

Terrafame

Remuneration Report

2023

20 March 2024



INTRODUCTION

KEY PRINCIPLES GUIDING REMUNERATION

FINANCIAL DEVELOPMENT OF THE COMPANY AND REMUNERATION

REMUNERATION OF THE BOARD OF DIRECTORS IN 2023

REMUNERATION OF THE CEO IN 2023

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. This Remuneration Report has been prepared in accordance with the reporting guidelines provided in the Securities Market Association’s Corporate Governance Code 2020. The Code is available at www.cgfinland.fi/en/.



Key principles guiding remuneration

Terrafame has a remuneration policy adopted by the Annual General Meeting in 2020. The remuneration policy will be presented to the company's shareholders at the Annual General Meeting in 2024.

The key principles guiding the remuneration of the members of Terrafame's Board of Directors are transparency, fairness and consistency when 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.

In 2023, the remuneration of the Board of Directors and the CEO complied with Terrafame's remuneration policy, and there were no deviations. No part of the Board members' fees was subject to recovery or adjustment in the financial year 2023. An adjustment to the benefit received by the CEO in 2016 was made in the remuneration for 2023.



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 2023

REMUNERATION OF THE CEO IN 2023

Terafame's financial development has reflected the ramp-up of production and the increased role of battery chemicals production.

Financial key figures, EUR million	2019	2020	2021	2022	2023
Net sales	310.4	338.3	378.4	584.4	560.9
EBITDA excluding non-recurring items	32.0	23.8	24.2 ⁽¹⁾	152.1	99.4 ⁽²⁾
Chair of the Board, EUR					
Annual fee	72,000	72,000	72,000	72,000	72,000
Meeting fee	600	600	600	600	600
Member of the Board, EUR					
Annual fee ⁽³⁾	36,000	36,000	36,000	36,000	36,000
Meeting fee ⁽³⁾	600	600	600	600	600
CEO, EUR	415,678	408,229	387,190	394,013	473,961
Base salary	329,251	333,160	337,882	343,044	350,468
Performance bonuses	86,427	75,069	49,308	50,969	123,493
Salaries and remuneration of personnel on average, EUR ⁽⁴⁾	46,713	46,164	48,478	52,329	54,269

(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) An increase in environmental provision reduced the operating profit margin by 15.1 million euros in the last quarter of 2023.

(3) Annual fee and meeting fee (per meeting) decided by the Annual General Meeting. Until 28 February 2022, no annual or meeting fees were paid to Board members who were not independent of major shareholders.

(4) Salaries and remuneration excl. non-wage payroll costs. The CEO's or Board of Directors' remuneration is not included in the calculation.

Remuneration of the Board of Directors in 2023

INTRODUCTION

KEY PRINCIPLES GUIDING REMUNERATION

FINANCIAL DEVELOPMENT OF THE COMPANY AND REMUNERATION

REMUNERATION OF THE BOARD OF DIRECTORS IN 2023

REMUNERATION OF THE CEO IN 2023

In the financial year 2023, 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 2023, 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 member of the Board of Directors is paid EUR 600 for each Board meeting or Board committee meeting they attend. The annual 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 2023 totalled EUR 343,200 (327,000).

The members of the Board were paid annual and meeting fees in the financial year 2023 as follows:

Member	Annual fees in 2023, EUR	Meeting fees in 2023, EUR	Total fees in 2023, EUR
Lauri Ratia, Chair	72,000	7,800	79,800
Matti Hietanen, Vice Chair	36,000	7,800	43,800
Jesus Fernandez	36,000	8,400	44,400
Riitta Mynttinen	36,000	8,400	44,400
Tuomo Mäkelä	36,000	7,200	43,200
Julian Sanchez	36,000	7,800	43,800
Jyrki Vainionpää	36,000	7,800	43,800
Total	288,000	55,200	343,200

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 2023

INTRODUCTION

KEY PRINCIPLES GUIDING
REMUNERATION

FINANCIAL DEVELOPMENT OF THE
COMPANY AND REMUNERATION

REMUNERATION OF THE BOARD
OF DIRECTORS IN 2023

REMUNERATION OF THE
CEO IN 2023

Joni Lukkaroinen served as Terrafame's CEO during the financial year 1 January – 31 December 2023.

