

Terrafame

Sustainability Report **2024**

25 March 2025



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● ESRS2

General Disclosures

On 26 February 2025, the European Commission published a proposal to amend Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States must apply certain corporate sustainability reporting and due diligence requirements. The change aims to simplify and streamline requirements while maintaining transparency and compliance in line with the European Green Deal.

Based on the current regulation, Terrafame will be obliged by the EU's Corporate Sustainability Reporting requirements from 2025 onwards. Terrafame has prepared this Sustainability Report for 2024 voluntarily and separately from the Report of the Board of Directors which is approved by the Board of Directors. Terrafame's Board of Directors has not reviewed the report, and the report has not been assured externally. The company's executive management, i.e. the CEO and the Management Team, have approved the report for publication.

Terrafame will monitor the progress of possible regulatory changes (Simplification Omnibus Package) and, if necessary, take them into account when preparing the 2025 Sustainability Statement.

● ESRS2.BP-1

General basis for preparation of sustainability statements

Terrafame Ltd (domiciled in Sotkamo, Finland) is part of Finnish Minerals Group, whose parent company is Suomen Malmijalostus Oy, Helsinki, Finland. Terrafame has one operational site where the company's entire integrated production process from its open-pit mine to the battery chemicals production plant is located in a single industrial area. Terrafame's business is to sell self-produced battery chemicals, intermediate metal products and fertilisers. Battery chemicals include nickel sulphate and cobalt sulphate, and intermediate metal products consist of nickel-cobalt sulphide, zinc sulphide and copper sulphide. Liquid and crystalline ammonium sulphate is sold as a fertiliser, which is generated as a by-product of battery chemical production. In the summer of 2024, Terrafame started its new uranium recovery plant. As its end product, the plant generates uranium oxide for use as a fuel in the generation of nuclear energy.

Terrafame has prepared this sustainability report at a company level (Terrafame Group). The Terrafame Group includes Terrafame Alueverkko Oy, a 100% owned subsidiary of Terrafame Ltd, established in 2023 and domiciled in Sotkamo. The subsidiary has been established for electricity network operations, and its actual business operations will begin during the financial year 2025 once the permit processing of the electricity network operator has been completed. Terrafame's parent company Suomen Malmijalostus Oy has addressed the information provided in the report when preparing the Finnish Minerals Group's sustainability report. In preparing the report, the reporting requirements set out in the EU Corporate Sustainability Reporting Directive (CSRD) have been used where applicable to guide the content and structure of the report. The report does not include information to be provided pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council and the Commission delegated regulations.

The disclosure requirements and data points presented in the report are based on Terrafame's double materiality assessment carried out in two phases in 2023–2024. The materiality assessment process is described in section ESRS2.IRO-1 and the material impacts, risks and opportunities defined as a result of the process are presented in section ESRS2.SBM-3. A list of the ESRS disclosure requirements applied in the preparation of the report is presented as a content index in section ESRS2.IRO-2.

The reporting period for the sustainability report is consistent with the reporting period for Terrafame's consolidated financial statements, and the information and assumptions used in the preparation of the report are consistent with the corresponding financial information and assumptions used in the financial statements.

Information about the upstream and downstream value chain

Terrafame has defined the company's value chain as part of the double materiality assessment. The value chain is described in section ESRS2.SBM-1.

In the double materiality assessment, sustainability matters were assessed throughout the value chain on the basis of the sustainability topics, sub-topics and sub-sub-topics presented in ESRS 1/AR 16. As a result of the double materiality assessment process, impacts, risks and opportunities in all areas of the value chain (upstream, the company's own operations, downstream) were identified.

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In the upstream value chain, the impacts covered by the ESRS disclosure requirements were identified in relation to the occupational health and safety of partner companies' personnel operating in the industrial area (S2 Workers in the value chain) and compliance with ethical principles, including international human rights commitments (G1 Business conduct). In addition, an entity-specific sustainability matter was identified in the upstream value chain in relation to Terrafame's role as a regionally significant employer.

In the downstream value chain, an impact covered by the ESRS disclosure requirements was identified in relation to the reduction of carbon dioxide emissions from transport with battery chemicals used in electric vehicle batteries (E1 Climate change), as well as compliance with ethical principles, including international human rights commitments (G1 Business conduct). In addition, an entity-specific sustainability matter was identified in the downstream value chain in relation to Terrafame's role as a regionally significant employer.

In the downstream value chain, a financial opportunity arose in relation to the electrification of transport as required by global climate change mitigation, as well as a financial risk in conjunction with a situation where the market for the electrification of transport does not develop as expected.

Terrafame's Code of Conduct, human rights policy and sustainability policy form the basis for operating principles, actions and targets related to material sustainability matters extending to the upstream and downstream value chain. Terrafame monitors the achievement of the goals set out in the Code of Conduct and other targets it has set on the basis of them using various indicators. The occupational safety performance of employees of partner companies who operate in the company's industrial area is monitored using the same metrics applied to the company's own workforce. In the upstream value chain, compliance with the Code of Conduct is also monitored, including any forced or child labour and employment term violations in services supplied, as well as notifications received through the whistleblowing channel. In monitoring the entity-specific sustainability matter, the share of employees from the local area among all employees is used as a metric.

The material sustainability matters extending to the downstream value chain are closely linked to Terrafame's business and financial performance, and they are monitored through internal reporting and the company's regularly published financial reports.

Regarding the upstream and downstream value chain, the company reports the greenhouse gas (GHG) emissions from its upper- and lower-end value chain. (Scope 3). Part of the Scope 3 data is based on data collected directly from suppliers (production chemicals), but reporting is also partly conducted on the basis of purchase invoices using emission factors.

✓ Terrafame utilises the transitional provision in presenting metrics and will not present comparative data in the 2024 report.

✓ The undertaking has not used the opportunity to exclude classified or other sensitive information.

✓ The undertaking has not used the exception to report incomplete information.

● ESRS2.BP-2

Disclosures in relation to specific circumstances

Use of indirect sources in the calculation of Scope 3 GHG emissions

Terrafame calculates GHG emissions from the value chain and purchased products and services using a hybrid calculation, i.e. partly using realised volumes, partly using emission data obtained directly from suppliers, and partly on the basis of purchase invoices (spend-based methodology). Generally accepted emission factors are used to convert realised volumes into GHG emissions. In the calculation based on purchase invoices, emissions are estimated using the monetary value presented in the purchase invoice related to the activity and multiplying it by a generally accepted emission factor.

Terrafame recognises that the accuracy level of the spend-based results is subject to uncertainty, as the purchase invoices used in the calculation do not specify all the items required for the GHG emission calculation. As a result, the Scope 3 emission volumes presented based on purchase invoices may be inaccurate in some respects.

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Uncertainties in the calculation

The majority, 79%, of Terrafame's Scope 3 GHG emissions are caused by Category 1 (purchased products and services). Half of this is calculated on the basis of realised volumes of chemicals used in production, and the other half using a spend-based method. Of all Scope 3 GHG emissions, a total of 30% is calculated based on purchase invoices. Only a small part of the Scope 3 calculation is based on emission data obtained directly from suppliers. No external body has validated the GHG emissions calculations.

Goals for the development of the calculation

The company's goal is to develop the Scope 3 emission calculation during 2025, in particular.

Other standards used in sustainability reporting

Terrafame has used the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) frameworks and their following reporting requirements in reporting the entity-specific sustainability matter (a significant regional employer): GRI 203-2 Examples of significant identified indirect economic impacts of the organisation, including positive and negative impacts; SASB RT-CH-210a.1.1.1; Economic and labour interests such as capital generation, employment, wages and infrastructure development; and 1.2 The underlying references for the entity's processes and procedures, including whether they are codes, guidelines, standards or regulations; and whether they were developed by the entity, an industry organisation, a third-party organisation (for example, a non-governmental organisation), a governmental agency or some combination of these groups.

The undertaking's valid standards approved by the European Standardisation System (ISO/IEC or CEN/CENELEC standards)

In 2024, Terrafame had the ISO 9001, ISO 14001, ISO 45001 and ISO 27001 certified quality, environmental, occupational health and safety, and information security management systems in place. In 2024, the company implemented an energy management system that received the ISO 50001 certification after the review period in February 2025.

✓ An external assurance provider has not verified the information and processes used in sustainability reporting and found them to conform to the above mentioned standards.

● ESRS2.GOV-1

The role of the administrative, management and supervisory bodies

The Annual General Meeting is Terrafame's highest decision making body. It decides on the election of the members of the Board of Directors, and elects the Chair of the Board of Directors and a possible Vice Chair. The Board of Directors appoints and dismisses the CEO. The Board of Directors also appoints the members of the company's Leadership Team. The company's bodies, i.e. the Board of Directors and the CEO, form Terrafame's administrative, management and supervisory bodies.

One of the key tasks of the Board of Directors is to be responsible for significant decisions related to the company's policies and principles, strategy, investments, organisation and financing. The CEO is responsible for the operational management of business in accordance with the strategic plans, budgets, action plans and guidelines and regulations approved by the Board of Directors. The CEO presents business matters to the Board of Directors and is responsible for the implementation of the Board's decisions.

More information on Terrafame's governance model is available in the Corporate Governance Statement available on the company's [website](#).

Diversity in the Board of Directors

Terrafame has defined diversity principles for the company's Board of Directors. When electing the members of the Board of Directors, the aim is that broad expertise, experience and knowledge are represented in the Board of Directors regarding Terrafame's production process and factors related to the company's sector. As Terrafame has moved forward in the processing chain into a producer of battery chemicals, in addition to the base metal market, knowledge of the chemical and automotive industries and their subcontracting networks is emphasised in the Board of Directors' activities.

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This allows the Board of Directors to carry out its tasks related to the company's strategy, finances and risk management as effectively as possible. Diversity in the Board of Directors, in terms of both competence and gender, enables Terrafame to achieve its business goals.

At the end of 2024, the Board of Directors consisted of a total of seven members, one of whom was female. Three (3) members of the Board of Directors were Finnish, two (2) Spanish, one (1) a German citizen, and one (1) a Finnish and German citizen.

Number of executive members	Number of non-executive members
0	7
Percentage of women	Percentage of men
14%	86%
Non-binary	Gender not reported
0%	0%
Board's gender diversity ratio	Percentage of independent board members
17%	57%
Representation of employees	
Terrafame's Board of Directors does not include an employee representative.	

More information about the members and diversity of Terrafame's administrative, management and supervisory bodies is available in the Corporate Governance Statement on the company's [website](#).

The role of the Board of Directors, the CEO and other management in handling sustainability matters

In 2024, Terrafame focused on defining the company's value chain and material sustainability matters (impacts, risks and opportunities) in accordance with the ESRS 1 standard. The process was carried out under the supervision of the executive management (CEO/Leadership Team). The practices valid in 2024 for reporting sustainability matters to the Board of Directors were followed.

The Chief Sustainability Officer, who is a member of the company's Leadership Team, is responsible for Terrafame's Environmental, Social and Governance (ESG) system, and their responsibility is to ensure that the processes and reporting related to ESG management are effective. The Chief People and Governance Officer holds overall responsibility for corporate governance at the company level. The Chief Financial Officer holds overall responsibility for risk management.

The Chief Sustainable Officer regularly presents themes related to Terrafame's ESG system to the Board of Directors, which according to current practices, have focused on safety, environmental and permitting themes. Terrafame's Leadership Team discusses ESG matters before the Chief Sustainability Officer presents them to the Board of Directors.

The key main themes of Terrafame's ESG matters, including climate goals and risk management, have been linked to the strategy process and are reviewed annually in conjunction with the revision of the strategy. The progress of the ESG-related sustainability programme defined by the company for 2020–2024 has been monitored by the Leadership Team and the Board of Directors. The results of the sustainability programme have also been reported in the public sustainability review.

During 2025, the company will review the governance model related to material sustainability matters. During 2025, the company also aims to evaluate the supervisory processes related to the target setting and progress monitoring of the material sustainability matters resulting from the double materiality assessment.

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Experience of the members of the Board of Directors related to Terrafame's business

The members of the Board of Directors represent multidisciplinary and diverse experience in both national and international business activities. The educational background of the members of the Board of Directors also offers good opportunities to ensure the achievement of Terrafame's business goals.

Expertise in sustainability matters available to the Board of Directors and the CEO

Terrafame's executive management and the Board of Directors regularly evaluate the company's organisational structure, competences and capabilities. In this context, the resources and expertise allocated to sustainability matters are also assessed.

The Board of Directors and the CEO utilise the solid expertise of the company's ESG organisation. Expertise is particularly focused on safety, the environment, management systems and sustainability. If required, external ESG specialists are also used.

Terrafame has solid internal expertise especially in occupational and environmental safety. In conjunction with the operating environment and product markets, the company has the opportunity to use the extensive expertise and networks of one of its two major shareholders. In addition, external specialists are used as required.

● ESRS2.GOV-2

Information provided to, and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

In 2024, significant ESG themes related to Terrafame's operations (with an emphasis on safety, environmental and permitting themes) were discussed weekly in the Leadership Team and once a month at the Board of Directors' meetings. A summary of the risks related to the ESG themes is discussed once a year in the Leadership Team and the Board of Directors.

The ESG themes discussed in the Leadership Team and the Board of Directors during the year were related to safety, the environment, management and sustainability systems, risk management, stakeholder cooperation, ESG reporting, ESG audits and climate change.

During 2025, the company will review the governance model related to material sustainability matters.

● ESRS2.GOV-3

Integration of sustainability-related performance in incentive schemes

The main component of the remuneration of the members of the Board of Directors consists of a fixed fee confirmed for the term of office at the Annual General Meeting. In addition to the fixed annual fee, the members of the Board of Directors are paid a meeting fee. In accordance with the remuneration policy, the members of the Board of Directors are not paid any variable remuneration, nor are they rewarded on the basis of performance.

In accordance with the remuneration policy, the remuneration of the CEO consists of fixed basic wages, fringe benefits in accordance with the company's applicable rules of procedure, as well as short-term (STI) and long-term (LTI) incentive schemes. The STI and LTI schemes include sustainability goals related to safety and the environment. The incentive schemes do not include any elements related directly to the climate.

✓ Incentive schemes linked to sustainability matters are offered to members of the administrative, management and supervisory bodies.

✓ Performance of administrative, management and supervisory bodies is being assessed against specific sustainability-related targets.

✓ Sustainability-related performance metrics are considered as performance benchmarks.

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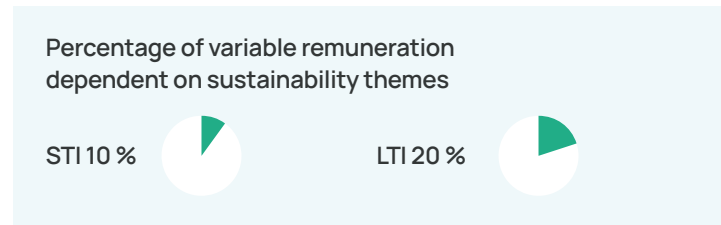
Sustainability metrics used in remuneration

At Terrafame, remuneration metrics related to sustainability themes are included in incentive schemes. In 2024, the company's STI remuneration criteria were related to sustainability (safety and the environment) and the implementation of the strategy. The performance targets set for the LTI schemes are related to production, financial profitability and sustainability (the environment), which seek to support Terrafame's development and success, as well as the achievement of its strategic and corporate responsibility goals in the long term.

The safety and environmental targets set in the STI and LTI schemes include numerical targets against which performance is assessed at the end of the period. Performance affects the amount of remuneration.

Approval of incentive schemes

Terrafame's Board of Directors decides on the remuneration of the CEO. The Annual General Meeting decides on the remuneration of the Board of Directors.



● ESRS2.GOV-4

Statement on due diligence

Terrafame's operations are guided by the company's strategy and Code of Conduct, an operating culture based on the company's values – safety, commitment and efficiency – as well as generally recognised international initiatives and principles. Terrafame has adopted several processes to ensure due diligence related to the company's sustainability matters. However, the company assesses that its due diligence process does not yet fully comply with the OECD Guidelines for Multinational Enterprises. The company will investigate and implement additional measures related to the process during 2025.

● ESRS2.GOV-5

Risk management and internal controls over sustainability reporting

In accordance with the principle of double materiality, Terrafame has identified and assessed its material sustainability matters and defined the data points regarding which the company must provide information in the sustainability statement. The reporting requirements stipulated by the Finnish Accounting Act and the ESRS standards have been used in the preparation of the 2024 report, where applicable. However, neither the report nor its preparation process have been assured. During 2024, the company started to specify the sustainability report's internal control and risk management process, in which it will utilise experiences from the first voluntary round of reporting.

● ESRS2.SBM-1

Strategy, business model and value chain

Significant products and markets

Terrafame sells battery chemicals, intermediate metal products and fertilisers. Battery chemicals consist of nickel and cobalt sulphate used in electric vehicle batteries. Intermediate metal products include nickel-cobalt sulphide, zinc sulphide and copper sulphide. Liquid and crystalline ammonium sulphate is sold as a fertiliser, which is generated as a by-product of battery chemical production. In June 2024, Terrafame started its uranium recovery plant for the use of uranium available in small concentrations in extracted minerals as a by-product.

Terrafame has two business areas: battery chemicals and intermediate metal products. The main market areas for battery chemicals are in Asia and Europe. Currently, global demand for electric vehicles and the production of battery cells, precursor and cathode active materials are concentrated in Asia, but a regional battery value chain is also being built in Europe. From the very beginning, Terrafame has sought to actively position itself as part of this European value chain and has already signed nickel sulphate delivery agreements directly with European car manufacturers.

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In 2024, the net sales of Terrafame’s battery chemicals business totalled EUR 196,7 million, or 36,1% of total net sales. In the intermediate metal product business, products are sold not only via direct customer relationships but also through sales agreements with Trafigura, Terrafame’s other main shareholder, to international markets. In 2024, the net sales of the intermediate metal products business totalled EUR 347,8 million, or 63,9% of the company’s total net sales.

The total net sales in 2024 were EUR 544,5 million. The uranium recovery plant was started at Terrafame’s industrial site in the summer of 2024. The recovered uranium will be delivered from Terrafame to the international markets for further processing, after which it will be used as a fuel in nuclear energy generation. With the start of operations, Finland is the only EU Member State in which uranium is produced.

Ammonium sulphate generated as a by-product of battery chemical production is sold through a partner company for use as a fertiliser.

Terrafame has own operations only in Finland.

Finland	2024
Head count of employees at the end of the year	812
Number of employees, FTE	793

The company does not operate in the following sectors

- Fossil fuels (coal, oil and gas)
- NACE 20.2. chemicals
- Controversial weapons
- The cultivation and production of tobacco

Sustainability goals related to business

Terrafame has defined that the purpose of its operations is to reduce the carbon footprint of transport with sustainably produced battery chemicals. The company’s goal is to be an integral part of the European battery value chain for electric vehicles and to maintain an active and current dialogue with stakeholders. Terrafame’s production process located in a single industrial area is energy-efficient and its carbon footprint is one of the smallest in the industry. However, the company seeks to further reduce its carbon footprint and has set itself the ambitious goal of being carbon neutral in terms of GHG emissions from its production (Scope 1–2) by 2039. As part of the state-owned Finnish Minerals Group, Terrafame takes into account, in its decision making and operations, the sustainability goals set for the Group companies, which are in line with the state’s ownership policy decision-in-principle.

Based on a life cycle analysis (LCA) conducted by an external specialist (Sphera Solutions GmbH, 2020), the carbon footprint of Terrafame’s nickel sulphate is 60% smaller than that of battery chemicals generated using alternative production methods. In addition, analyses published in 2020 (Skarn Associates, CRU) show that the carbon footprint (Scope 1–2 emissions) of nickel refined in Terrafame’s bioleaching process is the smallest among the world’s nickel producers. This means that the company is already well-prepared to implement the purpose of its operations.

During 2025, the aim is to prepare a concrete action plan to achieve the carbon neutrality goal set for 2039. Terrafame has assumed an active role in building the European battery value chain by signing battery chemical supply agreements directly with European car manufacturers. However, recent growth in the electric vehicle markets has focused on Asia which has delayed the large-scale establishment of the European battery value chain.

Linkage between the strategy and sustainability matters

The cornerstones of Terrafame’s strategy are:

- a financially stable company;
- sustainability as a competitive edge;
- an evolving specialty chemicals company,

All of these are linked to Terrafame’s material sustainability matters.

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The company's financial success is highly dependent on the development of the battery chemicals markets and also on the cost-consciously and effectively managed base and battery chemicals production. Terrafame's production process is highly investment-intensive which requires careful consideration of the allocation of investments. Environmental sustainability and safe operations in the industrial area have been at the heart of Terrafame's operations throughout the company's history. In addition, the company's competitive edge comes from the small carbon footprint of its products. Terrafame is committed to further developing its operations in all ESG areas to strengthen sustainability as a competitive factor. In 2025, the goal is to integrate material sustainability matters into the company's new sustainability program.

Value creation

Terrafame's production is based on the nickel ore reserves in its mining concession, which are the largest in Europe: the measured, indicated and inferred mineral resources amount to 1,499 million tonnes, with a metal content of 3.9 million tonnes of nickel and 0.3 million tonnes of cobalt (JORC 11/2020). The mining concession contains two verified ore deposits: Kuusilampi, where the company's current open-pit mine is located, and Kolmisoppi, for which Terrafame submitted an environmental permit application for the use of the ore deposit in the area to the Regional State Administrative Agency for Northern Finland in the summer of 2023. Terrafame will later apply for a permit for the extension of the Kolmisoppi mine to the water area of lake Kolmisoppi. Using the Kolmisoppi deposit with the current Kuusilampi deposit will enable Terrafame to continue its operations until the 2050s with the current measured and indicated mineral reserves. In addition, the inferred mineral reserves of the Kolmisoppi and Kuusilampi deposits may extend mining to the 2080s.

Terrafame's production process is an integrated system in a single production area, which consists of four phases: ore mining and crushing, bioheapleaching, metal recovery, and battery chemical production. In 2024, a total of roughly 2,000 people worked in the area. In addition to Terrafame's own skilled personnel, the company's operating model makes extensive use of the network of partner companies, especially in terms of production and maintenance.

Terrafame is continuously developing its operations with its personnel so that it can offer its own employees and those of its partner companies a safe and healthy work environment, as well as provide its personnel with opportunities to learn something new and develop on their career path. Long-term cooperation is sought with partner companies, in which the development of safety and operational quality is continuous and an absolute prerequisite for the continuity of cooperation. Long-term procurement agreements ensure that partners have the opportunity to invest in safe, high-quality and cost-effective operations.

Terrafame's value creation is based on the efficient use of resources, an integrated and energy-efficient production process with a small carbon footprint, and an active position in the battery value chain to support customer value creation. Terrafame's operations provide both direct and indirect financial benefits for various stakeholders, especially in the company's neighbouring areas but also more widely in Finland. The remuneration paid to employees strengthens consumer demand and creates positive multiplier effects on consumer products and services. The multiplier effects of operations also increase demand in other industrial sectors. In addition, tax-based income improves the municipal economy and supports the provision of municipal services.

Description of the value chain

Terrafame's operations are located in the upstream value chains of its customer industries. Metal ore, the primary raw material used in production, is quarried from an open-pit mine located in Terrafame's own industrial area, in which intermediate metal products and battery chemicals are generated as the end products of the integrated production process. The products are delivered in cooperation with logistics partners (road, rail and sea transport) to the international markets for further processing and to be utilised in various industrial sectors.

The integrated production process located in Terrafame's single industrial area ensures a traceable and transparent supply chain for customers. In addition to direct customer relationships, Terrafame sells part of its intermediate metal products through delivery agreements with Trafigura, the company's other main shareholder. In terms of battery chemicals, Terrafame is actively engaged in building a European battery value chain. The company has already signed battery chemical supply agreements directly with car manufacturers (e.g. Renault, Stellantis). However, a significant part of the capacity supplying battery materials to the European battery value chain is still mainly located in Asia.

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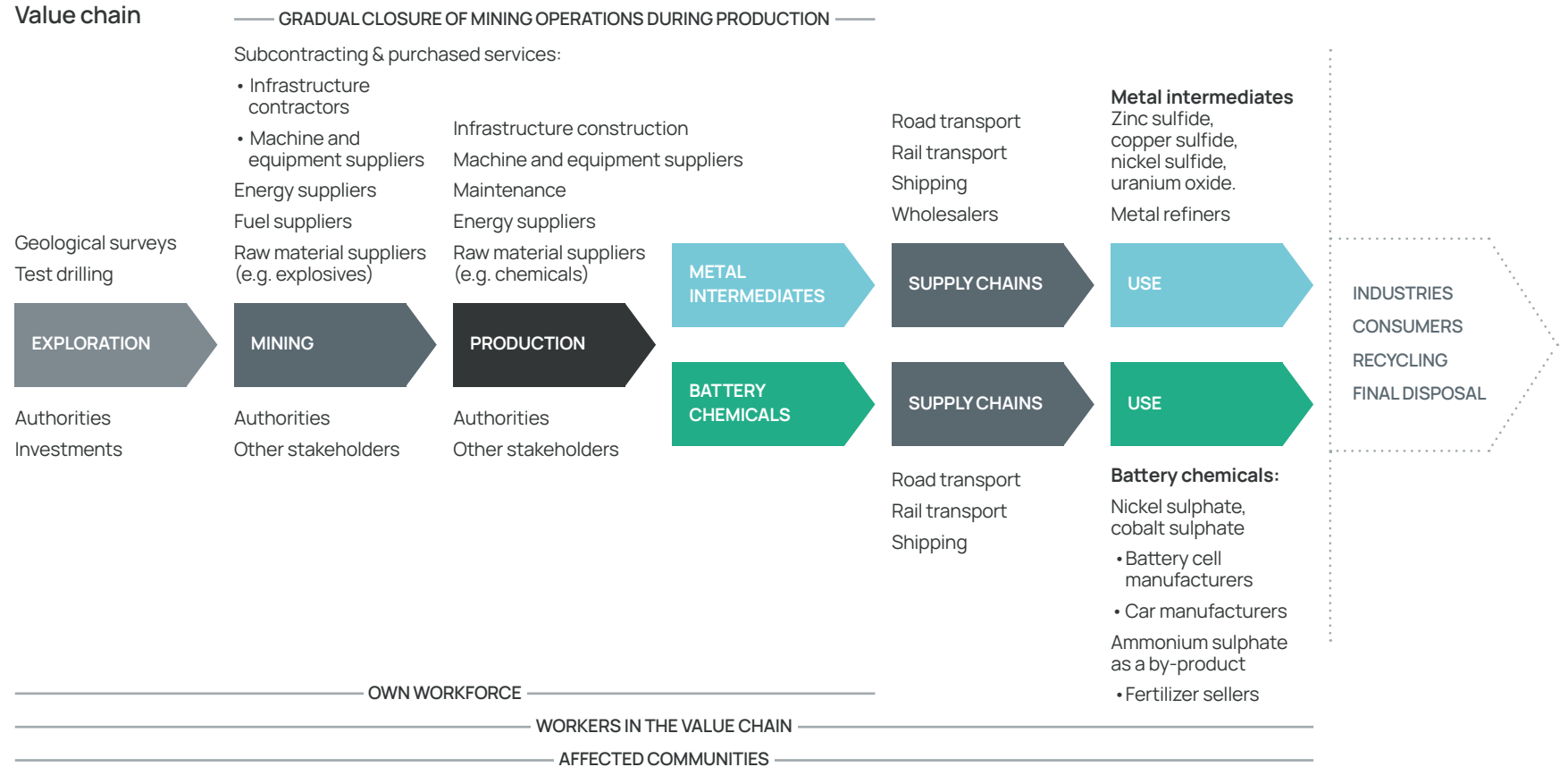
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Value chain



A domestic partner, Berner Oy, distributes ammonium sulphate, a by-product of the battery chemicals plant, to both domestic and international markets. The uranium oxide production, a by-product of metal recovery, began in the summer of 2024. The recovered uranium oxide will be delivered to international markets for further processing into nuclear fuel.

