data received from all Outokumpu Group's sites.

Our conclusions

Based on our general review work described above, nothing has come to our attention that causes us to believe that the Outokumpu Group's Report 2008 in all material respects, based on the aforementioned assurance criteria, is not giving a balanced and appropriate view of Outokumpu Group's corporate responsibility. 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 Group's performance in relation to its principles of corporate responsibility.

Espoo, 17 February 2009

PricewaterhouseCoopers Oy



Marko Korkiakoski
Partner



Sirpa Juutinen
Director,
Sustainable Business Solutions

Comparison with Global Reporting Initiative guidelines

Global Reporting Initiative (GRI) is an international initiative of the United Nations, which aims to apply to reporting on corporate responsibility the same widely accepted operating model as already applies to financial reporting. Over thousand companies worldwide report on the economic, environmental and social aspects of their operations in line with the indicators given in the GRI guidelines on the reporting of sustainable development. Outokumpu follows the GRI G3 guidelines set in 2006.

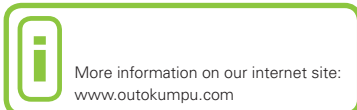
Report applications level of GRI G3 guidelines (A/B/C+)

Outokumpu's own and third party estimate is B+

GRI CONTENT

	Responsibility report, page	More information/annual report, page
Strategy and analysis		
CEO's statement, key impacts, risks and opportunities: 1.1–1.2	4, 9–10, 21, 24	8, 10–12, 64–66
Organizational profile		
Organizational profile: 2.1–2.10	4–7, 9, 19, 21, 41	4–7, 28–51
Report parameters		
Report profile: 3.1–3.4	6, 52	
Report scope and boundary: 3.5–3.11	6–7, 41	
Assurance: 3.13	49	
Governance, commitments and engagement		
Governance: 4.1–4.10	9–11	54–63
Commitments to external initiatives: 4.11–4.13	9–10, 13, 15, 24	
Stakeholder engagement: 4.14–4.17	12–15, 47	
Management approach to economic responsibility		
ECONOMIC PERFORMANCE INDICATORS		
Economic Performance: EC1–2*, EC4*	19–21	16–25
Market presence: EC6*	20	6–7
Management approach to environmental responsibility		
ENVIRONMENTAL PERFORMANCE INDICATORS		
Materials: EN1–2*	24, 26–28	
Energy: EN3–4*, EN5	26–30	47
Water: EN8*, EN9–10	29, 31	
Biodiversity: EN11–12*, EN13–15	30–31	
Air emissions: EN16*, EN18, EN19–20*	21, 25, 27–29, 31, 33	50
Water discharge and waste: EN21–EN22*, EN25	28, 30, 34	50, 51
Significant spills: EN23*	31	50
Products and Services: EN26*	46, 48	
Compliance: EN28*	30–31	50
Transport: EN29	35, 37	
Environmental expenditures and investments: EN30	37	51
Management approach to social responsibility		
SOCIAL PERFORMANCE INDICATORS		
Labor Practices and Decent Work		
Employment: LA1–2*	40–41	48
Labor/Management Relations: LA4–5*	40, 44, 47	48
Occupational Health and Safety: LA7–LA8*	4, 5, 41–44	51
Training and Education: LA10*, LA11–12	40, 43–45	48
Diversity and Equal Opportunity: LA13*	40, 44	12
Human Rights		
Investment and procurement practices: HR1–HR2*	12, 48	42–45
Non-discrimination: HR4*	44	
Freedom of association and collective bargaining: HR5*	40	
Child labor, forced and compulsory labor: HR6–7*	40, 44	
Society		
Community: SO1*	47	
Corruption: SO3*	11	
Public Policy: SO5*	15	
Compliance: SO8*	10	
Product Responsibility		
Customer Health and Safety: PR1*	47–48	
Product and Service Labeling: PR3*, PR5	13, 48	

* GRI Core indicator



More information on our internet site:
www.outokumpu.com

Glossary

BAT (Best Available Techniques)

The technology that takes into consideration the technologically and economically most efficient and highly developed solutions.

By-products

A product arising in conjunction with the process of manufacturing the main product. For example, in the manufacture of stainless steel (the main product), nowadays the by-product can be used to manufacture material for uses such as soil conditioning and road building (slag granules). In this way, the volume of waste that arises can be reduced and, in the best case, there is no waste at all.

Carbon free

The production of energy is considered to be carbon free if it does not create additional carbon dioxide emissions.

Carbon leakage

Describes a situation where a strict climate-policy causes heavy industry to make investments in countries with a lenient climate-policy.

