

# CORPORATE GOVERNANCE STATEMENT 2022

Exel Composites' corporate governance complies with the Finnish Companies Act, the legislation covering the securities markets and other official regulations related to the governance of public joint stock companies. The principles set out here complement the applicable legislation.

Furthermore, Exel Composites complies with the Finnish Corporate Governance Code issued by the Securities Market Association applicable at any time. This Corporate Governance Statement is prepared in accordance to the Finnish Corporate Governance Code effective as of 1 January 2020 and available at [www.cgfinland.fi](http://www.cgfinland.fi).

This Corporate Governance Statement has been reviewed by the Exel Composites Board of Directors, and it is issued separately from the Board of Directors' report. Exel Composites' auditors, Ernst & Young Oy, have checked that a corporate governance statement has been issued and that the description of the main features of the internal control and risk management systems in relation to the financial reporting process is consistent with the financial statements.

Further information concerning Exel Composites' Corporate Governance matters is available on the company's website at [www.exelcomposites.com](http://www.exelcomposites.com).

## General meetings

The highest decision-making power at Exel Composites is exercised by shareholders at General Meetings convened by Exel Composites' Board of Directors. All shares carry equal voting rights at General Meetings.

The Annual General Meeting, AGM, is held on a date before the end of June, as determined by the Board of Directors. An Extraordinary General Meeting is held when the Board considers it necessary or when the Company auditor or shareholders holding a minimum of one tenth of all shares so request in writing for the handling of a specific matter.

## Board of Directors

According to the Articles of Association, the Board of Directors comprises at least three and no more than eight full members, elected by the AGM for one year at a time.

In addition to the Finnish Companies Act, other applicable legislation and the Articles of Association, Exel Composites' Board of Directors has confirmed a written charter that specifies the Board's duties, matters to be handled, meeting practice and decision-making process. The charter is reviewed and updated annually in the first meeting following the AGM. Board meetings are attended by the President and CEO and the CFO, who acts as the secretary of the Board.

The Board of Directors is responsible for the management of the Company and the proper organization of its activities in accordance with the Finnish Companies Act and the Company's Articles of Association. The Board's principal duties include confirmation of the corporate strategy and budget by function, and decisions on funding agreements, major investments and the purchase or sale of assets. The Board approves business reviews and half year financial reports, financial statements and the Board of Directors' report on

operations. The Board of Directors prepares the remuneration policy and remuneration report of the company, appoints and dismisses the President and CEO and decides on the President and CEO's remuneration in accordance to the company's valid remuneration policy. The Board also approves the composition and remuneration of the Group Management Team upon proposal by the President and CEO.

The Board of Directors is the highest governance body in relation to sustainability matters and reviews and signs Exel Composites' sustainability reporting alongside the publication of the company's Annual Financial Report. The Board recognizes that climate change and the related risks and opportunities to the company are a pressing issue. The Board oversees the company's approach to sustainable and responsible economic growth and to transitioning to low-carbon and circular economy.

The Board monitors the Company's financial position with the help of information provided by the Group Management Team. Sufficient information including the agenda for the Board meetings with all relevant information on the Company's structure, operations and markets is usually distributed at least seven days before the meeting. The Board of Directors holds at least seven ordinary meetings per year.

The Board of Directors is evaluated within the framework of the Shareholders' Nomination Board's work. In addition, the Board performs an annual self-evaluation of its organization, working methods and fulfillment of its duties.

To achieve a diverse and balanced composition of the Board of Directors, the Nomination Board shall consider the company's principles of diversity for the Board of Directors, which are available at the company's website at [www.exelcomposites.com](http://www.exelcomposites.com). When electing the members of the Board of Directors, attention is paid to the members' expertise, know-how and viewpoint as well as age and gender. The target is to have members of both genders. In 2022 the composition of the Board of Directors was in line with this target. The Board of Directors shall also have relevant experience and knowledge in sustainability issues in the company's operations. In addition, at least one member of the Board of Directors must have expertise in accounting or auditing.