Terrafame's production represents primary production in the value chain of its customer industries: the primary raw material for production is quarried from the company's own mine and further processed into intermediate metal products and battery chemicals in the same industrial site.

The production process uses diverse chemicals, other consumables, materials, fuels and energy used commonly in mining and industrial processes, which are sourced from domestic and international providers. Purchased services and subcontracting are also used to a significant extent in Terrafame's production process, especially in infrastructure construction, maintenance and other steps supporting the production. Terrafame does not operate in the consumer-customer market.

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Interests and views of stakeholders

For Terrafame, stakeholder cooperation and active interaction with key stakeholders has been important throughout the company's history. Stakeholders and their expectations were identified for the first time in 2015. In 2024, Terrafame's key stakeholders were: shareholders, customers, funding providers and analysts, personnel and potential employees, partner companies, nearby residents, as well as the authorities, lobbying and labour market organisations, and suppliers of consumables.

The company has prepared principles for stakeholder cooperation, the timeliness of which is assessed annually. Any changes required are approved by the company's Leadership Team. The company also has a continuously updated stakeholder plan for the next three-year period, whose implementation is monitored annually. In the stakeholder plan, each key stakeholder has been assigned to the relevant member of the Leadership Team, who is responsible for organising interaction, setting targets, defining measures and monitoring their implementation regarding their designated stakeholder.

The aim of stakeholder cooperation is to build mutual understanding and trust between the company and its stakeholders. An effective and interactive stakeholder cooperation process provides the company with information about its stakeholders' expectations, and correspondingly, its stakeholders with information about the company's operations. An active dialogue with different stakeholders helps the company understand their views and needs. At the same time, the company has the opportunity to describe the company's business environment, goals, operating principles and values. Stakeholders are reviewed annually to assess whether there have been any changes in the company's operations or in the interests of stakeholders that would lead to changes in stakeholder positioning or identified stakeholders. If required, more extensive stakeholder surveys will be conducted.

Outcome of stakeholder interaction

From the point of view of the strategy and business model, Terrafame's key stakeholders consist of shareholders, funding providers and customers, with whom interaction is close and whose views strongly influence the company's operations.

Terrafame's Board of Directors consists of members appointed by the company's two largest shareholders. One of the key tasks of the Board of Directors is to be responsible for significant decisions related to the company's operating principles, strategy, investments, organisation and financing.

As a stakeholder group, the company's shareholders are therefore closely involved in defining policies related to Terrafame's strategy and business.

Another stakeholder group significant for the implementation and development of Terrafame's business consists of funding providers, who want to be part of promoting the green transition and expect a strong performance regarding sustainability.

Reducing the carbon footprint of transport is the purpose of Terrafame's business. Interaction with customers plays a key role in fulfilling this purpose. Customers in the automotive industry value a strong performance in sustainability-related activities, and through their due diligence processes, guide Terrafame to become even better in this.

Terrafame is also engaged in an active dialogue with all of its other key stakeholders, and stakeholders can give feedback and share any concerns they may have regarding the company's operations. Stakeholders' views were also used in the double materiality assessment conducted as a basis of the sustainability report.

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Interests and views of key stakeholders regarding the company's strategy and business model

The company understands that its stakeholders have a broad range of expectations linked to the company's strategy and business model. High-quality ESG performance is a common factor in these expectations. Certain other expectations of stakeholders related to Terrafame's business model as well as its ability to implement its strategy consistently are presented below:

- Shareholders and funding providers expect a good financial performance: a growing shareholder value and a stable repayment capacity.
- Customers in the electric vehicle industry in particular value not only the high quality of products but also their small carbon footprint, as well as a transparent and traceable battery raw material supply chain.

- The personnel and potential employees value long-term and stable employment, which is part of the green transition.
- Residents in neighbouring areas expect Terrafame to be a responsible corporate citizen, have a stable financial position, and generate a positive impact on the regional economy.
- Terrafame's production process is strictly regulated. It is in the interests of the permit and supervisory authorities to ensure compliance with regulations. The unpredictability of permit processes may have a significant impact on Terrafame's ability to implement its strategy and business profitably in terms of technological and financial feasibility.

Terrafame will review the procedures for reporting material sustainability issues and stakeholders cooperation to administrative, management and supervisory bodies during 2025.

● ESRS2.SBM-3

Material impacts, risks and opportunities and their interaction with strategy and business model

Standard			Position in the value chain	Impact
E1 Climate change	+	Actual	Downstream	Reducing CO2 emissions from transport with battery chemicals that are needed for EV batteries.
	-	Actual	Own operations	Own GHG emissions.
	-	Actual	Own operations	Significant amounts of energy are consumed (energy changes shape, but consumption remains more or less the same).
E2 Pollution	-	Actual	Own operations	The operations cause discharges into waterways. The environmental permit sets emission limits at a level that causes no significant effects, and the emissions cannot be said to cause pollution.
E4 Biodiversity and ecosystems	-	Actual	Own operations	Extensive land use, impacts on the natural environment and ecosystem services.
	-	Actual	Own operations	Taking production areas for industrial use causes permanent change.
E5 Resource use and circular economy	-	Actual	Own operations	Current production is based on primary raw material (ore).
	-	Actual	Own operations	The amount of waste rock is significant. Waste rock is produced as long as excavation continues. The amount of waste rock produced cannot be influenced.

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Standard			Position in the value chain	Impact
S1 Own workforce	+	Actual	Own operations	Investments are made in employees' work ability and well-being at work. Comprehensive occupational health care. Strong management culture regarding work ability – regular working capacity negotiations.
	+	Actual	Own operations	Intensive learning and people development support.
	-	Potential	Own operations	If instructions are not followed, it may lead to the realisation of occupational safety and/or health risks.
S2 Workers in the value chain	-	Actual	Upstream	If instructions are not followed, it may lead to the realisation of occupational safety and/or health risks.
S3 Affected communities	+	Actual	Own operations	A neighbourhood cooperation group has been set up to provide more detailed information on the issues on which the group would like more information. This has already helped to improve image and reputation regionally.
	+	Actual	Own operations	Active stakeholder engagement and open communication - a website targeted at the neighbourhood, a Water Review distributed as a supplement to the local newspapers. Environmental communication, in particular, is very open.
G1 Business conduct	+	Actual	Upstream / Own operations / Downstream	Code of Conduct and policies guide operations to ensure responsible actions with regard to matters related to the sub-themes. Commitment to international human rights (including freedom of association, freedom of expression).
Entity-specific	+	Actual	Upstream / Own operations / Downstream	Significant regional employer.

Standard			Position in the value chain	Risk
E1 Climate change			Downstream	The market for electrification of transport is not developing as expected.

Standard			Position in the value chain	Opportunity
E1 Climate change			Downstream	Mitigating climate change globally requires electrification of transport, which creates significant financial opportunities for Terrafame (core business).

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Terrafame has identified material impacts, risks and opportunities in its double materiality assessment regarding climate change mitigation, energy consumption, water pollution, land use changes, land degradation, soil sealing, resource inflow and use, extractive waste (waste rock), health and safety, training and skills development, clean water and sanitation, as well as corporate culture.

The material impacts mainly focus on Terrafame's own operations and its own workforce, production process and sustainability matters related to ethical principles for business. For the upstream value chain, a material impact has been identified in relation to the health and safety of the employees of the partner companies used by Terrafame to support production and maintenance (workers in the value chain), as well as in relation to ethical principles for business. In the downstream value chain, a material impact has been identified in relation to Terrafame's role in climate change mitigation by reducing carbon dioxide emissions from transport, as well as to ethical principles for business.

In the downstream value chain, the business opportunity offered to Terrafame through global climate change mitigation has been identified as material, while the uncertainty related to the electric transport markets has been identified as a financial risk.

In addition, an entity-specific sustainability matter covering the whole value chain has been identified in relation to Terrafame's role as a significant regional employer.

Current and expected impacts of material sustainability matters on the business model and strategy

In 2024, the significant slowdown in the electrification of transport in Europe and the significant delay in building a purely European battery supply chain affected demand for battery chemicals. In addition, a significant increase in production in Asia led to an imbalance in the nickel and nickel sulphate markets. Despite the challenging market situation, Terrafame has succeeded in expanding its customer and entering into agreements with new global customers. The company has also taken advantage of the flexibility of its production process which has been reflected in the volumes of deliveries of intermediate metal products.

Terrafame's strategic goal remains unchanged. In 2025, the company will continue to increase the production capacity of the battery chemicals plant towards the planned level. Terrafame's strengths include the small carbon footprint of its battery chemicals and a truly traceable production chain from the product to its main raw material source. The company strongly believes that the battery chemicals market will offer promising opportunities for Terrafame in the long term, despite there being no prospects of rectifying the European market situation in the short term in particular.

Impacts of material negative and positive sustainability matters on people and the environment

Terrafame has identified seven actual positive impacts assessed as material in its operations, of which one is related to climate change mitigation (reduction of carbon dioxide emissions from transport), two to its own workforce (investments in employees' work ability and wellbeing at work, as well as skills development), two to affected communities (neighbourhood cooperation group and active communication), and one to business conduct (ethical practices throughout the value chain). In addition, one entity-specific actual positive impact (significant regional employer) has been identified. Eight actual negative impacts have been identified. Of these, one is related to climate change mitigation (Terrafame's own GHG emissions) and one to energy consumption (significant amounts of energy are consumed), one to water pollution (discharges into waterbodies from operations), three to biodiversity (operations require extensive land use, the use of production areas for industrial purposes causes land degradation and soil sealing), and two to resource use (current production relies on primary raw material, and significant amounts of waste rock are generated). In addition, the company has identified one potential negative impact (non-compliance with guidelines may lead to the realisation of occupational safety and/or health risks) related to both the company's own workforce and workers in the value chain.

Positive impacts

Reducing carbon dioxide emissions from transport with the battery chemicals required for electric vehicle batteries is at the core of Terrafame's business. The battery chemicals produced by Terrafame have a significant impact on combating climate change. The company's integrated and energy-efficient production process generates battery chemicals with a 60% lower carbon footprint than alternative production methods.

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The professional and healthy personnel make up a key resource for Terrafame. The company invests in employees' work ability and wellbeing at work by providing comprehensive occupational healthcare services. The company also has a strong culture of work ability management. The personnel's skills are systematically developed through on-the-job learning, course- and degree-based training, internal job rotation and career development. The company monitors the development of job satisfaction with the PeoplePower® index, which was 68.1 (A+) in the survey conducted in 2023. In the previous survey in 2019, the corresponding figure was 65.5.

At the beginning of 2022, a separate neighbourhood cooperation group was established at Terrafame, in which diverse expertise is represented within the sphere of influence of the company's operations. The group meets twice a year.

The participation rate at the meetings of the neighbourhood cooperation group has been high, and Terrafame's activities and outlook have been widely discussed in the group. Terrafame is also engaged in an active dialogue directly with nearby residents. In addition, the neighbourhood is informed of the company's activities in channels intended for the neighbourhood, including the neighbourhood section opened on the company's website and the text message system established for urgent situations. The neighbourhood is particularly interested in Terrafame's water impacts. Since 2019, the company has published a review of the state of nearby waterbodies, which is distributed with local newspapers to households in the Kainuu region. Open and current communication clears suspicions and increases trust between the company and nearby residents.

Terrafame seeks to be a good corporate citizen and strengthen the culture of doing the right thing throughout its value chain. The company is committed to respecting human rights. The implementation of the due diligence process for human rights and the environment, which started in 2023, is to be completed during 2025. The process enables a more active approach to monitoring compliance with agreed rules, risk assessment, as well as the prevention and remedying of any grievances.

Terrafame has a significant impact on the regional economy in Kainuu. Terrafame's production area employs a total of roughly 2,000 people, of whom more than 1,000 work for the company's partner companies and approximately 800 are Terrafame's own personnel. Of Terrafame's own personnel 87% live in the Kainuu region. During its history, Terrafame has provided several apprenticeships with various educational institutions to meet the company's recruitment needs.

Negative impacts

Terrafame's integrated bioleaching-based production process, located in a single industrial area, is energy-efficient which reduces the company's GHG emissions compared to alternative production methods. However, the company's GHG emissions are significant, and the company is committed to further reducing its carbon footprint. During 2025, an action plan will be prepared to achieve the carbon neutrality goal set for 2039 (Scope 1–2).

Although Terrafame's production process consumes approximately 90% less electricity and thermal energy from fossil fuels in the production of the company's main product, nickel sulphate, than the production of nickel sulphate on average, it still consumes significant amounts of energy. Terrafame's energy efficiency system was adopted in 2024. The energy management system received the ISO 50001 certificate at the beginning of 2025. Terrafame has appointed a separate energy efficiency working group, which has identified several energy efficiency measures, some of which have already been implemented.

Terrafame's production operations are strictly subject to permits. Even though the environmental permit sets emission limits at a level that has no significant impact, and emissions cannot be said to cause pollution, operations still cause various discharges, of which the sulphate discharge into waterbodies is one of the key environmental impacts of Terrafame's production.

At Terrafame, water management is the responsibility of an organisation of roughly 50 professionals, who ensure 24/7 that the process runs as planned. The 2-line operating model of the central water treatment plant enables the efficient separation of waters collected from the industrial site. The aim is that 100% of the sulphate led to water treatment from the production process solution through a neutralisation process is returned will be recycled back into the leaching cycle. Only low-sulphate collection waters are treated and discharged out of the area. In addition to effective water management, Terrafame has a very comprehensive environmental monitoring programme approved by the supervisory authority, the results of which are publicly available in the "Naapureille" (For neighbours) section on the company's website (in Finnish). The company's own monitoring processes complement the mandatory monitoring programme.

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Terrafame's production operations are highly land-use intensive which is reflected especially in the company's biodiversity impacts. The company recognises the impacts of its extensive land-use on the natural environment and ecosystem services.

The use of production areas for industrial purposes causes land degradation and soil sealing, and leads to permanent changes in the natural environment. The impacts of operations on the area's special nature values and biodiversity are addressed from the planning stage onwards. The company is also investigating suitable sites in the land-use areas, where the habitats of the affected species can be strengthened.

Terrafame's mining concession consists of Europe's largest nickel ore reserves, and the company's production is based on the primary raw material quarried from them. Quarrying also generates significant amounts of waste rock. The open-pit mine, bioleaching heaps and waste rock cause a permanent change in the landscape of the area. Terrafame seeks to use the non-renewable natural resources responsibly and invest significantly in the efficiency of the production process. In 2024, Terrafame's comprehensive closure plan was completed, presenting closure and cover structure solutions for decommissioned areas, as well as an assessment of the impact caused by the closure, especially in relation to water management.

Terrafame already closes decommissioned production and waste areas during operations. Terrafame has also conducted trial studies in which nickel and cobalt recovered from the black mass of used electric vehicle batteries at a partner's recycling plant are delivered to Terrafame for use as a raw material for battery chemicals. In addition, Terrafame aims to recycle the side streams generated in its processes as efficiently as possible, thereby reducing the generation of waste and the need for dumping. At the same time, this enables the use of the metals contained in the side streams in production

Operations in Terrafame's industrial area must be safe for both the company's own employees and those of its partners in all circumstances and in all situations. The permanent goal is zero accidents. However, non-compliance with guidelines may lead to the realisation of occupational safety and/or health risks. Terrafame invests significantly in the continuous development of the safety culture throughout the industrial area. The company's key occupational safety metric is the lost-time injury frequency, both in terms of the company's own personnel and partner companies. Regular occupational hygiene measurements are carried out for the personnel in accordance with a department-specific plan, and different work areas are visited for inspections and guidance.

Terrafame also requires its partner companies operating in its industrial area to arrange regular biomonitoring in the same way as measurements are conducted for its own personnel.

Material sustainability matters in relation to the strategy

Reducing carbon dioxide emissions from transport is both the core of Terrafame's business and its material actual positive sustainability impact. Terrafame's strategy is based on carrying out this task, and at its core is the most energy-efficient and cost-effective use of metal ore quarried from the company's open-pit mine, as well as processing it into intermediate metal products and further into battery chemicals. The company's business model relies heavily on Europe's largest nickel ore reserves in its mining concession, skilled personnel, and the extensive use of purchased services and subcontracting. The material sustainability matters of the company's operations are mainly related to its production process.

- ✓ Material impacts originate from the undertaking's strategy and business model.

Material sustainability matters in relation to the business model

Terrafame's material impacts mainly come from its own operations. An average of 150 long-term partner companies, employing about 1,000 people, operate regularly in Terrafame's industrial area. Regarding its business model, Terrafame has identified non-compliance with guidelines by its partner companies' personnel as a potential negative material sustainability matter, which may lead to the realisation of occupational safety and/or health risks for these individuals. Suppliers are responsible for the occupational safety and health of their own personnel. Terrafame also requires the partner companies operating in its industrial area to comply with Terrafame's separate safety rules. Terrafame's Code of Conduct describes the material elements of a responsible approach. Terrafame's goal (material sustainability matter) is to promote the principles of doing the right thing throughout its value chain. This means that impacts also extend to its business relationships.

- ✓ The undertaking is involved with the material impacts through its own activities and because of its business relationships.

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Financial impacts of material risks and opportunities during the reporting period

Terrafame has identified the development of the electrification of transport contrary to expectations as a material risk for the company. In 2024, the electrification of transport, especially in Europe, was slower than estimated at the beginning of the year. Terrafame's total net sales were EUR 544,5 (560.9) million, down by 2,9 per cent from the comparison year. Net sales were affected by lower market prices for nickel sulphate and metals, as well as lower volumes of deliveries of intermediate metal products than in the previous year. However, net sales of the company's battery chemicals business increased to EUR 196,7 (167.5) million, representing 36,1 (29.9) per cent of the company's total net sales. The increase in net sales resulted from increased delivery volumes at the end of the year through a new supply agreement. However, lower market prices for nickel sulphate and metals than in the comparison year, combined with a decrease in delivery volumes for intermediate metal products, significantly reduced the company's profitability. EBITDA was EUR 64,6 (100.6) million, comprising 11,9 (17.9) per cent of net sales, and the operating result was EUR -14,2 (37.9) million.

Resilience of the strategy and business model

Terrafame assesses risks associated with the company's strategy and business as part of the company's normal strategy process. In conjunction with the 2025 strategy process, the company aims to investigate the resilience of its strategy and business model in terms of their ability to deal with the company's material impacts and risks and use material opportunities.

● ESRS2.IRO-1

Description of the processes to identify and assess material impacts, risks and opportunities

- ✓ It has been determined in the process which sustainability matters are material for reporting purposes, including the thresholds and other criteria as prescribed by ESRS 1 section section 3.4. Please see chapter Material information to be disclosed on [page 22](#).

Terrafame conducted the identification and assessment of material sustainability matters in two parts in 2023–2024. The process started by defining Terrafame's value chain, which is described in more detail in section ESRS2.SBM-1. The project team then identified and assessed Terrafame's impacts, risks and opportunities in relation to the ESRS topics and sub-topics. Stakeholder representatives were also consulted as part of the process, and the results of stakeholder interviews were used to assess sustainability matters. The results of the first phase were compiled in a materiality matrix at the end of 2023.

In late summer 2024, the definition of double materiality was extended to cover all ESRS sub-sub-topics, and the assessment of the identified sustainability matters was specified to meet the criteria prescribed in ESRS1. In conjunction with the specified materiality assessment, the materiality threshold was also reinvestigated to set it at a level where the sustainability matters assessed as material give a sufficient and correct view of Terrafame's sustainability matters. Terrafame's Leadership Team has approved the final results of the materiality assessment.

The materiality assessment will be updated in the spring of 2025.

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Methodologies applied in the materiality assessment

- ✓ The process has considered the impacts with which the undertaking is involved through its own operations or as a result of its business relationships.

The identification and assessment of Terrafame’s material sustainability matters was carried out in accordance with the principle of double materiality defined in ERS1 Chapter 3 *Double materiality as the basis for sustainability disclosures*. Sustainability matters were identified using the list (AR16) of the sustainability matters defined by the ERS1 as presented in Appendix A to ERS1, divided according to topics, sub-topics and sub-sub-topics. The materiality assessment was carried out on the basis of the criteria defined in ERS1 section 3.4 *Impact materiality* and 3.5 *Financial materiality* using the time horizons defined in ERS1 Chapter 6. Sustainability matters and their materiality were assessed in relation to Terrafame’s own operations and the upstream and downstream value chain using the results of stakeholder interviews.

Terrafame has not limited the identification and assessment of impacts to any specific activities, business relationships, geographic areas or other factors. Impacts were assessed throughout the identified value chain.

Purchased services and subcontracting play a significant role in the company’s business model. When defining the impacts, the actual and potential impacts caused through the activities of partner companies were assessed. Impacts were also assessed in relation to the company’s consumables procurement process and customer relationships.

As part of the process of double materiality assessment, a total of 21 stakeholder interviews was conducted in which the different elements of Terrafame’s value chain were comprehensively represented. In addition, customers’ views were supplemented with data obtained from customer interviews for Terrafame’s 2023 Sustainability Review.

The process of assessing material sustainability matters

When assessing the materiality of impacts, the scope and scale of each impact identified was determined on a scale from one to five (1–5), where 1 = very small and 5 = very significant. The value of the negative impacts was also determined for their remediability using a corresponding scale.

The likelihood of potential impacts was assessed on a scale from 0% to 100%, where 100% means an actual impact. In addition, whether an impact is associated with a human rights risk (yes/no) was assessed. In the assessment of a potential negative human rights impact, its severity was considered to take precedence over its likelihood. The value of negative impacts was calculated using the formula: $(\text{scale} + \text{scope} + \text{remediability}) \div 3 \times \text{likelihood}$. The value of positive impacts was calculated using the formula: $(\text{scale} + \text{scope}) \div 2 \times \text{likelihood}$. The values were ranked in an order of magnitude and a numerical threshold was defined for materiality, above which the impacts were determined as the material sustainability matters on the basis of which the sustainability report will be prepared.

- ✓ The process prioritised negative impacts based on their relative severity and likelihood and positive impacts on their relative scale, scope and likelihood.

The assessment of financial risks and opportunities was carried out based on the impact assessment conducted as a first step in the double materiality assessment process. The work was carried out as a project, and the results of Terrafame’s general risk assessment process (ERM) were also used to identify such potential risks and opportunities that would not have emerged as part of the impact assessment.

When examining the link between financial risks and opportunities and the identified sustainability matters, a dependence was found between the company’s material positive impact related to climate change mitigation (reducing carbon dioxide emissions from transport with the battery chemicals required for electric vehicle batteries) and the financial opportunity associated with the same topic (global climate change mitigation requires the electrification of transport which offers significant financial opportunities for Terrafame (core business)) and a financial risk (electrification of transport, markets not developing as expected). These opportunities and this risk were defined as material sustainability matters. The sustainability matters identified in the impact assessment were comprehensively examined from the point of view of their financial impacts, but no other such dependencies that would have exceeded the materiality threshold were identified.

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When assessing financial materiality, the scope of each risk and opportunity identified was determined on a scale from one to five (1–5), where 1 = very small and 5 = very significant. The same euro-denominated thresholds were used in the scale as in the company's business risk assessment. The likelihood of a risk and/or opportunity was determined on a scale from 0% to 100%. The value of risks and opportunities was calculated using the formula: scope x likelihood. The values were ranked in an order of magnitude, and a numerical threshold was defined for materiality, above which the risks and opportunities were determined as the material sustainability matters on the basis of which the sustainability report will be prepared.

Of the sustainability-related risks, especially the safety and environmental risks associated with the operation of the industrial area are very significantly represented in the company's risk management. An annual risk assessment summary is prepared, which includes the updated results of safety, environmental, process and business risks, as well as measures to reduce the risks. The summary is reviewed by the Leadership Team and the Board of Directors. The majority of the individual assessed risks are related to safety or the environment. An external assessment of environmental risks is also prepared every three years.

Terrafame's double materiality assessment process began in the autumn of 2024 and was facilitated by an external specialist. Members of Terrafame's management and specialists participated in the process. As the process progressed, the company's Leadership Team regularly validated the results. The Leadership Team approved the results of the materiality assessment.

Materiality assessment as part of the undertaking's risk management and overall management processes

While risks are assessed continuously, especially with regard to safety and environmental risks, the assessment is updated at least once a year. Each unit is responsible for risk assessments in their own area, as well as for risk reduction measures. Risk management is also linked to annual operational planning and the budget process to ensure that sufficient resources are allocated to the necessary measures to reduce risks.

