



Remuneration Report 2021

March 30, 2022



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Terrafame Ltd is a non-listed company registered in Finland. Its parent company, Suomen Malmijalostus Oy – Finnish Minerals Group, is wholly owned by the State of Finland.

Management and decision-making at Terrafame are governed by its Articles of Association, the applicable laws and the Government Resolution on State Ownership Policy of 8 April 2020 (“ownership policy”). In accordance with the ownership policy, Terrafame is classified as a non-listed company with commercial operations. Remuneration at the company complies with the ownership policy.

Where applicable, the company’s corporate governance practices comply with the requirements set out in the Securities Market Association’s current Corporate Governance Code. The Code is available at cgfinland.fi/en. This Remuneration Report has been prepared in accordance with the reporting guidelines provided in the Securities Market Association’s Corporate Governance Code 2020.

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Remuneration of the Board of Directors

In the 2021 financial period, the remuneration of the Board of Directors followed a principle set out in the ownership policy. According to this principle, the fees paid to the members of the Board mainly consist of a fixed fee for the duration of their term of office, confirmed by the Annual General Meeting. This fixed fee is intended to be sufficient compensation for the time that the members spend on performing their work as Board members, as well as related duties. In addition to the fixed annual fee, meeting fees were paid to the members of the Board in accordance with their attendance rate. The fees payable to the members of the Board have remained unchanged since 14 August 2015. In accordance with the remuneration policy and the decisions made by the Annual General Meeting, the Board members are not paid variable fees, nor are they rewarded based on performance.

The fixed fee paid to the members of the Board is considered to be sufficiently competitive to attract and engage skilled and highly competent people with the capacity to serve as Board members and promote the achievement of Terrafame's strategic targets, as well as improving Terrafame's long-term financial performance and success. The remuneration of the Board is also considered to be consistent with that offered by other market operators.

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In accordance with the remuneration policy, the CEO was paid a fixed base salary, as well as fringe benefits based on the applicable company guideline, in the 2021 financial period. In line with the remuneration policy guidelines, the CEO is included in the company's short-term incentive scheme. In the 2021 financial period, the CEO was paid a performance bonus based on the 2020 performance. The Board of Directors will evaluate the CEO's performance in 2021 around March 2022, and any performance bonus will be paid in cash around April 2022. The CEO has no other financial benefits.

Rewarding good performance is a key principle guiding the remuneration of the CEO. The purpose of remuneration is to create common interests for the CEO and the company's shareholders and thereby promote the creation of long-term value for shareholders, in addition to rewarding the CEO for the successful implementation of Terrafame's strategy and the achievement of its financial targets.

The CEO is included in the company's three-year rolling long-term incentive scheme that currently has three programmes:

The first programme (LTI 2019–2021) within the scheme started at the beginning of 2019, and any rewards will be paid in the spring of 2022.

The second programme (LTI 2020–2022) within the scheme started at the beginning of 2020, and any rewards will be paid in the spring of 2023.

The third programme (LTI 2021–2023) within the scheme started at the beginning of 2021, and any rewards will be paid in the spring of 2024.

The rewards for the programmes will be paid provided that the performance targets set by the Board of Directors are achieved. The targets set for the LTI programmes are related to production and financial profitability. Their purpose is to support Terrafame's development and success and the achievement of its strategic goals over the long term.

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Terrafame's financial development has reflected the ramp-up of the production. Year 2016 was the first full operational year for Terrafame. The annual fees for the Board of Directors have been unchanged since 2015. Remuneration of the CEO is based on performance.

Financial key figures, MEUR	2021	2020	2019	2018	2017
Net sales	378.4	338.3	310.4	325.8	220.0
EBITDA	-48.8 (1)	23.8	32.0	32.8	13.6
Chairman of the Board, EUR	79,200	79,200	79,200	79,200	79,200
Annual fee	72,000	72,000	72,000	72,000	72,000
Meeting fees	7,200	7,200	7,200	7,200	7,200
Member of the Board, EUR	36,300	42,840	42,480	42,120	42,900
Annual fee (2)	30,000	36,000	36,000	36,000	36,000
Total meeting fees (2)	6,300	6,840	6,480	6,120	6,900
CEO, eur	387,190	408,229	415,678	364,652	341,045
Salary	337,882	333,160	329,251	322,487	309,744
Bonus	49,308	75,069	86,427	42,165	31,301
Salaries and remuneration of personnel	48,853	46,619	47,240	46,651	44,657

excl. CEO, in average (3)

(1) Including the EUR -72,9 million effect of the change in the environmental provision on the profit and loss statement.

(2) No annual or meeting fees are paid to the Board member who is not independent from the parent company of Terrafame. Board members' fee includes the impact of the change of one member at the General Meeting on 11 March 2021.

(3) Salaries and remuneration excl. ancillary costs and excl. CEO.

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The fees paid to the members of the Board in 2021 totalled **EUR 297,000** (293,400).

The members of the Board were paid annual and meeting fees in the 2021 financial period as follows:

Member	Attendance at Board meetings in 2021	Annual fees in 2021, EUR	Meeting fees in 2021, EUR	Total fees in 2021, EUR
Lauri Ratia Chair	12/13	72,000	7,200	79,200
Matti Hietanen Vice Chair	13/13	0	0	0
Jesus Fernandez	12/13	36,000	7,200	43,200
Emmanuel Henry	13/13	36,000	7,800	43,800
Riitta Mynttinen	12/13	36,000	7,200	43,200
Tuomo Mäkelä	13/13	36,000	7,800	43,800
Jyrki Vainionpää as of 11 March 2021	10/10	26,032	6,000	32,032
Esa Lager until 10 March 2021	3/3	9,968	1,800	11,768
Total (EUR)		252,000	45,000	297,000

No annual or meeting fees are paid to the Board member who is not independent from the parent company of Terrafame.

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

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The salary and fees paid to the CEO in 2021 totalled **EUR 387,190** (408,229). The performance-based bonus for 2020 was **EUR 49,308** (75 069), which is approximately 15 (23) per cent of the 2020 salary.

The CEO was paid salary and fees in the 2021 financial period as follows:

Fees paid to the CEO in 2021, EUR	Fixed annual salary	Performance bonuses	Total
Joni Lukkaroinen	337,882	49,308	387,190

The CEO does not have any fringe benefits other than mobile phone and internet services.

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



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