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## REMUNERATION REPORT

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Ruukki's Remuneration Committee is a formal Committee of the Board of Directors. The Remuneration Committee is responsible for the process relating to remuneration matters of the executive management and the CEO, and makes recommendations in this regard to the Board and to the General Meeting in relation to Board's remuneration. This includes the policy on the remuneration of senior management, on reviewing the performance of Ruukki's executive management and its business units and on determining, within agreed terms of reference, specific remuneration packages for directors and executive management, including pension rights, any compensation payments and the implementation of executive incentive schemes. The remuneration committee has currently four members: Philip Baum (committee Chairman), Markku Kankaala, Dr Jelena Manojlovic and Barry Rourke.

### **Remuneration and Other Benefits**

The primary objective of the compensation is to attract, retain and motivate the key personnel, as well as to ensure that compensation elements are aligned with shareholder interest by rewarding achievement of both individual targets and corporate goals. The executive compensation is a combination of base salary, annual bonus plan and long-term share based incentives. The base salary of the Chief Executive Officer and the members of the executive management Committee is based on the executive's position, skills and experience and individual performance.

### **Directors' Service Contracts**

The service contract entered into with the Acting Managing Director of the Group is valid until further notice and may

be terminated by either party upon six months' notice. The monthly fixed salary is EUR 25,000. According to the service contract, the Acting Managing Director is entitled to a bonus of maximum 24 months' salary. The bonus targets are set by the Board annually. Upon termination the Acting Managing Director is not entitled to any compensation. The Acting Managing Director is not entitled to any additional pension benefits or share-based compensation.

The Board of Directors' compensation consists of monthly fixed fees, fees for Board's committee meetings compensation and long-term share-based incentives. The monthly compensation is as follows: Chairperson of the Board of Directors EUR 7,500, Senior Non-Executive Director EUR 6,500 and other Non-executive Directors EUR 5,000. The Annual General Meeting of Shareholders decides on the remuneration of the members of the Board of Directors.

### **Executive Management Service Contracts**

The Board appoints the Chief Executive Officer (CEO), who shall see to the executive management of the Company in accordance with the instructions issued by the Board. The CEO manages, develops, guides and supervises the group activities. In these duties, the CEO is assisted by the Group's executive management and the Group headquarters' personnel. In the following the key features of the employment agreement terms of the executive management are described in brief.

Ruukki operates within a competitive environment and its performance depends on the individual contributions of the executive directors and other employees. Executive

remuneration packages are designed to attract, motivate and retain executive directors to manage the Company's operations and to reward them for enhancing shareholder value. The base salary of the Chief Executive Officer and the members of the Executive Management Committee is based on the executive's position, skills and experience and individual performance. To ensure competitive remuneration Ruukki gathers and evaluates information on market-based remuneration levels for comparable companies.

The Group's executive management team members are eligible to receive an annual bonus where the maximum amount range from 0 to 200% of the annual individual base salary. Bonus criteria can be based on Ruukki's financial and operative results as well as on each individual's performance targets. Annual company level criteria as well as individual performance targets for management are decided at the Board of Directors' meeting based on the recommendation of the Remuneration Committee of the Company.

The executives do not have early retirement options in their employment agreements. Principally, the notice period and non-competition period in the employment termination is 6 months, or as agreed.

Other remuneration including selected fringe benefits consist typically insurances, e.g. liability insurance, traveler's insurance as well as some other benefits related to usage of mobile communication and media.

### Related party transactions with persons belonging to the Group's Board and management

Finnish accounting legislation, KPA 2:8 § 4 mom disclosure requirement

| EUR '000            |   | 2010         |            | 2009         |            |
|---------------------|---|--------------|------------|--------------|------------|
|                     |   | Salaries     | Fees       | Salaries     | Fees       |
| Baum Philip         | Board member 21.4.2010 onwards  |              | 57         |              |            |
| Everard Paul        | Board member 21.4.2010 onwards  |              | 56         |              |            |
| Havia Jukka         | Deputy CEO 12.9.2008 - 15.4.2010  | 96           |            | 243          |            |
| Hoyer Thomas        | Board member 7.10.2008 - 21.4.2010  | 342          | 18         | 150          | 60         |
| Hukkanen Esa        | Board member 11.7.2008 -7.5.2009 *  |              |            | 32           | 20         |
| Kankaala Markku     | Board member 30.6.2003 onwards  |              | 62         |              | 60         |
| Kivimaa Antti       | CEO's deputy 1.9.2007 - 12.9.2008;<br>Deputy CEO 12.9.2008- 30.9.2009 **  |              |            | 123          |            |
| Koncar Danko        | Board member 31.3.2008 - 11.7.2008 and 11.8.2010 onwards<br>Acting Managing Director 14.10.2010 onwards                             | 75           |            |              |            |
| Manojlovic Jelena   | Board member 11.7.2008 onwards,<br>Chairperson 17.6.2009 onwards  |              | 93         |              | 75         |
| McConnachie Terence | Board member 7.10.2008 - 31.8.2010  |              | 41         |              | 60         |
| Pointon Chris       | Board member 21.4.2010 onwards  |              | 58         |              |            |
| Rourke Barry        | Board member 21.4.2010 onwards  |              | 59         |              |            |
| Smit Alwyn          | Board member 31.3.2008 - 17.6.2009 and 11.8.2010 - 14.10.2010<br>Chairman 11.7.2008 - 17.6.2009<br>Group CEO 12.9.2008 - 14.10.2010 | 1 095        |            | 458          | 75         |
| <b>Total</b>        |   | <b>1 608</b> | <b>444</b> | <b>1 005</b> | <b>350</b> |

