



Corporate Governance Statement 2021

March 30, 2022



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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, as well as the current 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 current Corporate Governance Code. The Code is available at cgfinland.fi/en.

This Corporate Governance Statement has been prepared in accordance with the reporting guidelines of the Securities Market Association's Corporate Governance Code 2020, which entered into force on 1 January 2020. Terrafame's Board of Directors has reviewed the statement, which will be published at the same time as, but separately from the Board of Directors' Report for the financial year 1 January – 31 December 2021. The Corporate Governance Statement, as well as the Board of Directors' Report and the company's financial statements, are available at www.terrafame.fi.

Terrafame's auditor, KPMG Oy, has checked to ensure that the statement has been issued and that its description of the main features of the internal control and risk management system related to the company's financial reporting process is consistent with the description provided in the company's financial statements.

The deviations from compliance with the Corporate Governance Code are related to the company's general meeting (recommendations 1–4) and the organisation of related party governance required of listed companies.

The deviations from the Corporate Governance Code's recommendations are based on the fact that the company's securities are not publicly traded.



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General Meeting

The General Meeting is held annually to confirm the company's financial statements, decide on the distribution of profits, decide on the election of Board members and the auditor and determine their fees, and discharge the members of the Board of Directors and CEO from liability. The Chair of the Board of Directors and Vice Chair, if needed, are also elected at the General Meeting.



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Board of Directors

Duties and responsibility

In accordance with the Limited Liability Companies Act, Terrafame's Board of Directors is responsible for the company's governance and the appropriate organisation of its operations. The Board of Directors must also ensure that the company's accounting and financial management are appropriately supervised. The Board of Directors' role is to promote the interests of the company and its shareholders. One of the Board's key duties is to make significant decisions related to the company's operating principles, strategy, investments, organisational structure and finances.

According to the Articles of Association, the Board of Terrafame has between three (3) and seven (7) members. The members are elected at the Annual General Meeting for a term ending at the close of the next Annual General Meeting.

Preparation of the composition of the Board

The major shareholders of the company submit their proposals for the composition of the Board in accordance with the shareholder agreement. Thus, Suomen Malmijalostus Oy (Finnish Minerals Group) has the right to nominate candidates for up to five Board positions, and the Galena funds have the right to nominate candidates for up to two Board positions.

Diversity

The composition of the Board of Directors seeks to ensure that the Board has extensive expertise, experience and knowledge with regard to Terrafame's production process and line of business. As Terrafame has become a producer of battery chemicals the importance of expertise in chemistry and the automotive industry and its subcontracting networks, in addition to base metal market knowledge, is highlighted in the work of the Board of Directors. This enables the Board to carry out its duties as efficiently as possible, particularly those related to the company's strategy, finances and risk management. The Board's diversity with respect to competence and gender enables the achievement of Terrafame's business objectives. Both genders are represented on Terrafame's Board of Directors.

Members of the Board

6

Men

1

Woman

5

Finnish national

1

French national

1

Spanish national



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In 2021, the Board had seven (7) members, one (1) of whom was a woman. The Board's composition is a representation of multidisciplinary and diverse experience in both national and international business activities. The Board members' educational backgrounds also serve to ensure the achievement of Terrafame's business objectives. Of the Board members, five (5) were Finnish, one (1) was French, and one (1) was Spanish.

Key content of the Board's Rules of Procedure

The Board of Directors has confirmed Rules of Procedure for itself, the key content of which is described below, and which define the duties of the Board, its Chair and the Board committees. The Rules of Procedure cover the following aspects: composition of the Board of Directors, election of Board members, responsibilities of the members and the Chairman, meetings and decision-making of the Board, conflicts of interest of members, committees, self-assessment of operations and remuneration of the members. The Board of Directors covered sustainability and climate themes in its meetings during the year.

The Board's responsibilities include:

Approving the annual operating plan, business plan and budget.

Approving the financial reports, the Board of Directors' Report and the financial statements.

Preparing the remuneration policy and remuneration report.

Approving the organisational structure and remuneration system.

Appointing and dismissing the Chief Executive Officer.

Appointing the Leadership Team.

Deciding on the terms of employment and remuneration payable to the CEO and other key personnel.

Appointing committee members and confirming the committees' Rules of Procedure.

Guiding and supervising the executive management.

Supervising the company's operations with respect to compliance with laws and regulations.

Approving long-term objectives and strategies.

Approving the company's values and principles, as well as its practices concerning the control and risk management system.

