

Terrafame

Remuneration Report 2022

27 March 2023



INTRODUCTION

KEY PRINCIPLES GUIDING REMUNERATION

FINANCIAL DEVELOPMENT OF THE COMPANY AND REMUNERATION

REMUNERATION OF THE BOARD OF DIRECTORS IN 2022

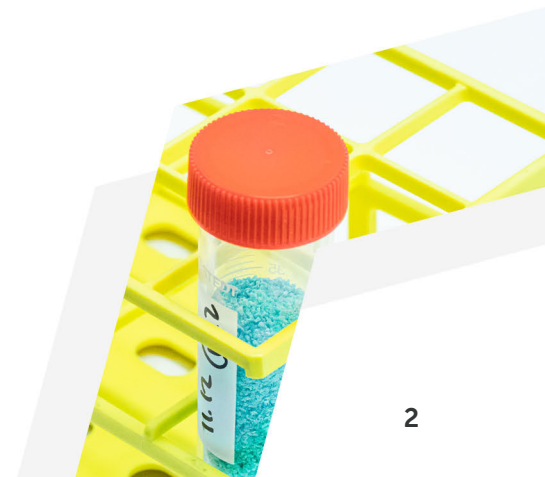
REMUNERATION OF THE CEO IN 2022

Terrafame Ltd is a limited liability 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 www.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.



Key principles guiding remuneration

INTRODUCTION

KEY PRINCIPLES GUIDING
REMUNERATION

FINANCIAL DEVELOPMENT OF THE
COMPANY AND REMUNERATION

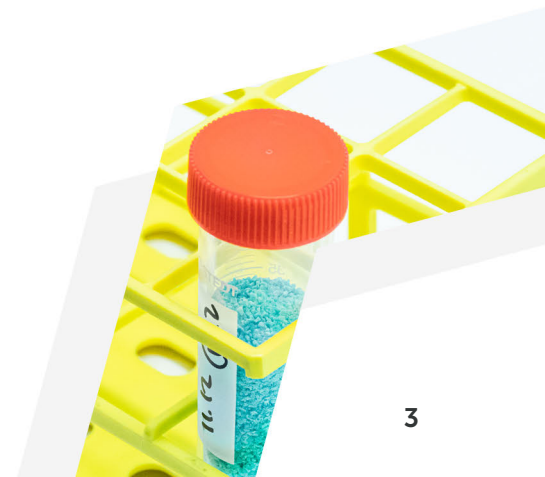
REMUNERATION OF THE BOARD
OF DIRECTORS IN 2022

REMUNERATION OF THE
CEO IN 2022

Terrafame has a remuneration policy adopted by the Annual General Meeting in 2020.

The key principles guiding the remuneration of the members of Terrafame's Board of Directors are transparency, fairness and consistency compared to other market operators. The fees payable 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. The fixed fee paid to the members of the Board must be sufficiently competitive to attract and engage skilled and highly competent people with the capacity to serve as Board members.

The key principles guiding remuneration of the CEO at Terrafame are that good performance is rewarded and that the reward is reasonable and fair and determined in a transparent manner. In view of the aforementioned key principles, the purpose of rewarding Terrafame's CEO is to create common interests for the CEO and the company's shareholders and thereby promote the creation of long-term value for shareholders. Other key objectives of remuneration of the CEO are to reward the CEO for the successful implementation of Terrafame's strategy and the achievement of its financial targets.



