

# Remuneration report 2019

March 4, 2020

**Terrafame**



### INTRODUCTION

### DECISION-MAKING PROCESS FOR REMUNERATION

### KEY PRINCIPLES OF REMUNERATION

### REMUNERATION REPORT 2019

Terrafame Ltd is a non-listed company registered in Finland. Management and decision-making at Terrafame are governed by its Articles of Association, the Limited Liability Companies Act and other legislation in force, and the most recent Government Resolution on State Ownership Policy. Where applicable, the company's corporate governance practices comply with the requirements set out in the Securities Market Association's most recent Corporate Governance Code. The Code is available at [www.cgfinland.fi](http://www.cgfinland.fi).

This Remuneration Report has been drawn up in accordance with the reporting requirements of the Securities Market Association's Corporate Governance Code 2015.

## Decision-making process for remuneration

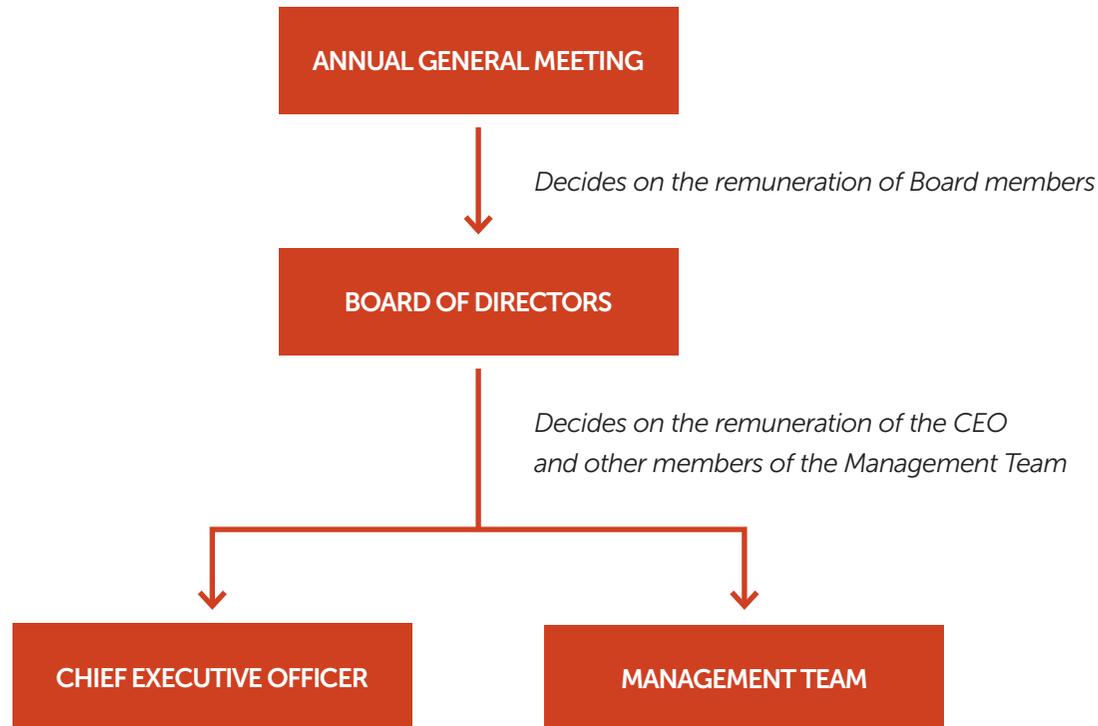
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The management of Terrafame consists of a Board of Directors and a Management Team. The Annual General Meeting of Terrafame Ltd decides annually on the remuneration payable to the members of the Board of Directors and any of its committees. The Board decides on the salary and other remuneration of the CEO and the related targets, as well as the compensation payable on the termination of the CEO's employment contract. Based on a proposal made by the CEO, the Board decides – one-over-one – on the remuneration of the members of the Management Team and the related targets.



