



AFARAK GROUP PLC  
REMUNERATION REPORT FOR  
GOVERNING BODIES  
2020

# Remuneration report 2020

## 1. Introduction

The Board of Directors of Afarak Group Plc ('Afarak') has approved the Remuneration Policy (the 'Remuneration Policy') at its Annual General Meeting in 2020. The Remuneration Policy sets out the framework for the remuneration of the Board of Directors and the executive management team ('EMT') of Afarak. Afarak complies with the recommendations of the Finnish Corporate Governance Code for listed companies and the Shareholders' Rights Directive legislation in the Remuneration Report and this Remuneration Report ('Remuneration Report').

Afarak operates in a highly competitive sector in terms of human capital with a shortage of highly qualified and experienced executives. The remuneration of Afarak is designed to attract, retain and incentivize high-caliber executives to implement Afarak's business strategy and operational objectives, and to enhance shareholder value.

Afarak strives for transparency and consistency in rewarding. Remuneration across the company, at employee and executive level, is reviewed regularly to secure its fairness and competitiveness in the context of the market.

Both 2020 and 2019 were a bad year for the complete FerroChrome industry, and in 2020 the pandemic led to world-wide collapse of demand with low prices. The total remuneration was reduced during 2020 mainly due to the reduced headcount in South Africa and due to lower Group operation.

In recent months, there has been an improving market prices and demand in the specialty segment. Even if the losses compared to 2019 have been reduced, the general status of the company has not improved during 2020. Chrome Ore prices, Ferrochrome benchmark and Low Carbon Ferrochrome prices have seriously improved recently, but it will take time before these developments can translate into positive cash flows for the Afarak.

### **Deviations from the Remuneration Policy and exercise of Clawback**

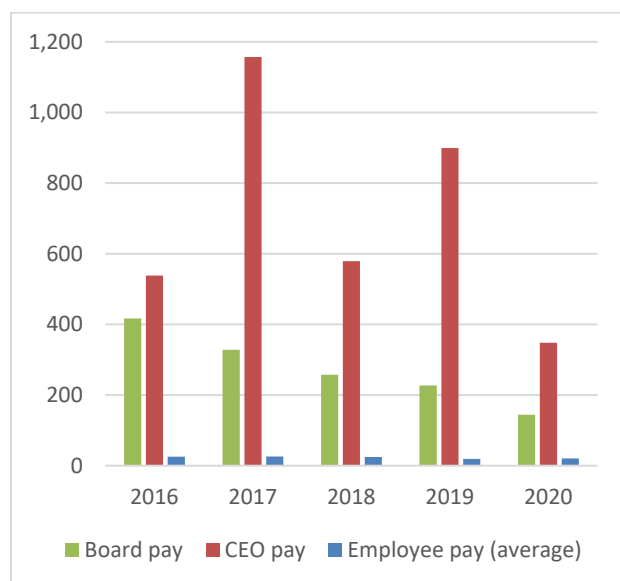
The CEO salary and share-based remuneration was self-reduced by one fifth in 2019 until the market recovers. In 2020 the CEO was paid reduced salary and share-based remuneration.

### **Development of remuneration and fees**

Below is a comparable description of the fees paid to the Board members and CEO and remuneration of employees and the financial performance of the Company.

The total fees paid to the Board members have decreased due to lower number of Board members and changes in Board composition. The CEO pay has decreased due to reduction of salary. The employee pay is presented as average annual expenses per employee.

