

Remuneration Report 2020

March 24, 2021

Terrafame



INTRODUCTION

Remuneration of the
Board of Directors

Remuneration of the CEO

Financial development and
remuneration of the company

REMUNERATION OF THE
BOARD OF DIRECTORS 2020

REMUNERATION OF
THE CEO 2020

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 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.

INTRODUCTION

Remuneration of the Board of Directors

Remuneration of the CEO

Financial development and remuneration of the company

REMUNERATION OF THE BOARD OF DIRECTORS 2020

REMUNERATION OF THE CEO 2020

Remuneration of the Board of Directors

In the 2020 financial period, the remuneration of the Board of Directors followed a principle set out in the remuneration 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.

Remuneration of the CEO

INTRODUCTION

Remuneration of the Board of Directors

Remuneration of the CEO

Financial development and remuneration of the company

REMUNERATION OF THE BOARD OF DIRECTORS 2020

REMUNERATION OF THE CEO 2020

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 2020 financial period. In line with the remuneration policy guidelines, the CEO is included in the company's short-term incentive scheme. In the 2020 financial period, the CEO was paid a performance bonus based on the 2019 performance. The Board of Directors will evaluate the CEO's performance in 2020 around March 2021, and any performance bonus will be paid in cash around April 2021. 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. 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, provided that the performance targets set by the Board of Directors are achieved. The targets set for the LTI 2019–2021 programme 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. More information about the LTI programme is available at www.terrafame.com.

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, provided that the performance targets set by the Board of Directors are achieved. The targets set for the LTI 2020–2022 programme 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.

INTRODUCTION

Remuneration of the Board of Directors

Remuneration of the CEO

Financial development and remuneration of the company

REMUNERATION OF THE BOARD OF DIRECTORS 2020

REMUNERATION OF THE CEO 2020

Financial development and remuneration of the company

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	2020	2019	2018	2017	2016
Net sales	338.3	310.4	325.8	220.0	101.0
EBITDA	23.8	32.0	32.8	13.6	-120.6
Chairman of the Board, eur	79,200	79,200	79,200	79,200	78,000
Annual fee	72,000	72,000	72,000	72,000	72,000
Meeting fees	7,200	7,200	7,200	7,200	6,000
Member of the Board, eur	42,840	42,480	42,120	42,900	42,000
Annual fee (1)	36,000	36,000	36,000	36,000	36,000
Total meeting fees, in average (1)	6,840	6,480	6,120	6,900	6,000
CEO, eur	408,229	415,678	364,652	341,045	264,421
Salary	333,160	329,251	322,487	309,744	264,421
Bonus	75,069	86,427	42,165	31,301	-
Salaries and remuneration of personnel excl. CEO					
in average, eur (2)	46,619	47,240	46,651	44,657	44,624

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

(2) Salaries and remuneration excl. ancillary costs.

Remuneration of the Board of Directors in 2020

The fees paid to the members of the Board in 2020 totalled EUR 293,400 (291,600).

The members of the Board were paid annual and meeting fees in the 2020 financial period as follows:

Member	Attendance at Board meetings	Annual fees	Meeting fees	Total fees
Lauri Ratia, Chair	12/12	72,000	7,200	79,200
Matti Hietanen, Vice Chair	12/12	0	0	0
Jesus Fernandez	9/12	36,000	5,400	41,400
Emmanuel Henry	12/12	36,000	7,200	43,200
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
Total (EUR)		252,000	41,400	293,400

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 mukaisesti.

Remuneration of the CEO in 2020

INTRODUCTION

REMUNERATION OF THE BOARD OF DIRECTORS 2020

REMUNERATION OF THE CEO 2020

The salary and fees paid to the CEO in 2020 totalled EUR 408,229 (415,678). The performance-based bonus for 2019 was EUR 75 069 (86 427), which is approximately 23 (27) per cent of the 2019 salary.

The CEO was paid salary and fees in the 2020 financial period as follows:

CEO	Fixed annual salary	Performance bonuses	Total
Joni Lukkaroinen	333,159	75,069	408,229

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.

The corporation of authorized public accountants KPMG Oy Ab, acting in its capacity as the elected auditor of Terrafame Oy for the financial year 2020, has verified in a manner accordant with the statute no. 608/2019 issued by the Finnish Ministry of Finance that the information referred to in the Section 3 of the above Statute has been disclosed.

The image features a white background with a large, diagonal cutout on the left side. This cutout reveals an industrial setting with yellow safety railings, grey pipes, and various mechanical components. The text is centered on the white background.

Terrafame

Remuneration Report

2020

March 24, 2021