The majority of the Board members must be independent of the company and at least two of said majority must be independent of the company's significant shareholders. The Board evaluates the independence of each member of the Board at the first meeting following the AGM, and thereafter each time any change occurs.

In consideration of the size of the Company as well as the composition of the Board of Directors, the Company has decided not to have any permanent Board committees.

## Composition of the Board of Directors in 2022

On 25 March 2022, the AGM appointed Petri Helsky, Reima Kerttula, Helena Nordman-Knutson, Jouko Peussa and Kirsi Sormunen to continue on the Board of Directors. Jouni Heinonen was elected as a new member of the Board of Directors. The AGM elected Reima Kerttula as Chairman of the Board of Directors.

- **Reima Kerttula** (born 1955) holds a M.Sc. in Engineering. He is independent of the Company and its major shareholders. At the end of 2022, his holdings were 26,439 Exel Composites shares (includes shares owned through life insurance).
- **Jouni Heinonen** (born 1960) is Managing Partner at the consulting firm HVD Partners in Switzerland and interim President and CEO of Exel Composites Plc since 1 October 2022. Jouni Heinonen is independent of the Company's major shareholders but not independent of the Company due to his position as the interim President and CEO at Exel Composites. He holds a Master's degree in Mechanical Engineering. At the end of 2022, his holdings were 1,316 Exel Composites shares.
- **Petri Helsky** (born 1966) holds a M.Sc. in Economics and a M.Sc. in Engineering. Petri Helsky is independent of the Company and its major shareholders. At the end of 2022, his holdings were 10,184 Exel Composites shares.
- **Helena Nordman-Knutson** (born 1964) holds a M.Sc. in Political Sciences as well as an M.Sc. in Economics and is Advisor and Senior Consultant at Safir Communication. Helena Nordman-Knutson is independent of the Company and its major shareholders. At the end of 2022, her holdings were 9,042 Exel Composites shares.
- **Jouko Peussa** (born 1957) is a Licentiate of Technology. He is independent of the Company and its major shareholders. At the end of 2022, his holdings were 10,184 Exel Composites shares.
- **Kirsi Sormunen** (born 1957) holds a M.Sc. in Economics. Kirsi Sormunen is independent of the Company and its major shareholders. At the end of 2022, her holdings were 4,441 Exel Composites shares.

The term of the current Board members expires at the end of the AGM 2023.

Further information on the Board (biographical details and shareholdings) is presented on the Company's website at [www.exelcomposites.com](http://www.exelcomposites.com).

## Operations of the Board of Directors in 2022

The Board of Directors convened twelve times in 2022 and the average attendance rate at these meetings was 100% as all directors participated all meetings.

### Attendance of Board members at Board meetings in 2022

Name and position	Board meetings
Reima Kerttula Chairman (as of 17 March 2016, member until 17 March 2016)	100% ( 12 / 12 )
Jouni Heinonen Member (as of 25 March 2022)	100% ( 11 / 11 )
Petri Helsky Member (as of 17 March 2016)	100% ( 12 / 12 )
Helena Nordman-Knutson Member (as of 4 April 2017)	100% ( 12 / 12 )
Jouko Peussa Member (as of 17 March 2016)	100% ( 12 / 12 )
Kirsi Sormunen Member (as of 20 March 2020)	100% ( 12 / 12 )

## Shareholders' Nomination Board

The AGM held in 2018 resolved to appoint a permanent Shareholders' Nomination Board to prepare proposals concerning the Board members and their remuneration for the General Meeting in accordance to the company's valid remuneration policy. The Charter of the Shareholders' Nomination Board, which regulates the nomination and composition of the Nomination Board and defines its tasks, is available at the company's website at [www.exelcomposites.com](http://www.exelcomposites.com).