Identifying sustainability opportunities is part of the company's strategy process. The strategy is updated annually, during which it is also assessed whether any business development opportunities related to sustainability matters can be identified.

In its double materiality assessment, Terrafame has used the company's significant internal expertise in matters related to sustainability and the company's financial aspects, as well as the ESG expertise of an external specialist. The results of stakeholder interviews have also been used in the process.

Due diligence process related to sustainability matters

The company is currently developing a due diligence process that will allow the company to better identify, prevent and remedy potential grievances related to sustainability matters.

● E3.IRO-1

Description of the processes to identify and assess material pollution-related impacts, risks and opportunities regarding Water and marine resources (paragraph 8)

✓ Terrafame's assets and activities have been screened in order to identify actual and potential water and marine resources-related impacts, risks and opportunities in own operations and upstream and downstream value chain.

✓ Consultations have been conducted with affected communities, in particular.

Terrafame has assessed the potential impacts, risks and opportunities related to water and marine resources arising from its activities as part of the assessment process carried out in accordance with the principle of double materiality defined in ESR1 Chapter 3 Double materiality as the basis for sustainability disclosures. The assessment process is outlined in section ESR2.IRO-1. As a result, the assessment did not reveal material sustainability matters related to water and marine resources.

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Terrafame has a single production plant located in Northern Finland. The water intake and consumption required in its production and the water discharged from the area (water pollution impacts are discussed in section E2 Pollution) do not cause any significant local impacts and do not have any multiplier effects on sea water. In the double materiality assessment process, no material impacts, risks or opportunities related to water resources or marine resources were identified in Terrafame's own operations or its upstream or downstream value chain. Sustainability matters related to water and marine resources are assessed annually as part of the updating of the double materiality assessment.

Terrafame's production plant is not located in any area suffering from a water risk or significant water stress. In the process of identifying and assessing impacts, risks and opportunities, the consumption of tap and natural water by the company was especially examined. In terms of tap water, the company is connected to the municipal water network. Sanitary wastewaters are treated at Terrafame's sanitary wastewater treatment plant, whose operations and emissions are monitored as part of the mandatory monitoring programme. Water from the treatment plant is led into Terrafame's water storage ponds. The production process takes raw water from a waterbody inside the mining concession which is why the waterbody in question is hydrologically regulated. The potential impacts of this regulation on aquatic plants, for example, are monitored as part of environmental monitoring. The company's production process enables effective water recycling, and the development of the process has enabled reductions in raw water intake. Although significant amounts of water are discharged, this has not been found to have any impact on flows in the receiving waterbodies.

In conjunction with the process of identifying and evaluating impacts, risks and opportunities, 21 representatives of various stakeholders were interviewed, 12 of whom represented nearby residents and other regional parties affected by Terrafame's activities, including representatives of village associations, nearby municipalities and entrepreneurial communities (affected communities). The discussions covered all sustainability matters required by ESRs1, one of which is water and marine resources.

● ESRs2.IRO-2

Disclosure requirements in ESRs covered by the undertaking's sustainability statement

Material information to be disclosed

Terrafame has reviewed the sustainability matters assessed as material in relation to the disclosure requirements, including data points, and application requirements of the corresponding ESRs topic. Terrafame's materiality assessment also identified a material entity-specific sustainability matter, whose reported data were defined using the criteria prescribed in ESRs1 Appendix A sections AR 1–5. When defining the materiality of the disclosure and application requirements, as well as the data points, their relevance in describing the sustainability matter in question was assessed. In addition, the materiality of the data to be reported was assessed from the perspective of the users of sustainability reports. Disclosure requirements and data points assessed as material are included in this Sustainability Report where applicable.

The aim was to provide all information about policies, actions and targets related to material sustainability matters as required by the disclosure requirements and data points for the corresponding ESRs topic, as well as the corresponding minimum disclosure requirements for policies, actions and targets prescribed in ESRs 2. With regard to the metrics related to material sustainability matters, the aim was to provide all the information deemed material in accordance with the section on metrics and targets of the corresponding ESRs topic.

Terrafame will reassess the information to be provided in the sustainability report as part of the 2025 reporting process.

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Disclosure requirement and related data point	Paragraphs in the sustainability statement/non-material data points	
ESRS 2 GOV-1 Boards' gender diversity, paragraph 21 (d)	ESRS2.GOV-1	page 7
ESRS 2 GOV-1 Percentage of board members who are independent, paragraph 21 (e)	ESRS2.GOV-1	page 7
ESRS 2 GOV-4 Statement on due diligence, paragraph 30	ESRS2.GOV-4	page 9
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities, paragraph 40 (d) i	ESRS2.SBM-1	page 10
ESRS 2 SBM-1 Involvement in activities related to chemical production, paragraph 40 (d) ii	ESRS2.SBM-1	page 10
ESRS 2 SBM-1 Involvement in activities related to controversial weapons, paragraph 40 (d) iii	ESRS2.SBM-1	page 10
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco	ESRS2.SBM-1	page 10
ESRS E1-1 Transition plan to reach climate neutrality by 2050, paragraph 14	E1-1	page 31
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks, paragraph 16 (g)	Not material	
ESRS E1-4 GHG emission reduction targets, paragraph 34	E1-4	page 37
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors), paragraph 38	E1-5	page 37
ESRS E1-5 Energy consumption and mix, paragraph 37	E1-5	page 37
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors, paragraphs 40 to 43	E1-5	page 37
ESRS E1-6 GHG Gross Scope 1, 2, 3 and Total GHG emissions, paragraph 44	E1-6	page 38
ESRS E1-6 Gross GHG emissions intensity, paragraphs 53 to 55	E1-6	page 38
ESRS E1-7 GHG removals and carbon credits, paragraph 56	E1-7	page 39
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks, paragraph 66	Transitional provision	
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk, paragraph 66 (a)	Transitional provision	
ESRS E1-9 Location of significant assets at material physical risk, paragraph 66 ©	Transitional provision	
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes, paragraph 67 ©	Transitional provision	
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities, paragraph 69	Transitional provision	
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	E2-4	page 45

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ESRS E3-1 Water and marine resources, paragraph 9	Not material	
ESRS E3-1 Dedicated policy, paragraph 13	Not material	
ESRS E3-1 Sustainable oceans and seas, paragraph 14	Not material	
ESRS E3-4 Total water recycled and reused, paragraph 28 ©	Not material	
ESRS E3-4 Total water consumption in m3 per net revenue on own operations, paragraph 29	Not material	
ESRS 2 – IRO-1 – E4 paragraph 16 (a) i	E4.IRO-1	page 46
ESRS 2 – IRO-1 – E4 paragraph 16 (b)	E4.IRO-1	page 46
ESRS 2 – IRO-1 – E4 paragraph 16 ©	E4.IRO-1	page 46
ESRS E4-2 Sustainable land / agriculture practices or policies, paragraph 24 (b)	Not material	
ESRS E4-2 Sustainable oceans / seas practices or policies, paragraph 24 ©	Not material	
ESRS E4-2 Policies to address deforestation, paragraph 24 (d)	Not material	
ESRS E5-5 Non-recycled waste, paragraph 37 (d)	E5-5	page 54
ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39	E5-5	page 54
ESRS 2 – SBM-3 – S1 Risk of incidents of forced labour, paragraph 14 (f)	Not material	
ESRS 2 – SBM-3 – S1 Risk of incidents of child labour, paragraph 14 (g)	Not material	
ESRS S1-1 Human rights policy commitments, paragraph 20	S1-1	page 59
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21	S1-1	page 60
ESRS S1-1 Processes and measures for preventing trafficking in human beings, paragraph 22	S1-1	page 61
ESRS S1-1 Workplace accident prevention policy or management system, paragraph 23	S1-1	page 61
ESRS S1-3 Grievance/complaints handling mechanisms, paragraph 32 ©	S1-3	page 65
ESRS S1-14 Number of fatalities and number and rate of work-related accidents, paragraph 88 (b) and ©	S1-14	page 72
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness, paragraph 88 (e)	Transitional provision	
ESRS S1-16 Unadjusted gender pay gap, paragraph 97 (a)	Not material	
ESRS S1-16 Excessive CEO pay ratio, paragraph 97 (b)	Not material	

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ESRS S1-17 Incidents of discrimination, paragraph 103 (a)	S1-17	page 72
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines, paragraph 104 (a)	S1-17	page 72
ESRS 2 – SBM-3 – S2 Significant risk of child labour or forced labour in the value chain, paragraph 11 (b)	Not material	
ESRS S2-1 Human rights policy commitments, paragraph 17	S2-1	page 74
ESRS S2-1 Policies related to value chain workers, paragraph 18	S2-1	page 74
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines, paragraph 19	S2-1	page 74
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19	S2-1	page 75
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain, paragraph 36	S2-4	page 75
ESRS S3-1 Human rights policy commitments, paragraph 16	S3-1	page 81
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines, paragraph 17	S3-1	page 82
ESRS S3-4 Human rights issues and incidents, paragraph 36	S3-1	page 82
ESRS S4-1 Policies related to consumers and end-users, paragraph 16	Not material	
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines, paragraph 17	Not material	
ESRS S4-4 Human rights issues and incidents, paragraph 35	Not material	
ESRS G1-1 United Nations Convention against Corruption, paragraph 10 (b)	G1-1	page 88
ESRS G1-1 Protection of whistleblowers, paragraph 10 (d)	G1-1	page 88
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws, paragraph 24 (a)	Not material	
ESRS G1-4 Standards of anti-corruption and anti-bribery, paragraph 24 (b)	Not material	

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ESRS 2

Disclosure requirement (DR)	Sustainability Report section
BP-1 – General basis for preparation of the sustainability statements	pages 4-5
BP-2 – Disclosures in relation to specific circumstances	pages 5-6
GOV-1 – The role of the administrative, management and supervisory bodies	pages 6-8
GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	page 8
GOV-3 – Integration of sustainability-related performance in incentive schemes	pages 8-9
GOV-4 – Statement on sustainability due diligence	page 9
GOV-5 – Risk management and internal controls over sustainability reporting	page 9
SBM-1 – Market position, strategy, business model(s) and value chain	pages 9-12
SBM-2 – Interests and views of stakeholders	page 13
SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)	pages 14-19
IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities	pages 19-21
E3.IRO-1 Description of the processes to identify and assess material pollution-related impacts, risks and opportunities regarding ESRS E3	pages 21-22
IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statements	pages 22-29

ESRS E1

Disclosure requirement (DR)	Sustainability Report section
Disclosure requirement related to ESRS 2 GOV-3 – Integration of sustainability-related performance in incentive schemes	page 31
E1-1 – Transition plan for climate change mitigation	page 31
Disclosure requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)	page 31
Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities related to climate change	page 31-34
E1-2 – Policies related to climate change mitigation and adaptation	pages 34-35
E1-3 – Actions and resources in relation to climate change policies	pages 36-37
E1-4 – Targets related to climate change mitigation and adaptation	page 37
E1-5 – Energy consumption and mix	page 37
E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions	page 38-39
E1-7 – GHG removals and GHG mitigation projects financed through carbon credits	page 39
E1-8 – Internal carbon pricing	page 39

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ESRS E2

Disclosure requirement (DR)	Sustainability Report section
Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities related to pollution	pages 39-40
E2-1 – Policies related to pollution	pages 40-42
E2-2 – Actions and resources related to pollution	pages 42-43
E2-3 – Targets related to pollution	page 43
E2-4 – Pollution of air, water and soil	pages 44-45

ESRS E4

Disclosure requirement (DR)	Sustainability Report section
E4-1 – Transition plan and consideration of biodiversity and ecosystems in strategy and business model	page 46
SBM 3 – Material impacts, risks and opportunities and their interaction between strategy and business model	page 46
Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities related to biodiversity and ecosystems	pages 46-47
E4-2 – Policies related to biodiversity and ecosystems	pages 47-49
E4-3 – Actions and resources related to biodiversity and ecosystems	page 49
E4-4 – Targets related to biodiversity and ecosystems	page 50
E4-5 – Impact metrics related to biodiversity and ecosystems change	page 50

ESRS E5

Disclosure requirement (DR)	Sustainability Report section
Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities related to resource use and circular economy	page 51
E5-1 – Policies related to resource use and circular economy	pages 52-53
E5-2 – Actions and resources related to resource use and circular economy	page 53
E5-3 – Targets related to resource use and circular economy	page 54
E5-4 – Resource inflows	page 54
E5-5 – Resource outflows	page 54

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ESRS S1

Disclosure requirement (DR)	Sustainability Report section
Disclosure requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model (s)	pages 56-58
S1-1 – Policies related to own workforce	pages 59-63
S1-2 – Processes for engaging with own workers and workers' representatives about impacts	pages 63-65
S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns	page 65
S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	pages 66-68
S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	page 69
S1-6 – Characteristics of the undertaking's employees	pages 70
S1-7 – Characteristics of non-employee workers in the undertaking's own workforce	page 71
S1-13 – Training and skills development metrics	page 71
S1-14 – Health and safety metrics	page 72
S1-17 – Incidents, complaints and severe human rights impacts	page 72

ESRS S2

Disclosure requirement (DR)	Sustainability Report section
Disclosure requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model (s)	page 73
S2-1 – Policies related to value chain workers	pages 73-76
S2-2 – Processes for engaging with value chain workers about impacts	pages 76-77
S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns	page 77
S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action	pages 78-79
S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	page 79

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ESRS S3

Disclosure requirement (DR)	Sustainability Report section
Disclosure requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)	page 80
S3-1 – Policies related to affected communities	pages 81-82
S3-2 – Processes for engaging with affected communities about impacts	page 82
S3-3 – Processes to remediate negative impacts and channels for affected communities to raise concerns	page 83
S3-4 – Taking action on material impacts on affected communities, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	page 84
S3-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	page 84

ESRS G1

Disclosure requirement (DR)	Sustainability Report section
Disclosure requirement related to ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies	page 86
Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities	page 87
Disclosure Requirement G1-1 – Corporate culture and business conduct policies	pages 87-90
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● E1

Climate Change

● E1.GOV-3

Integration of sustainability-related performance in incentive schemes

The remuneration schemes of Terrafame's administrative, management and supervisory bodies do not include any elements linked directly to the climate.

● E1-1

Transition plan for climate change mitigation

Terrafame has set a goal that its own production (Scope 1-2) will be carbon neutral by 2039. In 2023, Terrafame modelled its preliminary emission reduction targets that are in line with the target set in the Paris Agreement to limit global warming to 1.5 °C.

The company has already identified measures to reduce carbon dioxide emissions. The most important of these are the discontinued use of fossil fuels and the purchase of fossil-free electricity. The company is currently specifying its carbon roadmap.

In 2025, the company will investigate the preparation of a transition plan for climate change mitigation.

● E1.SBM-3

Material impacts, risks and opportunities and their interaction with strategy and business model

In its double materiality assessment, Terrafame has identified a material risk related to climate change mitigation.

Identified material risk related to climate

Electrification of transport, markets not developing as expected.

Type of risk: physical or transition?

Transition risk

Terrafame's strategic goal is to reduce the carbon footprint of transport with sustainably produced battery chemicals. At the core of the strategy is the ore bioleaching method, which consumes 90% less energy than alternative methods. Terrafame's other activities related to climate change mitigation, including reducing its GHG emissions and improving energy efficiency, are linked to the implementation of the company's carbon roadmap.

Climate resilience of the strategy and business model

Terrafame will examine the climate resilience of its strategy and business model as part of the 2025 strategy process.

● E1.IRO-1

Description of the processes to identify and assess material climate-related impacts, risks and opportunities

Terrafame has assessed its climate-related impacts, risks and opportunities as part of the assessment process carried out in accordance with the principle of double materiality defined in ESRS1 Chapter 3 Double materiality as the basis for sustainability disclosures. The assessment process is outlined in section ESRS2.IRO-1.

Regarding the climate, it was found that the company's impacts, risks and opportunities focus on climate change mitigation in Terrafame's own operations, as well as in the downstream value chain, and the company's own energy consumption. No material impacts, risks or opportunities related to climate change adaptation were identified. Sustainability matters related to the climate are assessed annually as part of the updating of the double materiality assessment.

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GHG emissions

Terrafame’s strategic goal is to reduce the carbon footprint of transport with sustainably produced battery chemicals. The integrated production chain, located in Terrafame’s industrial area, from its mine to battery chemicals, produces battery chemicals whose carbon footprint is significantly lower than the industry average as a result of its energy efficiency. According to a life cycle assessment (LCA) conducted in 2020 by the external expert organisation Sphera Solutions GmbH, the carbon footprint of Terrafame’s nickel sulphate is about 60% lower compared to the average production method. According to the LCA, Terrafame’s bioleaching-based production process consumes approximately 90% less electricity and thermal energy in the production of nickel sulphate than the production of nickel sulphate on average.

The company has reported the GHG emissions of its own operations (Scope 1–2) from the beginning of the operations, i.e. since 2015. The calculation is based on the GHG Protocol and has been specified over the years as operations and calculation methods have developed. In 2023, the emission inventory was expanded to cover all material Scope 3 categories. The materiality of GHG emissions was assessed on the basis of the information described above. The goal is to update the life cycle analysis of the carbon footprint of battery chemicals during 2026.

Climate-related physical risks

In 2024, Terrafame assessed the physical risks of its operations associated with the climate at workshops, where production representatives and the company’s environmental specialists analysed climate-related threats based on the classification presented in the Commission Delegated Regulation (EU) 2021/2139. Threats were assessed in the periods defined in ESRS 1, Chapter 6. In the threat assessments, it was assumed that Terrafame’s operations will continue until the 2050s in accordance with the current production plan.

The threat assessments are based on the assessment of climate risks during production, whereas climate risks during closure were not assessed separately. The company’s aim is to assess the possibilities of broadening the examination of physical risks at the appropriate accuracy to the upstream and downstream value chain activities as part of the 2025 update of the double materiality assessment.

Terrafame’s production operations are concentrated in a single industrial area located in Northern Finland. Physical climate threats were assessed in relation to different stages in the company’s production process taking into account the location of the production plant. A number of chronic and acute climate-related threats were addressed in the scenario, but no physical climate risks exceeding the materiality threshold were identified as a result of the assessment. However, the company recognises that the annual rainfall is a very significant factor affecting water management in the industrial area. In years of low or normal rainfall, the amount of treated water led away from the operating area has remained low as a result of effective additional evaporation from leaching heaps. The company has prepared for rainy years by dimensioning the water treatment capacity to meet the level of precipitation increasing due to climate change.

✓ Climate-related hazards have been identified over short-, medium- and long-term time horizons.

✓ Undertaking has screened whether assets and business activities may be exposed to climate-related hazards.

✓ Short-, medium- and long-term time horizons have been defined.

✓ Extent to which assets and business activities may be exposed and are sensitive to identified climate-related hazards has been assessed.

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Use of climate scenarios in the assessment of physical risks

In the identification of climate-related threats and the assessment of exposure and sensitivity, the climate scenarios of the Intergovernmental Panel on Climate Change (IPCC) for high (RCP 8.5) and low (RCP2.6) emissions, the scenario of the collapse of the Gulf Stream, the report of the Finnish Climate Change Panel (2/2021), and regional precipitation and temperature statistics of the Finnish Meteorological Institute were used. In the scenario project, the climate threats were considered to emerge in Terrafame's location in the longer term. In the short and medium term, the impacts were assessed to be more moderate.

The most significant climate impacts identified by Terrafame are related to increasing precipitation and other extreme weather conditions, including very cold and hot conditions. In part, global warming was also found to possibly have positive impacts on operating conditions. In the scenario project, it was found that global climate scenarios can be used as indicative models in the background of the threat analysis, as they are fairly inaccurate considering Terrafame's location. Therefore, domestic sources have also been used to support the analysis.

- ✓ Identification of climate-related hazards and assessment of exposure and sensitivity are informed by e.g. IPCC's SSP5-8.5 high emissions climate scenario.

Climate-related transition risks

In 2024, Terrafame assessed the transition risks and opportunities associated with its operations based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD, Final Report 2017). The assessment of transition risks and opportunities was based on Terrafame's market analysis and that conducted by external service providers, as well as expert assessments. The assessment was carried out in relation to a climate scenario in which global warming can be limited to 1.5 °C. Transition risks and opportunities were assessed throughout the company's value chain. The identified material transition risks and opportunities are allocated to Terrafame's downstream value chain and are related to the market outlook for electrifying transport. Material risks and opportunities are discussed in more detail in section ERS2.SBM-3.

- ✓ Transition events have been identified over short-, medium- and long-term time horizons.

- ✓ Undertaking has screened whether assets and business activities may be exposed to transition events.

- ✓ The undertaking has assessed the extent to which its assets and business activities may be exposed and are sensitive to identified transition events.

- ✓ Identification of transition events and assessment of exposure has been informed by climate-related scenario analysis.

Use of climate scenarios in the assessment of transition risks and opportunities

Producing low-carbon battery chemicals for the battery value chain of electric vehicles forms the core of Terrafame's business. The electrification of transport is a significant global step in climate change mitigation. Terrafame is closely monitoring the development of the electric vehicle market and the battery value chain, as well as the development of regulations on climate change mitigation, as part of normal business planning, which is carried out from short-, medium- and long-term perspectives.

The development of Terrafame's net sales is significantly linked to demand for battery chemicals needed in the manufacture of electric vehicles and their batteries. The EU has set ambitious climate targets for European markets in line with the Paris Agreement to limit global warming to 1.5 °C. The EU implements its climate policy at several levels, and its climate measures have an impact on European markets. Terrafame has used all of this background work and the TCFD's recommendations to assess the potential impacts of transition risks and opportunities on the company's operations and financial position.

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Explanation of how climate scenarios used are compatible with critical climate-related assumptions made in financial statements

Terrafame's financial statements do not include critical climate-related assumptions.

● E1-2

Policies related to climate change mitigation and adaptation

Policies related to climate change

Sustainability policy

Sustainability matters related to climate change.

Sustainability topic

Climate change mitigation.

Actual positive impact

Reducing carbon dioxide emissions from transport with the battery chemicals required for electric vehicle batteries.

Actual negative impact

Terrafame's own GHG emissions.

Financial opportunity

Global climate change mitigation requires the electrification of transport which offers significant financial opportunities for Terrafame (core business).

Financial risk

Electrification of transport, markets not developing as expected.

Sustainability topic

Energy.

Actual negative impact

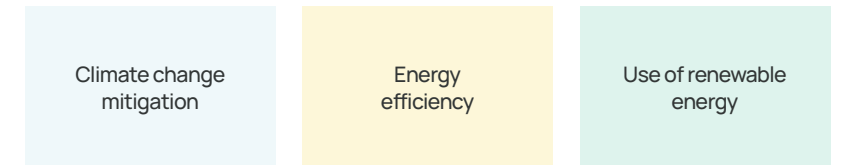
Significant amounts of energy are consumed (the type of energy changes, while consumption remains roughly unchanged).

Scope of application of the policy

The sustainability policy is applied in Terrafame's all operations, from mining to customer deliveries, and in all activities that support this core process.

The sustainability policy applies to all Terrafame employees, partners and subcontractors in Terrafame's production and support areas.

Sustainability topics covered by the policy



Terrafame's goals related to the climate and energy consumption are defined in the company's sustainability policy. In addition, Terrafame is committed to the TSM Finland responsible mining system, which is based on self-assessments conducted annually using the system's assessment tools. Until 2023, climate and energy themes were assessed using the TSM system's assessment tool for energy consumption and GHG emissions. From 2024, the tool has been replaced by the assessment tool for climate change management, with which Terrafame assessed its operations in the autumn of 2024.

The results of the self-assessment are verified every three years. Only individuals who have completed qualification training and have been approved by TSM Finland can act as verifiers. At Terrafame, the most recent external verification was carried out in December 2024, and its results are available on TSM Finland's [website](#).

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Key content of the policy

- Mitigating climate change by enhancing low-carbon electric mobility.
- An aim to continuously reduce direct and indirect climate impacts of own operations in line with the Paris Agreement target.
- A goal to continuously improve the company's energy performance, energy management system and energy efficiency.
- A commitment to continuously improving energy efficiency and using best available technologies, starting with planning and procurement, with the aim of discontinuing the use of fossil fuels and increasing the use of carbon-neutral electricity, and where possible, renewable energy.
- Encouraging partners throughout the value chain to assess their own climate impacts and take measures to reduce GHG emissions, as well as to assess their energy consumption and take measures to improve energy efficiency.

Climate change mitigation by producing low-carbon battery chemicals forms the core of Terrafame's business. The company monitors the implementation of its strategy and the effectiveness of its business model as part of the annual strategy and business planning processes.

Approval of the policy

Terrafame's Board of Directors approves the sustainability policy. Terrafame's CEO is responsible for the implementation of the policy. The Chief Sustainability Officer, a member of the Leadership Team, is responsible for monitoring and interpreting the application of the policy.

Third-party standards to which the undertaking is committed regarding climate

TSM Finland responsible mining system

Towards Sustainable Mining (TSM) is a globally recognised responsible mining standard. The companies committed to it adhere to principles that are sustainable from the point of view of nature, people and finances. Mining companies can assess, monitor and develop their operations using nine TSM assessment tools. The assessment tools also provide the basis for external verification, which is carried out every three years. The results are published annually per mine.

Reporting enables different stakeholders and nearby residents to monitor the operations of a particular mine. Terrafame has conducted self-assessments under the responsible mining system since 2017.

Responsible Care

Responsible Care is a global responsibility programme in the chemicals industry that has been used in Finland since 1992. The programme is based on continuous improvement, sharing best practices, and annual reporting. Terrafame committed to the Responsible Care programme in 2023.

UN Global Compact

The UN Global Compact is a corporate responsibility network, which already includes more than 22,000 companies across the world. The participating organisations are committed to promoting responsible business in the areas of human rights, labour rights, the environment and anti-corruption. Terrafame signed a commitment to the initiative in 2020.

UN Sustainable Development Goals (SDGs)

The themes of Terrafame's sustainability programme for 2020–2024 are linked to the UN SDGs insofar as they are considered to be linked to Terrafame's sustainability activities.

