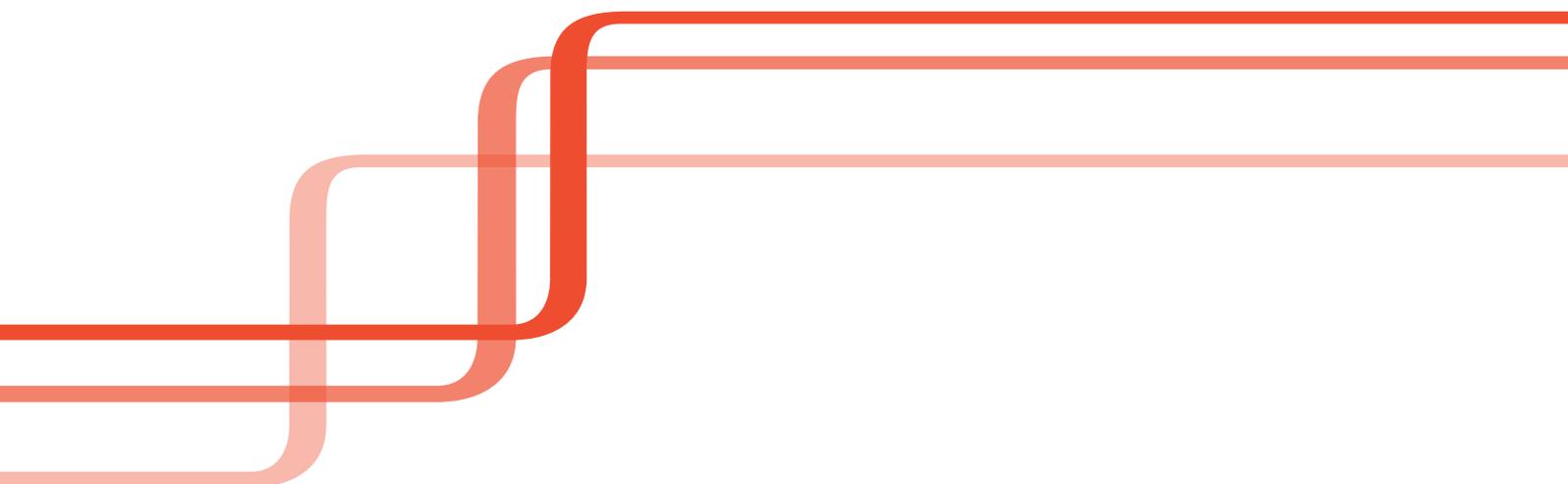


# 2012

## CORPORATE GOVERNANCE STATEMENT



RAUTARUUKKI CORPORATION



Energy-efficient steel solutions for better **LIVING. WORKING. MOVING.**

## CORPORATE GOVERNANCE STATEMENT 2012

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### Good governance supports business

This Corporate Governance Statement has been prepared in compliance with the Finnish Corporate Governance Code 2010 and with Chapter 2, Section 6 of the Securities Market Act. The Statement also covers other core areas of governance and is issued separately from the report of the company's Board of Directors.

## 1. Regulatory environment

Rautaruukki Corporation is a Finnish limited company and the responsibilities and obligations of its management bodies are provided by the law of Finland, the company's Articles of Association and principles of corporate governance determined by the company's Board of Directors.

Corporate governance and decision-making at Rautaruukki are in compliance with the Limited Liability Companies Act – Finland, other similar legislation, other rules applying to publicly listed companies, the company's Articles of Association and rules and regulations applying to listed companies issued by NASDAQ OMX Helsinki Ltd and the Financial Supervisory Authority (FIN-FSA). In addition, Rautaruukki complies with the Finnish Corporate Governance Code 2010 published by the Securities Market Association.

An unofficial English translation of the Finnish Corporate Governance Code is in the public domain and may be viewed on the Securities Market Association website at [www.cgfinland.fi](http://www.cgfinland.fi).

Rautaruukki's Board of Directors' Audit Committee and Board of Directors have considered this Corporate Governance Statement. The company's auditor, KHT audit firm KPMG Oy Ab, has checked that this statement has been issued and that the main features of the internal control and risk management systems relating to the financial reporting process in it are consistent with the company's financial statements.