In accordance to the Charter of the Shareholders' Nomination Board, in 2022 the Nomination Board consisted of the representatives of the four largest shareholders and of the Chairman of the Board of Directors, acting as an expert member. The Company's largest shareholders entitled to appoint members to the Nomination Board were determined on the basis of the registered holdings in the Company's shareholder register held by Euroclear Finland Oy as of 30 September 2022. In addition, shares that were included in a

shareholder's holdings and proportion of voting rights calculated in accordance with Chapter 9, Sections 5 and 6 of the Finnish Securities Markets Act and nominee-registered shares were taken into account in the determination of the largest shareholders, provided that they made such request and notified their shareholdings to the Board of Directors in writing by 30 September 2022. The request were to include sufficient evidence of title to the nominee-registered shares or of the obligation to take holdings into account under the Finnish Securities Markets Act. Should a shareholder not wish to use its right to nominate, this right would be passed on to the next largest shareholder who otherwise would not be entitled to appoint a member.

In 2022, the Shareholders' Nomination Board comprised of Kalle Saariaho (OP Fund Management Company) as Chairman, Malin Björkmo (Handelsbanken Fonder), Markus Lindqvist (Aktia Mikro Markka), Caroline Sjösten (Swedbank Robur Fonder), and Reima Kerttula, Chairman of Exel Composites' Board of Directors, acting as an expert member. During its working period 2022-2023, the Nomination Board convened three times.

## President and CEO

The President and CEO is appointed by the Board of Directors. The Board of Directors decides on the terms of service and the remuneration of the President and CEO in accordance with the company's valid remuneration policy. The terms of service are specified in writing in the President and CEO's service contract, which is approved by the Board of Directors. Member of the Board Jouni Heinonen was appointed as interim President and CEO as of 1 October 2022. He remains a member of the Board of Directors of Exel Composites during his role as interim President and CEO, excluding himself in matters concerning his role as President and CEO. The areas of responsibility of the President and CEO include, in addition to the above-mentioned legal requirements, and implementing the Board's decisions, specifically also securing growth of the business, preparations for acquisitions and implementation of strategic projects, the increase in shareholder value, profitability and efficiency of operations, and investments within the limits defined by the Board.

The Board of Directors has adopted Rules of Procedure for the President and CEO containing guidelines and instructions regarding the Company's day-to-day management. In fulfilling his duties, the President and CEO shall be assisted by the members of the Group Management Team of Exel Composites and any other corporate bodies established by the Board of Directors.

**Jouni Heinonen** is Exel Composites' interim President and CEO. At the end of 2022, he held 1,316 Exel Composites shares.

**Riku Kytömäki** was President and CEO until 30 September 2022. He held 79,228 Exel Composites shares when his Group Management Team membership ended.

**Paul Sohlberg** has been appointed as President and CEO. He will assume his position on 20 March 2023.

## Group Management Team

President and CEO is supported by the Group Management Team. In addition to President and CEO as chairman, the Group Management Team includes CFO, SVP Human Resources, SVP Operations, SVP R&D and Technology, SVP Sales and Marketing, and SVP, Business Unit Manager, Belgium. Team meets ten to twelve times a year in regular monthly management meetings. In addition, there are several other regular meetings, where the entire management Team participates.

The duties of the Group Management Team include, in addition to daily running of the business and development of all areas of the business in line with the approved strategy, also drawing up business and strategic plans and implementing the approved plans. The Group Management Team is also responsible for identifying, assessing, monitoring, and reporting as appropriate on climate-related risks as well as opportunities. The Board of Directors decides on the main terms of employment and the remuneration of the Group Management Team in accordance with the company's valid remuneration policy.

In addition to President and CEO, members of the Group Management Team at the end of 2022 were:

- **Mikko Rummukainen** (born 1978), CFO, is responsible for finance and controlling, investor relations, legal matters, information and communications technology, as well as for the development and implementation of the corporate strategy. He is secretary to the Company's Board of Directors. At the end of 2022, he held 3,680 Exel Composites shares.
- **Callum Gough** (born 1960), SVP Operations, is responsible for continuous productivity improvement, quality, environment and safety, strategic purchasing, investments and strategic site planning. At the end of 2022, he held 12,455 Exel Composites shares.
- **Kari Loukola** (born 1962), SVP, Business Unit Manager, Belgium, is responsible for the profitability improvement of the BU in Belgium. At the end of 2022, he held 8,669 Exel Composites shares.
- **Kim Sjö Dahl** (born 1974), SVP R&D and Technology, is responsible for Group-wide development of products, product platforms and product technology and tooling. He is also in charge of leading, coordinating and developing R&D and IPR management activities in the Group. At the end of 2022, he held 12,500 Exel Composites shares.