Financial development of the company and remuneration

INTRODUCTION

KEY PRINCIPLES GUIDING REMUNERATION

FINANCIAL DEVELOPMENT OF THE COMPANY AND REMUNERATION

REMUNERATION OF THE BOARD OF DIRECTORS IN 2022

REMUNERATION OF THE CEO IN 2022

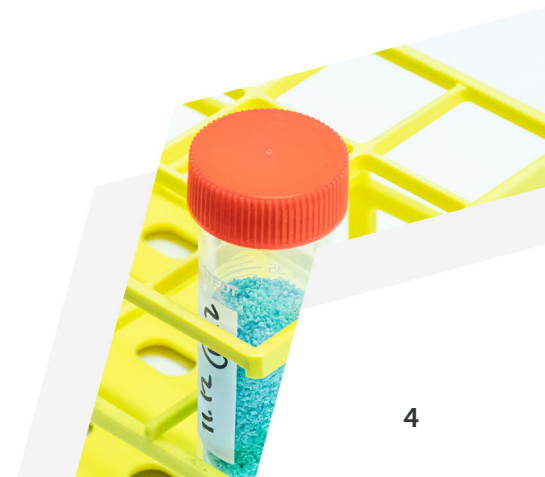
Terrafame's financial development has reflected the ramp-up of production.

Financial key figures, EUR million	2018	2019	2020	2021	2022
Net sales	325.8	310.4	338.3	378.4	584.4
EBITDA, excl. non-recurring items	32.8	32.0	23.8	24.2 ⁽¹⁾	152.1
Chair of the Board, EUR					
Annual fee ⁽²⁾	72,000	72,000	72,000	72,000	72,000
Meeting fee ⁽²⁾	600	600	600	600	600
Member of the Board, EUR					
Annual fee ⁽²⁾	36,000	36,000	36,000	36,000	36,000
Meeting fee ⁽²⁾	600	600	600	600	600
CEO, EUR	364,652	415,678	408,229	387,190	394,013
Base salary	322,487	329,251	333,160	337,882	343,044
Performance bonuses	42,165	86,427	75,069	49,308	50,969
Salaries and remuneration of personnel on average, EUR ⁽³⁾	46,651	47,240	46,619	48,853	52,680

(1) An increase in an environmental provision recognised in the fourth quarter of 2021 had a negative impact of EUR 72.9 million on EBITDA.

(2) Annual fee and meeting fee per meeting decided annually by the Annual General Meeting. No annual or meeting fees were paid to a Board member who is not independent of a major shareholder until 28 February 2022.

(3) Salaries and remuneration excl. non-wage payroll costs. The CEO's remuneration is not included in the calculation.



INTRODUCTION

KEY PRINCIPLES GUIDING REMUNERATION

FINANCIAL DEVELOPMENT OF THE COMPANY AND REMUNERATION

REMUNERATION OF THE BOARD OF DIRECTORS IN 2022

REMUNERATION OF THE CEO IN 2022

In the 2022 financial period, the remuneration of the Board of Directors followed the principle set out in the remuneration policy according to which 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.

In addition to the fixed annual fee, meeting fees were paid to the Board members. In accordance with the remuneration policy, the Board members are not paid variable fees, nor are they rewarded based on performance.

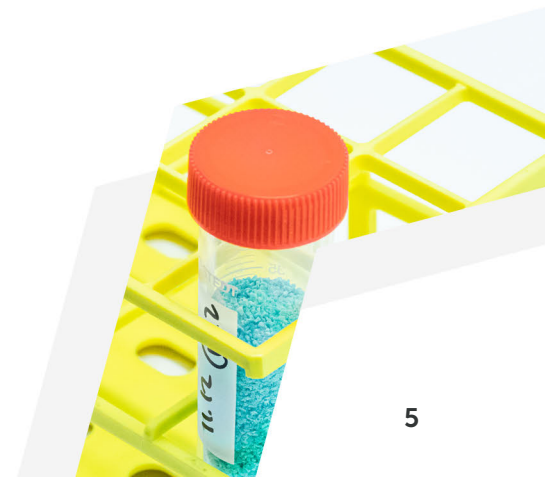
In 2022, the Annual General Meeting resolved that an annual fee of EUR 72,000 be paid to the Chair of the Board and an annual fee of EUR 36,000 to the members of the Board. In addition, a Board member is paid EUR 600 for each meeting in which the member has been present. The fees payable to the members of the Board have remained unchanged since 14 August 2015.