Rautaruukki prepares consolidated financial statements and interim reports in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Finnish Securities Market Act, as well as the Finnish Supervisory Authority's standards and the stock exchange rules of NASDAQ OMX Helsinki Ltd. The Board of Directors' report and the parent company's financial statements are prepared in compliance with the Finnish Accounting Act and the opinions and guidelines of the Finnish Accounting Board.

## 2. Administration, governing and supervisory bodies

Responsibility for the administration and operations of the Rautaruukki group is vested in the executive bodies of the parent company, Rautaruukki Corporation. Ultimate decision-making authority is exercised by shareholders at the General Meeting. The Board of Directors and the President & CEO are responsible for managing the company. The Board of Directors' committees assist the Board in its duties. The Board seeks to ensure Rautaruukki complies with good corporate governance principles.

### Rautaruukki's governing bodies



### 3. Organisational structure

The President & CEO, assisted by the Corporate Executive Board, is responsible for operating activities within the group and the executive vice presidents of the divisions, assisted by their respective management boards, are responsible for the operations of the divisions.

In 2012, the business was structured into the following reporting divisions or business areas: Ruukki Construction, Ruukki Engineering and Ruukki Metals.

The parent company, Rautaruukki Corporation, is responsible for corporate administration, strategic planning, accounting and finance and arranges shared functions with the divisions.

### 4. General Meeting of Shareholders

The General Meeting of Shareholders is Rautaruukki's ultimate decision-making body. Each shareholder is entitled to attend General Meetings. The Annual General Meeting is held by the end of June each year. Under the company's Articles of Association, the company may hold its Annual General Meeting either in Helsinki, the company's registered office, or in Espoo.

The Annual General Meeting transacts the business assigned to it pursuant to the Limited Liability Companies Act – Finland and the company's Articles of Association. This business includes:

- adoption of the financial statements
- distribution of profit
- discharge from liability for members of the Board of Directors and for the President & CEO
- election of the chairman, deputy chairman and members of the Board of Directors and the decision on their fees
- election of the company's auditors and the decision on their fees
- proposals made by the Board of Directors and shareholders to the Annual General Meeting (including amendments to the Articles of Association, purchase of the company's shares, share issues)

The Board of Directors is responsible for convening a General Meeting of Shareholders. Notice of General Meeting is published in one or more national newspapers with wide circulation and is posted on the company's website no earlier than two months and no later than three weeks before the meeting.

By law, a shareholder is entitled to have a matter falling within the remit of a General Meeting of Shareholders considered by the General Meeting provided that the matter is submitted in good time for it to be included in the notice convening the meeting. A proposal is deemed as having arrived in good time if the Board of Directors has received it at least four weeks before notice of the meeting is given.

To be eligible to attend a General Meeting, shareholders must be on the company's shareholder register maintained by Euroclear Finland Ltd on the record date of the meeting, which is eight (8) business days before the meeting, and have registered their intention to attend the meeting by the deadline given in the notice of the meeting. Nominee-registered shareholders may be temporarily listed in the company's shareholder register for the purpose of attending a General Meeting of Shareholders. The notice of the meeting contains more detailed instructions for nominee-registered shareholders wishing to attend and vote at a General Meeting. Neither the Limited Liability Companies Act – Finland nor the company's Articles of Association contain quorum requirements for general meetings.

A shareholder may attend and vote at a General Meeting of Shareholders in person or by proxy. One share conveys one vote, subject to the restriction on voting rights under the Articles of Association which provides that the votes of an individual shareholder are restricted to a maximum of eighty (80) per cent of the total number of votes conveyed by the shares represented at the meeting. Resolutions usually require a simple majority. Some cases – such as amendments to the company's Articles of Association, a share issue disapplying the pre-emption rights of existing shareholders and some decisions applying to mergers – require a two-thirds majority of the votes cast and represented at the meeting.

### **Annual General Meeting 2012**

The 2012 Annual General Meeting was held in Helsinki on 14 March 2012 and was attended by 520 shareholders, representing 58.7% of the company's votes, either in person or by proxy.