✓ The undertaking has made the policy available to potentially affected stakeholders and stakeholders who need to help implement it

The sustainability policy is available on the company's website at www.terrafame.fi. The policy is also available to all Terrafame employees on the company's intranet and in the company's document management system.

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● E1-3

Actions and resources in relation to climate change policies

Actions related to climate change

Terrafame's strategy and business plan.

Transition plan.

Scope of application of the actions

Terrafame's actions taken in 2024 related to climate change mitigation (start-up of the battery chemicals plant) have focused on its own operations.

In 2018, the company's Board of Directors made an investment decision totalling EUR 240.0 million on the construction of a battery chemicals plant, and the start-up of the new plant began in the summer of 2021. The use of Europe's largest nickel ore resources located in Terrafame's mining concession, as well as the ore bioleaching method that consumes 90% less energy than alternative methods, are at the core of the strategy. In 2024, production volumes of the battery chemicals plant have increased as process bottlenecks have been eliminated. Product quality has also been improved to better meet customers' product quality requirements. The development of production volumes at Terrafame's battery chemicals plant is firmly linked to the electric vehicle markets, and in particular, the progress of the electric vehicle battery value chain being built in Europe. In 2025, increasing the battery chemicals plant's production capacity towards the planned level will be continued.

In 2024, Terrafame started its uranium recovery plant for the use of uranium available in small concentrations in extracted minerals as a by-product. The recovered uranium will be delivered from Terrafame to the international markets for further processing, after which it will be used as a fuel in nuclear energy generation. With the start of operations, Finland is the only EU Member State in which uranium is produced.

Terrafame's other activities related to climate change mitigation, including reducing its GHG emissions and improving energy efficiency, are linked to the implementation of the company's carbon roadmap.

Actions to reduce GHG emissions

Terrafame aims to continuously reduce the direct and indirect climate impacts of its operations in line with the Paris Agreement's target. The company has identified actions to reduce GHG emissions from its operations. The actions are significantly related to the aim of replacing fossil fuels used in mining and transport in the industrial area with electric and fossil-free fuel solutions in the future. The implementation plan for these actions is still under preparation.

Expected results of key actions

The production capacity of Terrafame's battery chemicals plant is about 170,000 tonnes of nickel sulphate per year and about 7,400 tonnes of cobalt sulphate per year. At full capacity, Terrafame can produce nickel sulphate for roughly one million and cobalt sulphate for roughly 300,000 vehicles per year. In 2024, 8,1 (7.2) million electric vehicles using the NCM battery technology with a high nickel content were sold worldwide. In 2024, Terrafame prepared to start deliveries under agreements with car manufacturers and other battery market companies in 2025. These actions implement the goal recorded in the sustainability policy to help mitigate climate change by promoting low-carbon electric transport with the company's customers.

Terrafame's production process is energy-efficient and its carbon footprint is already one of the smallest in the industry. However, the company's goal is to improve energy efficiency and further reduce GHG emissions from its production.

Financial resources allocated to the action plan

Currently, Terrafame does not report operating and/or capital expenditure related to actions and action plans. The action plans related to material sustainability matters will be specified during 2025.

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● E1-4

Targets related to climate change mitigation and adaptation

In 2024, Terrafame did not have measurable and time-bound targets for reducing GHG emissions and improving energy efficiency. Terrafame has set a goal that its own operations (Scope 1–2) will be carbon neutral by 2039. The company is currently specifying its carbon roadmap.

Monitoring other actions

The state of the battery chemicals markets and the development of the company's net sales, divided into the intermediate metal products and battery chemicals operations, are reported monthly to Terrafame's Board of Directors. The development of net sales is also reported to the company's stakeholders as part of quarterly business reviews, which also closely monitor the development of the electric vehicle markets and the batteries used in them. GHG emissions and the company's total energy consumption have been monitored on an annual basis and have been published from 2015, first as part of the annual report and from 2019 as part of a separate sustainability review.

● E1-5

Energy consumption and mix

Terrafame's total energy consumption broken down according to disclosure requirement E1-5 is presented below. The company's business is classified under NACE code 20.13 Manufacture of other inorganic basic chemicals. This means that Terrafame's total net sales are generated in a high climate impact sector. The net sales presented in the financial statements have been used in the calculation of energy intensity.

Energy consumption and mix	2024
1) Fuel consumption from coal and coal products (MWh)	0
2) Fuel consumption from crude oil and petroleum products (MWh)	161,910
3) Fuel consumption from natural gas (MWh)	0
4) Fuel consumption from other fossil sources (MWh)	0
5) Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	269,215
6) Total fossil energy consumption (MWh)	431,125
Share of fossil sources in total energy consumption (%)	58%
7) Consumption from nuclear sources (MWh)	128,192
Share of consumption from nuclear sources in total energy consumption (%)	17%
8) Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh)	0
9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	188,977
10) The consumption of self-generated non-fuel renewable energy (MWh)	0
11) Total renewable energy consumption (MWh) (calculated as the sum of lines 8 to 10)	188,977
Share of renewable sources in total energy consumption (%)	25%
Total energy consumption (MWh)	748,294

Energy intensity based on net revenue	2024
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors (MWh/MEUR)	1,374

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● E1-6

Gross Scopes 1, 2, 3 and Total GHG emissions

Terrafame uses the principles, requirements and guidelines set out in the GHG Protocol Corporate Standard to calculate greenhouse gas emissions. Scope 1 and Scope 2 data apply to Terrafame Group as described in ESR2.BP-1. The calculation of Scope 3 emissions includes operations of the value chain described in ESR2.SBM-1. The net sales presented in the financial statements have been used in the calculation of GHG emissions intensity.

Terrafame's Scope 1 calculation is based directly on the fuel and chemicals volumes collected from its own processes. Scope 2 data are based directly on energy consumption data obtained from suppliers. Scope 3 emissions have been determined using a hybrid calculation, partly using realised volumes, partly using emission data received directly from suppliers, and partly based on purchase invoices using the spend-based methodology. In the calculation based on purchase invoices, emissions are estimated using the monetary value presented in the purchase invoice related to the activity and multiplying it by an emission factor. Biogenic carbon dioxide emissions in the value chain have not been assessed in the Scope 3 emission calculation.

Exiobase's openly available factors have been used as emission factors for purchase invoices. In the implementation of the mass-based calculation, the emission factor database of the United Kingdom's Department for Environment Food and Rural Affairs (Defra) has been used, in addition to which the statistics of Fingrid and Statistics Finland have been used in the calculation of purchased energy emissions. Emissions from raw material procurement in production have been calculated with supplier-specific emission factors to the extent that they have been available. In addition, mole mass calculations have been used for certain process chemicals. The emission factors that best represent Terrafame's operations and the latest available emission factors have been used in the calculation. No external calculation tools have been used.

The majority, 79%, of Terrafame's Scope 3 GHG emissions are caused by Category 1 (purchased products and services). Half of this is calculated on the basis of realised volumes of chemicals used in production, and the other half using a spend-based method. Of all Scope 3 GHG emissions, a total of 28% is calculated based on purchase invoices. Only a small part of the Scope 3 calculation is based on emission data obtained directly from suppliers.

No external body has validated the GHG emissions calculations.

The company's goal is to develop the Scope 3 emission calculation during 2025, in particular.

Scope 1 GHG emissions	2024
Gross scope 1 GHG emissions (tCO ₂ eq.)	126,914
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	32%
Scope 2 GHG emissions	
Location-based Scope 2 GHG emissions (tCO ₂ eq.)	27,893
Market-based Scope 2GHG emissions (tCO ₂ eq.)	148,825
Significant Scope 3 GHG emissions	
Total gross indirect (Scope 3) GHG emissions (tCO ₂ eq.)	428,252
1 Purchased goods and services	337,778
Total GHG emissions	
Total GHG emissions (location-based) (tCO ₂ eq.)	583,058
Total GHG emissions (market-based) (tCO ₂ eq.)	703,991
GHG emissions intensity per net revenue	
Total location based GHG emissions per net revenue (tCO ₂ -ekv./MEUR)	1,071
Total market based GHG emissions per net revenue (tCO ₂ -ekv./MEUR)	1,293

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Terrafame's biogenic CO₂ emissions relate to indirect greenhouse gas emissions (Scope 2) that are generated in a solid fuel energy plant located in Terrafame's industrial area. The plant produces steam and district heating to the needs of the industrial area.

Biogenic CO ₂ emissions, tCO ₂ (bio)	2024
Scope 2	18,252

● E1-7

GHG removals and GHG mitigation projects financed through carbon credits

Terrafame has not taken action to remove or store GHG in its operations or in the upstream and downstream value chain. Furthermore, the company has not purchased carbon credits to support GHG removals outside the value chain.

● E1-8

Internal carbon pricing

Terrafame does not have internal carbon dioxide pricing models.

● E2

Pollution

● E2.IRO-1

Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

✓ The undertaking has screened its site locations and business activities in order to identify actual and potential pollution-related sustainability matters in own operations and upstream and downstream value chain.

✓ Stakeholder consultations have been conducted.

Terrafame has assessed the potential impacts, risks and opportunities related to air, water and soil pollution arising from its activities as part of the assessment process carried out in accordance with the principle of double materiality defined in ESR1 Chapter 3 Double materiality as the basis for sustainability disclosures. The assessment process is outlined in section ESR2.IRO-1.

With regard to pollution, it was stated that the company's material impacts focus on emissions to water from its own operations and respective specific loads. No material risks or opportunities related to air, water or soil pollution were identified.

In the double materiality assessment process, no material impacts, risks or opportunities related to air, water or soil pollution were identified in Terrafame's upstream or downstream value chain. Sustainability matters related to pollution are assessed annually as part of the updating of the double materiality assessment.

Terrafame has a single production plant located in Northern Finland. Water management is a significant part of the company's production process, in which metals are extracted from ore using heap leaching. The solution cycle in the production process is closed for the majority of the year.

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Ore-containing bioleaching heaps are irrigated using an acidic production solution which extracts the metals from the ore. The process solution circulating in the bioleaching heaps is directed to the metals recovery plant. The majority of the production solution is recycled back into the leaching process. Sometimes the production solution cycle must also be reduced to ensure the pond volume, in which case part of the solution is led to iron precipitation and final neutralisation after metal recovery, and further to the central water treatment plant for purification.

Because of the production method, Terrafame's industrial area is large, and the water accumulated in it must be treated. Therefore, water management covers also rainwater and meltwater contaminated in the industrial area. As a result of the two-line operating model used at the central water treatment plant, the treatment of water coming from the solution cycle and collected from the area can be kept separate, so that water with a high sulphate content generated in the neutralisation process does not burden the purified water discharged into nearby waterbodies. The company's goal is that the sulphate led to water treatment from the process is recycled 100% back into the solution cycle every year. Furthermore, the environmental permit sets emission limits at a level at which emissions have no significant impact, and emissions of purified discharges cannot be said to cause pollution.

In conjunction with the process of identifying and evaluating impacts, risks and opportunities, 21 representatives of various stakeholders were interviewed, 12 of whom represented nearby residents and other regional parties affected by Terrafame's activities, including representatives of village associations, nearby municipalities and entrepreneurial communities (affected communities). The discussions covered all sustainability matters required by ESRs1, one of which is pollution.

● E2-1

Policies related to pollution

Policies related to pollution

Sustainability policy.

Sustainability matters related to pollution

Sustainability topic

Pollution of water.

Material actual negative sustainability matter

Operations causes discharges into waterbodies. The environmental permit sets emission limits at a level that has no significant impact, and emissions cannot be said to cause pollution.

Scope of application of the policy

The sustainability policy is applied in Terrafame's all operations, from mining to customer deliveries, and in all activities that support this core process. The policy applies to all Terrafame employees, partners and subcontractors in Terrafame's production and support areas.

Terrafame's goal in terms of emissions to water are defined in the company's sustainability policy. Water management is guided on the basis of an annually reviewed water management plan. In addition, the company has been committed to the TSM Finland responsible mining system since 2017 and conducts an annual self-assessment of the application of the system's water management assessment tool. The results of the self-assessment are verified every three years. Only individuals who have completed qualification training and have been approved by TSM Finland can act as verifiers. At Terrafame, the most recent external verification was carried out in December 2024, and its results are available on TSM Finland's [website](#).

Emissions are monitored as part of Terrafame's mandatory monitoring programme, in addition to which the company has a comprehensive own monitoring programme. The monitoring results and environmental impacts of emissions to water are reported on a quarterly basis regarding key parameters limited in the permit.

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Key content of the policy

- The goal is to continuously improve the company's environmental performance and environmental risk management through activities that exceed official requirements.
- Investing in large-scale environmental monitoring and effective water management, and ensuring internal policies to prevent, manage and limit irregular situations.
- A commitment to the early closure of mining production operations is a significant element in water management.

The sustainability policy refers to the company's environmental monitoring programme, in which the loading caused by discharges is monitored for nickel, copper, zinc, manganese, sulphate and sodium.

Approval of the policy

Terrafame's Board of Directors approves the sustainability policy. Terrafame's CEO is responsible for the implementation of the policy. The Chief Sustainability Officer, a member of the Leadership Team, is responsible for monitoring and interpreting the application of the policy.

Third-party standards to which the undertaking is committed regarding its water management

TSM Finland responsible mining system

Towards Sustainable Mining (TSM) is a globally recognised responsible mining standard. The companies committed to it adhere to principles that are sustainable from the point of view of nature, people and finances. Mining companies can assess, monitor and develop their operations using nine TSM assessment tools. The assessment tools also provide the basis for external verification, which is carried out every three years. The results are published annually per mine. Reporting enables different stakeholders and nearby residents to monitor the operations of a particular mine. Terrafame has conducted self-assessments under the responsible mining system since 2017.

Responsible Care

Responsible Care is a global responsibility programme in the chemicals industry that has been used in Finland since 1992. The programme is based on continuous improvement, sharing best practices, and annual reporting. Terrafame committed to the Responsible Care programme in 2023.

UN Global Compact

The UN Global Compact is a corporate responsibility network, which already includes more than 22,000 companies across the world. The participating organisations are committed to promoting responsible business in the areas of human rights, labour rights, the environment and anti-corruption. Terrafame signed a commitment to the initiative in 2020.

UN Sustainable Development Goals (SDGs)

The themes of Terrafame's sustainability programme for 2020–2024 are linked to the UN SDGs insofar as they are considered to be linked to Terrafame's sustainability activities.

Interests and views of stakeholders

Terrafame has been engaged in an active dialogue with nearby residents and their representatives since the company was established. The company also consulted its stakeholders as part of the double materiality assessment. Stakeholders are particularly interested in the contents and loadings of the company's discharges. Terrafame openly communicates the results of its water monitoring programme on its website and annually publishes a review of the status of local waterbodies, which is distributed with local newspapers in the Kainuu region. Terrafame's sustainability policy defines the goal of continuously improving environmental performance through activities that exceed regulatory requirements.

Reduction of negative impacts

Terrafame's sustainability policy states that the company's goal is to continuously improve its environmental performance and environmental risk management through activities that exceed regulatory requirements. In addition, the company's environmental permit sets emission limits at a level that has no significant impact, and emissions cannot be said to cause pollution.

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Avoidance of incidents and emergency situations

In its sustainability policy, Terrafame is committed to ensuring internal operating models to prevent, manage and limit incidents.

✓ **The undertaking has made the policy available to potentially affected stakeholders and stakeholders who need to help implement it**

The sustainability policy is available on the company's website at www.terrafame.fi. The policy is also available to all Terrafame employees on the company's intranet and in the company's document management system.

● E2-2

Actions and resources related to pollution

Actions related to water pollution

A water management plan which is implemented by the water management production department and the environmental team.

Scope of application of the actions

Terrafame's actions taken in 2024 in relation to water pollution focused on its operations.

At Terrafame, water management is the responsibility of an organisation of roughly 50 professionals, who ensure 24/7 that the process runs as planned. In addition, environmental specialists in the company's ESG, quality and communication organisation support production organisations in the management of environmental safety, the coordination of infrastructure projects, coordinating permitting and environmental monitoring, and various loading and balance calculations with regard to water management.

Water treatment in the industrial area is carried out based on the key principles recorded in the water management plan. The aim is to lead metal- and sulphate-containing water for use in bioleaching instead of water treatment, if possible. An example of this is the separate pumping of metal-containing leachate from waste rock areas to achieve more efficient recycling of metal loads in production, and correspondingly, the forwarding of highly diluted protective pumping water to water treatment instead of the solution cycle. In addition, the aim is to separate clean runoff water from the catchment areas included in the water balance.

During 2024, a process modification was implemented in which the dumping of water treatment sludge was replaced by dry stacking. The new process will be deployed in the spring of 2025.

Terrafame uses advanced water purification technologies. The main part of water purification takes place at the central water treatment plant. In addition, the company operates a water treatment plant based on membrane technology (reverse osmosis). The company will investigate the opportunity to increase the membrane technology capacity.

In 2024, 9.3 hectares of waste rock areas were closed. Closing reduces the amount of rainwater ending up in the water balance.

Water management is a continuous activity. Closure is already carried out during operations and continues until the end of the production lifecycle.

Results of key actions

Water management actions have improved the efficiency of water treatment and internal water recycling so that the amount of sulphate ending up in discharges has been reduced annually by roughly 2,000 t (about 15%), depending on rainfall. The impact of the actions is monitored as part of the monitoring of emissions and the total water balance.

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Restoration activities

Terrafame is committed to carrying out certain remediation measures that are legally valid and assigned to the public receiver of the previous operator of the industrial area. In 2023-2024, Terrafame carried out remediation measures in lake Salminen in this respect. During remediation, the water level in Salminen was lowered by discharging clean surface water into the environment and by pumping the hypolimnion requiring treatment into Terrafame's water treatment process. After drainage, contaminated sediment was removed from the lake and placed in appropriate interim storage in Terrafame's industrial area. Finally, the lake was slowly refilled.

Financial resources allocated to the action plan

Currently, Terrafame does not report operating and/or capital expenditure related to actions and action plans. The action plans related to material sustainability matters will be specified during 2025.

● E2-3

Targets related to pollution

Targets set

The sulphate led to water treatment from the process is to be recycled 100% back into the solution cycle every year. The metal and sulphate concentrations in discharges, as well as sulphate loading, are in accordance with the environmental permit conditions. Water pollution is below the permit limits.

The target's relationship with policy objectives

Effective water management supports the objective of the continuous improvement of environmental performance and environmental risk management through activities that exceed official requirements, as defined in the sustainability policy. Terrafame's goals regarding water pollution focus on its operations.

The targeted content and pollution permit limits are set by the permit authority and assessed to be safe, and the release of water does not require the establishment of a mixing zone in the receiving waterbodies.

Engaging stakeholders

The authorities have defined the permit limits. The permit applicant has had the opportunity to present their own views of appropriate permit limits. Permit processes and the preceding environmental impact assessment (EIA) procedures always include a public hearing, where everyone can give their opinion on the matter.

Progress against targets

In 2024, the metal and sulphate concentrations in discharges, as well as sulphate loading, were in accordance with the environmental permit conditions. In 2024, sulphate from the process solution was recycled back into the solution cycle at 99%.

✓ Targets relating to pollution of water are required by legislation.

Measurable targets	Target	Relation to the policy objective
Sulphates in discharges below the permit quota, tonnes	150,780 (permit quota)	Improving environmental performance. Reduction of negative impact.
Recycling rate of process sulphate, %	100	Improving environmental performance. Reduction of negative impact.
Metal and sulphate contents in discharges in line with environmental permit conditions, %	100	Improving environmental performance. Reduction of negative impact.
Metal and sulphate loadings in discharges below permit limits, %	100	Improving environmental performance. Reduction of negative impact.

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● E2-4

Pollution of air, water and soil

For Terrafame, water loading caused by discharges is a material sustainability matter related to pollution. The volume of discharged water has increased, but its average flow-weighted concentration has decreased or remained unchanged in terms of key harm parameters. This means that water loading has remained unchanged or increased moderately, while still being within the permit limits.

The determination of the loading of emissions to water is based on the flow measurements used in Terrafame's water management. The normal preventive maintenance of these measuring instruments ensures that the instruments are reliable. The concentration information is based on an analysis carried out by a certified sampler using standard methods and conducted in an accredited laboratory using standard methods, which is subject to the measurement uncertainties reported by the laboratory. The sampling frequency under the monitoring obligation is based on the monitoring programme approved by the authorities.

In the calculation, a sample under the monitoring obligation is assumed to describe the quality of the whole week's water release. Terrafame's discharges are led through large equalisation basins which means that there are no unexpected concentration changes in water quality. Any concentration changes can also be verified using the company's daily sampling results.

Measurements, samples and analyses are carried out in accordance with the CEN, ISO, SFS or similar commonly used national or international standards, and in a manner approved by the supervisory authority. The methods used and their uncertainty, as well as the representativeness of the results, are presented in the result report. Where applicable, the measurements are based on different BAT reference documents.

Measurement plans for non-recurring measurements and measurement periods are submitted to the authorities at least one month before the start of the measurements.

Terrafame only uses accredited environmental laboratories and personnel-certified environmental samplers in the analyses used in the emissions calculation.

The company analyses duplicates of emission monitoring samples, but does not verify the laboratory's individual results separately.

Continuous measurements are used in flow measurements, and their quality can be monitored with regard to key parameters on the basis of continuous measurements. The effectiveness of continuous measurements is ensured through preventive maintenance. Qualitative analyses are based on periodic samples. The loading amount based on a calculation is derived from these samples. If discharge points without any continuous measurement are used, the flow rate is measured using manual measurements.

The operation of water management is controlled based on forecasts and modelling. In this, significant information includes precipitation conditions, the production situation and the size of catchment areas in particular. Scenarios are also prepared for particularly dry and rainy years. The environmental impacts of discharges are monitored continuously (continuous measurements, water sampling, field measurements) and reported on a quarterly basis. Emissions are determined using monitoring obligation samples taken by certified samplers and analysed in an accredited laboratory, as well as the results of discharge flow measurements. In addition, the company also monitors water consumption, including analyses of water samples in its laboratory.

The data of continuous measuring instruments (flow rate and temperature, electrical conductivity and pH) are monitored and collected in the company's process control system. Official certificates of laboratory analyses are saved in the company's document management system. Depending on the day or parameter, monthly loading calculation data are maintained in the company's document management system and reported on a quarterly basis.

Percentage of total emissions of impurities into waterbodies in water risk areas

0 %

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Measuring emissions by means other than direct measurements

For the continuous measurement of the chemical quality of water emissions, as no sufficiently dependable and reliable continuous measurement technology (sulphate and metal content) has been identified regarding significant parameters, monitoring is based on samples and laboratory analyses. In discharge locations without any continuous measurement, the flow rate is measured using manual measurements.

Estimates are not used in normal operations. If the results of a laboratory analysis are below the determined limit, half of the limit will be used in the calculation

Impurities referred to in the E-PRTR Regulation

The table below lists each pollutant released into water listed in Annex II to Regulation (EC) No 166/2006 of the European Parliament and of the Council (the establishment of a European Pollutant Release and Transfer Register, "E-PRTR"). The amounts reported only include those emissions for which the reporting threshold specified in Annex II to Regulation (EC) No 166/2006 is exceeded.

Emissions to water – pollutant (kg)	2024
Nickel	255
Zinc	357
Arsenic	5

Entity-specific metrics

Terrafame's permit quota for sulphate discharges in discharged water is 15,780 tonnes per year. In 2024, sulphate emissions were 12,424 tonnes, i.e. below the permit limit. As a voluntary measure, the company monitors the recycling rate of process-derived sulphate, with its target being a 100 per cent recycling rate. The realised rate in 2024 was 99 per cent.

Terrafame's environmental permit defines thresholds for the company's emissions into water. The quality of water emissions is monitored under a mandatory monitoring programme approved by the authorities. In 2024, water emissions were in line with the permit conditions.

Up-to-date monitoring reports (in Finnish) are available on the company's [website](#).

Sulphate emissions	2024
Sulphates in discharges, tonnes	12,424
Recycling rate of process sulphate, %	99
Metal and sulphate content in discharges in line with environmental permit conditions, %	100
Metal loading in discharges below permit limits, %	100

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● E4

Biodiversity and Ecosystems

● E4-1

Transition plan and consideration of biodiversity and ecosystems in strategy and business model

Terrafame's goal is to examine the links between the company's biodiversity impacts and its strategy and business model as part of the 2025 strategy process.

● E4.SBM-3

Material impacts, risks and opportunities and their interaction with strategy and business model

Terrafame has a single production plant located in Northern Finland. As a result of the production method, Terrafame's operations are highly land-use intensive which is reflected especially in the company's biodiversity impacts. There are no Natura 2000 sites or other protected areas in the immediate vicinity of the mining concession.

In its double materiality assessment, Terrafame has identified material negative impacts on biodiversity and ecosystems resulting from the company's land-use.

The use of production areas for industrial purposes causes land degradation and soil sealing, and leads to permanent changes in the natural environment. In addition, individual habitats of threatened species have been identified in the mining concession.

✓ The undertakings own operations affect threatened species.

✓ Material negative impacts with regards to land degradation and soil sealing have been identified.

● E4.IRO-1

Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities

✓ The company does not have sites located in or near biodiversity sensitive areas.

✓ It has been concluded that it is necessary to implement biodiversity mitigation measures.

✓ The undertaking has identified and assessed actual and potential impacts on biodiversity and ecosystems at its own site.

✓ The undertaking has identified and assessed dependencies on biodiversity and ecosystems and their services at its own site locations.

✓ Stakeholders have been consulted.

Terrafame has assessed the potential impacts, risks and opportunities related to biodiversity and ecosystems arising from its activities as part of the assessment process carried out in accordance with the principle of double materiality defined in ERS1 Chapter 3 Double materiality as the basis for sustainability disclosures. The assessment process is outlined in section ERS2.IRO-1.

With regard to biodiversity and ecosystems, it was stated that the company's material impacts focus on land-use in its operations. No material risks or opportunities related to biodiversity and ecosystems were identified. In the double materiality assessment process, no material impacts, risks or opportunities related to biodiversity or ecosystems were identified in Terrafame's upstream or downstream value chain.