## Key principles of remuneration

In its remuneration, Terrafame abides by the guidelines and principles of the Government Resolution on State Ownership Policy. The Government Resolution of 13 May 2016 was in force during the reporting period. The key principles of remuneration are transparency and rewarding for good performance.

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## Remuneration of the Board of Directors

The remuneration of the members of the Board and any of its Committees consists of a fixed fee per year and meeting fees, which are paid in cash on the basis of membership. Board members have no share incentive plans or share-based compensation plans. They are also excluded from the company's other remuneration or pension plans. The travel expenses of the independent members of the Board and any of its Committees are reimbursed in accordance with the company's travel policy.

The General Meeting of 21 March 2019 confirmed the remuneration payable to Board members as follows:

Remuneration payable to Board members, EUR	Fee per year	Meeting fee
Chair of the Board	72,000	600
Member of the Board	36,000	600

No committees have been formed by Terrafame's Board of Directors from among its members and therefore no fees have been confirmed as payable to committee members.

The fees payable to the members of the Board of Directors have remained unchanged since 14 August 2015.

## Remuneration of the CEO and other members of the Management Team

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The remuneration of Terrafame's management is based on a fixed base salary, in addition to which both short-term and long-term incentive schemes have been set up for the Management Team and certain executives, such as the department managers in production.

### Short-term incentive scheme (STI) for management and other key personnel

The production and financial performance of Terrafame, and the company's safety-related goals, serve as indicators for the incentive scheme. In addition, an individual target has been set for each person belonging to the performance-based bonus scheme. The targets for the schemes have been set so that their achievement supports the long-term development and success of the company in a fundamental manner.

### Long-term incentive scheme (LTI) for management and other key personnel

The Board of Directors of Terrafame decided to establish a long-term incentive scheme for the company's management and other key personnel in February 2019.

The scheme consists of individual performance-based programmes launched at the beginning of the year, each comprising a three-year performance period, and the payment in cash of the potential reward after the period has ended. The start of each individual programme is conditional on a separate decision made by the Board of Directors. The scheme's first programme, LTI 2019–2021, starts at the beginning of the year 2019, and any payments made under it shall be made in spring 2022, provided that the performance targets set by the Board have been met.

The performance targets set for the LTI 2019–2021 programme are objectives related to production and economic viability. The performance targets are intended to support the long-term development and success of Terrafame and the achievement of its strategic goals. In total, 26 people have been invited to join the LTI 2019–2021 programme.

Terrafame's long-term incentive scheme complies with the state owner's guidance.

## Principles for the remuneration of the CEO

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#### Salary

Fixed monthly salary.

The CEO has no other fringe benefits than a mobile and internet allowance.

#### Performance bonus

The maximum short-term performance bonus for the CEO is equivalent to 40 percent of his annual salary.

The CEO is also covered by the company's long-term incentive scheme.

#### Pension

The retirement age of the CEO is 63, and the amount of pension is determined in accordance with the Employees' Pensions Act (TyEL).

The CEO is not covered by a contribution-based or other additional pension plans.

#### Conditions for termination of employment

The period of notice for the CEO is six months. If the CEO is given notice by the employer, he shall be paid the equivalent of six months' salary in addition to his salary paid during the severance period. No other compensation is payable on the termination of the employment contract.

#### Incentive schemes

The CEO is covered by Terrafame's incentive schemes in accordance with the conditions in force.

## Principles for the remuneration of the Management Team

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### REMUNERATION REPORT 2019

#### Salary

Fixed monthly salary.

The Management Team members have no other fringe benefits than a mobile and internet allowance.

#### Performance bonus

The maximum performance bonus for Management Team members is equivalent to three months' salary.

The Management Team members are also covered by the company's long-term incentive scheme.

#### Pension

The retirement age of Management Team members is determined in accordance with the pension laws, and the amount of pension is defined in accordance with the Employees' Pensions Act (TyEL). The Management Team members are not covered by a contribution-based or other additional pension plans.