Convening the General Meeting.



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The Board of Directors has a quorum when more than half of its members participate in a meeting, either by being present or via telephone or videoconferencing. On current matters, the Board may also make unanimous written decisions by email. The Board seeks to achieve consensus in its decision-making on all occasions. If this cannot be reasonably achieved, the decisions of the Board will be made in accordance with the provisions of the Limited Liability Companies Act. According to the Act, the decisions of the Board require a simple majority. In the event of a tie, the Chair casts the deciding vote. The provisions of the Limited Liability Companies Act are observed with regard to the conflicts of interest of Board members.

The Board of Directors convenes around ten times per year in accordance with an agreed schedule. If necessary, the Board will hold additional meetings.

The Board assesses its activities and working methods annually.

Board committees

The Board has established advisory committees from among its members.

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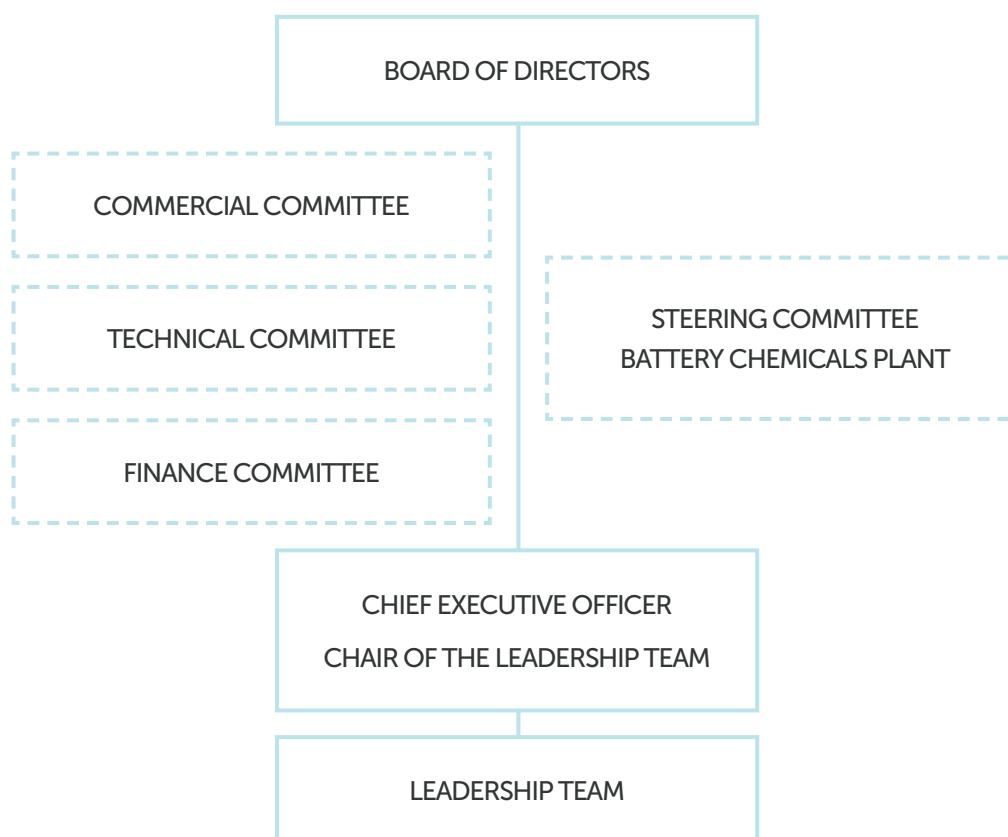
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Management of the company

Terrafame has one business area with the following operational activities: mining, metals production, a battery chemicals plant and commercial operations. The company's support functions include finance, human resources, factory services, laboratory, technology, project operations, sustainability and communications. As agreed in the shareholder agreement, the company has three advisory committees, as well as the Board's and management's Steering Committee, which supports and monitors the progress of the battery chemicals plant project. The Board has confirmed the members and the tasks of these groups.



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Chief Executive Officer

The CEO is responsible for the day-to-day management of the company in accordance with the guidelines and regulations issued by the Board of Directors (general authority). The CEO is responsible for ensuring the legal compliance of the company's accounting practices and the reliable organisation of its asset management.

The CEO of Terrafame is responsible for the operational management of business operations in accordance with the strategic plans, budgets, operational plans, guidelines and regulations approved by the Board. The CEO presents operational matters to the Board and is responsible for the implementation of decisions made by the Board.