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In conjunction with the process of identifying and evaluating impacts, risks and opportunities, 21 representatives of various stakeholders were interviewed, 12 of whom represented nearby residents and other regional parties affected by Terrafame's activities, including representatives of village associations, nearby municipalities and entrepreneurial communities (affected communities). The discussions covered all sustainability matters required by ESRS1, one of which is biodiversity and ecosystems.

Terrafame's mining concession consists of Europe's largest nickel ore reserves, and the company's production depends on the non-renewable primary raw material quarried from them. Where possible, Terrafame seeks to investigate suitable sites in the land-use areas, where the habitats of the affected species can be strengthened.

Terrafame's goal is to examine the links between the company's biodiversity impacts and its strategy and business model as part of the 2025 strategy process. In conjunction with the update of the double materiality assessment, the possibilities to expand the examination of biodiversity, where applicable, to also cover the company's upstream and downstream value chain, will be assessed.

● E4-2

Policies related to biodiversity and ecosystems

Policies related to biodiversity

Sustainability policy.

Sustainability matters related to biodiversity covered by the policy

Changes in land-use.

Land degradation.

Soil sealing.

Material actual negative impact

Widespread use of areas, impacts on the natural environment and ecosystem services.

Using production areas for industrial purposes is a permanent change.

Scope of application of the policy

The sustainability policy is applied in Terrafame's all operations, from mining to customer deliveries, and in all activities that support this core process. The policy applies to all Terrafame employees, partners and subcontractors in Terrafame's production and support areas.

Terrafame's goal of addressing biodiversity and ecosystems has been recorded in the company's sustainability policy. Activities in line with the biodiversity policy are guided by the company's internal guidelines for the protection of biodiversity. In addition, the company has been committed to the TSM Finland responsible mining system since 2017 and conducts an annual self-assessment of the application of the system's biodiversity assessment tool. The results of the self-assessment are verified every three years. Only individuals who have completed qualification training and have been approved by TSM Finland can act as verifiers. At Terrafame, the most recent external verification was carried out in December 2024, and its results are available on TSM Finland's [website](#).

The company's internal guidelines for the protection of biodiversity also describe the responsibilities related to the protection of biodiversity. Terrafame's Chief Sustainability Officer is responsible for the company's biodiversity protection policies. The project department operating under the Chief Technology Officer is responsible for taking environmental impacts into account in the planning and implementation of new projects measures and land-use, assisted by specialists from the environmental department. The head of the production department is responsible for changes in existing production areas that are not projects, as well as their environmental impact. The implementation of the policies is supervised through environmental monitoring and by identifying and assessing environmental matters and risks. Production departments maintain environmental and risk assessments and regularly update them with the support of the ESG, quality and communications unit. In addition, environmental risks are assessed every three years, certified by an external specialist.

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Key content of the policy

Terrafame's sustainability policy states that the company's goal is to continuously improve its environmental performance and environmental risk management through activities that exceed official requirements. The goals set for the protection of biodiversity and the preservation of ecosystems are:

- We address the impacts of our operations on the area's special nature values and biodiversity from the planning stage onwards.
- We identify the permanent and wide-ranging nature impacts of our land-use. We are investigating suitable sites in our land-use areas, where the habitats of the affected species can be strengthened.

Approval of the policy

Terrafame's Board of Directors approves the sustainability policy. Terrafame's CEO is responsible for the implementation of the policy. The Chief Sustainability Officer, a member of the Leadership Team, is responsible for monitoring and interpreting the application of the policy.

Third-party standards to which the company is committed regarding biodiversity

TSM Finland responsible mining system

Towards Sustainable Mining (TSM) is a globally recognised responsible mining standard. The companies committed to it adhere to principles that are sustainable from the point of view of nature, people and finances. Mining companies can assess, monitor and develop their operations using nine TSM assessment tools. The assessment tools also provide the basis for external verification, which is carried out every three years. The results are published annually per mine. Reporting enables different stakeholders and nearby residents to monitor the operations of a particular mine. Terrafame has conducted self-assessments under the responsible mining system since 2017.

Responsible Care

Responsible Care is a global responsibility programme in the chemicals industry that has been used in Finland since 1992. The programme is based on continuous improvement, sharing best practices, and annual reporting. Terrafame committed to the Responsible Care programme in 2023.

UN Global Compact

The UN Global Compact is a corporate responsibility network, which already includes more than 22,000 companies across the world. The participating organisations are committed to promoting responsible business in the areas of human rights, labour rights, the environment and anti-corruption. Terrafame signed a commitment to the initiative in 2020.

UN Sustainable Development Goals (SDGs)

The themes of Terrafame's sustainability programme for 2020–2024 are linked to the UN SDGs insofar as they are considered to be linked to Terrafame's sustainability activities.

✓ The undertaking has made the policy available to potentially affected stakeholders and stakeholders who need to help implement it

The sustainability policy is available on the company's website at www.terrafame.fi. The policy is also available to all Terrafame employees on the company's intranet and in the company's document management system.

Material biodiversity impacts

The sustainability policy takes a stand on the biodiversity impacts of the company's land-use and its actions to reduce these impacts.

Material dependencies

Terrafame's mining concession consists of Europe's largest nickel ore reserves, and the company's production depends on the non-renewable primary raw material quarried from them. In its sustainability policy, the company is committed to using natural resources responsibly.

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Traceability of raw materials

Terrafame’s production represents the upstream value chain in customer industries: the primary raw material for production is quarried from the company’s own mine and further processed into intermediate metal products and battery chemicals in the same industrial area. Terrafame thereby provides its customers with a transparent and genuinely European battery chemical production chain that can be traced from the end product to its source.

✓ Sustainable land or agricultural practices or policies have not been adopted.

✓ Policies to address deforestation have not been adopted.

● E4-3

Actions and resources related to biodiversity and ecosystems

Actions related to biodiversity

The environmental impacts of planned actions and land-use are assessed on a project- and species-specific basis. Project-specific planting plans as part of the closure of production areas. Compensation plans.

Scope of application of the actions

Terrafame’s actions taken in 2024 in relation to biodiversity focused on the area of the company’s mining concession.

Terrafame’s actions related to biodiversity and its protection include:

- Nature surveys in operating areas in conjunction with land-use projects.
- Monitoring the biodiversity impacts of operations in accordance with an annual environmental monitoring programme.

- Compensation for the impacts of operations, including supporting the habitats of affected endangered or threatened species in nearby areas, as well as the relocation of threatened species on a case-by-case basis.
- Planting after the closure of production and waste areas, as well as the selection of species to support biodiversity goals where possible. Closure activities were started in 2024.
- The original trout population in river Tuhkajoki located on the so called old route of purified discharge water has been preserved throughout operations, in addition to which it has been protected by recovering trout individuals for fish farming.

Expected results of key actions

The protection of biodiversity is a continuous activity that is carried out as part of land-use projects. Compensation actions are taken on a case-by-case basis. Closure is already carried out during operations and continues until the end of the lifecycle. The goal of the closure actions is to ensure biologically diverse and stable habitats.

✓ Credits related to biodiversity have not been used in action plans.

Connecting local knowledge with actions related to biodiversity and ecosystems

Representatives of local communities have been consulted as part of the EIA processes of new projects, which have also addressed themes related to biodiversity. Additionally, in conjunction with the process of identifying and evaluating impacts, risks and opportunities, 21 representatives of various stakeholders were interviewed, 12 of whom represented nearby residents and other regional parties affected by Terrafame’s activities, including representatives of village associations, nearby municipalities and entrepreneurial communities (affected communities). The discussions covered all sustainability matters required by ESR1, one of which is biodiversity and ecosystems.

Financial resources allocated to the action plan

Currently, Terrafame does not report operating and/or capital expenditure related to actions and action plans. The action plans related to material sustainability matters will be specified during 2025.

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● E4-4

Targets related to biodiversity and ecosystems

Terrafame's sustainability policy includes the company's key principles regarding biodiversity: the company is committed to taking into account the impacts of its operations on the area's special nature values and biodiversity from the planning stage onwards, as well as investigating suitable sites in land-use areas where the habitats of affected species can be strengthened. The company has also prepared guidelines for the protection of biodiversity. Terrafame implements its biodiversity principles by complying with these guidelines.

Terrafame aims to assess the setting of measurable targets related to biodiversity and ecosystems during 2025.

● E4-5

Impact metrics related to biodiversity and ecosystems change

Terrafame annually monitors the area to be taken into use (soil extraction) and the size of the area being used. In the future, the size of closed waste areas will also be monitored annually. Monitoring is carried out based on building plans, site supervision and aerial photographs. These key figures describe the key impact of operations, and historical information about them from previous years is available.

The total size of Terrafame's mining concession is 60 km², of which around 30 km² has been taken into use.

In 2024, 9.3 hectares of production and waste areas were closed.

The area includes a site limited to a specially protected species of 4.3 hectares. In addition, part of the mining concession is still in a state corresponding to its natural state.

There are no nature reserves in the mining concession or in its immediate vicinity. The Natura sites closest to the industrial area are Talvivaara (284 hectares, FI1201010 SAC), about two kilometres southeast of the mining concession, and Losonvaara (65 hectares, FI1201009, SAC), some three kilometres northwest of the mining concession. The total area of the nearby Natura sites is 349 ha. Natura areas are located more than 2 km from the mining concession, and the company's environmental permit states that Terrafame's operations do not have impact on these areas. The company owns land outside the mining concession in which actions that support biodiversity are in progress or under planning.

Total use of land area	ESRS E4 Biodiversity and ecosystems - Total sealed area
29,7 km²	11 km²
Total nature-oriented area on site	Total nature-oriented area off site
4,3 ha	349 ha
Land taken into use during the year	
104 ha	

The metrics related to biodiversity are partly based on voluntary commitments and partly on the requirements of the supervisory authority. The metrics are in accordance with the new Nature Conservation Act and have been discussed with the supervisory authority.

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● E5

Resource Use and Circular Economy

● E5.IRO-1

Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

✓ The undertaking screened its assets and activities to identify its actual and potential impacts in its own operations and its upstream and downstream value chain.

✓ Stakeholders have been consulted.

Terrafame has assessed the potential impacts, risks and opportunities related to the circular economy arising from its activities as part of the assessment process carried out in accordance with the principle of double materiality defined in ERS1 Chapter 3 Double materiality as the basis for sustainability disclosures. The assessment process is outlined in section ERS2.IRO-1.

With regard to resource use and the circular economy, it was stated that the company's material impacts focus on the use of the primary raw material in its own operations (resource inflow) and on the large amount of waste rock generated (extractive waste). No material risks or opportunities related to resource use and the circular economy were identified.

In the double materiality assessment process, no material impacts, risks or opportunities related to resource use and the circular economy were identified in Terrafame's upstream or downstream value chain. Sustainability matters related to resource use and the circular economy are assessed annually as part of the updating of the double materiality assessment.

Terrafame has a single production plant located in Northern Finland. Terrafame's mining concession consists of Europe's largest nickel ore reserves, and the company's production is based on the non-renewable primary raw material quarried from them (resource inflow). Production generates significant amounts of waste rock (extractive waste).

Terrafame's end products, intermediate metal products and battery chemicals, are raw materials in the processes of customer industries. Due to its long and multi-stage value chain, Terrafame has limited opportunities to have an impact on the recycling of its products. In connection with its own production process, Terrafame has conducted trial studies in which nickel and cobalt recovered from the black mass of used electric vehicle batteries at a partner's recycling plant are delivered to Terrafame for use as a raw material for battery chemicals. In addition, Terrafame aims to recycle the side streams generated in its processes as efficiently as possible, thereby reducing the generation of waste and the need for dumping. At the same time, the metals contained in the side streams are used in production.

In conjunction with the process of identifying and evaluating impacts, risks and opportunities, 21 representatives of various stakeholders were interviewed, 12 of whom represented nearby residents and other regional parties affected by Terrafame's activities, including representatives of village associations, nearby municipalities and entrepreneurial communities (affected communities). The discussions covered all sustainability matters required by ERS1, one of which is resource use and circular economy.

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● E5-1

Policies related to resource use and circular economy

Policies related to resource use and circular economy

Sustainability policy

Sustainability matters related to resource use and circular economy

Sustainability topic

Resource inflows, including resource use.

Actual negative impact

Current production relies on the primary raw material;

Sustainability topic

Waste.

Actual negative impact

Significant amounts of waste rock. Waste rock will be generated for as long as quarrying continues. The amount of waste rock generated cannot be affected.

Scope of application of the policy

The sustainability policy is applied in Terrafame's all operations, from mining to customer deliveries, and in all activities that support this core process.

The sustainability policy applies to all Terrafame employees, partners and subcontractors in Terrafame's production and support areas.

Terrafame's production is based on the primary raw material: ore quarried from the company's open-pit mine. Terrafame's goals in terms of resource use and circular economy are defined in the company's sustainability policy.

Terrafame's mineral extraction and the use of the primary raw material are guided by the company's production plan, which seeks to optimise the ore content of the quarried rock.

The amount of waste rock (extractive waste) generated continuously in operations is guided by the production plan, and its management is guided by the company's waste management plan. The general principle is that the amount of extractive waste, or waste rock, is to be minimised, and the waste is to be used where possible.

Key content of the policy

Terrafame is committed to using natural resources responsibly and promoting the circular economy by using production side streams. In addition, the company aims to increase the share of products made from recycled raw materials in procurement, insofar as this is possible technologically and financially. The company recognises that significant amounts of waste rock are generated in production, for which it is ensured that the black schist waste is safely disposed of and any waste rock suitable for infrastructure construction is used as effectively as possible.

Approval of the policy

Terrafame's Board of Directors approves the sustainability policy. Terrafame's CEO is responsible for the implementation of the policy. The Chief Sustainability Officer, a member of the Leadership Team, is responsible for monitoring and interpreting the application of the policy.

Third-party standards to which the undertaking is committed regarding resource use and circular economy

UN Global Compact

The UN Global Compact is a corporate responsibility network, which already includes more than 22,000 companies across the world. The participating organisations are committed to promoting responsible business in the areas of human rights, labour rights, the environment and anti-corruption. Terrafame signed a commitment to the initiative in 2020.

UN Sustainable Development Goals (SDGs)

The themes of Terrafame's sustainability programme for 2020–2024 are linked to the UN SDGs insofar as they are considered to be linked to Terrafame's sustainability activities.

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- ✓ The undertaking has made the policy available to potentially affected stakeholders and stakeholders who need to help implement it

The sustainability policy is available on the company's website at www.terrafame.fi. The policy is also available to all Terrafame employees on the company's intranet and in the company's document management system.

The transition away from primary raw materials and the sustainable sourcing and use of renewable natural resources

Terrafame's production is based on the ore quarried from the company's open-pit mine and therefore relies on the primary raw material. However, the company is committed to using production side streams and aims to increase the share of products made from recycled raw materials in procurement, insofar as this is possible technologically and financially. Terrafame has also conducted a trial study of the use of recycled material from discarded batteries as inputs at the battery chemicals plant.

The layer of the waste hierarchy addressed in the policy

Recycling. In its sustainability policy, Terrafame is committed to promoting the circular economy by using production side streams.

The avoidance or minimisation of waste

In its sustainability policy, Terrafame is committed to using the waste rock generated continuously in production as effectively as possible in infrastructure construction, insofar as waste rock is suitable for this. The company is also committed to the responsible use of natural resources. This is implemented by seeking to use ore as effectively as possible and avoid the generation of waste rock. In addition, the company aims to recycle the side streams generated in its operations back to its process to minimise the amount of waste generated and to recover metals effectively.

● E5-2

Actions and resources related to resource use and circular economy

Black schist reserves comprise the most significant raw material resource in Terrafame's production. Terrafame's mining concession contains two deposits: Kuusilampi, which is currently in production, and Kolmisoppi, which will be opened later. Terrafame's entire production plan is based on the annual mining of 18 million tonnes of ore. A large amount of waste rock (18-45 Mt per year) is inevitably generated in quarrying, which must be removed from bedrock before minerals can be quarried. Black schist accounts for the majority of waste rock, similarly to the ore, and its properties, including sulphur content and acid generation, correspond to the properties of ore. For this reason, waste rock must be dumped in a separate waste rock deposit area, where dense base structures and structures suitable for leachate control have been built. In production and environmental monitoring, the properties of ore and waste rock are monitored regularly.

The company aims to use any waste rock suitable for infrastructure construction as efficiently as possible. With its decision of December 2024, the Vaasa Administrative Court limited the amount of the quarrying of waste rock to 30 million tonnes per year, and also restricted the possibilities to use waste rock. The company has lodged an appeal against the decision with the Supreme Administrative Court.

Terrafame aims to review its reporting related to its resource use and the resource outflow in the 2025 sustainability statement.

Financial resources allocated to the action plan

Currently, Terrafame does not report operating and/or capital expenditure related to actions and action plans. The action plans related to material sustainability matters will be specified during 2025.

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● E5-3

Targets related to resource use and circular economy

Terrafame's production plan is based on the annual mining of 18 million tonnes of ore. To achieve this, 18–45 million tonnes of waste rock must be quarried annually to reach the ore. In production and environmental monitoring, the properties of ore and waste rock are monitored regularly.

Reporting on the targets related to resource use and circular economy will be reviewed during 2025.

● E5-4

Resource inflows

The amount of the primary raw material, i.e. ore, is monitored through mining planning, in which the amount is indicated as the volume of quarried and transported ore.

Resource inflows	2024
Amount of primary raw material, t	14,238,257
Amount of primary raw material, %	100

● E5-5

Resource outflows

Terrafame maintains a public waste management plan, which describes the generation, handling, use and/or disposal of waste generated in operations, as well as numerical data on waste and waste areas. The aim is to reduce the amount of waste by preventing its generation: ore and waste rock are accurately separated, the amount of waste rock is minimised in mining plans, the ore is dissolved in bioleaching for a sufficiently long time, and the amount of waste generated in other processes is minimised through process optimisation. Black schist accounts for the majority of waste rock, similarly to the ore, and it contains small amounts of Terrafame's product metals and has a high sulphur content.

Information about the amount of waste generated in production is collected as part of production monitoring. The amount of waste rock is monitored on the basis of tonnes of quarried and transported waste rock. The time when leaching residues are formed has been defined in such a way that the filling material in a block becomes waste when the active leaching process ends and the chemical quality of the residues has been studied. The amount of sludge and other waste is monitored through flow measurements and/or weighing. The moisture, dry matter and solid content of sludge is analysed periodically, and the information is used to estimate the amount of waste generated.

Resource outflows, t	2024
Total waste generated (= waste rock)	29,934,830
Non-hazardous waste diverted from disposal for preparation for reuse	1,613,923
Hazardous waste directed to disposal	28,320,907
Total amount of non-recycled waste	28,320,907
Percentage of non-recycled waste	95%

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● S1

Own Workforce

● S1.SBM-3

Material impacts, risks and opportunities and their interaction with strategy and business model

✓ Material sustainability matters originate from or are connected to the undertaking's strategy and business model.

✓ Material sustainability matters inform the undertaking's strategy and business model.

✓ All people in the own workforce who could be materially impacted by the undertaking are included in the scope of its disclosure under ESRS 2.

Terrafame has identified material impacts caused by its operations on its own workforce. However, the company's double materiality assessment did not reveal any material risks or opportunities related to its own workforce.

The material impacts on Terrafame's own workforce are related to two sustainability topics: Health and safety, and Training and skills development.

Terrafame enhances low-carbon mobility by delivering responsibly produced battery chemicals to the global battery industry. One of the world's largest production lines for chemicals used in electric vehicle batteries is located in Terrafame's industrial area. The plant is capable of producing nickel sulphate for around one million electric vehicles per year. The carbon footprint of the nickel sulphate produced by Terrafame is among the smallest in the industry. Terrafame's integrated, unique and energy-efficient production process from the mine to battery chemicals is located in a single industrial area. It provides customers with a transparent, traceable and truly European battery chemical supply chain, and a workplace for more than 800 professionals.

Terrafame's operations are guided by the company's strategy and Code of Conduct, as well as an operating culture based on the company's values – safety, commitment and efficiency. Terrafame's responsibility activities are based on Finnish Minerals Group's sustainability policy, in which the group companies commit to complying with the laws, regulations, guidelines and due diligence concerning their operations, as well as the principle of continuous improvement. Responsible personnel management is part of our responsibility activities, and thereby a key part of Terrafame's strategy.

Our commitment as a responsible employer is described in our personnel policy. The policy is complemented by people and culture processes and guidelines that we apply in our daily activities. The goals for people and culture derived from Terrafame's strategy are high social responsibility, solid organisation and brave leadership, engaged and competent employees and strong Life of Mine.

Our people make up our key asset in implementing the strategy and achieving business goals. The people and the impacts on the people are addressed in business planning and management in various ways, including:

- People perspectives are addressed as part of the strategy process: Action plans include a personnel, competence development, and communication plan.
- People are an integral part of our management processes: The setting of goals and action and development plans are included in the strategy and action plan process. The achievement of goals is monitored as part of business reports.
- The company invests significantly in its people: Management is developed systematically. The personnel are offered meaningful work, as well as learning and development opportunities. The personnel's wellbeing and work ability are taken care of. The working community is developed systematically in relation to the DEI theme.

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The types of employees in own workforce

Under this disclosure obligation, the company's own workforce includes the following groups:

- Employees, which means all individuals in an employment relationship, whether hourly employees, salaried employees, senior salaried employees or managers in an employment relationship. Terrafame also has trainees in an employment relationship. The majority of Terrafame's personnel have an employment contract.
- Self-employed individuals, which means individuals in a contractual relationship such as consultants, who carry out the tasks assigned by Terrafame's line organisation with 100% working hours. There are very few such individuals, only 0–2 per year.
- Individuals provided by external employment service companies, meaning agency employees who are used at Terrafame in accordance with the principles defined in cooperation. The number of agency employees varies according to needs.

Negative impacts and own workforce with particular characteristics

Kielteiset vaikutukset ja työntekijöiden erityiset ominaisuudet Terrafame seeks to ensure the safety of everyone working in its industrial area, regardless of the type of employment contract or service agreement. Actions related to work ability and wellbeing at work, as well as training, are mainly targeted at employees in employment relationships. Negative impact and employees with particular characteristics

Terrafame's industrial area is home to dozens of different production areas and plants, each of which feature specific safety matters and risks that must be addressed when working in them. Terrafame provides induction for all its employees, covering general safety matters in the entire plant area, as well as the safety matters relevant to the department and site in question. In addition, pregnant women are given the opportunity to carry out replacement work, if required.

Are the material negative impacts wide-spread or systemic, or are they related to individual incidents?

Related to individual incidents.

Actions with positive impacts

Employees' work ability and wellbeing are invested in through good leadership work and meaningful tasks, by offering opportunities for engagement, influence and development, and through good work ability management, extensive occupational healthcare services and effective cooperation with pension insurance provider.

We carry out people development through the following processes:

- Integration and induction
- Learning and development
- Performance management
- Talent management
- Succession planning

The principles of people development are defined in the people policy. The goal is that the company always has the capabilities and skills required for business. We identify the company's business-relevant competence and related changes annually as part of the strategy and action plan process and will then create and implement a competence development plan.

Strategic competence areas in Terrafame's business include mine design, chemical engineering and chemistry, infrastructure construction, process automation, responsibility, project management and leadership.

Ensuring competence starts when defining each job: A competence profile has been defined for each job – requirements for competence – which is described in the job description. The competence profile in the job description can be supplemented with department-, job type- or job-specific competence matrices, if required.

Ensuring the competence of the jobholder begins with the selection of the individual: The competence and qualification requirements for the job are specified in the recruitment process. Applicants' skills are assessed against these requirements. The supervisor ensures that the person selected in the position has the basic skills required for the position such as the vocational degree required for certain positions. The supervisor also verifies what qualifications the person has in force, and this information is used in training planning at the beginning of the employment relationship.

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Once the selection has been confirmed, the person's induction will begin in accordance with the integration and induction process. Induction ensures that the person has the skills required to work independently. Induction includes general, department-specific and job-specific induction. All induction stages include safety, environmental and quality perspectives. The job-specific induction plan is customised for to the person so that the person's possible special needs (such as a young person's special needs) can be addressed in induction. During the induction phase, the person will acquire the competence required through training, including the Occupational Safety Card. Mandatory training for the entire personnel is described in a separate document. Mandatory training includes Terrafame's safety course, Occupational Safety Card training, and emergency first aid training. The first two are also required from employees of partner companies working in the area. Some jobs also require other competence, including hot work, electrical safety, lifting equipment or forklift training.

During the employment relationship, the person's competence is developed systematically through the performance management process. The supervisor holds an annual performance and development discussion with the employee. During the discussion, the person's competence in relation to the competence requirements and performance are assessed. A development plan is prepared for the person. With regard to supervisors, particular attention is paid to leadership skills using the competence map for managers.

Terrafame follows the 70:20:10 model of competence development, according to which the majority of learning takes place through on-the-job learning. It is supported by development goals and the support and guidance provided by supervisors. Learning is also supported by informal learning methods, including mentoring. We also use formal training in learning: both degree- and course-based training.

Terrafame's personnel are encouraged and supported to develop their professional skills in various ways: apprenticeships can be implemented in most situations during working hours and paid leave can be obtained for self-studies. The line organisation's supervisors identify new competence needs in operations and especially during changes in accordance with the principles of change management, and provide corresponding guidance or training for employees.

The personnel's qualification, training and licence information is stored in the personal data system, which includes a training register. Supervisors monitor and ensure the validity of qualifications. The success of competence development is monitored using the following metrics:

- Key figures of the integration and induction process: the number of accidents involving new employees, induction experience and the induction coverage rate (%).
- The coverage of performance and development discussions (%).
- The coverage of mandatory training (%): The validity of the most significant training is monitored as part of the human rights metrics.
- The annual average number of training days per employee.

Material risks of forced or child labour regarding own workforce

Terrafame's personnel mainly work in the plant area in Sotkamo in Finland. In accordance with our human rights policy, we do not accept any forced, compulsory or child labour. We have policies and monitoring systems to ensure that we do not engage in any forced or child labour or any other human rights abuses. The Finnish authorities also regularly supervise and inspect our operations. Our operations do not include any countries, destinations or settings that would expose us to the risk of forced or child labour or where the realisation of the risk would be more likely.