The resolutions of and documents relating to the Annual General Meeting can be viewed on the company's website at [www.ruukki.com](http://www.ruukki.com) > Investors > Corporate Governance > General Meeting of Shareholders.

## **5. Nomination Board appointed by the Annual General Meeting**

The Nomination Board appointed by the Annual General Meeting prepares proposals for the following Annual General Meeting concerning nominations for appointments to the Board of Directors and the remuneration of its members. Rautaruukki adopted this practice in 2004 at the proposal of the largest shareholder Solidium Oy (earlier the Finnish State). The Board consists of representatives of the three largest shareholders, together with the Chairman of the Board of Directors as an expert member. The Chairman of the Board of Directors convenes meetings of the Nomination Board, which elects a chairman from among its members.

### **Nomination Board 2012 – ahead of the 2013 Annual General Meeting**

Rautaruukki's three largest shareholders as at 1 October 2012 appointed the following members to the Nomination Board: Kari Järvinen (chairman), Managing Director, Solidium Oy, Timo Ritakallio, Deputy Chief Executive Officer, Ilmarinen Mutual Pension Insurance Company and Risto Murto, Executive Vice President, Investments, Varma Mutual Pension Insurance Company. Kim Gran, Chairman of Rautaruukki's Board of Directors, serves as the Nomination Board's expert member.

The Nomination Board has proposed to the Annual General Meeting convening on 21 March 2013 that the number of members of the Board of Directors remains unchanged at seven. The Nomination Board further proposed the re-election of current members of the Board of Directors, President and CEO Kim Gran, CEO Liisa Leino, President and CEO Matti Lievonon, CFO and Deputy CEO Saila Miettinen-Lähde and CEO Jaana Tuominen for a further term of office lasting one year from the 2013 Annual General Meeting until the close of the 2014 Annual General Meeting. The Nomination Board has proposed the election of Executive Adviser Timo U. Korhonen and President and CEO Matti Kähkönen as new members of the Board of Directors.

Furthermore, the Nomination Board has proposed that Kim Gran be re-elected as Chairman of the Board of Directors and that Matti Lievonon be elected as Deputy Chairman. Moreover, the Nomination Board has proposed that the annual fees of the Board of Directors are € 72,000 for the Chairman, € 44,000 for the Deputy Chairman and € 34,000 for members, as well as an attendance fee of € 600 per meeting for Board of Directors' meetings and Board of Directors' committee meetings. The Nomination Board also proposes that 40 per cent of the annual fee is to be paid in the form of Rautaruukki Oyj shares purchased on the market. The shares would be purchased within two weeks of the publication of the company's interim report for the first quarter of 2013.

## 6. Board of Directors

The Annual General Meeting elects the Chairman, Deputy Chairman and, under the Articles of Association, between two and six other members to the Board of Directors. The term of office of Board members begins at the meeting at which they were elected and expires at the close of the first Annual General Meeting following election. The majority of Board members must be independent of the company and, additionally, at least two members must be independent of the company's largest shareholders. No person who has reached the age of 68 may be elected to the Board. The notice of the Annual General Meeting must include a proposal regarding the composition of the Board of Directors.

The Chairman of the Board of Directors, or if he is prevented, the Deputy Chairman convenes Board meetings.

### **Main tasks of the Board of Directors**

The Board of Directors is responsible for the company's administration and proper organisation of the company's operations. The Board is responsible for ensuring the proper organisation and oversight of the company's accounting and financial management.

The Board of Directors deals with all matters for which it is responsible by law, other regulations and the company's Articles of Association. It oversees the company's operations and management and decides on significant matters relating to the company's strategy, investments, organisation and finance.

The Board of Directors has adopted principles to govern its work in a charter approved by the Board. The main points of this charter are to:

- ensure the group's administration and the proper arrangement of its operations
- ensure the proper arrangements for the oversight of the company's accounting and financial management
- confirm long-term aims and the strategic plan
- determine economic objectives
- confirm the organisational structure
- decide the appointment and remuneration of top management
- approve the financial statements and interim reports
- prepare business to be transacted at the General Meetings and to ensure decisions are enforced
- decide significant investments and acquisitions

The company's President & CEO and Chief Financial Officer attend Board of Directors' meetings. At its meetings, the Board receives a regularly updated review of market conditions and corporate operations and finances. The Board annually evaluates its own effectiveness, working practices and performance through self-assessment.