Certified environmental system

A certified environmental system is verified by an external body to show that the site has undertaken a commitment to developing and managing environmental matters and achieving related targets. It enables the organization to reach the level of environmental protection which it has set for itself, including control and monitoring. For example, the ISO 14001 standard defines the requirements of an environmental system.

Energy efficiency

Energy-efficiency means that the product is manufactured with the smallest possible energy consumption. Energy efficiency is also referred to when speaking about products: products that consume a low amount of energy are energy efficient.

Environmental efficiency/ eco-efficiency

Environmental efficiency refers to addressing environmental considerations (such as air protection, water protection, energy consumption). The principle is to obtain “more from less”. This can thus involve factors such as more efficient use of resources, maximizing the use of renewable natural resources, minimizing energy consumption and increasing the recyclability of products.

Environmental impact

An environmental change caused by an organization, products, services or some other human activity. The change can be either detrimental or beneficial.

Ferrochrome

An important alloying element in stainless steel: it contains chromium, iron, carbon and silicon.

Hot rolling mill, cold rolling mill

A plant where steel slabs go into manufacturing steel products by shaping them with heavy rollers. In the shaping processes, the slab is given the desired dimensions and form.

Life cycle

The stages of a product or service, including the procurement and transport of raw materials and the final

processing of wastes that arise, recycling or events connected with winding up the service.

Neutralization

A measure by means of which a neutral solution is produced from acidic and alkaline solutions. Neutralization enables a material going to a landfill or into the sewage system to be rendered safe for the environment.

Pickling process

A method whereby an oxide layer or other surface material (such as rust) is removed from the surface of the metal by immersing it in a solution of appropriate chemicals (e.g. dilute acid) that affect the surface layer but leave the metal itself virtually unchanged.

Recycled raw material

The reuse of products that have been removed from a process (e.g. metal, paper and glass) as a raw material or principal material.

Regeneration plant

At a regeneration plant, spent pickling acids, for example, are reclaimed so that they can be recycled back into the process.

Slag

A by-product arising when metals are melted. The mass consists of flux and impurities. Being lighter, slag rises to the surface of the molten metal, forming a layer of slag that is then removed. Slag serves a number of purposes such as removing impurities, protecting steel from oxidization, and it can be turned into products that find reclaimed uses in various applications.

Smelting plant (melt shop)

In a smelting plant (melt shop) the dressed ore is melted down with additives to make hot metal and slag.

Specific emission

Emissions per ton of molten metal.

Steel slab

A general term (cf. billet, bloom) for a piece of steel that is manufactured by casting, rolling, forging or in some other manner and goes on to further processing.



A more comprehensive glossary is available on our website at www.outokumpu.com.

Contact details

E-mails are in the format
firstname.lastname@outokumpu.com

ENVIRONMENTAL ISSUES

Dr Juha Ylimaunu, Senior Vice President
– Environment, health, safety and quality
Tel. +358 9 421 2688

HUMAN RESOURCES ISSUES

Heli Alén, Vice President
– Human Resources Development
Tel. + 358 9 421 2603

ECONOMIC ISSUES

Mika Pyyskänen, Senior Vice President
– Corporate Controller
Tel. +358 9 421 5512

CORPORATE RESPONSIBILITY ISSUES

Liisa Jalanko, Vice President
– Corporate Responsibility
Tel. +358 9 421 3265

Authors of report:
Outokumpu Oyj, Corporate Communications
and Investor Relations
Liisa Jalanko, Säde Rytönen, Markku Rantala

Your opinion matters in developing
reporting systems.
Please find our feedback form on our website.

OUTOKUMPU OYJ

Corporate Management

Riihitontuntie 7 B

PO BOX 140

02201 ESPOO

Finland

Tel. +358 9 4211

Fax +358 9 421 3888

E-mail: corporate.comms@outokumpu.com

www.outokumpu.com

DESIGN AND PRODUCTION

Miltton Oy

PHOTOS

Tomi Parkkonen (cover and pages 1, 3, 4, 14, 17, 23 and 39)

Outokumpu (pages 32, 36, 42 and 46)

Siemens (46)

PRINTING HOUSE

Libris Oy

PAPER

Invercote Albato 290 g/m² (cover)

Edixion Offset 120 g/m² (pages 1–52)



Made of paper granted the eu Ecolabel, reg.nr fi/11/1.

www.outokumpu.com

OUTO KUMPU

Outokumpu is a global leader in stainless steel. Our vision is to be the undisputed number one in stainless, with success based on operational excellence. Customers in a wide range of industries use our stainless steel and services worldwide. Being fully recyclable, maintenance-free, as well as very strong and durable material, stainless steel is one of the key building blocks for sustainable future.