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Policies related to own workforce

Policies related to own workforce

People policy; Human rights policy; Diversity, equity and inclusion policy; Remuneration policy and Personal data protection policy

Sustainability matters related to own workforce

Health and safety

Possible negative impact

Non-compliance with guidelines may lead to the realisation of occupational safety and/or health risks.

Actual positive impact

Investments are made in employees' work ability and wellbeing at work.

Training and skills development

Actual positive impact

Intensive learning and people development support.

Scope of application of the policy

The policies are applied in Terrafame's all operations, from mining to customer deliveries, and in all activities that support this core process. All Terrafame employees working in Terrafame's production and support areas comply with the company's policies, including management, supervisors and personnel representatives.

Terrafame's policies related to its own workforce are defined in the following policies guiding its operations: People policy; human rights policy; diversity, equity and inclusion policy; remuneration policy; and personal data protection policy. Since 2017, the company has been committed to the policies of the TSM Finland responsible mining system and conducts an annual self-assessment of the application of the system's occupational health and safety assessment tool, which also covers topics related to the occupational health and safety of employees of partner companies operating in Terrafame's production area, where applicable. The results of the self-assessment are verified every three years.

Only individuals who have completed qualification training and have been approved by TSM Finland can act as verifiers. At Terrafame, the most recent external verification was carried out in December 2024, and its results are available on TSM Finland's [website](#).

Terrafame's occupational safety principles are based on the Finnish Occupational Safety and Health Act, and the company has a separate tool for monitoring compliance with statutory requirements.

Terrafame's parent company, Suomen Malmijalostus, is committed to respecting the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, as well as the fundamental principles and rights of the ILO concerning working life, by linking these principles and values to its own operations.

Terrafame complies with the human rights policy of Finnish Minerals Group, and the company's Board of Directors has approved a separate human rights policy with an identical content, in which the parent company's human rights commitments have been recorded.

As a company, Terrafame is committed to the UN Global Compact initiative. Other key international initiatives and principles guiding the company's operations are:

- OECD Guidelines for Multinational Enterprises
- OECD Due Diligence Guidance for Responsible Business Conduct
- UN Sustainable Development Goals.

The realisation of human rights is linked to people and culture processes. Our commitments to respecting human rights are, in addition to the Human rights policy, set out in the sustainability policy; the people policy; and the diversity, equity and inclusion policy. Various process descriptions and guidelines, including "Human rights in employment matters", complement the policies. The company actively seeks to improve occupational safety in the industrial area and monitors the realisation of labour rights as part of internal reporting related to corporate governance and human rights.

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We act responsibly and transparently in human rights and respect for labour rights. The policies, process descriptions and guidelines are available to our personnel. Our employees obtain information about human rights and labour rights during induction. We train our personnel and supervisors on a regular basis. We carry out communication in the working community using different channels. Matters affecting the personnel are prepared and discussed in cooperation with personnel representatives. Our management structures, including shift start meetings, offer opportunities for engagement and influence. Our personnel can also report their observations and make suggestions to improve matters.

Terrafame complies with Finnish law in rectifying potential negative human rights impacts.

Key content of the policy

Responsibility is a key part of our business. We build strong social responsibility through our values and culture, a safe working environment, a diverse, equal and inclusive working community, genuine development through cooperation, and activities that comply with law and human rights principles. Our social responsibility is composed of the people policy and human rights policy. Every member of our working community must commit to socially responsible activities.

The safety and wellbeing of our people are not only in line with our values and principles of responsibility but also prerequisites for success in business. Our commitment to safety is described in the sustainability policy, people policy and human rights policy. Our permanent target is zero accidents.

Occupational safety and health require continuous and systematic development, as well as employee induction, training and guidance. Our goal is to prevent accidents and maintain a high level of occupational hygiene to protect health. We seek to identify any hazards, assess risks and minimise them. In daily activities, it is the responsibility of each employee to pay attention to risks and to make occupational safety and health observations to achieve improvements. We also carefully investigate any accidents and incidents together so that we can learn from them.

We build prerequisites for comprehensive wellbeing between the employer and the personnel. Everyone in our working community is responsible for their own wellbeing and work ability, as well as their development. We address the physical, psychological, social and financial dimensions of wellbeing.

Wellbeing at work is developed proactively and in the long term. In the workplace, wellbeing comes from the combined effect of occupational safety, meaningful work, experiences of inclusion and success, meaningful work roles, clear expectations, encouraging leadership, opportunities for development and influence, as well as an open and respectful atmosphere. We support the coordination of work and leisure through flexible working hours solutions. We also promote the health and wellbeing of our personnel during leisure through comprehensive occupational healthcare services and diverse recreational activities. In addition, we support the safety of our personnel's families by providing first aid training for the entire personnel.

The monitoring and development of the commitments and procedures are included in business processes: targets and the action plan are defined as part of the strategy and operational planning process. The achievement of the targets and actions is monitored through the management structure and using reports, including weekly meetings and reports, monthly reports and management reviews.

Approval of the policy

Terrafame's Board of Directors approves the key policies related to the company's own workforce. The CEO is responsible for the implementation of the policies, and the responsible manager, a member of the Leadership Team, is responsible for monitoring and interpreting the application of each policy.

✓ Policies related to own workforce are aligned with internationally recognised instruments.

✓ Policies regarding own workforce do not explicitly address trafficking in human beings.

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✓ Policies regarding own workforce explicitly address forced labour.

✓ Policies regarding own workforce explicitly address the use of child labour.

✓ Workplace accidents accident prevention policy has been confirmed.

✓ The undertaking has a policy for the elimination of discrimination.

✓ The undertaking has a policy to promote equal opportunities.

✓ The undertaking has a policy to advance diversity and inclusion.

In accordance with our people policy, human rights policy, and diversity, equity and inclusion policy, we are committed to equality and non-discrimination. Concrete guidelines for the personnel and supervisors are presented in the company's internal "Vastuullinen työkaveruus" (Being a responsible colleague) guide. Our personnel can report any shortcomings they discover, and we will investigate all notifications and take appropriate action. The number of notifications and detected shortcomings is monitored as part of the company's business reporting on a quarterly basis.

Our commitments to non-discrimination and to promoting diversity and inclusion in our working community are described in our people policy, human rights policy, and diversity, equity and inclusion policy. Our goal is that everyone in our working community has equal opportunities to participate and succeed, regardless of their job role, educational background, age, gender, language, nationality, social or ethnic background, religion, sexual or political orientation, or other similar factors. Diversity is an asset which we seek to promote.

We want to continually improve in fostering diversity, equity and inclusion. We encourage all members of the personnel to discuss any identified development areas or shortcomings with their supervisor, or to use of our whistleblowing channels. Supervisors must deal with all shortcomings detected or brought to their attention without any delay. We do not accept any inappropriate treatment, harassment or discrimination, and these, if realised, will result in consequences.

Success in our business is based on the wellbeing of our personnel and our desire to continuously develop our operations. That is why we promote diversity, equity and inclusion in everything we do. Us at Terrafame can be characterised by various categories, including gender, age, educational and cultural background, language, religion, political and sexual orientation, disability and work ability. In this way, we are all part of a minority. For us, the most important thing is the whole: Everyone is unique as they are. What unites us and what makes us similar is the Terrafame culture and the sharing of our common values. Our goal is that everyone at Terrafame feels themselves welcome and valued among us as who they are, feels included equally as a member of the working community, and have the opportunity to participate and have an impact.

In our communication, we highlight the themes of diversity and non-discrimination. Our practices provide encouragement for inclusion and influence, and give recognition for an active approach. We provide the entire personnel with induction and supervisors with diversity, equity and inclusion training. We regularly assess the realisation of diversity, equity and inclusion with the help of key figures and an employee survey, if required. We build a learning culture based on continuous improvement, in which everyone has an equal opportunity to participate and develop. Everyone in our working community implements our values and helps maintain and develop our culture.

Our management is guided by our management policies. We expect responsible and inclusive management, emphasising the significance of diversity and cooperation. Here, everyone has an equal opportunity to learn and succeed in their work, regardless of their background or personal characteristics. We provide the entire personnel with the opportunity to train themselves. We promote equal opportunities for career advancement. Supervisors help individuals identify and implement development and career opportunities. We fill positions based on recruitment or succession planning. As a result, everyone has an equal opportunity to advance on their career path.

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We make all personnel selections on non-discriminatory, work-related and transparent grounds. As a rule, the most suitable person for the position is always selected. We value performance, competence and commitment to our values. In recruitment communication, we address diversity and non-discrimination.

We promote the health, work ability and wellbeing of our personnel. We strive for a work environment that is as accessible as possible, and we look for solutions that improve the opportunities of people with disabilities. Employees are on an equal footing with regard to the terms of employment. Our goal is fair, equal, encouraging and transparent remuneration. Our pay systems are based on work-related factors. Remuneration principles are available to the personnel. We provide supervisors with remuneration training and use procedures that support equality in pay determination. We ensure a fair and non-discriminating pay by regularly conducting an internal remuneration analysis. We reward employees for participation and development. Our bonus schemes are based on factors on which our personnel can have an impact.

We expect everyone in our working community to behave respectfully. We behave appropriately, show trust and act constructively in conflict situations. We address diversity and non-discrimination in our communication. We use gender-neutral terminology in job titles, for example. The participation of our personnel in development is important to us – that is why we use observations and initiatives.

Third-party standards to which the undertaking is committed regarding own workforce

TSM Finland responsible mining system

Towards Sustainable Mining (TSM) is a globally recognised responsible mining standard. The companies committed to it adhere to principles that are sustainable from the point of view of nature, people and finances. Mining companies can assess, monitor and develop their operations using nine TSM assessment tools. The assessment tools also provide the basis for external verification, which is carried out every three years. The results are published annually per mine. Reporting enables different stakeholders and nearby residents to monitor the operations of a particular mine. Terrafame has conducted self-assessments under the responsible mining system since 2017.

Responsible Care

Responsible Care is a global responsibility programme in the chemicals industry that has been used in Finland since 1992. The programme is based on continuous improvement, sharing best practices, and annual reporting. Terrafame committed to the Responsible Care programme in 2023.

UN Global Compact

The UN Global Compact is a corporate responsibility network, which already includes more than 22,000 companies across the world. The participating organisations are committed to promoting responsible business in the areas of human rights, labour rights, the environment and anti-corruption. Terrafame signed a commitment to the initiative in 2020.

UN Sustainable Development Goals (SDGs)

The themes of Terrafame's sustainability programme for 2020–2024 are linked to the UN SDGs insofar as they are considered to be linked to Terrafame's sustainability activities. Terrafame also conducts separate external audits as required to develop its operations.

Interests and views of stakeholders

In the preparation of people-related policies, the personnel have been represented by a working group appointed by the cooperation group. Policies have also been discussed in the cooperation group.

✓ The undertaking has made the policy available to potentially affected stakeholders and stakeholders who need to help implement it

The sustainability policy, people policy, human rights policy and diversity, equity and inclusion policy are stored in the company's document management system, in which they are available to the entire personnel. The company's intranet site also includes a direct link to the policies. The sustainability policy and human rights policy are also available on the company's website. The parent company's human rights policy is available on the website of Finnish Minerals Group.

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Specific procedures to ensure discrimination is prevented, mitigated and acted upon

Age grounds for discrimination and diversity are specifically covered in policy, National extraction grounds for discrimination and diversity are specifically covered in policy, Political opinion grounds for discrimination and diversity are specifically covered in policy, Racial and ethnic origin grounds for discrimination and diversity are specifically covered in policy, Religion grounds for discrimination and diversity are specifically covered in policy, Sex grounds for discrimination and diversity are specifically covered in policy, Sexual orientation grounds for discrimination and diversity are specifically covered in policy, Social origin grounds for discrimination and diversity are specifically covered in policy.

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Processes for engaging with own workforce and workers' representatives about impacts

✓ The perspectives of own workforce inform the undertakings decisions or activities aimed at managing the actual and potential impacts on its own workforce.

Matters related to the personnel are discussed regularly in cooperation with personnel representatives. These themes include:

- Personnel plans and policies for the use of workforce
- Occupational health, safety, wellbeing and work ability
- Performance management
- Personnel survey and personnel experience
- Competence and personnel development
- Diversity, equity and inclusion
- Working community development and suggestions
- Human rights and privacy protection

- Remuneration and pay
- Personnel events and recreational activities
- Personnel cantina

In addition, personnel development themes are selected regularly with personnel representatives.

For example in 2024, the following actions were carried out in cooperation with employee representatives:

- We developed remuneration: We conducted a personnel survey on remuneration. We created a Remuneration Handbook. We adopted a personnel fund. We conducted an employee bicycle benefit trial.
- We built a model for following the workplace rules.
- We developed the recruitment process.

Cooperation is the most commonly used method in personnel engagement. At Terrafame, the personnel are represented by representatives selected by the personnel. Each personnel group selects a shop steward and an occupational safety and health representative from among its members. In addition, the personnel appoint their representatives in cooperation bodies, including the cooperation group, the occupational safety and health committee, the leisure committee, and the cantina committee. Our cooperation is genuinely characterised by discussion and development. Dialogue is made of significant mutual trust, and is respectful, proactive and continuous.

In our cooperation, we look to the future and adopt a solution-driven approach. Through cooperation, we offer opportunities for engagement and influencing. Our active committees are important cooperation forums. Our cooperation is based on jointly created rules. We meet regularly, several times a year, and discuss jointly agreed topics, as well as other current themes. We also hold dozens of other meetings throughout the year.

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Responsibility for interaction with own workforce

Terrafame's Chief Sustainability Officer is responsible for maintaining a dialogue with their personnel on themes related to occupational safety and health, and for addressing the results of the dialogue in the company's related activities. The Chief People and Governance Officer is responsible for the dialogue and addressing its results with regard to work ability and competence development.

Assessment of the effectiveness of engagement with own workforce

We want that Terrafame's employees enjoy being part of our working community. We want to be a responsible employer and respond to the needs of Terrafame's employees as well as possible. We are conducting a personnel survey to better understand the needs of Terrafame's employees. The personnel survey will help us identify strengths and development areas in our working community and operations. This allows us to improve the personnel experience. This is important not only for wellbeing but also for productivity: satisfied Terrafame employees are more productive. The goal of the personnel survey is to collect information from various sources, on the basis of which we can understand the employee and employee experience. The employee and employee experience is such a multifaceted concept that it cannot be measured with a single metric. Experience can best be understood by analysing several metrics and thereby forming an overview of the experience and its development. By understanding the experience, it can also be developed – we can maintain what needs to be maintained and develop what needs to be developed.

We investigate the employee and personnel experience by collecting information through:

- People surveys: We conduct extensive people surveys and pulse surveys.
- Surveys for new employees: During the final stage of integration and induction, we ask the new Terrafame employees to share their experiences.
- Surveys and interviews for leaving employees: We ask leaving Terrafame employees to share their experiences.
- Workplace surveys: Workplace surveys often also include a targeted personnel survey which provides volumes of information.

- Everyday observations: For example, we hold performance and development discussions, 1:1 coaching discussions, early support discussions and work ability negotiations.

We know that we can have an impact on the employee experience through good leadership and by enabling learning and taking care of wellbeing. This is why we monitor and measure how effective our supervisory work is in this area. These process metrics describe the work that helps us achieve our goal.

We seek a strong employee and personnel experience through the following process metrics:

- The coverage of performance and development discussions: The goal is set by the Leadership Team: we aim for a coverage of at least 95%. The personnel development manager is responsible for monitoring the coverage of performance and development discussions (PDDs). The line organisation's supervisors are responsible for holding PDDs.
- Success in work ability management: We hold early support discussions and work ability negotiations whenever necessary. The line organisation's supervisors are responsible for holding the discussions, guided by the employment relationship manager.
- Success in the integration of new Terrafame employees: New employees respond to the survey for new employees when their induction is in the final stages. The personnel development manager is responsible for analysing the responses annually. Our goal a satisfaction level of at least 3 (on a scale from 1 to 4).

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We also monitor and measure how well we can achieve our goal of having an optimally positive employee and personnel experience. We measure the personnel experience using the following performance metrics:

- Employee satisfaction index: We aim at a PeoplePower index of at least 80%. The Leadership Team decides on the implementation of an extensive personnel survey. The survey is prepared and its implementation is coordinated by a senior specialist from the people and culture team. Supervisors encourage employees to respond and enable responding. Based on the results, the Leadership Team decides on development measures at a company level. Department heads and managers are responsible for development measures at a department level and near supervisors at a team level.
- Employee turnover: We are seeking a voluntary employee turnover rate of at most 7%. The employment relationship manager is responsible for reporting employee turnover. The turnover rate is part of the monthly reported key figures related to people and culture. The results of the survey for leaving employees are followed by a senior specialist from the people and culture unit.
- Sick leave: Our goal is a lost-time injury frequency rate (LTIFR) of at most 5%. The employment relationship manager is responsible for reporting sick leave. The LTIFR is part of the monthly reported key figures related to people and culture. The line organisation's supervisors are responsible for sick leave management.

● S1-3

Processes to remediate negative impacts and channels for own workforce to raise concerns

We want to be responsible and appropriate. Terrafame's personnel are encouraged to report any shortcomings discovered. Employees can submit notifications through the company's internal channels regarding safety, the environment, operating methods and quality, discrimination, inappropriate behaviour or harassment, information security and privacy protection.

Employees can also use the whistleblowing channel to report any abuse in their own name or anonymously. In accordance with our cooperation model, employees can also contact the personnel representative to handle the matter on their behalf. We will process or investigate all notifications and take appropriate preventive or corrective action.

Terrafame complies with Finnish law in rectifying potential negative human rights impacts.

The company's whistleblowing channel is available to all Terrafame employees on the company's intranet. In addition, the channel can be accessed on the company's website. Notification of inappropriate treatment, personal data breaches and/or discrimination can be submitted in the company's document management system, which all Terrafame employees can access.

Employees obtain information about sustainability matters, human rights, labour rights and the company's related policies during induction.

The whistleblowing channel through which notifications are submitted has been designed and built in such a way that the identity of the whistleblower as well as the identities of any other persons mentioned in notifications remain confidential. The online platform allows notifications to be submitted completely anonymously while maintaining contact with the company. To ensure confidentiality and objectivity, the first assessment of all notifications submitted has been outsourced to a third party. All notifications received will be processed appropriately, and Terrafame will make decisions on any further actions in its management system.

The number and status of notifications are monitored regularly as part of business reporting, also allowing the monitoring of their level of activity. In addition, we communicate whenever necessary. Terrafame receives notifications from its personnel daily, the most numerous in terms of safety, which serves to conclude that the personnel consider reporting to be a valuable way of developing matters, the working community and the workplace. Terrafame's whistleblowing channel is discussed in more detail in section G1-1 Corporate culture.

✓ The whistleblowing channel is established by the undertaking.

✓ Policies regarding protection against retaliation are in place.

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Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

Terrafame's occupational safety and health practices are consistent for all employees working in the industrial area, including those in the company's own workforce and those of partner companies. In 2024, the company continued its systematic work to improve its occupational safety and health performance. However, the industrial area's combined LTIFR fell short of the target set which triggered several additional safety-related actions, including:

- Establishing a separate safety programme with safety themes defined for 2025
- Establishing a safety forum, which started operating in January 2025
- Returning the policy of weekly safety walks by executive management
- Adopting a preventive safety bonus (valid from 2025)

In Terrafame's industrial area, focus is on improving the occupational safety and health performance through proactive action. Safety is an integral part of induction provided for all Terrafame employees, and the company requires all its employees to have a valid Occupational Safety Card and emergency first aid card, as well as to complete the company's occupational and chemical safety and information security training.

Scope of application of the actions

The actions and action plans focus on Terrafame's operations and its own workforce.

Disclosure of key action

In 2024, people development processes were implemented as planned and in accordance with the competence development plan:

- 81% of the personnel participated in performance and development discussions.
- 143 people participated in induction, of whom 112 were summer trainees.
- An average of 29 hours per employee of training was provided. Most typically, training is related to sustainability themes, including safety, but also to professional themes and leadership.
- 21 supervisors participated in leadership coaching.
- An apprenticeship was started by 8 employees. 14 employees completed their degree through apprenticeship training. On 31 December 2024, 32 apprenticeships were underway.
- The personnel's career development was supported by offering career development opportunities at all levels of the organisation.

In 2024, the processes of work ability and wellbeing at work were implemented as planned and in accordance with the plan for the development of wellbeing:

- Supervisors were trained to develop their leadership skills which has a significant impact on wellbeing.
- Supervisors implemented the early support model, and work ability challenges were solved in cooperation with occupational healthcare and the pension insurance provider. Good results were achieved in terms of sick leave (4.4%).
- Rehabilitation solutions supported the recovery of people with partial work ability in cooperation with occupational healthcare and the pension insurance provider. The ratio between rehabilitation and pension solutions remained appropriate.
- Proactive work ability support was provided with the occupational healthcare partner in accordance with the occupational healthcare action plan. Main emphasis in the actions has been on the prevention of musculoskeletal disorders, cardiovascular diseases and mental health disorders.
- The personnel were provided with health and wellness training and tests.
- The personnel were encouraged to have an active leisure time by offering culture and sports benefits, as well as by holding sports and other events.

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Expected outcomes of key action

In terms of safety, the permanent target is zero accidents. In addition, annual targets are set in such a way as to strive for continuous improvement in safety performance. By developing the personnel and wellbeing, we promote the implementation of Terrafame's strategy and business targets, as a skilled and healthy personnel are committed and productive. At the same time, we promote the goals of the people policy and improve personnel risk management and business continuity.

The role of own workforce in planning and implementing positive impacts

Personnel matters are discussed in cooperation between the employer and personnel representatives selected by the personnel. Personnel representatives are involved in selecting development areas and preparing matters affecting the personnel. For example, the cooperation group prepares an action plan, according to which matters are discussed and development projects are implemented.

Employees receive information and can also participate and have an impact by means of working community communication. Our working community communication is immediate and easily accessible. Communication in multiple channels enables access to information for everyone. Our interactive management and communication structures, including team meetings, the Teams channel, and townhall meetings promote discussion and engagement. We hope that our people are able and willing to have an impact on the workplace and the working community to the largest extent possible. We promote an encouraging culture and build structures that support influencing, including meeting practices in departments, safety meetings, communication channels in working communities, people surveys and initiatives.

Related UN Sustainable Development Goals

- 3 Good health and well-being
- 4 Quality education

Monitoring the effectiveness of actions and initiatives

Terrafame regularly prepares straightforward action plans for the development of competence and wellbeing. The personnel are represented in the preparation of plans by representatives they have selected. The plans are approved by the Leadership Team. The implementation of the plans is the responsibility of the designated persons or teams. The implementation of the plans is monitored both in cooperation and in the Leadership Team. The key figures related to competence and wellbeing are part of business reporting:

- Key figures of the integration and induction process: the number of accidents involving new employees, induction experience and the induction coverage rate (%).
- The coverage of performance and development discussions (%).
- The coverage of mandatory training (%): The validity of the most significant training is monitored as part of the human rights metrics.
- The annual average number of training days per employee.
- The sick leave rate (%).
- The employee satisfaction rate (%).

Terrafame complies with the ISO 9001 quality management system, the implementation of which is regularly audited by an external accredited body

Processes to identify the actions required

Terrafame's ESG, quality and communication unit includes a separate safety team, whose task is to monitor and develop occupational safety and health performance in the area with the production departments. Operations are planned over a period of three years: the previous year's results, the current year's targets, the following year's goals.

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Own procedures to prevent negative impacts

Work carried out in Terrafame's industrial area must always follow two key rules:

1. Work must always be done safely or not at all.
2. There is always time to work safely, carefully and following instructions.

Terrafame operates in accordance with law and permits, complying with the safety instructions and practices given. Safety performance is monitored and supervised. Failure to comply with the common rules may result in disciplinary action.

Internal resources involved in the management of impacts

Terrafame's key negative and positive impacts on its own workforce are addressed by the following bodies in the organisation:

- The company's Board of Directors approves key commitments when approving the company's operating principles and policies.
- The CEO is responsible for the implementation of the commitments.
- Responsible managers, members of the Leadership Team, are responsible for monitoring and interpreting the application of policies.
- The ESG, quality and communication unit and the Chief Sustainability Officer as its responsible manager, supported by the safety manager and their teams, are responsible for the creation, maintenance, development, reporting and communication of safety and health procedures. The company's safety forum also supports safety and health activities.
- The people, culture and governance unit and the Chief People and Governance Officer as its responsible manager, supported by the people development manager, are responsible for the creation, maintenance, development, reporting and communication of competence development procedures.
- The people, culture and governance unit and the Chief People and Governance Officer as its responsible manager, supported by the employment relationship manager and a senior specialist, are responsible for the creation, maintenance, development, reporting and communication of work ability and wellbeing procedures.

- Supervisors are responsible for the implementation of the company's policies in their teams, as well as for the supervision of employees.
- Personnel representatives participate in the preparation, development and monitoring of matters, with shop stewards and the cooperation group participating in terms of competence development, work ability and wellbeing at work, and occupational safety and health representatives and the occupational safety and health committee in terms of safety and health, work ability and wellbeing at work.
- Employees can use various channels to have an impact on and participate in the development of matters, the working community and the workplace by submitting incident reports or suggestions.

Terrafame's management system plays a key role in addressing negative impacts and promoting positive impacts:

- Function-specific action plans derived from the strategy set targets and plan activities and the resources required for them.
- The achievement of the targets is monitored through the management of systems and the reporting system. Any incidents are addressed and remedies are defined as required.
- Good practices are identified and brought to the attention of all departments.

Financial resources allocated to the action plan

Currently, Terrafame does not report operating and/or capital expenditure related to actions and action plans. The action plans related to material sustainability matters will be specified during 2025.

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● S1-5

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

✓ Own workforce has not participated in target setting.

✓ Own workforce is engaged directly in tracking performance against the targets.

✓ Own workforce is engaged in using the lessons learned.

In its strategy and operational planning process, Terrafame has selected key figures and set targets to describe the situation and development of material negative and positive impacts. The achievement of the targets is monitored as part of the management system and business reporting.