## Rautaruukki's Board of Directors 2012

Name	Date of birth	Education	Main occupation	Attendance at Board meetings	Attendance at committee meetings
Chairman Kim Gran <sup>1)</sup>	1954	BSc (Econ)	President & CEO (Nokian Tyres Plc), independent member of the Board	10/10	Remuneration and HR Committee 2/2
Deputy Chairman Hannu Ryöppönen	1952	BSc (Econ)	independent member of the Board	11/11	Audit Committee 6/6
Pertti Korhonen	1961	MSc (Electronics Engineering)	President & CEO (Outotec Oyj), independent member of the Board	11/11	Remuneration and HR Committee 3/3
Liisa Leino <sup>2)</sup>	1960	MSc (Nutrition)	CEO (Leinovalu Oy), independent member of the Board	11/11	Audit Committee 1/1 Remuneration and HR Committee 2/2
Matti Lievonen	1958	BSc (Eng), eMBA	President & CEO (Neste Oil Corporation), independent member of the Board	11/11	Remuneration and HR Committee 3/3
Saila Miettinen-Lähde <sup>1)</sup>	1962	MSc (Engineering)	Chief Financial Officer and Deputy CEO (Talvivaara Mining Company Plc), independent member of the Board	10/10	Audit Committee 5/5
Jaana Tuominen	1960	MSc (Chemical Engineering)	CEO (Paulig Group), independent member of the Board	11/11	Audit Committee 6/6

<sup>1)</sup> New member since 14 March 2012.

<sup>2)</sup> Member of the Audit Committee 1 January – 14 March 2012 and member of the Remuneration and HR Committee since 14 March 2012.

## Members of Rautaruukki's Board of Directors and Committees 1 January – 14 March 2012

Name	Date of birth	Education	Main occupation	Attendance at Board Meetings	Attendance at committee meetings
Reino Hanhinen	1943	MSc (Eng), DSc (Tech) h.c.	independent member of the Board	1/1	Remuneration and HR Committee 1/1
Maarit Aarni-Sirviö	1953	MSc (Tech), MBA	Senior Adviser (Eera Oy), independent member of the Board	1/1	Remuneration and HR Committee 1/1

The Board of Directors met 11 times during 2012. Details about the members of the Board of Directors may be viewed on the company's website at [www.ruukki.com](http://www.ruukki.com) > Investors.

## 7. Board of Directors' committees

The Board of Directors has two committees: the Audit Committee and the Remuneration and HR Committee. In its organisation meeting held after the Annual General Meeting, the Board of Directors appoints the members and chairpersons to the Committees. The Board has approved the charters of the committees. These charters contain the committees' main remit and principles. The committees have no independent decision-making authority.

**7.1. Audit Committee**

The Board of Directors appoints the Audit Committee to assist it in carrying out its supervisory duties. The Audit Committee comprises a chairman and between two and four members, who must be independent of the company. The majority of members must be independent of the company's major shareholders. The chairman must be independent of both the company and its major shareholders. Members of the Audit Committee must have the competence required for the remit of the Committee and at least one member must have relevant experience of financial accounting, bookkeeping or auditing.

The Board of Directors defines the remit of the Audit Committee in the charter approved by the Board. The remit of the Audit Committee is to promote oversight of reporting the company's activities and financial reporting. The Audit Committee evaluates risk management, internal control processes, financial reporting and matters concerning auditing and internal auditing.

The Audit Committee prepares matters related to the election of an external auditor, the audit plan and costs and assesses audit reports, which the Committee reports to the Board of Directors.

The Chairman of the Audit Committee convenes meetings and the Committee reports regularly on its work to the company's Board of Directors. The Committee annually evaluates the effectiveness of its activities, working practices and its performance by self-assessment.

**Audit Committee 2012**

Members of the Audit Committee between the 2011 Annual General Meeting and the Annual General Meeting held on 14 March 2012 were Hannu Ryöppönen (Chairman), Liisa Leino and Jaana Tuominen. See Rautaruukki Corporation's Annual Report 2011 for more details about the Audit Committee until 14 March 2012.