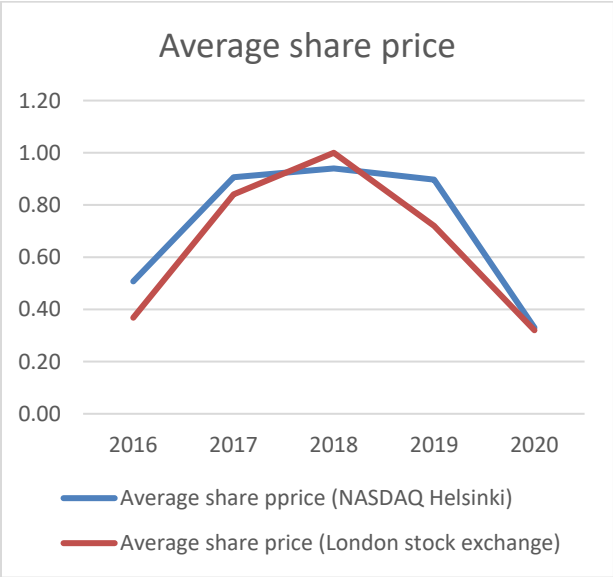
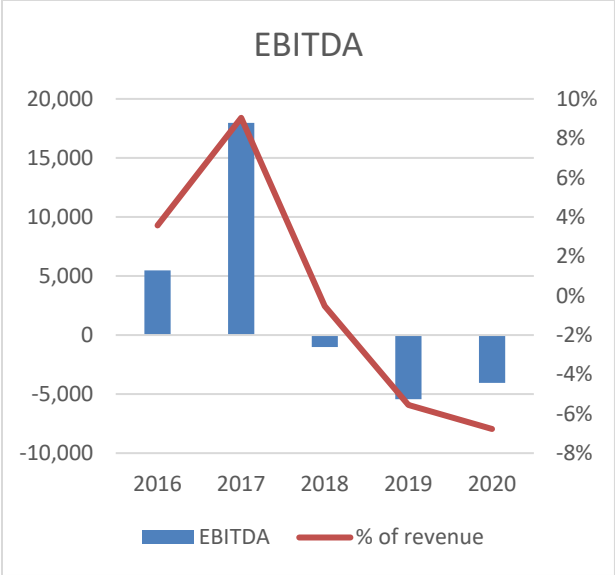
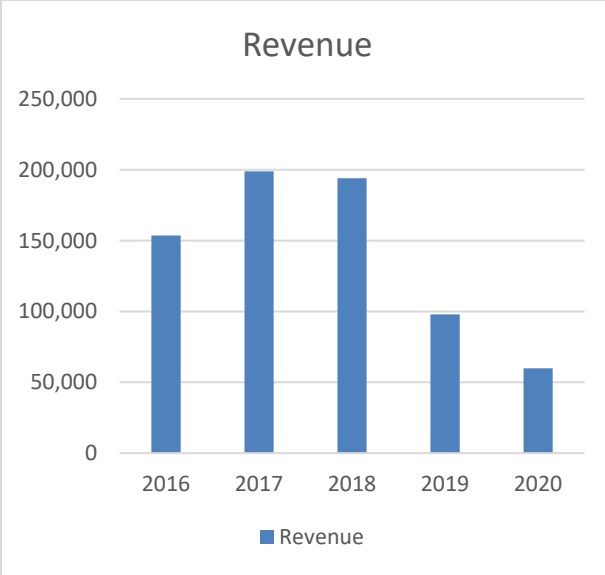
| €000                                | 2020   | 2019   | 2018    | 2017    | 2016    |
|-------------------------------------|--------|--------|---------|---------|---------|
| Total Board pay <sup>1</sup>        | 144    | 227    | 257     | 328     | 417     |
| CEO pay <sup>2</sup>                | 348    | 899    | 579     | 1 157   | 538     |
| Employee pay (average) <sup>3</sup> | 21     | 19     | 25      | 26      | 26      |
| Revenue                             | 59 805 | 97 894 | 194 013 | 198 814 | 153 570 |
| EBITDA                              | -4 050 | -5 432 | -1 017  | 17 969  | 5 478   |
| Share price (NASDAQ Helsinki), €    | 0,33   | 0,90   | 0,94    | 0,91    | 0,51    |



<sup>1</sup> Total annual fees of Board members.

<sup>2</sup> The total annual remuneration of the CEO. The 2017 includes fees paid to two different CEOs.

<sup>3</sup> Personnel costs according to the company's financial statements divided by the number of employees (FTE).



## 2. Remuneration of the Board of Directors

The remuneration of the members of Afarak's Board of Directors is decided by the shareholders of Afarak in Annual General Meeting, taking into account the recommendations and proposals submitted to the Annual General Meeting by the Nomination and Remuneration Committee.