Leadership Team

Terrafame's Leadership Team assists the CEO in achieving the company's operational and financial objectives and managing its business operations. The Leadership Team is responsible for preparing matters to be submitted to the Board for consideration, such as strategy, budgeting and major business-related investments.

The Leadership Team reports to Terrafame's CEO and has regular weekly meetings.



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The shareholder agreement concerning the company provides for establishing three advisory committees:

- The duties of the Commercial Committee include the evaluation, monitoring and planning of commercially relevant matters of the company, as well as the acquisition of information related to them.
- The duties of the Technical Committee include the evaluation, monitoring and planning of topical matters related to the company's production, operations of the mine and the metals production plant and development projects, as well as the acquisition of information related to them.
- The duties of the Finance Committee include the evaluation and monitoring of the company's position in terms of funding and the planning and preparation of initiatives to improve the position, as well as the acquisition of information related to them.

The members of the committees are appointed in accordance with the shareholder agreement. The committees operate in accordance with separate Rules of Procedure confirmed by the Board. No independent decision-making or representation powers have been assigned to the Committees.

The Board's and the Management's Steering Committee for the battery chemicals plant project

In the autumn of 2017, Terrafame's Board of Directors decided to establish a Steering Committee for the battery chemicals plant project. The Steering Committee responsibilities consist of supporting the project and keeping track of its progress. Members from both the Board and the Management are represented in the committee. The purpose of the Steering Committee has been regular weekly monitoring of the progress of the project, and to support and guide the preparation of the project in terms of key aspects. No separate Rules of Procedure have been confirmed for the Steering Committee, and no independent decision-making or representation powers have been assigned to the committee in the company. The Steering Committee reports regularly to the Board.



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The Board of Directors is responsible for the arrangement of internal control, risk management and internal auditing. Terrafame's Board has confirmed the company's principles concerning internal control and risk management. Considering the scope of the company's business operations, no internal audit organisation has been set up for the company.

Description of the main features of the risk management systems

Terrafame assesses risks and opportunities as part of its business planning and decision-making processes. To limit unnecessary and excessive risk-taking, risks related to the company's operating environment, operational activities, environment and financial position are assessed regularly when planning and managing business operations. The Board of Directors regularly reviews the risk information collected by the operational management.

Description of the internal control procedures

The aim of Terrafame's internal control is to ensure that the company's operations are efficient and results will be achieved, that business risks are adequately and appropriately managed, and that the information produced is reliable. The internal control system is also used to monitor compliance with the company's policies and guidelines.

Main features of the internal control and risk management systems related to the financial reporting process

Terrafame seeks to ensure that the company's financial reporting complies with the requirements in force in such a way that the company's financial statements provide a true and fair view of the company's operations and financial position. The system for monitoring compliance with the requirements is based on the management's very exact and transparent reporting process and company-related values, as well as its corporate culture of emphasising honest and transparent activities.



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Reporting misconduct

Everyone working at Terrafame's industrial site is responsible for the compliance of their own operations. Employees are encouraged to primarily contact their supervisor with any questions about compliance with or the interpretation of Terrafame's Code of Conduct or possible breaches of the Code of Conduct. The employees of partner companies can turn to their employer's contact person for Terrafame.

There is also a whistle-blowing channel for reporting suspected misconduct. The channel is available for Terrafame's own employees and the employees of partner companies on the industrial site. Reports can also be submitted anonymously. The cases reported through the whistle-blowing channel are transferred to the service provider's experts specialising in preventing and investigating misconduct. Terrafame has no access to the information provided through the separate online platform maintained by an external service provider.

Terrafame is responsible for ensuring that there will be no harmful consequences for employees reporting violations of the law or the company's Code of Conduct or other guidelines.

Principles for related party transactions

Terrafame's Board of Directors has confirmed that the company complies with its parent company's (Suomen Malmijalostus Oy – Finnish Minerals Group) policy for organising related party governance and processing related party transactions.

Terrafame's key related parties include the following entities: Suomen Malmijalostus Oy – Finnish Minerals Group, the State of Finland, Galena Private Equity Resources Investment 2 L.P., Galena Private Equity Resources Investment 3 L.P. and Galena Private Equity Resources Investment 4 L.P. -funds, as well as Trafigura Group.

In addition, Terrafame's related parties include the members of the Board, the CEO and the members of the Leadership Team, persons responsible for Terrafame Ltd's commercial agreements, and the immediate family members of the persons referred to here, as well as entities over which they or their immediate family members have control. Terrafame's related parties also include entities in which the State of Finland exercises control or considerable influence.