At its organisation meeting held on 14 March 2012, the Board of Directors elected by the Annual General Meeting on the same date appointed Hannu Ryöppönen (Chairman), Salla Miettinen-Lähde and Jaana Tuominen as members of the Audit Committee.

As a rule, Rautaruukki's President & CEO, Chief Financial Officer, Chief Audit Executive and the company's principal auditor also attend Audit Committee meetings.

The Audit Committee met 6 times during 2012.

**7.2. Remuneration and HR Committee**

The Board of Directors appoints a chairman and between two and four members of the Remuneration and HR Committee from among independent Board members for a term of office lasting one year at a time. The Committee is tasked with safeguarding objective decision-making, promoting achievement of the company's objectives by means of remuneration schemes and the transparency and systemisation of remuneration schemes.

The Board of Directors defines the remit of the Remuneration and HR Committee in the charter approved by the Board. The Committee prepares and evaluates for the Board the remuneration and appointment of the company's President & CEO and other members of the Corporate Executive Board and the remuneration schemes of the personnel. The Chairman of the Remuneration and HR Committee convenes meetings when required and also presents the Committee's proposals to the Board of Directors.

**Remuneration and HR Committee 2012**

Members of the Remuneration and HR Committee between the 2011 Annual General Meeting and the Annual

General Meeting held on 14 March 2012 were Reino Hanhinen (Chairman), Maarit Aarni-Sirviö, Pertti Korhonen and Matti Lievonen. See Rautaruukki Corporation's Annual Report 2011 for more details about the Remuneration and HR Committee until 14 March 2012.

At its organisation meeting held on 14 March 2012, the Board of Directors elected by the Annual General Meeting on the same date appointed Kim Gran (Chairman), Pertti Korhonen, Liisa Leino and Matti Lievonen as members of the Remuneration and HR Committee. All members are independent of both the company and major shareholders. The company's President & CEO and Senior Vice President, Human Resources also attend Remuneration and HR Committee meetings, except when matters concerning themselves are considered.

The Remuneration and HR Committee met 3 times during 2012.

## 8. President & CEO

The Board of Directors appoints the company's President & CEO, who is tasked with implementing the company's strategy and managing the company's business in accordance with the Limited Liability Companies Act – Finland, the company's Articles of Association and the instructions given by the Board of Directors. In addition, the President & CEO is responsible for ensuring that the company's accounting and financial management is in compliance with the law and has been reliably organised. The President & CEO reports to the Board of Directors and provides the Board with information about the company's financial position, business environment and other important matters. The President & CEO prepares items to be considered by the Board of Directors and its committees and executes the Board's decisions.

The company's President & CEO is Sakari Tamminen, who also chairs Rautaruukki's Corporate Executive Board.

## 9. Corporate Executive Board

The main remit of the Corporate Executive Board is to assist the company's President & CEO in corporate operative management and in business planning. The President & CEO chairs the Corporate Executive Board.

The Corporate Executive Board considers and oversees corporate and divisional strategy, investments, finances, divestments, acquisitions, corporate collaboration, organisational structure and control processes.

### Corporate Executive Board 2012

The following persons were members of Rautaruukki Corporation's Corporate Executive Board in 2012:

**Sakari Tamminen**, President & CEO and Chairman of the Corporate Executive Board

**Markku Honkasalo**, Chief Financial Officer

**Tommi Matomäki**, Executive Vice President, Ruukki Construction

**Marko Somerma**, Executive Vice President, Ruukki Engineering, and Chief Strategy Officer

**Olavi Huhtala**, Executive Vice President, Ruukki Metals

**Eija Hakakari**, Senior Vice President, Human Resources

**Toni Hemminki**, Senior Vice President, Technology, Energy and Environment

**Taina Kyllönen**, Senior Vice President, Marketing and Communications

**Ismo Platan**, Senior Vice President, Supply Chain Management, IT and Operational Excellence

The Corporate Executive Board met 35 times during the year.

Details of members of the Corporate Executive Board may be viewed on the company's website at [www.ruukki.com](http://www.ruukki.com) > Investors.