The fees paid to the members of the Board in 2022 totalled EUR 327,000 (296,400).

The members of the Board were paid annual and meeting fees in the 2022 financial period as follows:

Member	Annual fees in 2022	Meeting fees in 2022	Total fees in 2022
Lauri Ratia, Chair	72,000	7,200	79,200
Matti Hietanen, Vice Chair	27,000	6,000	33,000
Jesus Fernandez	36,000	6,600	42,600
Riitta Mynttinen	36,000	7,200	43,200
Tuomo Mäkelä	36,000	7,200	43,200
Jyrki Vainionpää	36,000	7,200	43,200
Julian Sanchez (from 1 July 2022)	18,000	3,600	21,600
Emmanuel Henry (until 30 June 2022)	18,000	3,000	21,000
Total, EUR	279,000	48,000	327,000

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



Remuneration of the CEO in 2022

INTRODUCTION

KEY PRINCIPLES GUIDING
REMUNERATION

FINANCIAL DEVELOPMENT OF THE
COMPANY AND REMUNERATION

REMUNERATION OF THE BOARD
OF DIRECTORS IN 2022

REMUNERATION OF THE
CEO IN 2022

Base salary

Short-term incentive scheme

Long-term incentive scheme

Summary of the CEO's
remuneration in 2022

Remuneration falling due for
payment in 2023

Joni Lukkaroinen served as Terrafame's CEO during the financial year 1 January – 31 December 2022.

In accordance with the remuneration policy, the CEO's remuneration consists of a fixed base salary, fringe benefits based on the applicable company guideline, and the company's short-term incentive scheme and long-term incentive scheme. The CEO is not covered by a contribution-based pension plan or any other additional pension plans.

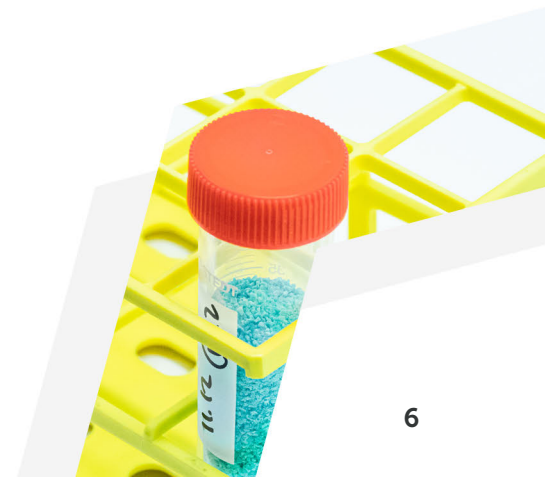
Base salary

The CEO's fixed base salary is EUR 27,280 per month as of 1 March 2022. The CEO does not have any fringe benefits other than mobile phone, opportunity to charge an electric car in the workplace and internet connection at home.

Short-term incentive scheme

In the 2022 financial period, the CEO was paid a performance bonus based on the 2021 performance. The Board of Directors will evaluate the CEO's performance in 2022 around March 2023, and any performance bonus will be paid in cash around April 2023. The CEO has no other financial benefits.

In 2022, the reward criteria in the short-term incentive scheme were related to responsibility and the implementation of the strategy.



Long-term incentive scheme

INTRODUCTION

KEY PRINCIPLES GUIDING REMUNERATION

FINANCIAL DEVELOPMENT OF THE COMPANY AND REMUNERATION

REMUNERATION OF THE BOARD OF DIRECTORS IN 2022

REMUNERATION OF THE CEO IN 2022

Base salary

Short-term incentive scheme

[Long-term incentive scheme](#)