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According to the related party policy, the Board's exclusive competence includes all significant transactions involving the company's related parties, who/which may be natural persons or organisations. Decisions on transactions with related parties comply with the disqualification provisions of the Finnish Limited Liability Companies Act (624/2006). Terrafame applies an exemption pursuant to which it only reports significant transactions with State-related companies.

Terrafame's financial administration maintains a register of the company's related parties (organisations and natural persons).

Auditing

The purpose of the statutory external audit is to verify that the financial statements and the Board of Directors' Report provide accurate and adequate information about the company's performance and financial position. In addition, the auditing includes an audit of the company's accounting and governance.

The auditor has issued a statutory auditor's report to the shareholders of Terrafame in connection with the company's financial statements and has reported on their findings to the company's Board of Directors.

According to the Articles of Association, Terrafame's auditor must be an audit firm authorised by the Finnish Patent and Registration Office. The auditor's term of office ends at the close of the next Annual General Meeting following their election.



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In 2021, the Annual General Meeting was held on 11 March 2021.

Board of Directors

The Annual General Meeting of 2021 decided to elect Lauri Ratia, Matti Hietanen, Tuomo Mäkelä, Jesus Fernandez, Emmanuel Henry, Riitta Mynttinen and Jyrki Vainionpää as the members of the Board of Directors. Esa Lager had announced, that he will no longer be available as a member of the Board. Lauri Ratia was elected as Chair of the Board and Matti Hietanen as its Vice Chair.

During the financial year 2021 Terrafame had three Advisory Committees confirmed by the Board (Commercial Committee, Technical Committee and Finance Committee).

The Board was fully in charge of the Audit Committee's duties.

Terrafame's Board has assessed the independency of its members. Of the members, Ratia, Mäkelä, Mynttinen and Vainionpää are all independent of the company and its shareholders. Hietanen is the CEO of the parent company, Suomen Malmijalostus Oy – Finnish Minerals Group, and therefore not independent of a major shareholder. Fernandez and Henry are employed by Trafigura Group, which includes Terrafame's minority shareholders, the Galena funds. Therefore, they are not independent of a major shareholder.



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	Name	Year of birth	Natio-nality	Education/ Degree/Title	Principal occupation	Member of the Board	Independence
General Meeting	Lauri Ratia Chair	1946	Finnish	MSc (Technology), Industrial Counsellor	Board professional	2015	Independent
Board of Directors	Matti Hietanen Vice Chair	1977	Finnish	Master of Laws trained on the bench, MSc (Economics)	CEO, Suomen Malmijalostus Oy – Finnish Minerals Group	2017	Not independent of a major shareholder
Management of the company	Jesus Fernandez	1976	Spanish	MSc (Finance and Investment)	Head of M&A, Trafigura Group Pte	2017	Not independent of a major shareholder
Control systems	Emmanuel Henry	1973	French	MASc (Geostatistics)	Head of Mining Group, Trafigura Group Pte	2017	Not independent of a major shareholder
GOVERNANCE IN 2021	Riitta Mynttinen	1960	Finnish	Chemical Engineer, MBA	Board professional	2018	Independent
General Meeting	Tuomo Mäkelä	1950	Finnish	MSc, geologist	CEO and Senior Advisor, Mining, Escanor Oy	2015	Independent
Board of Directors	Jyrki Vainionpää since 11 March, 2021	1976	Finnish	MSc, (Econ.)	SVP, Business Development, Adven Group	2021	Independent
Members of the Board	Esa Lager until 10 March, 2021	1959	Finnish	Master of Laws, MSc (Economics)	Board professional	2015	Independent
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The Board members or the entities over which they exercise control held no shares or share-based rights in Terrafame.



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Meetings

In 2021, the Board of Terrafame convened 13 times, of which altogether 11 meetings were virtual. In addition, the Board has made written decisions on current matters by email.

Acting as Secretary to the Board was the parent company's (Suomen Malmijalostus Oy – Finnish Minerals Group) lawyer or their deputy.

Member	Attendance at meetings	Attendance rate, %
Lauri Raita Chair	12/13	92
Matti Hietanen Vice Chair	13/13	100
Jesus Fernandez	12/13	92
Emmanuel Henry	13/13	100
Riitta Mynttinen	12/13	92
Tuomo Mäkelä	13/13	100
Jyrki Vainionpää since 11 March, 2021	10/10	100
Esa Lager until 10 March, 2021	3/3	100

The Board's work is based on the values determined for Terrafame's operations: safety, commitment and efficiency. In 2021, the Board's work focused on monitoring the implementation of Terrafame's production and business plan and its financial performance, financing arrangement for working capital management, occupational safety practices and measures, cultural change as well as follow-up of the continuous improvement of operations and performance.