## **Main features of internal control and risk management systems relating to the financial reporting process**

Internal control seeks to ensure Rautaruukki's operations comply with valid legislation, regulations and the company's internal operating principles and that the company's financial and management reporting is reliable.

### **10. Risk management and internal control system**

Rautaruukki's Board of Directors approves the corporate risk management policy, which defines the aims, principles, areas of responsibility and processes of risk management. Risk management and internal control is an ongoing process aimed at underpinning the achievement of strategies and financial targets and at ensuring business continuity. The internal control process also seeks to ensure that business is conducted ethically in compliance with applicable laws and regulations, and in accordance with the principles of Rautaruukki's Code of Conduct and internal policies.

The control of corporate-wide operations takes place through the management system described above.

The Board of Directors and its Audit Committee regularly evaluate the appropriateness and effectiveness of the company's accounting, financial management, internal control and risk management. The Board of Directors is also responsible for ensuring the proper organisation and oversight of the company's accounting and financial management.

### **11. Internal control system**

Internal control is not a separate process, but an integrated part of all Rautaruukki's operations. The internal control system is operative at all levels corporate-wide.

#### **11.1. Risk management**

The company has defined risk as an external or internal uncertainty that could prevent the company from carrying out its strategy, achieving its targets or continuing its business.

Risk management seeks to underpin the company's strategy, achievement of targets and to ensure business continuity. Identifying and classifying risks consistently so as to enable comparison creates effective risk management processes and the transparency required by good corporate governance.

Risk management is guided by the operating principles and process of corporate risk management defined in the risk management policy approved by the company's Board of Directors.

Risk management at Rautaruukki is based on identifying, assessing and reporting risks consistently across the company.

Risk management is an integrated part of the management system and the risk aspect is incorporated into the everyday activities and decision-making of all divisions or business areas and the main corporate support processes.

The risks in each area are identified and evaluated in all Rautaruukki's operations and risk management strategies are determined accordingly. The corporate risk management function assists with evaluation and compiles a summary risk report. The evaluation results and key risks are reported to corporate management and to the company's Board of Directors.

A more comprehensive description of Rautaruukki's key risks and the risk management process is shown on the company's website at [www.ruukki.com](http://www.ruukki.com).

## **11.2. Control functions**

Rautaruukki's financial reporting process and associated internal control consists of different areas:

- effective registration and processing of business transactions
- compliance with financial reporting regulations
- financial reporting supporting business and decision-making

Financial reporting at Rautaruukki complies with standard principles. Most of the companies are customers of corporate finance service centres, where accounting is carried out in accordance with consistent methods and processes using a unified account scheme. Close cooperation between finance service centres and customer units, as well as a clear division of responsibilities, ensures quality and efficient financial reporting.

Group reporting is based on International Financial Reporting Standards (IFRS). These support corporate financial planning and reporting instructions (Controller's Manual). In external financial reporting, group companies comply with local laws and regulations. Corporate financial management is responsible for developing the financial reporting process and control processes.

The Corporate Finance and Control function is responsible for reporting at the corporate level and the Controller of each division is responsible for reporting at the divisional level. Financial reporting at the corporate and divisional level is carried out jointly by these functions (corporate financial management) and underpins achievement of the targets set. Corporate financial management reports regularly each month to the company's management and Board of Directors. Corporate and divisional financial performance, forecasts and the annual plan are implemented in one consistent process. Reporting includes corporate and divisional key figures and a performance analysis. Corporate financial management assists the divisions in the decision-making and analyses required to achieve financial targets.

Corporate policies applying to different areas of the business have been drawn up to achieve corporate financial and other targets and to minimise business risks within the company. Rautaruukki's internal control process is described in policies and manuals.

Accounting policies and manuals related to financial reporting are available on the company's intranet site and are accessible to persons involved in financial reporting. In addition, Corporate Finance and Control regularly provides training in reporting processes and practices. The Chief Financial Officer and Chief Audit Executive regularly report the findings of their internal control work at Audit Committee meetings. The Audit Committee's work and proposals for decisions and measures are reported to the Board of Directors after each Audit Committee meeting.

External disclosure of financial information complies with stock exchange regulations.