- **Olli Tevä** (born 1970), SVP Sales and Marketing. He is responsible for sales and marketing, sales management, leading the sales organization, optimization of sales channels and product management. At the end of 2022, he held 19,090 Exel Composites shares.
- **Tiina Bies** (born 1966), SVP Human Resources until 31 December 2022. She was responsible for leading the HR function and creating, establishing and implementing the HR strategy, processes and procedures globally. At the end of 2022, she held 2,223 Exel Composites holdings.

## Auditor

Company auditor is elected annually by the AGM based on the proposal by the Board of Directors.

Ernst & Young, Authorized Public Accountants, with Johanna Winqvist-Ilkka, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2022.

The fees paid in 2022 to external auditors for auditing Exel Group companies totaled EUR 206 (248) thousand, while the fees paid for tax services totaled EUR 2 (5) thousand and for non-audit services totaled EUR 16 (99) thousand.

## Internal control

Exel Composites Plc is the parent company for the whole Group. It manages and directs the operations for the whole Group. The main responsibility for the internal control and risk management relating to the financial reporting process lies with the Board of Directors. Exel Composites' internal control framework and roles and responsibilities for internal control have been defined in the Internal Control Policy approved by the Board of Directors. Internal control is organized within the framework of regular management, reporting and reviews.

Exel Composites' internal control and risk management related to financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

Exel Composites has established a Controller's manual (accounting and reporting rules), which is regularly updated. Other internal policies and rules related to the financial reporting process include the Code of Conduct, the Anti-corruption Policy, the Decision-making and Signing Policy, the Treasury Policy as well as the Credit Management Policy.

Group accounting maintains a common chart of accounts that is applied in all units. A Group enterprise resource planning system (ERP) and customer relationship management system

(CRM) are in use in most units of the Group. Subsidiaries submit their figures to Group reporting system for consolidation purposes. The reported figures are reviewed both in the subsidiaries and in Group accounting.

The consolidated financial statements of Exel Composites have been prepared in compliance with International Financial Reporting Standards (IFRS), applying International Accounting Standards (IAS) and IFRS standards, as well as Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, valid on 31 December 2022. The notes to the consolidated financial statements are also in compliance with the Finnish Accounting and Companies Acts.

The ultimate responsibility for the appropriate arrangement of the control of the Company accounts and finances falls on the Board of Directors. In accordance with the Charter of the Board of Directors, the Board performs the duties of an Audit Committee. These duties include overseeing of the accounting and financial reporting process, the audit of the financial statements, and the review of internal control procedures as well as communication with the Company's auditors. President and CEO is responsible for the implementation of internal control and risk management processes and ensuring their operational effectiveness. President and CEO is also responsible for ensuring that the Company accounting practices comply with the law and that financial matters are handled in a reliable manner. The Group's management assigns responsibility for the establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. Management and employees are assigned with appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting.

Exel Composites' common controls include variety of activities such as approvals, authorizations, verifications, reconciliations, monthly reviews of operating performance, and segregation of duties.

In financial reporting, the Controller's manual sets the standards of financial reporting as well as accounting rules and procedures within the Group. The Group controller function assists the business units in maintaining adequate control activities in cooperation with the business controllers. The Group controller function is also responsible for ensuring that

external financial reporting is correct, timely and in compliance with applicable regulations.

Ongoing monitoring activities include the follow-up of monthly financial results in relation to budget and targets as well as follow-up of internal and external projects. The scope and frequency of separate evaluations depend primarily on an assessment of the related risks and significance of the potential financial outcome. Internal control deficiencies are identified and communicated in a timely manner to those parties responsible for taking corrective action, and to management and the Board as appropriate. Implementation and control of financial and other business targets are monitored through Group-wide financial reporting, and through regular management meetings in each of the business units.