	Baseline value	2024	Year 2025 (interim target)	Target in 2029	Relation to the policy objective	
Sick leave, % of working hours	4.6 (1)	4.4	4.8	4.6	Improving well-being at work. Contributing to positive impact.	(1) Average of the previous four years.
Average number of training hours for employees in an employment relationship per employee, hours per employee per year	34 (1)	29			Competence development. Contributing to positive impact.	
LTIFR/own workforce (2)		5.2	2.5		Permanent goal: zero accident. Reduction of negative impact.	(2) Lost-time accidents per million hours worked (LTIFR1, rolling 12-months).
LTIFR/common, including partners in the area (2)		4.9	4		Permanent goal: zero accident. Reduction of negative impact.	

Personnel representatives, occupational safety and health representatives, participate in the occupational safety and health committee. The occupational safety and health committee monitors the achievement of the safety and health targets, as well as the work ability and wellbeing targets, every six months. In addition, the committee discusses any feedback received from the personnel and the actions taken in response to them.

Personnel representatives, shop stewards, participate in the cooperation group. The cooperation group monitors the implementation of the competence targets annually.

Personnel representatives, occupational safety and health representatives, participate in the occupational safety and health committee. The occupational safety and health committee monitors the achievement of the safety and health targets, as well as the work ability and wellbeing targets, every six months. In addition, the group discusses any feedback received from the personnel and the actions taken in response to them. The results of the personnel survey, including personnel questionnaires and workplace surveys, are also discussed in cooperation.

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● S1-6

Characteristics of undertaking's employees

Description of the methodologies used to compile the data

Head count

The figures are indicated as full-time equivalents (FTEs). In the FTE figure, part-time employees are calculated together according to their share of working hours. Absent employees who do not receive any pay during their absence are not included in the FTE figure. The figures are reported based on the end of the reporting period (31 December).

Employee turnover

The employee turnover rate of 11.0% presented in the report describes the total employee turnover during the reporting period. It is calculated as follows: $(\text{Number of leaving employees} \div (\text{number of employees at 31 December 2023} + \text{at 31 December 2024}) \div 2) \times 100$. When calculating employees who have left the company, the situations required by the standard are taken into account, such as personnel reductions by the employer, resignations and retirees on old-age pension. The employee turnover rate calculated by gender has the same divisor as the one shown above. Voluntary employee turnover takes into account those who have terminated their employment themselves.

Number of employees (FTE), 2024

	Women	Men	Other	Not reported	Total
Total number of employees	99	692	2	0	793
Permanent employees	83	660	2	0	745
Fixed-term employees	16	32	0	0	48
Employees with variable working hours	1	0	0	0	1
Full-time employees (FTE)	97	689	2	0	788
Part-time employees (FTE)	1	3	0	0	4
Total number of employees leaving the company during the reporting period (1)	20	72	0	0	92
Employee turnover during the reporting period (1)	2.4	8.6	0	0	11.0

(1) Head count

In the financial statements, the number of personnel is reported in the same way as in the sustainability report, i.e. as full-time equivalents and according to the end of the reporting period.

Number of employees (FTE)

Gender	2024
Men	692
Women	99
Other	2
Not reported	0
Total number of employees	793
Country in which the undertaking has at least 50 employees (by head count representing at least 10% of the total number of employees)	
Finland	793

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Finland (FTE)	2024
Number of employees	793
Number of permanent employees	745
Number of fixed-term employees	48
Number of employees with variable working hours	1
Number of full-time employees	788
Number of part-time employees	4

● S1-7

Characteristics of non-employees in undertaking's own workforce

Terrafame uses the transitional provision in the reporting of non-employees in its workforce and does not report information in accordance with this disclosure obligation for 2024.

● S1-13

Training and skills development metrics

At Terrafame, performance and career development appraisals are called performance and development discussions. They cover all employees. Performance and development discussions must be held no later than six months after the start of the employment relationship, as well as annually. The target is to achieve a coverage of at least 95%. The company's Leadership Team monitors the realised figure annually. Performance and development discussions are held annually during spring. A target schedule has been set for each group. The coverage of performance and development discussions (realised %) is calculated using the formula: the number of discussions held on schedule ÷ the number of employees within the scope of discussions.

Terrafame develops its personnel in a diverse way. Setting learning targets combined with on-the-job learning and working in different tasks are the most significant methodologies of competence development.

Training is one part of competence development, albeit not the most significant at Terrafame. Our personnel regularly completes training related to responsibility and safety, for example. Vocational and leadership training is also common. Some training is mandatory for the entire personnel, repeated annually or at certain intervals. The annual number of hours for the completion of such training is roughly similar every year. The number of hours allocated to other training, including vocational apprenticeships, varies significantly from one year to the next. Each year, the company prepares a company-level competence development plan. In addition, employees have personal development targets that are set as part of performance and development discussions. The company monitors the implementation of mandatory training.

The company monitors the number of training hours to assess the level of activity regarding training. However, due to the nature of the training activities described above, the company does not set any specific targets for the number of training hours.

2024	Women	Men	Other	Not reported	Total
Percentage of employees who participated in regular performance and career development reviews	82%	81%	100%	0	81%
Average number of training hours per employee	39	27	22	0	29

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● S1-14

Health and safety metrics

✓ The occupational safety and health management system is certified

Terrafame's certified occupational safety and health management system complies with the ISO 45001 standard.

Own workforce	2024
Percentage of people covered by health and safety management system;	100
Number of fatalities as a result of work-related injuries and work-related ill health, own workforce	0
Number of fatalities as a result of work-related injuries, own workforce	0
Number of fatalities as a result of work-related ill health, own workforce	0
Number of recordable work-related accidents, own workforce	35
Rate of recordable work-related accidents, own workforce	
Other employees working on sites	
Number of fatalities as a result of work-related injuries and work-related ill health, other employees working on sites	0
Number of fatalities as a result of work-related injuries, other employees working on sites	0
Number of fatalities as a result of work-related ill health, other employees working on sites	0

Employees

	2024
Number of cases of recordable work-related ill health subject to legal restrictions on the collection of data, employees	0
Number of days lost due to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health, employees	257

● S1-17

Incidents, complaints and severe human rights impacts

In 2024, Terrafame did not have any cases, complaints or serious human rights impacts referred to in disclosure obligation S1-17.

Own workforce	2024
Number of incidents of discrimination, including harassment	0
Number of complaints filed through channels for people in the undertaking's own workforce (including grievance mechanisms)	7
Number of complaints filed to the National Contact Points for OECD Multinational Enterprises, excluding those already reported above	0
Total amount of fines, penalties and compensation for damages as a result of the incidents and complaints disclosed above, EUR	0
Number of severe human rights incidents related to the undertaking's own workforce during the reporting period	0
How many of the above are cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises	0
Total amount of fines, penalties and compensation for damages for the incidents described above	0

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● S2

Workers in the Value Chain

● S2.SBM-3

Material impacts, risks and opportunities and their interaction with strategy and business model

✓ Material sustainability matters originate from or are connected to the undertaking's strategy and business model.

✓ Material sustainability matters inform the undertaking's strategy and business model.

✓ All workers in the value chain who could be materially impacted by the undertaking are included in the scope of its disclosure under ESRS 2.

In its double materiality assessment, Terrafame has identified a material negative impact related to employees in the value chain, which is related to the occupational health and safety of the employees of the partners operating in the production area. In the industrial area, close attention is paid to the safety of Terrafame's employees and those of its partner companies, but the company is aware that non-compliance with guidelines may lead to the realisation of occupational health and/or safety risks.

Purchased services and subcontracting play a significant role in Terrafame's business model. They are especially used in infrastructure construction, maintenance and other production activities. In 2024, roughly 2,000 people worked in the industrial area, more than half of whom were employed by partner companies.

Terrafame's strategy is based on its values, in which safety plays a central role. The motto of Terrafame's safety activities is: Work must always be done safely or not at all. The company's safety rules apply to everyone working in the industrial area, including employees of partner companies. Terrafame maintains a regular dialogue with representatives of its partner companies and takes their views into account in its strategy activities, and encourages its partner companies to improve their safety performance.

The types of value chain workers

In this disclosure requirement, value chain workers mean those employees of partner companies who work in Terrafame's production area, but are not part of the company's own workforce, and are not self-employed or employees provided by external employment service companies.

Negative impacts and workers in the value chain with particular characteristics

Terrafame's industrial area is home to dozens of different production areas and plants, each of which feature specific safety matters and risks that must be addressed when working in them. Terrafame provides induction for all contractors about to work in its industrial area, covering general safety matters in the entire plant area, as well as the safety matters relevant to the department and site in question.

Are the material negative impacts wide-spread or systemic, or are they related to individual incidents?

Related to individual incidents.

● S2-1

Policies related to value chain workers

Policies related to value chain workers

Code of Conduct, human rights policy.

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Sustainability matter related to value chain workers

Non-compliance with guidelines may lead to the realisation of occupational safety and/or health risks.

Scope of application of the policy

Finnish Minerals Group's human rights policy obliges all group companies, and respect for human rights principles and values is also required from the group's suppliers of services, raw materials and commodities. Terrafame's Code of Conduct obliges all Terrafame employees, regardless of their tasks, and applies equally to all Terrafame partner companies operating in Terrafame's supervised areas or delivering orders to Terrafame.

Terrafame's goal of addressing the occupational health and safety of the employees of the partner companies is recorded in the company's Code of Conduct. Terrafame also requires the partner companies operating in its industrial area to comply with Terrafame's separate safety rules. Since 2017, the company has been committed to the policies of the TSM Finland responsible mining system and conducts an annual self-assessment of the application of the system's occupational health and safety assessment tool, which also covers topics related to the occupational health and safety of employees of partner companies operating in Terrafame's production area, where applicable. The results of the self-assessment are verified every three years. Only individuals who have completed qualification training and have been approved by TSM Finland can act as verifiers. At Terrafame, the most recent external verification was carried out in December 2024, and its results are available on TSM Finland's [website](#).

Terrafame's occupational safety principles are based on the Finnish Occupational Safety and Health Act, and the company has a separate tool for monitoring compliance with statutory requirements.

Terrafame's parent company, Suomen Malmijalostus, is committed to respecting the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, as well as the fundamental principles and rights of the ILO concerning working life, by linking these principles and values to its own operations. Terrafame complies with the human rights policy of Finnish Minerals Group, and the company's Board of Directors has approved a separate human rights policy with an identical content, in which the parent company's human rights commitments have been recorded. As a company, Terrafame is committed to the UN Global Compact initiative.

Other key international initiatives and principles guiding the company's operations are:

- OECD Guidelines for Multinational Enterprises
- OECD Due Diligence Guidance for Responsible Business Conduct
- UN Sustainable Development Goals.

Terrafame only makes purchases from approved suppliers. New suppliers are subject to background checks in accordance with the Finnish Act on the Contractor's Obligations and Liability when Work Is Contracted Out in the supplier selection process. If required, safety and quality factors will also be assessed. Terrafame assesses the activities of its partner companies through regular supplier audits and assessments, which are conducted during the agreement period, after the performance of work and in conjunction with competitive tendering. The company regularly monitors the operating and safety practices of the partner companies operating in its area in its partners' locations in Terrafame's industrial area.

The occupational safety performance of partner companies' employees is the key human rights metric for partner companies operating in Terrafame's industrial area. Terrafame requires all its partner companies to commit to complying with the applicable occupational health and safety law and Terrafame's separate safety rules. Suppliers are required to comply with law applicable to employment relationships and are responsible for paying wages and making other payments to their personnel.

Key content of the policy

Suomen Malmijalostus Oy's human rights policy sets out the key human rights issues obliging the entire group. The group companies are expected to intervene immediately if any human rights matters related to the achievement of an adequate standard of living arise, including various forms of forced or child labour.

Terrafame's Code of Conduct describes the material elements of the company's responsible approach. The Code of Conduct entails the line organisation's responsibility for ensuring that partner companies' personnel are also provided with training and induction regarding safe working practices and compliance with safety rules and guidelines.

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Terrafame closely monitors the occupational safety performance of employees working in the industrial area. The company reports the cumulative balance of accident-free days in the industrial area on a daily basis on the company's intranet and on the information screens placed around the industrial area, which are visible to everyone working in the industrial area. Monitoring covers all employees on the industrial site. The company's acting management monitors the development of LTIFR in the industrial area at its weekly meetings, and Terrafame's Leadership Team also discusses the matter on a weekly basis. The Chief Sustainability Officer reports the development of LTIFR to the Board of Directors once a month. The company also monitors human rights and corporate governance indicators separately, a summary of which is provided for the company's Board of Directors on a quarterly basis. In the Terrafame area, the realisation of occupational hygiene is monitored through biomonitoring and occupational hygiene measurements. Partner companies provide Terrafame with biomonitoring summaries.

Alignment of policies with internationally recognised instruments

Terrafame seeks to guide its operations based on key international initiatives and principles, including the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. No detailed analysis has been made as to whether all policies directed at employees of partner companies are fully in line with these initiatives and principles. During 2025, Terrafame aims to expand its due diligence process on human rights and the environment to also cover the upstream and downstream value chain. The consistency of policies and practices with international initiatives and principles will be examined as part of this project.

Terrafame is not aware of any incidents where the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises have not been followed in relation to its value chain workers.

Approval of the policy

The Board of Directors of Finnish Minerals Group approves the Group's human rights policy. The CEOs of the group companies are responsible for human rights issues and the implementation of the human rights policy in their relevant companies. Managers in charge of the personnel and sustainable development are responsible for monitoring and interpreting the application of the policy.

Terrafame complies with the human rights policy of Finnish Minerals Group, and the company's Board of Directors has approved a separate human rights policy with an identical content, in which the parent company's human rights commitments have been recorded. Terrafame's Board of Directors approves the company's Code of Conduct. Terrafame's managers and supervisors actively monitor compliance with the Code of Conduct.

✔ Policies do not explicitly address trafficking in human beings.

✔ Policies explicitly address forced labour.

✔ Policies explicitly address the use of child labour.

Supplier Code of Conduct

Terrafame does not have a Code of Conduct for suppliers. However, Terrafame's basic principle for the promotion of occupational safety has been defined under "Employees and wellbeing" in the company's Code of Conduct: At Terrafame, work is always carried out safely following carefully considered safety measures. The section of the Code of Conduct entails the line organisation's responsibility for ensuring that partner companies' personnel are also provided with training and induction regarding safe working practices and compliance with safety rules and guidelines.

Engaging with value chain workers

Terrafame meets the acting managers of partner companies operating in the industrial area at regular partner meetings held approximately three times a year. The themes of the meetings focus on topics that are relevant at the time. On average, some 150 representatives of partner companies attend partner meetings each year.

Terrafame uses a system in which a real-time business register of companies operating in the industrial area and their subcontractors is maintained. The system monitors the status of the companies relative to the requirements of the Act on the Contractor's Obligations and Liability when Work Is Contracted Out. Sanctions have been defined for any significant negligence and violations of Terrafame's rules and policies.

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Terrafame reports any significant shortcomings and negligence in compliance with statutory obligations discovered in the activities of contractors and subcontractors to the relevant authorities.

Interests and views of stakeholders

The company's main shareholder, Finnish Minerals Group, has played a significant role in defining Terrafame's human rights policies.

Third-party standards to which the undertaking is committed regarding occupational safety of the partner companies' employees

TSM Finland responsible mining system

Towards Sustainable Mining (TSM) is a globally recognised responsible mining standard. The companies committed to it adhere to principles that are sustainable from the point of view of nature, people and finances. Mining companies can assess, monitor and develop their operations using nine TSM assessment tools. The assessment tools also provide the basis for external verification, which is carried out every three years. The results are published annually per mine. Reporting enables different stakeholders and nearby residents to monitor the operations of a particular mine. Terrafame has conducted self-assessments under the responsible mining system since 2017.

Responsible Care

Responsible Care is a global responsibility programme in the chemicals industry that has been used in Finland since 1992. The programme is based on continuous improvement, sharing best practices, and annual reporting. Terrafame committed to the Responsible Care programme in 2023.

UN Global Compact

The UN Global Compact is a corporate responsibility network, which already includes more than 22,000 companies across the world. The participating organisations are committed to promoting responsible business in the areas of human rights, labour rights, the environment and anti-corruption. Terrafame signed a commitment to the initiative in 2020.

UN Sustainable Development Goals (SDGs)

The themes of Terrafame's sustainability programme for 2020–2024 are linked to the UN SDGs insofar as they are considered to be linked to Terrafame's sustainability activities.

✓ The undertaking has made the policy available to potentially affected stakeholders and stakeholders who need to help implement it

Finnish Minerals Group's human rights policy is available on the company's website. The human rights policy approved by Terrafame's Board of Directors (identical content with Finnish Minerals Group's policy) is available on Terrafame's website as well as on the company's intranet. Terrafame's Code of Conduct is available both on the company's website and intranet.

● S2-2

Processes for engaging with value chain workers about impacts

Terrafame regularly holds specific partner meetings, at which key policies applied in the industrial area are discussed. Representatives of the acting management of the partner companies attend the meetings. In addition, the company is engaged in a direct dialogue with the employees of its partner companies in conjunction with tasks.

Regular contact is maintained with representatives and employees of partner companies. Contact covers all stages of the contractual relationship. Representatives of partner companies are engaged to hold targeted meetings for their representatives. News regarding the industrial area is communicated actively to employees of partner companies as part of normal work-related meeting practices using information screens placed around the industrial area as well as the company's personnel magazine, of which editions intended for contractors are also regularly published.

Responsibility for engaging with value chain workers

In Terrafame's governance model, the Chief Services Officer, a member of the Leadership Team, is responsible for cooperation with partner companies. The Chief Sustainability Officer, a member of the Leadership Team, is responsible for matters related to occupational safety in partner companies.

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Compliance with partner companies' occupational safety practices and the monitoring of metrics is the responsibility of the company's safety manager. Regular operational cooperation with representatives and employees of partner companies has been delegated to the relevant departments and functions.

Assessment of the effectiveness of contacts with workers in the value chain

The effectiveness of communication related to occupational health and safety is assessed through the development of the results of the metrics selected to monitor occupational health and safety.

Interests and views of workers in the value chain

In Terrafame's industrial area, practices related to the occupational health and safety of the employees of the partner companies are consistent with the practices related to the company's own workforce. The industrial area consists of several different production areas, the special characteristics of which are already taken into account in induction provided for contractors' employees.

● S2-3

Processes to remediate negative impacts and channels for value chain workers to raise concerns

Terrafame proceeds in the investigation of any occupational health and safety-related incidents and the implementation of corrective action as required by Finnish law. In accordance with the company's Code of Conduct, partner companies must notify Terrafame's representative of any accidents involving their employees without delay, no later than four hours after the incident, after which Terrafame's possible involvement in the incident will be investigated. Serious incidents will be reported to the relevant authorities who will initiate their own processes, if required.

Terrafame complies with relevant Finnish law in any liability to compensate.

At Terrafame, the primary channel for partner companies to raise any concerns or needs is a direct dialogue with Terrafame's representatives.

However, Terrafame provides its partner companies with the opportunity to report any deficiencies related to Terrafame's Code of Conduct, other regulations or policies using the company's whistleblowing channel, which is available on the company's website.

Terrafame's whistleblowing channel is openly available on the company's website at www.terrafame.fi.

✓ The whistleblowing channel is established by the undertaking.

Processes through which the undertaking supports the availability of channels

Information is conveyed from the whistleblowing channel to employees of partner companies at mandatory safety briefings and through the safety guide distributed to everyone working in the industrial area.

The channel through which notifications are submitted has been designed and built in such a way that the identity of the notification submitter as well as the identities of any other persons mentioned in notifications remain confidential. The online platform allows notifications to be submitted completely anonymously while maintaining contact with the company. To ensure confidentiality and objectivity, the first assessment of all notifications submitted has been outsourced to a third party. All notifications received will be processed appropriately, and Terrafame will make decisions on any further actions in its management system. Terrafame's whistleblowing channel is discussed in more detail in section G1-1 Corporate culture.

✓ Processes regarding protection against retaliation are in place.

✓ Notifications are treated confidentially.

✓ Value chain workers can use the whistleblowing channel anonymously.

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● S2-4

Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action

In 2024, specific actions that also concerned employees of partner companies included safety discussions, site audits of companies operating in the industrial area, as well as fire and occupational safety assessments conducted by the plant's fire brigade in partner companies' work areas.

Investments in improving occupational health and safety performance are made proactively and by also providing related training for representatives of partner companies.

Scope of application of actions

Terrafame's actions related to its partner companies' non-compliance with the occupational health and safety guidelines concern the company's activities in the industrial area.

Related UN Sustainable Development Goals

3 Good health and well-being

Monitoring the effectiveness of actions and initiatives

The effectiveness of actions related to occupational health and safety is assessed through the development of the results of the metrics selected to monitor occupational health and safety.

Processes to identify the actions required

Terrafame's ESG, quality and communication unit includes a separate safety team, whose task is to monitor and develop occupational safety and health performance in the area with the production departments.

Operations are planned over a period of three years: the previous year's results, the current year's targets, the following year's goals. Department-specific action plans, which include the following year's goals, are prepared as part of the budgeting process. The company's Board of Directors approves the company-level action plan and budget.

Terrafame's goal is to be proactive and avoid any negative impacts on the occupational health and safety of employees in the industrial area. The company's ESG, quality and communication unit includes a separate safety team that plans, implements and monitors occupational health and safety performance in the industrial area with production departments. The company's safety management system is ISO 45001 certified, and regular audits of the management system also ensure appropriate practices for remedying any negative impacts.

Own procedures to prevent material negative impacts

The company's safety management system is ISO 45001 certified. The company requires its partners to comply with relevant law and good practices. In addition, the company has included requirements for compliance with Terrafame's Code of Conduct and key policies in agreements signed with partner companies. Terrafame continuously monitors occupational health and safety performance in the industrial area, and any incorrect activities are addressed urgently. Any violations may also result in disciplinary measures.

Internal resources involved in the management of impacts

The safety team working under Terrafame's ESG, quality and communication unit coordinates the monitoring and planning of the development of occupational health and safety performance in the industrial area in cooperation with production departments.

The company has set up a separate regular safety forum, involving not only representatives of the safety team but also the heads and managers of production departments, who are responsible for supervising work commissioned from external partners.

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Expected results of actions

At Terrafame, work is always carried out safely following carefully considered safety measures. The line organisation is responsible for ensuring that partner companies' personnel are also provided with training and induction regarding safe working practices and compliance with safety rules and guidelines. Supervisors are responsible for providing work instructions and supervising the performance of work to ensure that correct practices are followed. Supervisors provide advice and assistance for employees in matters related to safety.

Financial resources allocated to the action plan

Currently, Terrafame does not report operating and/or capital expenditure related to actions and action plans. The action plans related to material sustainability matters will be specified during 2025.

● S2-5

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Terrafame's Leadership Team presents the company's occupational health and safety targets to the Board of Directors as part of the annual operational planning process. The company's Board of Directors approves the action plan applied to the company as a whole.

Terrafame's goal is that operations in the company's industrial area are safe for both the company's own employees and those of its partners in all circumstances and in all situations. The permanent goal is zero accidents.

Occupational safety performance is monitored with the generally used LTIFR metric, which calculates accidents leading absences of to more than one day per one million working hours. The occupational health and safety performance of partner companies is discussed at regular partner meetings.

✓ Value chain workers are not directly involved in target setting.

✓ Value chain workers are engaged directly in tracking performance against the targets.

✓ Value chain workers are engaged in using the lessons learned.

Scope of application of the target

Partner companies operating in Terrafame's industrial area.

Interests and views of stakeholders

Terrafame's main shareholder, Finnish Minerals Group, also sets targets for its group companies.

Progress against targets

The occupational health and safety of the partner companies operating in Terrafame's industrial area has developed in accordance with the targets set.

	2024	Target 2025	Relation to the policy objective
Contractors' LTIFR (absolute) (1)	4.7	5	Permanent goal: zero accidents. Reduction of negative impact.

(1) Lost-time accidents per million hours worked (LTIFR1,rolling 12-months).

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● S3

Affected Communities

● S3.SBM-3

Material impacts, risks and opportunities and their interaction with strategy and business mode

In its double materiality assessment, Terrafame has identified two material positive impacts related to affected communities, which are related to the significance of Terrafame's impacts on nearby residents. Terrafame aims to dispel suspicions by providing timely information about water impacts and by engaging nearby residents and their representatives to discuss Terrafame's current issues.

Terrafame operates a multi-metal mine in the municipality of Sotkamo in Finland, whose operations are based on Europe's largest nickel ore reserves. An integrated production chain from the mine to battery chemicals is located in Terrafame's industrial area. The production process is based on the bioleaching of ore, in which water management plays a significant role. Terrafame's strategy is based on the most cost-effective and environmentally efficient operations in this production chain, on which the company's social licence also depends.

Terrafame is engaged in an active dialogue with nearby residents and their representatives, particularly with regard to the company's water management and the closure of production areas which is strongly linked to this. The company addresses the feedback it receives when examining strategic decisions related to these themes.

✓ Material sustainability matters originate from or are connected to the undertaking's strategy and business model.

✓ Material sustainability matters inform the undertaking's strategy and business model.

✓ All people in the own workforce who could be materially impacted by the undertaking are included in the scope of its disclosure under ESRs 2.

The types affected communities

In its double materiality assessment, Terrafame has examined potentially affected communities in its entire value chain. As a result of the assessment, material impacts were identified in relation to residents in the company's neighbourhoods. The area affected by Terrafame's operating area is not home to any indigenous communities.

Negative impacts and affected communities

Regarding the environmental themes related to Terrafame's operations, impacts on waterbodies are of particular interest to nearby residents. Since the beginning of its operations, Terrafame has maintained close contact with nearby residents and sought to communicate its operations as openly as possible by publishing the results of the company's monitoring obligation on its website.

From 2019, the company has published a review of nearby waterbodies distributed to all households in the area with local newspapers, which presents the status of waterbodies near Terrafame's area and the company's water management. In 2022, the company established a neighbourhood cooperation group, whose members represent a broad range of parties in the areas affected by Terrafame's operations. The cooperation group meets twice a year to discuss topical issues related to Terrafame's operations. The company's website also includes a specific section intended for the company's neighbourhoods, which presents volumes of information especially about Terrafame's environmental topics. The website also distributes news of locally relevant topics.