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 was increased to EUR 29,280 per month from 1 October 2023. Before the increase, the base salary was EUR 27,280 per month. The CEO's fringe benefits include the telephone benefit, the electric car recharging benefit in the workplace, the connectivity benefit at home, and other fringe benefits available to the personnel.

Short-term incentive scheme

In the financial year 2023, the CEO was paid a performance bonus based on the 2022 performance. The Board of Directors will evaluate the CEO's performance in 2023, in around February 2024, and any performance bonus will be paid in cash around April 2024. The CEO has no other financial benefits.

In 2023, the reward criteria in the short-term incentive scheme were related to sustainability and the implementation of the strategy.

[Base salary](#)

[Short-term incentive scheme](#)

[Long-term incentive scheme](#)

[Summary of the CEO's
remuneration in 2023](#)

[Remuneration falling due
for payment in 2023](#)

INTRODUCTION

KEY PRINCIPLES GUIDING REMUNERATION

FINANCIAL DEVELOPMENT OF THE COMPANY AND REMUNERATION

REMUNERATION OF THE BOARD OF DIRECTORS IN 2023

REMUNERATION OF THE CEO IN 2023

Base salary

Short-term incentive scheme

[Long-term incentive scheme](#)

Summary of the CEO's
remuneration in 2023

Remuneration falling due
for payment in 2023

Long-term incentive scheme

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, which currently has five programmes:

- › The first programme (LTI 2019–2021) within the scheme started at the beginning of 2019. The rewards under the programme were paid in the spring of 2022.
- › The second programme (LTI 2020–2022) within the scheme started at the beginning of 2020. The rewards under the programme were paid in the spring of 2023.
- › The third programme (LTI 2021–2023) within the scheme started at the beginning of 2021. Any rewards under the programme 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 the programme will be paid in the spring of 2025.
- › The fifth programme (LTI 2023–2025) within the scheme started at the beginning of 2023. Any rewards under the programme will be paid in the spring of 2026.

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, financial profitability and sustainability. Their purpose is to support Terrafame's development and success and the achievement of its strategic and corporate sustainability goals over the long term.



INTRODUCTION

KEY PRINCIPLES GUIDING
REMUNERATION

FINANCIAL DEVELOPMENT OF THE
COMPANY AND REMUNERATION

REMUNERATION OF THE BOARD
OF DIRECTORS IN 2023

REMUNERATION OF THE
CEO IN 2023

Base salary

Short-term incentive scheme

Long-term incentive scheme

[Summary of the CEO's
remuneration in 2023](#)

[Remuneration falling due
for payment in 2023](#)

Summary of the CEO's remuneration in 2023

The salary and fees paid to the CEO in 2023 totalled EUR 473,960 (394,013). The proportion of the variable remuneration paid in 2023 was 26% and that of the fixed base salary 74%.

The proportion of the variable remuneration paid in 2022 was 13% and that of the fixed base salary 87%.

The CEO was paid salary and fees in the 2023 financial year as follows:

Fees paid to the CEO in 2023	EUR
Joni Lukkaroinen	
Fixed annual salary	350,468
Short-term incentive scheme (1)	95,004
Long-term incentive scheme (2)	28,489
Total	473,960

(1) Earned in 2022, paid in 2023.

(2) Long-term incentive scheme 2020–2022 programme.

Remuneration falling due for payment in 2023

The company's Board of Directors will decide on the potential remuneration payable to the CEO in the spring of 2024 under the short-term incentive scheme and under the long-term incentive scheme programme 2021–2023.





Terrafame

Remuneration Report

2023