

CORPORATE GOVERNANCE STATEMENT 2023

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.

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.

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 Exel Leadership 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 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 Exel Leadership 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. 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 2023 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 2023

On 10 May 2023, the AGM appointed Jouni Heinonen, Petri Helsky, Helena Nordman-Knutson, Jouko Peussa and Kirsi Sormunen to continue on the Board of Directors. The AGM elected Jouni Heinonen as Chairman of the Board of Directors.

- **Jouni Heinonen** (born 1960) holds a M.Sc. in Mechanical Engineering and is Managing Partner at HVD Partners in Switzerland. Jouni Heinonen is independent of the Company and its major shareholders. At the end of 2023, his holdings were 8,804 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 2023, his holdings were 12,278 Exel Composites shares.
- **Helena Nordman-Knutson** (born 1964) holds a M.Sc. in Political Sciences as well as an M.Sc. 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 2023, her holdings were 11,136 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 2023, his holdings were 12,278 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 2023, her holdings were 6,535 Exel Composites shares.

The term of the current Board members expires at the end of the AGM 2024.

Reima Kerttula was Chairman of Exel Composites' Board of Directors since March 2016 (and member since April 2009) until his resignation on 10 May 2023. He was independent of the Company and its major shareholders.

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

Operations of the Board of Directors in 2023

The Board of Directors convened sixteen times in 2023 and the average attendance rate at these meetings was 100% as all directors participated in all meetings.

Attendance of Board members at Board meetings in 2023

Name and position	Board meetings
Jouni Heinonen Chairman (since 10 May 2023, member since 25 March 2022)	100% (16 / 16)
Petri Helsky Member (as of 17 March 2016)	100% (16 / 16)
Helena Nordman-Knutson Member (as of 4 April 2017)	100% (16 / 16)
Jouko Peussa Member (as of 17 March 2016)	100% (16 / 16)
Kirsi Sormunen Member (as of 20 March 2020)	100% (16 / 16)
Reima Kerttula Chairman (until 10 May 2023)	100% (5 / 5)

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.

In accordance to the Charter of the Shareholders' Nomination Board, in 2023 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 2023. 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 2023. 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 2023, the Shareholders' Nomination Board comprised of Kalle Saariaho (OP Fund Management Company) as Chairman, Markus Lindqvist (Aktia Mikro Markka), Esko Torsti (Ilmarinen Mutua Pension Insurance Company), Petteri Vaarnanen (Sp-Fund Management Company), and Jouni Heinonen, Chairman of Exel Composites' Board of Directors, acting as an expert member. During its working period 2023-2024, 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. 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 Exel Leadership Team and any other corporate bodies established by the Board of Directors.

Paul Sohlberg (born 1977), LL.M, started as President and CEO on 20 March 2023. At the end of 2023, he held 0 Exel Composites shares.

Jouni Heinonen acted as interim President and CEO from 1 October 2022 to 19 March 2023.

Exel Leadership Team

President and CEO is supported by the Exel Leadership Team. In 2023, in addition to President and CEO as chairman, the Exel Leadership Team included CFO, SVP Operations, SVP, Wind project, SVP R&D and Technology, SVP Sales and Marketing, and SVP People & Culture. The 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 Exel Leadership 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 Exel Leadership Team at the end of 2023 were:

- **Mikko Rummukainen** (born 1978), CFO, 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 2023, he held 3,680 Exel Composites shares.
- **Callum Gough** (born 1960), SVP Operations, responsible for continuous productivity improvement, quality, environment and safety, strategic purchasing, investments and strategic site planning. At the end of 2023, he held 12,455 Exel Composites shares.
- **Kari Loukola** (born 1962), SVP, Wind project, responsible for leading the project to capture attractive opportunities in wind power market. At the end of 2023, he held 8,669 Exel Composites shares.
- **Kim Sjö Dahl** (born 1974), SVP R&D and Technology, 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 2023, he held 12,500 Exel Composites shares.
- **Olli Tevä** (born 1970), SVP Sales and Marketing, responsible for sales and marketing, sales management, leading the sales organization, optimization of sales channels and product management. At the end of 2023, he held 16,590 Exel Composites shares.
- **Johanna Tuomisto** (born 1966), SVP People & Culture, responsible for leading the HR function and creating, establishing, and implementing the HR strategy, processes and procedures globally. At the end of 2023, she held 0 Exel Composites shares.

In January 2024 Exel Composites announced changes to its leadership team. Effective from 23 January 2024 members of the Exel Composites leadership team are:

Paul Sohlberg, President and CEO

Mikko Rummukainen, CFO

Juha Honkanen, Executive Vice President, Engineered Solutions Business Unit

Kathy Wang, Executive Vice President, Industrial Solutions Business Unit

Kim Sjö Dahl, Senior Vice President, Technology and Sustainability

Johanna Tuomisto, Senior Vice President, People and Culture

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 2023.

The fees paid in 2023 to external auditors for auditing Exel Group companies totaled EUR 236 (206) thousand, while the fees paid for tax services totaled EUR 26 (2) thousand and for non-audit services totaled EUR 55 (16) 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 2023. 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	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	Realization of 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
	Low	Medium	High
		IMPACT	

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.

In 2023, Exel Composites' profitability weakened due to lower revenue impacted by general market demand causing indebtedness relative to adjusted EBITDA to rise. Subsequently, the Company has secured agreements with its lenders to adjust its covenants. Based on the assessed cash flow forecasts of the business and given the expected temporary nature of profitability decline, Exel expects to remain within its covenants.

Exel Composites is currently engaged in negotiations with its lenders on extending loans that enable Exel to meet its current liabilities as they fall due for a period of several years from the date of approval of the financial statements for the financial year 2023.

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	OPPORTUNITIES
<p>Policy and legal</p> <ul style="list-style-type: none"> 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 	<p>Products and services</p> <ul style="list-style-type: none"> Composites are non-toxic, durable, and maintenance-free products, and therefore climate friendly. A composite product does not leak or emit 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
<p>Technological</p> <ul style="list-style-type: none"> 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 	<p>Resource efficiency</p> <ul style="list-style-type: none"> 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
<p>Market and reputation</p> <ul style="list-style-type: none"> Reputational risk due to the challenging recycling of pultruded composites Reputational risk due to misunderstanding composites as merely “plastics” 	<p>Markets</p> <ul style="list-style-type: none"> 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
<p>Physical risks</p> <ul style="list-style-type: none"> 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.

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, Exel Leadership 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.

The Group follows the same commercial terms in its transactions with related parties as in transactions with third parties. In 2023, no significant related-party transactions were conducted between the Group and its related parties. Receivables and liabilities from Group companies are presented in notes 52 and 55 of the Parent company's Financial Statements.

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.