## Risk management

At Exel Composites risk management is a continuous process, which is integrated with the daily decision making and continuous monitoring of operations as well as with the preparation of half year financial reports, business reviews and annual financial statements.

The Board of Directors governs the risk management of the company through a risk management policy. In addition, the Board of Directors makes a risk assessment as part of the review and approval process of each set of half year financial reports, business reviews and annual financial statements. Risk factors are also considered in connection with any future guidance disclosed by the company.

The operative risk management, including risk monitoring, is part of the key duties of the operative management. Risks are considered and evaluated in conjunction with each business decision. Additionally, they are also monitored monthly by the President and CEO and other group management when the team reviews the business development and any near and long-term risks upon presentation of the business unit heads and controllers.

Risks and uncertainties related to Exel Composites can be categorized as strategic, operational, financial as well as hazard and environmental risks.

## Probability and impact of risks

PROBABILITY	IMPACT		
	Low	Medium	High
High			Dependency on any individual customers or customer industries
Medium	Credit and counter party risks Accidents and health problems	Knowledge retention and protection of self-developed proprietary technology Availability of skilled employees Climate-related market and reputational risks Pandemic or another global catastrophe	The realization of the benefits and synergies of acquisitions Cyber security related risks Failures in product development or production
Low	Code of Conduct violations Currency and interest rate risks Climate-related physical risks	Availability and pricing of key raw materials Chemical spills Climate-related technological risks Fraud	Changes in legislation and regulation Liquidity and funding risks Fires and floods

## Strategic risks

With respect to strategic risks, a significant portion of Exel Composites' revenues is generated from certain key customers and customer industries. Whereas production capacity and cost structure of the company is planned for growing business volume, negative development of such key customers or customer industries could lead to deterioration of Exel Composites' profitability. This risk is mitigated by a close cooperation and communication with key customers. The development of key customer industries and consequently business volumes are actively followed and forecasted in order to be able to adjust our business and cost structures to the forecasts. New products and applications are

also continuously developed in order to limit the dependency of any individual clients or market segments.

Strategic risks also include risks related to acquisitions where the realized level of benefits and synergies may differ from the planned.

## Operational risks

The most significant operational risks relate to product development and sales as well as production. Exel Composites' product range is very broad and often customer customized, which adds complexity to the product development and production. Designing, producing

and selling a product that does not meet the requirements agreed with a client could potentially lead to substantial losses and damages as well as negative impact on the company reputation. This risk is reduced by close cooperation with customers. In addition, availability of skilled employees and knowledge retention, protection of self-developed proprietary technology, cyber security related threats, possible human rights or other Code of Conduct violations in the company or within its supply chain, availability and pricing of key raw materials and health problems due to long-term exposure to chemicals or accidents belong to the most significant operational risks. The availability of skilled employees and knowledge retention, protection of self-developed proprietary technology, the availability and pricing of key raw materials, and fraud prevention and detection are critical for the profitability of the business. Possible human rights or other Code of Conduct violations, the realization of significant health and safety risks causing damage to people or the environment, as well as cyber security risks could potentially lead to reputational loss, sanctions or even influence its operational permits. Pre-emptive management of operational risks through careful contracting as well as appropriate business processes and working instructions are in key roles to prevent possible damages.

### Financial risks

Financial risks consist of liquidity and funding risks, credit and other counter party risks as well as currency and interest rate risks. Currency and interest rate risks are managed primarily by natural hedging or by using derivative instruments. Credit insurances are in place to cover risks related to trade receivables.

### Hazard and environmental risks

Hazard risks include damages caused to property because of fire, floods, emissions or chemical spill. If realized, these have an impact first and foremost on the surrounding environment, but also in the company's own business and losses due to related business interruptions, either in the company's own operations or in its supply chain. The realization of environmental hazard risks could potentially lead to sanctions, reputational loss or influence its operational permits. The primary aim is to actively prevent any such accidents through continuous or case-specific contingency plans. A pandemic, such as the Covid-19 pandemic, or other global catastrophe may also impact the company's business negatively. The health and safety of our employees, customers and business partners is a priority for Exel Composites.