## Executive management remuneration

| EUR '000                     | 2010         | 2009         |
|------------------------------|--------------|--------------|
| Short-term employee benefits | 2 887        | 974          |
| Post-employment benefits     | 498          | 170          |
| Termination benefits         | 637          | 0            |
| Share-based payments         | 504          | 991          |
| <b>Total</b>                 | <b>4 526</b> | <b>2 135</b> |

## Directors' shareholdings and options on 31 December 2010

|                     |  | Shares     | Options    |
|---------------------|--|------------|------------|
| Manojlovic Jelena   | Chairperson                                  | 0          | 0          |
| Baum Philip         | Non-executive Director                       | 0          | 0          |
| Everard Paul        | Non-executive Director                       | 0          | 0          |
| Kankaala Markku     | Non-executive Director                       | 8,077,533  | 0          |
| Koncar Danko        | Executive Director, Acting Managing Director | 70,776,500 | 73,170,731 |
| Pointon Christopher | Non-executive Director                       | 0          | 0          |
| Rourke Barry        | Non-executive Director                       | 0          | 0          |

## SHARE-BASED COMPENSATION

### Share options

The Company has option schemes I/2005 and I/2008. In order to increase the level of commitment and motivation of key persons, option rights of option scheme I/2005 are granted to Ruukki Group Plc's CEO and management and other key employees, and furthermore as decided by the Board to the Board members, management or employees of Group subsidiaries, and potentially for persons having other contractual relationships with the Group. Option scheme I/2008 is granted to the Company's previous CEO. Of the option scheme I/2005, options on A, B, C, D, E and F series have been issued to Ruukki Group's management totalling 1,175,000 option rights and of the option scheme I/2008 altogether 2,900,000 options.

The Company's I/2005 option scheme entitles option holders to subscribe for a maximum of 2,700,000 shares in the Company. The share subscription period is 1 July 2007 through 30 June 2015 for various options denoted with different letters, and the subscription price range is EUR 0.32 – 0.82 (with dividend and capital redemption adjustment).

The Company's I/2008 option scheme entitles option holder to subscribe for a maximum of 2,900,000 shares in the Company for subscription price EUR 2.22 per share (with dividend and capital redemption adjustment). The share subscription period for 1,450,000 stock options commences on 1 October 2009 and for 1,450,000 stock options on 1 October 2010. The subscription period matures on 31 December 2015.

### Directed free issue of shares

The Group has directed a free issue of shares to the members of the Board of Directors as approved by the Annual General Meeting on 21 April 2010. The Board decided on 30 May on a directed free share issue to the Board member Barry Rourke in accordance with the Board's statement presented at the AGM. In respect of its terms, this share issue corresponds to the share issue which the Annual General Meeting of 21 April 2010 decided to allocate to the other members of the Board of Directors.

The maximum amount of shares to be given within the scheme is initially 950,000 shares and additionally a maximum of 700,000 shares, if the members of the Board of

Directors continue in their duty after the second and third ordinary general meeting following the approval of the initial issue. According to the decision by Annual General Meeting 2010 and by the Board of Directors the Group will use treasury shares to settle the transactions.

The grant date for both the initial and the additional shares has been determined to be the date of the Annual General Meeting 2010, being 21 April 2010. The initial amount of shares (maximum of 950,000 shares) will have a graded three year vesting schedule, 1/3 of the shares will vest annually at each Annual General Meeting subsequent to AGM 2010. The additional shares (maximum of 700,000 shares) will vest immediately, if the Directors continue in their duty after the second and third ordinary general meeting following the approval of the initial issue (being the AGM 2010). The shares are subject to a three year lock-up period.