In addition, the Board has had, together with the Management, a Steering Committee to monitor and supervise the ramp up of the battery chemicals plant.



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CEO and Leadership Team

Joni Lukkaroinen served as the CEO of Terrafame in 2021.

At the end of 2021, Terrafame's Leadership Team consisted of the following members:

Name	Area of responsibility	Year of birth	Education	Further information
Joni Lukkaroinen	Chief Executive Officer	1965	MSc (Technology)	Chair
Seppo Voutilainen	Chief Production Officer	1971	MSc (Technology)	Vice Chair
Janne Palosaari	Chief Commercial Officer	1976	MSc (Technology)	
Ville Sirviö	Chief Financial Officer	1982	MSc (Economics)	
Antti Arpalahti	Chief Technology Officer	1983	DSc. (Technology)	
Heini Hämäläinen	Chief People Officer	1982	MSc (Technology)	Member of the Leadership Team as of 25 January 2021.
Veli-Matti Hilla	Chief Sustainability Officer	1971	MSc	

The CEO and other members of the Leadership Team or the entities over which they exercise control held no shares or share-based rights in Terrafame at the end of the 2021 financial period.



Related party transactions

Transactions between the company and its related parties in 2021 are described in the "Financing arrangements" section of the Board of Directors' Report and in Note 5 to the financial statements.

Advisory Committees

Commercial Committee

In 2021, the Commercial Committee closely monitored the company's preparations for the commercialisation of battery chemicals products. The committee convened once a month on average. The Commercial Committee consisted of Joni Lukkaroinen (Chair) and Janne Palosaari, Gonzalo De Olazaval (Trafigura) and Jawad Benkhadra (Trafigura), as well as Socrates Economou (Trafigura), by invitation in matters relating to nickel, and Ibrahim Elgazzar (Trafigura), by invitation in matters relating to zinc. The Commercial Committee invited the Board members Jesus Fernandez (Trafigura), Matti Hietanen and Lauri Ratia to participate in the meetings when matters relating to the sales and markets of the products of the battery chemicals plant were discussed.

Technical Committee

The Technical Committee consisted of Antti Arpalahti (Chair), Harri Natunen (part of the year) and after his retirement Jouni Pakarinen, Piritta Salonen and after her Jani Kiuru, Ville Miettinen (Suomen Malmijalostus Oy – Finnish Minerals Group), as well as Jean Joubert and Julien Mairesse (Trafigura). In 2021, the committee convened monthly to cover especially matters relating the bioleaching and battery chemicals plant. The Technical Committee invited the CEO Joni Lukkaroinen and Board members Emmanuel Henry (Trafigura), Tuomo Mäkelä and Lauri Ratia to participate in the meetings when these themes were discussed.

Finance Committee

The Finance Committee consisted of Lauri Ratia (Chair), Matti Hietanen, and Jesus Fernandez (Trafigura), who are Board members, as well as Joni Lukkaroinen and Ville Sirviö as representatives of the company. In 2021, the Finance Committee convened when needed especially to discuss the project for arranging the working capital financing.



The Board's and the Management's Steering Committee for the battery chemicals plant ramp-up

In 2021, the Board's and the Management's Steering Committee for the battery chemicals plant ramp-up consisted of the CEO Joni Lukkaroinen, Chair, Harri Natunen, antti Arpalahti, Kristian Granit and Pertti pekkala as well as Pritta Salonen (Suomen Malmijalostus Oy – Finnish Minerals Group) and Greg Morris (Trafigura). From the Board members Lauri Raita, Tuomo Mäkelä and Emmanuel Henry (Trafigura) participated in the committee.

Audit

Terrafame's auditor is KPMG, Authorised Public Accountants, with Antti Kääriäinen, APA, as the principal auditor.

The auditor's fee is paid and expenses are reimbursed in accordance with an invoice approved by the company. In 2021, the fees paid to the auditor were as follows:

Fees paid to the auditor, EUR	2021	2020
For the audit	94,438	92,000
Non-audit services	90,913	52,400

In addition, a total of **EUR 2,243** (53,600) was paid to KPMG with regard to a financial management system development project in 2021. This amount is recognised in investments.





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