#### Conditions for termination of employment

The period of notice for Management Team members is either three months or the period specified in the Employment Contracts Act. If notice is given by the employer, the equivalent of no more than three months' salary shall be paid. No other compensation is payable on the termination of the employment contract.

#### Incentive schemes

The Management Team members are covered by Terrafame's incentive schemes in accordance with the conditions in force.

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## Other personnel

All personnel have been covered by the safety bonus plan since November 2015. The safety bonus is paid if no lost time accidents have occurred in the groups listed below.

The remuneration grouping was updated in 2018 as follows:

- 1 mining, mobile equipment maintenance, geology and mine planning
- 2 ore processing and the related maintenance
- 3 reclaiming of heap and the related maintenance
- 4 bioleaching, water management and the related maintenance
- 5 metals recovery and the related maintenance
- 6 general maintenance (incl. shift and measuring maintenance)
- 7 administration (incl. inventory, logistics, earthwork construction, laboratory)

A production bonus scheme was introduced at Terrafame for all personnel in July 2017. The bonus is paid on a monthly basis if the production targets for ore and nickel are met.

The first stages of the production process, from excavation to ore processing and reclaiming of heap and the related maintenance, are subject to the production bonus, and other personnel are covered by the nickel production bonus scheme.

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### Remuneration payable to the Board of Directors and other benefits

Board members were paid in yearly and meeting fees for the calendar year 2019 as follows:

Member	Attendance of Board meetings 2019	Fees per year in 2019, EUR	Meeting fees in 2019, EUR	Total remuneration in 2019, EUR
Lauri Ratia, Chair of the Board	12/12	72,000	7,200	79,200
Matti Hietanen, Vice Chair of the Board	12/12	0	0	0
Jesus Fernandez	6/12	36,000	4,200	40,200
Emmanuel Henry	11/12	36,000	6,600	42,600
Esa Lager	12/12	36,000	7,200	43,200
Riitta Mynttinen	12/12	36,000	7,200	43,200
Tuomo Mäkelä	12/12	36,000	7,200	43,200
<b>Total</b>		<b>252,000</b>	<b>39,600</b>	<b>291,600</b>

The total amount of remuneration paid to the Board of Directors in 2019 was EUR **291,600** (253,800).

The travel expenses of the independent members of the Board were reimbursed in accordance with the company's travel policy.

## Salary, remuneration and other benefits of the CEO

The CEO was paid in salary and other remuneration for the calendar year 2019 as follows:

CEO's remuneration in 2019, EUR	Fixed base salary	Performance bonus	Total
Joni Lukkaroinen	329,251	86,427	415,678

The CEO was paid a total of EUR **415,678** (364,652) in salary and other remuneration in 2019. Performance bonuses for 2018 were in total EUR **86,427**, which is approximately 27 per cent of the CEO's salary for 2018.

## Salary, remuneration and other benefits of the Management Team

The Management Team, excluding the CEO, was paid in salary and other remuneration for the calendar year 2019 as follows:

Management Team remuneration in 2019, EUR	Fixed base salary	Performance bonus	Total
Management Team, excluding the CEO	961,557	153,699	1,115,256

The Management Team, excluding the CEO, was paid a total of EUR **1,115,256** (990,865) in salary and other remuneration in 2019. Performance bonuses for 2018 were in total EUR **153,699**, which is approximately 17 per cent of the Management Team's salary for 2018.

## Remuneration of other personnel

Salaries and remuneration paid to other personnel in 2019 totalled EUR **31.8** (29.5) million. Salary payment complied with the terms and conditions of the collective agreements of each personnel group.

Safety bonuses of EUR **730,750** (609,850) were paid in 2019, which is 2.3 (2,1) per cent of the salaries paid.

Production bonuses of EUR **263,200** (429,000) were paid in 2019, which is 0.8 (1,5) per cent of the salaries paid.



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