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● S3-1

Policies related to affected communities

Policies related to affected communities

Human rights policy; sustainability policy; principles for stakeholder activities; and plan for stakeholder activities

Sustainability matters related to affected communities

A neighbourhood cooperation group has been established to provide more detailed information about the issues the group wants to hear more about. It has already helped improve the image and reputation regionally. Active stakeholder cooperation, open communication – a website intended for the neighbourhood, the water review distributed with the local newspaper. Environmental communication especially is very open.

Scope of application of the policies

The policies focus on nearby residents, communities such as resident associations and educational institutions, as well as businesses the area affected by Terrafame's production area.

In its sustainability policy, Terrafame is committed to engaging in an active dialogue with various stakeholders in a spirit of mutual appreciation. The company has prepared separate principles for stakeholder activities and has also prepared a plan for stakeholder activities applied in three-year periods, which also covers cooperation in the company's neighbourhoods.

In addition, the company has been committed to the TSM Finland responsible mining system since 2017 and conducts an annual self-assessment of the application of the system's stakeholder cooperation assessment tool. The results of the self-assessment are verified every three years.

Only individuals who have completed qualification training and have been approved by TSM Finland can act as verifiers. At Terrafame, the most recent external verification was carried out in December 2024, and its results are available on TSM Finland's [website](#).

Terrafame's parent company, Suomen Malmijalostus, is committed to respecting the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, as well as the fundamental principles and rights of the ILO concerning working life, by linking these principles and values to its own operations. Terrafame complies with Finnish Minerals Group's human rights policy, in which these commitments are recorded. As a company, Terrafame is committed to the UN Global Compact initiative. Other key international initiatives and principles guiding the company's operations are:

- OECD Guidelines for Multinational Enterprises
- OECD Due Diligence Guidance for Responsible Business Conduct
- UN Sustainable Development Goals.

Terrafame has a comprehensive monitoring obligation programme approved by the authorities, which is implemented by an external expert organisation. Monitoring results are regularly updated, and Terrafame publishes them on the company's website as soon as they have been completed. The monitoring programme is used to monitor the impacts of Terrafame's operations on waterbodies, for example. In addition to the official and independent monitoring obligation, Terrafame also carries out separate operational monitoring using its own laboratory. Observations and feedback from neighbours also help monitor environmental impacts. Since the beginning of the company's operations, the company has invited nearby residents to informal meetings held in the production area. The company has also established a separate neighbourhood cooperation group to provide the representatives of affected communities with an opportunity to share their views of the company's operations.

Terrafame is committed to respecting human rights in all its activities and also fulfils this commitment in interaction with nearby residents. Terrafame is committed to conducting its business in an ethically sustainable manner and to continuously improving its environmental performance.

General remedy policies

In accordance with Finland's environmental permit policy, Terrafame's environmental permit specifies the compensation to be paid to the fishery authorities and the owners of the water area for emissions to water. In addition, the permit authority has also defined compensation to be paid to professional fishers in the area.

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Key content of the policy

Suomen Malmijalostus Oy's human rights policy sets out the key human rights issues obliging the entire group. The Group companies are expected to act immediately if any human rights concerns arise. Terrafame's sustainability policy describes the company's commitment to active interaction with stakeholders in a spirit of mutual appreciation. The principles and plan for stakeholder activities define the responsibilities, goals and actions of stakeholder activities in more detail.

Terrafame is engaged in an active dialogue with nearby residents and their representatives in various forums and uses the feedback it receives to further develop stakeholder activities and communication methods.

Alignment of policies with internationally recognised instruments

Terrafame seeks to guide its operations based on key international initiatives and principles, including the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. No detailed analysis has been made as to whether all policies are fully in line with these initiatives and principles. During 2025, Terrafame aims to expand its due diligence process on human rights and the environment to also cover the upstream and downstream value chain. The consistency of policies and practices with international initiatives and principles will be examined as part of this project.

Approval of the policies

Human rights policy: The CEOs of the group companies are responsible for human rights issues and the implementation of the human rights policy in their relevant companies. Managers in charge of the personnel and sustainable development are responsible for monitoring and interpreting the application of Terrafame's sustainability policy: Terrafame's CEO is responsible for the implementation of the policy. The Chief Sustainability Officer, a member of the Leadership Team, is responsible for monitoring and interpreting the application of the policy.

Interests and views of stakeholders

The company's main shareholder, Finnish Minerals Group, has played a significant role in defining Terrafame's human rights policies.

✓ The undertaking has made the policy available to potentially affected stakeholders and stakeholders who need to help implement it

Finnish Minerals Group's human rights policy is available on the company's website. The human rights policy approved by Terrafame's Board of Directors (identical content with Finnish Minerals Group's policy) is available on Terrafame's website as well as on the company's intranet. Terrafame's sustainability policy is available both on the company's website and intranet.

● S3-2

Processes for engaging with affected communities about impacts

Interests and views of affected communities

Terrafame recognises the need for nearby communities to have access to up-to-date and accurate information about the company's impacts on waterbodies, for example. To strengthen direct interaction with stakeholders important to the company, Terrafame has established a separate neighbourhood cooperation group, which provides representatives of nearby communities with the opportunity to express their own views and discuss issues related to Terrafame's operations directly with the company's representatives.

Responsibility for engaging with affected communities

The Chief Sustainability Officer, a member of the Leadership Team, is responsible for interaction with nearby parties. Communication with nearby residents and their representatives takes place on a regular basis. Nearby parties are provided with the opportunity to discuss directly with the company's management representatives at informal meetings held once a year. Nearby residents are actively informed of current issues in the industrial area, for example, under the "Naapurustolle" (For the neighbourhood) section on Terrafame's website. Furthermore, nearby residents also have the opportunity to give feedback and share their observations related to the company's operations directly with the company's representatives.

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● S3-3

Processes to remediate negative impacts and channels for affected communities to raise concerns

As a rule, potential negative impacts on nearby residents are identified in advance in the EIA process that is part of the environmental permit process. Primarily identified negative impacts are to be avoided altogether by changing plans and operations. If this is not possible and any negative impacts requiring compensation are materialised, the permit authority will impose the compensation required on the affected party in the environmental permit. If no negative impacts have been identified in advance in the permit process, negative impacts will be eliminated during operations, or the company may agree to compensate for them either separately or as part of the following permit process.

Identifying and preventing potential negative impacts on waterbodies, and ultimately compensating for them, is part of the Finnish permit system. In addition, the company may agree on actions directly with the affected party.

The undertaking has channels to raise concerns

Terrafame appreciates the feedback it receives directly from nearby residents. Feedback can be given using the feedback form on the company's website, for example. Any shortcomings related to Terrafame's Code of Conduct, other regulations or policies can be reported using the company's whistleblowing channel, which is available on the company's website.

✓ The whistleblowing channel is established by the undertaking.

Nearby residents and their representatives can raise concerns directly with the undertaking

Terrafame's whistleblowing channel is openly available on the company's website at www.terrafame.fi. In addition, the views of nearby residents are heard at separately held events, as well as in meetings and discussions with neighbours.

Ensuring the effectiveness of reporting channels

The whistleblowing channel has been designed and built in such a way that the identity of the notification submitter as well as the identities of any other persons mentioned in notifications remain confidential. The online platform allows notifications to be submitted completely anonymously while maintaining contact with the company.

To ensure confidentiality and objectivity, the first assessment of all notifications submitted has been outsourced to a third party. All notifications received will be processed appropriately, and Terrafame will make decisions on any further actions in its management system. In addition, the views of nearby residents are heard at separately held events, as well as in meetings and discussions with neighbours. Terrafame's whistleblowing channel is discussed in more detail in section G1-1 Corporate culture.

The undertaking estimates that affected communities are aware of the channels

Nearby residents have been informed of the availability of Terrafame's whistleblowing channel. However, most often neighbours contact Terrafame's specialists directly. Terrafame complies with the Finnish Whistleblower Act in the protection of whistleblowers.

✓ Notifications are treated confidentially.

✓ Nearby residents can use the whistleblowing channel anonymously.

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● S3-4

Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions

Actions related to affected communities

Plan for stakeholder activities. Action plan for responsibility.

The neighbourhood cooperation group met twice in 2024. An informal event with neighbours was arranged in the autumn of 2024. The environmental team was engaged in an active dialogue with nearby residents. Terrafame's plant fire brigade and safety team participated in the local village association's event.

Scope of application of actions

Nearby parties.

Expected results of actions

An active dialogue with nearby residents and their representatives increases knowledge and understanding of the company's operations.

Resources allocated to the management of material impacts

At Terrafame, interaction with nearby residents is the responsibility of the company's ESG, quality and communication unit.

The main responsibility for interaction with nearby residents rests with Terrafame's Chief Sustainability Officer, who is also in charge of external communication. The company's environmental and safety teams are engaged in an active dialogue directly with neighbours. Terrafame's plant fire brigade also works in rescue assignments outside the industrial area, and the company's safety team is engaged in a dialogue with neighbours regarding traffic safety.

The company has not become aware of any severe human rights issues or incidents connected to its affected communities.

Financial resources allocated to the action plan

Currently, Terrafame does not report operating and/or capital expenditure related to actions and action plans. The action plans related to material sustainability matters will be specified during 2025.

● S3-5

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Measurable targets related to dialogue with nearby residents will be reviewed during 2025.

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● G1

Business Conduct

● G1.GOV-1

The role of the administrative, supervisory and management bodies

One of the key tasks of the Board of Directors is to be responsible for significant decisions related to the company's operating principles, strategy, investments, organisation and financing. The CEO is responsible for the operational management of business in accordance with the strategic plans, budgets, action plans and guidelines and regulations approved by the Board of Directors. The CEO presents business matters to the Board of Directors and is responsible for the implementation of the Board's decisions.

The Board of Directors' activities are based on the values defined for Terrafame's operations: safety, commitment and efficiency. The Board of Directors has adopted its rules of procedure that define the tasks of the Board, its chair and committees.

With regard to corporate culture, the Board of Directors is responsible for:

- Approving the company's values, principles and policies for the control and risk management system
- Monitoring the company's operations from the point of view of compliance with law and regulations
- Adopting long-term objectives and strategies
- Deciding on the remuneration of the CEO and key employees
- Providing guidance for the acting management and supervising it
- Appointing and dismissing the CEO
- Appointing the Leadership Team

The Board of Directors carries out the aforementioned tasks in accordance with its annual calendar.

Terrafame is committed to transparency in its operations. The company's goal is to communicate its operations honestly and transparently to its various stakeholders.

The company is committed to complying with the governance and reporting practices of the Finnish Securities Market Association's Corporate Governance Code, where applicable. The company also reports its operations as part of the TSM Finland responsible mining system, the global Responsible Care programme for the chemical industry, and the Communication on Progress reporting of the UN Global Compact corporate responsibility network.

The company's goal is to instill a strong culture of doing the right thing in its operations, and the company develops operating models with which it seeks to strengthen the culture of doing the right thing throughout its value chain. Terrafame has defined the material sustainability matters related to its operations, covering all ESG elements. The company's goal is to operate in a way that is based on continuous improvement, inclusion, personal responsibility, learning, and integrating sustainability matters more closely into business plans. The company's management culture and practices are systematised and developed in a spirit of continuous improvement towards a more performance-driven approach.

Terrafame's culture of doing the right thing is promoted by the Code of Conduct approved by the Board of Directors and the policies that complement it, the practical application of which is supported by certified management systems. The Board of Directors is engaged in an active dialogue with the acting management regarding the company's ESG themes and also regularly visits the production area to verify the state of the corporate culture.

Terrafame wants to encourage and reward its employees for safe and productive work and the achievement of goals. The remuneration policy is regularly updated to ensure that it is up to date.

Expertise of administrative, management and supervisory bodies on business conduct matters

The members of the Board of Directors represent multidisciplinary and diverse experience in both national and international business activities. The educational background of the members of the Board of Directors also offers good opportunities to ensure the achievement of Terrafame's business goals. The members of the Board of Directors have diverse experience of board positions in other companies, and in addition to solid financial and industry expertise, multi-sector experience of governance positions and law.

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● G1.IRO-1

Description of the processes to identify and assess material impacts, risks and opportunities

Terrafame has assessed its impacts, risks and opportunities related to business conduct as part of the assessment process carried out in accordance with the principle of double materiality defined in ERS1 Chapter 3 Double materiality as the basis for sustainability disclosures. The assessment process is outlined in section ERS2.IRO-1. Sustainability matters were assessed in relation to the time horizons defined in ERS1 Chapter 6, the criteria prescribed in ERS1 sections 3.4 and 3.5, as well as the value chain defined as part of the double materiality assessment process. The value chain is outlined in section ERS2.SBM-1. In the double materiality assessment process for business conduct, it was found that impacts related to ethical practices covers the entire value chain of the company. No material risks or opportunities related to business conduct were identified. Sustainability matters related to business conduct are assessed annually as part of the updating of the double materiality assessment.

Terrafame has a single production plant located in Northern Finland, and its production represents the upstream value chain of customer industries. The production process uses diverse chemicals, other consumables, materials, fuels and energy used commonly in mining and industrial processes, which are sourced from domestic and international providers. Terrafame's production process is also significantly based on the use of purchased services and subcontracting. Terrafame has direct customer relationships, in addition to which it sells its products through delivery agreements with the company's other main shareholder. Terrafame has assessed its impacts, risks and opportunities related to business conduct in its entire value chain.

● G1-1

Business conduct policies and corporate culture

Terrafame has set a strong culture of doing the right thing as its goal, and the company's management culture and supervisory skills are developed continuously. The company has management principles created in cooperation between the personnel and management, which ensure a high-quality and uniform management approach throughout the company. The management system is based on the objectives and key figures set for operations, the implementation of which is monitored. The company has a meeting structure in accordance with the management system, and the management monitors the organisation's operations in management reviews.

The sustainability themes regularly discussed by Terrafame's Board of Directors and Leadership Team include environmental issues, including energy; social responsibility, including safety; personnel development and human rights; as well as themes related to corporate governance, including risk management. Sustainability themes are also part of regular internal and external communication and reporting.

Safety plays a significant role in the company's policies and is an active part of the company's practices. The company's occupational safety motto is: Work must always be done safely or not at all. There is always time to work safely. Safety is also strongly embedded in the company's values. The safety culture is strengthened by active communication, training requirements and a supporting training system, as well as straightforward work instructions and supervision. The culture of doing the right thing is supported by including sustainability matters in the short- and long-term incentive schemes for management, including the CEO, and the company's key personnel. In addition, the company has two different safety bonuses covering the entire personnel.

The material elements of Terrafame's responsible operations, as well as general responsibilities and obligations, are described in the company's Code of Conduct. They are specified in the company's more detailed policies and guidelines. Terrafame is committed to ensuring that all its employees are provided with appropriate training, induction and equipment to carry out their work safely. The line management is responsible for supervising the performance of work. Terrafame requires its business partners to share the company's values and act responsibly. All partners, service providers and subcontractors must comply with Terrafame's sustainability policy.

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The company has a strong non-conformity reporting culture and related structures. The personnel can use the company's internal channels or the open whistleblowing channel, which is available to the personnel on the company's intranet and on the public website. All notifications of violations will be investigated appropriately. The personnel are also instructed to act correctly. If required, disciplinary action will be taken in cases of abuse. Terrafame's whistleblowing channel is also available to partner companies on the company's website.

In addition, employees of partner companies in the production area have been instructed to report their observations and any non-conformities to Terrafame's client/supervisor, who will record the incident in Terrafame's system, or to use an external observation/non-conformity reporting system, from which notifications will be recorded in Terrafame's system.

✓ Mechanisms to identify, notify and investigate concerns are in place.

✓ Policies on anti-bribery are consistent with United Nations Convention against Corruption.

Protection of whistleblowers

Protection actions apply to individuals who report breaches of law in the areas defined in the Whistleblower Act, provided that the notification submitter has reasonable grounds to believe that the information about the breach is accurate and that such information falls within the scope of the act. Terrafame is committed to ensuring the protection of whistleblowers, in addition to what is laid down in section 5 of the Whistleblower Act, to employees of partner companies operating in Terrafame's production area using the company's whistleblowing channel.

Whistleblowing channel

Terrafame established a whistleblowing channel in 2020. It was built to comply with directive 2019/1937 on the protection of persons who report breaches of Union law. The whistleblowing channel's operation is based on the transparency of decision making and processing, the prohibition of retaliation against those who submit notifications of abuse, and the protection of their identity. The channel operates on a platform of an external service provider, and notifications submitted through it are received by an external specialist. This ensures the reliability and credibility of the whistleblowing channel and avoids any conflicts of interest.

Information about the whistleblowing channel is provided during induction, and the channel is openly communicated on notice boards around the industrial area. Roles have been defined in the line organisation to start any investigations. The roles are centrally linked to sustainability themes, and an external specialist has trained the assigned individuals regarding their roles.

In addition to the statutory whistleblowing channel, the company also actively uses other internal channels for reporting concerns. These channels serve to expressly report any incidents and observations related to safety, the environment and quality, as well as any shortcomings related to discrimination, inappropriate behaviour, information security and privacy protection. Targets have been set for the occurrence of incidents, and their achievement is monitored regularly.

Terrafame's whistleblowing practices are governed by the Finnish act on the protection of persons reporting breaches of EU and national law (1171/2022), which implements Directive (EU) 2019/1937 of the European Parliament and of the Council on the protection of persons who report breaches of Union law.

✓ Information and training on whistleblowing channel is provided.

✓ Procedures to investigate business conduct incidents promptly, independently and objectively are in place.

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Policy for training on business conduct

Terrafame provides its entire personnel with induction and other regular training related to the company's policies. In 2022–2024, extensive policy training was provided for the entire personnel. In addition, special task-specific training is provided. Sustainability themes are communicated regularly. The most commonly communicated themes include safety, the environment, wellbeing, management, as well as training related to corporate governance, including annual tax training in the financial and pay team.

Internal functions most at risk in respect of corruption and bribery

In Terrafame's view, the most significant risks associated with actions or violations concerning Terrafame's policies, which in addition to sanction and reputation risks, may cause financial losses and are related to the selection of partner companies and any incidents in the supply chain. In terms of risk management, the company's procurement organisation and management play the most significant roles.

Policies related to business conduct

Code of Conduct; sustainability policy; human rights policy; anti-corruption and anti-bribery policy; procurement policy

Sustainability matters related to business conduct

The Code of Conduct and operational policies ensure responsible operations in matters covered by sub-topics. Commitment to international human rights (including freedom of association, freedom of expression).

Scope of policy

Finnish Minerals Group's human rights policy obliges all group companies, and respect for human rights principles and values is also required from the group's suppliers of services, raw materials and commodities.

Terrafame's Code of Conduct obliges all Terrafame employees, regardless of their tasks, and applies equally to all Terrafame partner companies operating in Terrafame's supervised areas or delivering orders to Terrafame. In the Code of Conduct, Terrafame as a market party is committed to ensuring the ethics of its operations.

The sustainability policy is applied in Terrafame's all operations, from mining to customer deliveries, and in all activities that support this core process. The policy applies to all Terrafame employees, partners and subcontractors in Terrafame's production and support areas. The anti-bribery and anti-corruption policy applies to all Terrafame employees, the Leadership Team and the CEO, as well as the members of the Board of Directors. The procurement policy is applied in Terrafame's all operations, from mining to customer deliveries, and in all activities that support this core process.

Key contents of policy

Terrafame's Code of Conduct describes the material elements of the company's responsible approach. The sustainability policy defines the company's commitment to ethically sustainable business, corporate governance and due diligence throughout the company's value chain. Finnish Minerals Group's human rights policy sets out the key human rights issues obliging the entire group. Terrafame's Board of Directors has approved the company's human rights policy, the content of which is in line with the Group's human rights policy. Terrafame's anti-bribery and anti-corruption policy aims to guide the daily activities of the people involved in the company's operations so that they can detect any bribery or corruption and seek to prevent it. The objective of the procurement policy is to define Terrafame's uniform operating practices and key principles for procurement.

Terrafame monitors any human rights and corporate governance issues related to its operations and those of partner companies operating in the industrial area in a report provided quarterly for the company's Board of Directors. Compliance with the Finnish Securities Market Association's Corporate Governance Code is monitored in an annual report published in the corporate governance system. As part of the requirements of the Corporate Governance Code, the company's Board of Directors conducts an annual self-assessment of its operations.

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Approval of policy

The Board of Directors of Suomen Malmijalostus Oy approves the Group's human rights policy. The CEOs of the group companies are responsible for human rights issues and the implementation of the human rights policy in their relevant companies. Managers in charge of the personnel and sustainable development are responsible for monitoring and interpreting the application of the policy.

Terrafame complies with the human rights policy of Finnish Minerals Group, and the company's Board of Directors has approved a separate human rights policy with an identical content, in which the parent company's human rights commitments have been recorded. Terrafame's Board of Directors approves the company's Code of Conduct. Terrafame's managers and supervisors actively monitor compliance with the Code of Conduct. Terrafame's Board of Directors approves the sustainability policy. Terrafame's CEO is responsible for the implementation of the policy. The Chief Sustainability Officer, a member of the Leadership Team, is responsible for monitoring and interpreting the application of the policy. Terrafame's Board of Directors approves the anti-bribery and anti-corruption policy. The CEO is responsible for its implementation. The Chief People and Governance Officer, a member of the Leadership Team, is responsible for monitoring and interpreting the application of the policy. The Board of Directors also approves the procurement policy, and the CEO is responsible for its implementation. The Chief Commercial Officer, a member of the Leadership Team, is responsible for monitoring and interpreting the application of the policy.

Third-party standards to which the undertaking is committed regarding business conduct

In its governance, Terrafame addresses, where applicable, the requirements of the valid Corporate Governance Code prepared by the Finnish Securities Market Association. Any derogations from the recommendations of the Corporate Governance Code are mainly based on the company's securities not being subject to public trading.

Interests and views of stakeholders

The company's main shareholder, Finnish Minerals Group, has played a significant role in defining Terrafame's human rights policies.

✓ The undertaking has made the policy available to potentially affected stakeholders and stakeholders who need to help implement it

Finnish Minerals Group's human rights policy is available on the company's website. The human rights policy approved by Terrafame's Board of Directors (identical content with Finnish Minerals Group's policy) is available on Terrafame's website as well as on the company's intranet. Terrafame's Code of Conduct is available both on the company's website and intranet. Terrafame's Code of Conduct and sustainability policy are available on the company's website, as well as on the intranet and in the document management system used by Terrafame employees. The procurement policy is available on the company's website. The anti-bribery and anti-corruption policy is an internal policy.

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Material impacts, risks and opportunities and their interaction with strategy and business model

In its double materiality assessment, Terrafame has identified a community-specific sustainability matter outside ESR51.AR16 in relation to the company's significance for the regional economy, and in particular, the company's role as a significant regional employer.

Current and future employees constitute a key stakeholder group in Terrafame's operations. The company offers diverse jobs that attract employees from the local area and more distant areas. The company's goal is to provide employees at its industrial site with stable long-term employment, doing important work to combat climate change.

Terrafame is engaged in an active dialogue with its own workforce. This is described in more detail in section S1 Own workforce. Terrafame also works closely with organisations and educational institutions to increase the attractiveness of the industry. The company attracts students to become future employees of Terrafame by offering training periods, summer jobs and thesis projects. Terrafame is also involved in projects that develop industry training and attractiveness. Terrafame is also engaged in an active dialogue with partner companies operating in the industrial area and notifies them of current issues related to operations in the industrial area so that they can adapt their own personnel needs accordingly.

The production chain, which extends from Terrafame's mine to the battery chemicals plant, offers versatile jobs in both production sectors and support functions. Terrafame's vision is to be among the most cost-effective and responsible producers of battery chemicals in the industry, and the company has defined a strategy to achieve this vision. The implementation of the strategy requires skilled personnel. The personnel's development needs are supported by offering diverse opportunities to study alongside work. Active dialogue with partner companies in the industrial area also seeks to ensure the professional skills required from their personnel.

The undertaking's material negative and positive impacts on people or the environment

Terrafame's operations have significant impacts on the regional economy, employment in the region in particular. Terrafame employs about 800 people directly and about 1,000 people through partner companies operating in the industrial area, and it is the largest industrial employer in the Kainuu region.

Terrafame's role as a significant regional employer is firmly linked to the implementation of its strategy. The expansion of operations to the area of the Kolmisoppi deposit depends on the progress of the environmental permit process. Quarrying operations in the land area are expected to start in Kolmisoppi in 2028 and in the water area no later than in the early 2040s. Terrafame carries out large-scale industrial activities that are developing at a rapid pace. Its operations require various permits issued by the authorities, of which the environmental permit in particular requires a complex and slow process that can have an impact on the implementation of the company's plans and planned schedules.

Terrafame's operations provide both direct and indirect financial benefits for various stakeholders, especially in the company's neighbouring areas but also more widely in Finland. The remuneration paid to employees strengthens consumer demand and creates positive multiplier effects on consumer products and services. The multiplier effects of operations also increase demand in other industrial sectors. In addition, tax-like revenue improves the municipal economy and supports the provision of municipal services. Terrafame uses apprenticeships to ensure the availability of skilled personnel and develop the professional skills of its personnel. In recent years, Terrafame has carried out several extensive apprenticeships, which have responded to the workforce needs of both Terrafame and to some extent other industrial companies in the region. This has helped both residents in Kainuu and those who have moved to the region to acquire a new profession and also find employment in other industrial companies in the area. With long-term procurement agreements, the company aims to provide its partner companies with the opportunity to invest in safe, high-quality and cost-effective operations which also has a significant impact on employment.

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Standards used in the reporting of the entity-specific sustainability matter

Terrafame has used the GRI and SASB frameworks in the reporting of the community-specific sustainability matter as follows: GRI 203-2 Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts ja SASB RT-CH-210a.1.1.1. Economic and labour interests such as capital generation, employment, wages and infrastructure development; RT-CH-201a.1.2. The underlying references for the entity's processes and procedures, including whether they are codes, guidelines, standards or regulations; and whether they were developed by the entity, and industry organisation, a third-party organisation (for example, a non-government organisation), a governmental agency or some combination of these groups.

Metrics

	2024
Percentage of local employees from all employees (head count at the end of the year), %	87

Terrafame

Sustainability Report 2024

25 March 2025