## **11.3. Monitoring**

The group employs the reporting systems needed to monitor business effectively. The Board of Directors has ultimate responsibility for the proper arrangement of accounting and the oversight of financial management. The President & CEO is responsible for ensuring that accounting complies with legal requirements and that financial management is reliably organised. Monitoring includes the follow-up of monthly financial reports, a monthly review of the rolling forecasts and plans, as well as reports from internal audits and reports by independent auditors. In their meetings, the Board of Directors regularly considers the financial and market conditions and a monthly

progress report is circulated to Board members. The Board of Directors adopts the interim reports and financial statements for publication.

## **12. Compliance with laws and the Code of Conduct**

In all its operations, Rautaruukki complies with the laws and regulations in force, good practices and with the Code of Conduct, which was revised in 2011. The purpose of the Code of Conduct adopted by Rautaruukki's Board of Directors is to highlight the company's ethical values and to create for the personnel a consistent way to operate responsibly around the world. Each Rautaruukki employee is required to be familiar with the legislation and policies applying to his or her own area of responsibility and, without exception, to comply with them.

Rautaruukki has defined values guiding its operations. These values for their part serve as an ethical guideline. In keeping with the values, we take responsibility, we succeed together and we challenge tomorrow.

Each of the company's business areas (divisions) is responsible for ensuring compliance with the Code of Conduct, corporate values and laws and regulations in force. Business area management is responsible for the internal control of operations to ensure that all employees in the business area are familiar and comply with the laws, regulations and principles applying to them in their own work. In conjunction with internal audits, the company seeks to ensure that control has been properly organised and works effectively. Internal audits are carried out by all corporate functions as well as by the internal audit unit.

### **12.1. Policies**

Corporate policies applying to different areas of the business reinforce the commitment to achieving corporate financial and other targets and to minimising business risks within the company. Some of these policies are in the public domain and can be found on the company's website. All policies are posted on the company's intranet, where they may be accessed by the personnel. In addition, training is given and the most important policies are included in the personnel induction programme.

Rautaruukki's Code of Conduct and more detailed guidelines relating to it can be found on the company's intranet site. Additionally, the Code of Conduct is available in the local language of each country where the company has a presence. The Code of Conduct is also discussed during induction training for new employees, continuous training and in internal communication. The employment contracts of new employees include a condition about compliance with the Code of Conduct. In addition, employees taking part in training in different countries sign to confirm that they have studied the Code of Conduct and that they undertake to comply with it.

### **12.2. Reporting misconduct**

One of the aims of internal control is to prevent misconduct. Rautaruukki has instructions about how to report misconduct. Employees are encouraged to report suspected misconduct either to their own supervisor, their supervisor or directly to the internal audit unit or legal department.

Each and every Rautaruukki employee is responsible for reporting any misconduct or procedures contrary to the Code of Conduct. Suspected misconduct is investigated immediately and confidentially. Proven misconduct is reported to the Board of Directors' Audit Committee.

No cases of financial misconduct were reported during 2012.

### 13. Internal audit

The company's internal audit unit carries out internal auditing within the group and reports to the President & CEO. All organisational levels and units corporate-wide are subject to internal audit.

An internal audit examines and evaluates the appropriateness and effectiveness of the group's internal control process, the relevance and efficiency of operations, the reliability of financial information and reporting, as well as compliance with rules, operating principles and instructions. In addition, an internal audit aims at strengthening the development of risk management in different operations. The principles of internal audit have been defined in the policy adopted by the Board of Directors. Internal audit prepares an audit plan each year for approval by the Board of Directors.

Internal audit reports regularly to the management, auditor, Board of Directors' Audit Committee and to the Board of Directors. In addition, the Chief Audit Executive attends all Audit Committee meetings. Internal audit and the external auditor regularly coordinate their audit work.

### 14. Audit

Under its Articles of Association, the company has one auditor, which must be a KHT audit firm, an audit firm authorised by the Central Chamber of Commerce of Finland. The audit firm appoints an auditor having the principal responsibility. The Annual General Meeting elects an auditor for a term of office which ends at the close of the Annual General Meeting following election. In the statutory audit, the auditor audits the company's accounting, directors' report, financial statements and administration for the period. The auditor of the parent company also audits the consolidated financial statements.