The company's environmental program is based on the identified risks, legislative requirements and certifications such as the ISO 9001, ISO 45001, ISO 14001 and ISO 26000. Environmental monitoring and measuring are carried out at all sites. If realized, despite all pre-emptive measures, damages from hazard risks are mainly covered by insurance policies. This type of risks is also regularly audited by third parties that provide recommendations for improvement to reduce risk probability.

Climate change impacts Exel Composites' business in various levels. Sustainability and climate-related physical and transition risks are increasingly incorporated into the company's regular risk management and strategy. Exel actively aims to reduce the negative impact of its own operations on climate and environment. The composites we produce also help reduce the environmental impact of the end-product.

## Climate-related risks and opportunities

### RISKS

#### Policy and legal

- Regulation, which radically reduces consumption in general
- Regulation changes impacting composite production specifically, e.g. regarding chemicals or their risk classification
- Regulation hampering adaptation to composites or delays in the implementation of favorable standards
- Regulatory differences in Europe, America, and Asia

#### Technological

- Favoring other materials and not considering the climate-impact on the full lifecycle of the end-product
- Potential new, climate friendlier production technologies e.g., solvent-free technologies

#### Market and reputation

- Reputational risk due to the challenging recycling of pultruded composites
- Reputational risk due to misunderstanding composites as merely “plastics”

#### Physical risks

- Extreme weather conditions that cause interruptions in production or in the supply chain

Climate-related risks and opportunities both could potentially have a significant financial impact on Exel Composites' business and financial planning in terms of revenue gain or loss, unexpected expenditures, or investment requirements. Climate-related risks could also impact the valuation of Exel's assets or ability to obtain financing. Strategically, climate-related risks and opportunities may potentially impact the company's decisions regarding its geographical footprint, expanding into or focusing on certain product applications or customer industries as well as expanding into or focusing on certain production technologies.

### OPPORTUNITIES

#### Products and services

- Composites are non-toxic, durable, and maintenance-free products, and therefore climate friendly. A composite product does not leak or emit anything into the air or the ground
- Regulations mitigating climate change increase demand for composites
- Climate friendly product design and use in customer acquisition
- Leveraging and expanding collaboration with research centers and universities

#### Resource efficiency

- Increasing energy efficiency
- Innovation in recycling and reuse of composites
- Increasing the use of bio-based raw materials
- Climate-friendly developments in production technology, e.g., closed bath impregnation of fibers

#### Markets

- Increasing demand of products that mitigate climate change
- Building awareness about the benefits of composites and production technologies used by Exel
- Expanding into new applications and industries where possibilities of composites are yet to be unveiled

## Internal audit

Based on the effective operation of the group financial control, including the established controller function, the Company does not have a separate internal audit function. The Board of Directors or the President and CEO can assign Exel Composites' controller function or an external service provider to perform internal audit assignments as needed.



## Significant related-party transactions

Exel Composites' related parties include the controlling parent company, all companies belonging to Exel Composites Group as well as Exel Composites' Board of Directors, President and CEO, Group Management Team and executives of the parent company and subsidiaries. The company evaluates and monitors transactions concluded between the company and its related parties to ensure that any conflicts of interest are appropriately taken into account in the decision-making process.

In 2022, no significant related-party transactions were conducted between the Group and its related parties.

## Insider management

Exel Composites' Board of Directors has adopted and regularly reviews the "Policy on inside information and managers' transactions", which complies with the Market Abuse Regulation as well as the insider guidelines of Nasdaq Helsinki. In addition to information concerning the disclosure of managers' transactions, the policy contains regulations and instructions related to insider information, insider lists, and insider administration.

Exel Composites maintains project-specific insider lists, which include all persons who in their duties have access to the inside information in question. All project-specific insiders are strictly forbidden to trade in Exel Composites financial instruments or to make any unlawful disclosure of inside information. The company does not have any permanent insiders and therefore does not maintain any permanent insider lists.

The Chief Financial Officer of the company acts as the Insider Officer, who together with the financial department of the company monitor insider compliance.