Summary of the CEO's remuneration in 2022

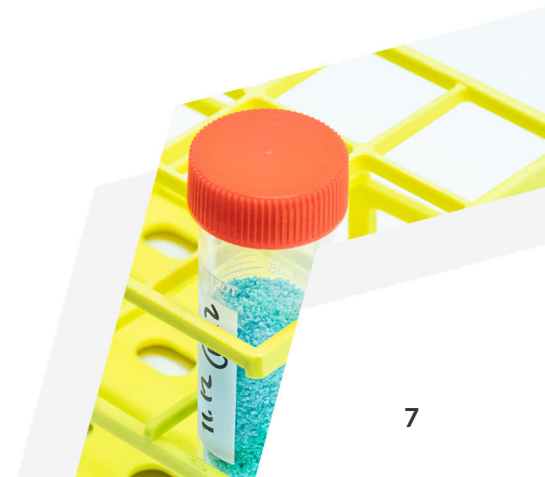
Remuneration falling due for payment in 2023

In February 2019, Terrafame's Board of Directors decided to establish a long-term incentive scheme (LTI) for the company's management and other key individuals. The scheme consists of individual performance-based programmes starting every year. Each programme includes a three-year performance period and the payment of any rewards in cash after the performance period. The Board will separately decide on the initiation of each individual programme.

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

- The first programme (LTI 2019–2021) within the scheme started at the beginning of 2019. The rewards paid under it were paid in the spring of 2022.
- The second programme (LTI 2020–2022) within the scheme started at the beginning of 2020. Any rewards under it will be paid in the spring of 2023.
- The third programme (LTI 2021–2023) within the scheme started at the beginning of 2021. Any rewards under it will be paid in the spring of 2024.
- The fourth programme (LTI 2022-2024) within the scheme started at the beginning of 2022. Any rewards under it will be paid in the spring of 2025.

The rewards under 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.



Summary of the CEO's remuneration in 2022

The salary and fees paid to the CEO in 2022 totalled EUR 394,013 (387,190). The proportion of the variable remuneration paid in 2022 was 13 per cent and that of the fixed base salary 87 per cent. The proportion of the variable remuneration paid in 2021 was 15 per cent and that of fixed base salary 85 per cent.

The CEO was paid salary and fees in the 2022 financial period as follows:

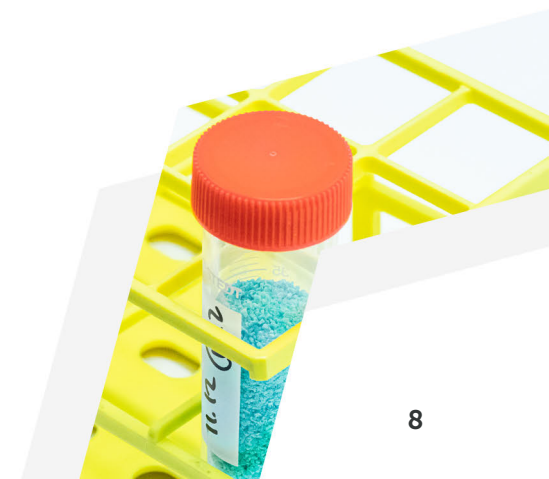
Fees paid to the CEO in 2022	Fixed annual salary	Short-term incentive scheme (1)	Long-term incentive scheme (2)	Total, EUR
Joni Lukkaroinen	343,044	39,904	11,065	394,013

(1) Earned in 2021, paid in 2022.

(2) Long-term incentive scheme 2019–2021 programme

Remuneration due for payment in 2023

The company's Board of Directors will decide in the spring of 2023 on the potential remuneration payable to the CEO in the spring of 2023 under the 2022 short-term incentive scheme and under the long-term incentive scheme 2020–2022 programme.



The background features a white background with decorative elements on the left and right sides. On the left, there is a yellow laboratory rack holding a test tube with a red cap and a beaker containing blue granules. On the right, there is another yellow laboratory rack holding a test tube with a white label that has the number '22' written on it, and a beaker containing blue granules. The text is centered in the middle of the page.

Terrafame

Remuneration Report 2022

27 March 2023