The KHT audit firm responsible for auditing the parent company coordinates the audit of the consolidated financial statements with the local auditors of group companies.

As required by law and by the Articles of Association, the company's auditor issues a report to shareholders in conjunction with the annual accounts and regularly reports its findings to the Board of Directors' Audit Committee. The auditor attends Audit Committee meetings.

#### Auditor 2012

The 2012 Annual General Meeting elected KHT audit firm KPMG Oy Ab as Rautaruukki Corporation's auditor, with Petri Kettunen KHT as the principal auditor.

#### Fees paid to the auditor (€)

	2012	2011
<b>Audit fees</b>	1 260 000	1 219 000
<b>Other services</b>	307 000	238 000
<b>Total</b>	1 567 000	1 457 000

## 15. Insiders and related parties

### Insiders

Under the Finnish Securities Markets Act, Rautaruukki's public insiders are members of the Board of Directors, the President & CEO and his deputy, and the principal auditor. Under a decision taken by Rautaruukki's Board of Directors, members of the Corporate Executive Board are also considered as public insiders. Information about the interests in Rautaruukki of public insiders and their related parties is public.

Besides a public register, Rautaruukki keeps company-specific and project-specific registers. Permanent company-specific insiders are persons who, by virtue of their position or job, regularly receive insider information and whom the company has defined as company-specific insiders. The company-specific register is not public.

Rautaruukki complies with NASDAQ OMX Helsinki Ltd's Guidelines for Insiders, which recommend that insiders schedule trading in the company's securities to times when the market has as much information as possible about any factors affecting the value of the company's share. Rautaruukki's permanent insiders may not trade in the company's securities for a period of 21 days prior to disclosure of the company's financial statement bulletin or interim report.

Rautaruukki's insider registers are maintained by the corporate legal department in Euroclear Finland Ltd's Net-Sire system, where information about securities ownership can be obtained directly from the book-entry system. The interests of public insiders on the public register are posted on the company's website and updated once a day.

At 31 December 2012, there were 17 persons on Rautaruukki's public insider register and 126 persons on the company-specific register.

### Related parties

Rautaruukki complies with the requirements of the Limited Liability Companies Act – Finland and International Accounting Standards (IAS 24) concerning the monitoring of related party transactions. The group's related parties include the parent company, Rautaruukki Corporation, subsidiaries, equity-accounted investees, Rautaruukki's Pension Foundation and significant ownership entities. Also the managing directors, directors and other named key persons of companies belonging to the group and members of the parent company's Corporate Executive Board are considered as related parties. The spouses and other family members living in the same household as the persons referred to above are also related parties. Companies which the persons referred to above control or in which they exercise influence may also be related parties.

To be able to reliably monitor transactions between related parties, Rautaruukki's legal department keeps a corporate-wide register of related parties. Information in the register is obtained each year from the persons included in related parties themselves. The register is not public.

## **16. Information and communication**

Rautaruukki's share is listed on NASDAQ OMX Helsinki Ltd. In its disclosure policy, Rautaruukki complies with Finnish legislation, the regulations of NASDAQ OMX Helsinki Ltd and guidelines issued by the Financial Supervisory Authority (FIN-FSA).

Rautaruukki's Disclosure Policy approved by the Board of Directors describes the main principles that Rautaruukki, as a listed company, comply with in its communications with the media, capital markets and other stakeholder audiences. Rautaruukki's Disclosure Policy aims to ensure that all parties operating in the market have simultaneous access to fair and adequate information about the company and its businesses to determine the value of the company's share. Information is published promptly and equitably. Rautaruukki's Disclosure Policy may be viewed on the company's website at [www.ruukki.com](http://www.ruukki.com) > Investors.

## **17. Remuneration**

In addition to this Corporate Governance Statement, Rautaruukki publishes a separate remuneration statement, which includes a description of the financial benefits paid to the Board of Directors and the President & CEO. The remuneration statement may be viewed on the company's website at [www.ruukki.com](http://www.ruukki.com) > Investors.

**Ruukki provides its customers  
with energy-efficient steel  
solutions for better living,  
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