The remuneration of the Board of Directors consists of a monthly fixed fee. An increased monthly fee is typically paid to the Chair of the Board of Directors. Additionally, members of the Board of Directors who sit on Afarak's committees, namely the Audit and Risk Management Committee, the Nomination and Remuneration Committee and the Health, Safety and Sustainability Committee may receive additional remuneration for committee work. An increased monthly fee is typically paid the Chair of the Audit and Risk Management Committee.

In the General Meeting 22 June 2020 the following fees were decided to be remunerated to Board members:

|   | FEE, EUR |
|---|----------|
| Monthly fee of Chair of the Board                               | 4,500    |
| Monthly fee of Chair of the Audit and Risk Management Committee | 5,550    |
| Monthly fee of member of the Board                              | 3,500    |
| Additional monthly fee of Board Committee member                | 1,500    |

Members of the Board of Directors who are executives of Afarak are, subject to the decision of the general meeting, not entitled to receive any remuneration for committee memberships and their position on Afarak's Board of Directors.

Board Members shall be compensated for travel and accommodation expenses as well as other costs directly related to Board and Committee work in accordance with the company's travel rules. Afarak also provides D&O insurance to the member of the Board of Directors and to senior executives. Non-executive directors do not have service contracts with the company.

In 2020 the Board of Directors had 3 members. The fees to the Board were paid fully in cash. There are no additional financial benefits paid to the Board members in 2020. The payments made in 2020 for two Board members are described in the table below. The third Board member is the group CEO and these fees are described in next section.

All fees paid to the Company's Board of Directors are made within the framework of the effective Remuneration Policy for governing bodies presented to the Annual General Meeting.

|  | PAID in 2020    |
|--|-----------------|
|  | Annual fee, EUR |
| <b>Abrahamsen Thorstein</b><br>Chairman of the Board | 84,000          |

|                                    |                |
|------------------------------------|----------------|
| <b>Manojlovic Jelena</b><br>Member | 60,000         |
| <b>TOTAL</b>                       | <b>144,000</b> |

### 3. Remuneration of the Group CEO

Afarak's CEO is appointed by the Board of Directors to manage, develop, guide and supervise Afarak Group's activities and to lead the EMT. The remuneration of the CEO is decided upon by Afarak's Board of Directors on the basis of the recommendations and proposals submitted to the Board of Directors by the Nomination and Remuneration Committee. CEO remuneration has complied with the valid remuneration policy.

The CEO is engaged to Afarak by virtue of a service contract. The remuneration of Afarak's CEO consists of an annual fixed remuneration together with Afarak shares as an incentive for each completed year of service as CEO as per the agreement entered into between Afarak and the CEO. These above-mentioned incentive shares must be retained by the CEO by minimum period of one year commencing from receipt. The CEO's service contract defines the CEO's notice period including compensation paid for the notice period and other customary conditions of service.

Afarak makes no pension arrangements for the CEO beyond the statutory pension coverage and there is no set retirement age.

The CEO salary was self-reduced from €30,000 to €24,000 per month in 2019 until the market recovers, however as from April 2020 he was being paid €6,000 per month and the difference of €18,000 per month will be paid after the market recovers.

In 2020 the CEO was paid a total fee of EUR 348,000 out of which EUR 60,000 was share-based remuneration. The CEO's remuneration consisted of the following in 2020:

- salary
- share-based remuneration.

| Element           | Paid fees in 2020 | Fees due in 2021 |
|-------------------|-------------------|------------------|
| Fixed base salary | 288,000           | -                |
| Shares (#)        | 400,000           | 400,000          |

#### Share-based remuneration

As part of the remuneration packages of its CEOs, Afarak pays a share-based compensation of 500,000 shares for every completed year. Guy Konsbruck, after completing his first year as CEO in 2018 received 500,000 in share-based compensation and another 500,000 shares in 2019 for his second year as CEO. He received another 400,000 shares (self-reduced from 500,000 to 400,000) for his third year of service in 2020 and he is due to receive another 400,000 shares (self-reduced from 500,000 to 400,000) for his fourth year of service in 2021. These shares have a lock-up period of two years from subscription date.