



KH Group Plc
Corporate Governance Statement
2023

Introduction

KH Group Plc is a publicly listed limited liability company. Its corporate governance complies with the company's Articles of Association, the Finnish Limited Liability Companies Act and other laws and regulations governing the company. In addition, the company complies with the Corporate Governance Code of Finnish listed companies that entered into force on 1 January 2020. The Corporate Governance Code is available at the Securities Market Association's website at [.www.cgfinland.fi/en](http://www.cgfinland.fi/en).

KH Group's Corporate Governance Statement has been prepared as a publication that is separate from the Board of Directors' report. The statement has been discussed and approved by the company's Board of Directors.

Annual General Meeting

The ultimate decision-making power lies with KH Group's general meeting of shareholders. The Annual General Meeting (AGM) makes decisions on matters addressed to it by the Limited Liability Companies Act and the company's Articles of Association. Key matters resolved by the AGM are adopting the financial statements, discharging the Board of Directors and the CEO from liability, deciding on the distribution of profit, electing the members of the Board of Directors and the auditors and deciding on their respective remuneration.

The company's AGM is held annually by the end of June. An Extraordinary General Meeting may be held for the purpose of dealing with a specific matter when deemed necessary by the Board of Directors or when requested in writing by the auditor or by shareholders representing at least one tenth of the company's shares. The notice of the General Meeting must be delivered to the shareholders no earlier than three (3) months and no later than three (3) weeks prior to the General Meeting, and no later than nine (9) days prior to the record date of the General Meeting. The notice is delivered to the shareholders by publishing it on the company's website or in a newspaper designated by the Board of Directors or by sending it by mail to the addresses recorded in the company's shareholder register.

KH Group's Annual General Meeting was held on 4 May 2023. The Annual General Meeting resolved to amend Article 1 and Article 2 of the company's Articles of Association to take into account the change in strategy announced by the company on 15 December 2022, which will transform the company from a private equity investment company into a conglomerate, and in connection with which the company will change its name and line of business. The name of the company was changed to KH Group Plc and the line of business was changed to industrial activities and related services, as well as the supervision and management of the activities of the company's subsidiaries.

Board of Directors

The task of the Board of Directors is to see to the governance of the company and the appropriate organisation of the company's operations in accordance with the Finnish Limited Liability Companies Act. According to KH Group's Articles of Association, the Board of Directors consists of a minimum of three and a maximum of seven ordinary members.

Nomination Board

The Annual General Meeting of 11 May 2022 resolved to establish a Shareholders' Nomination Board, which is responsible for preparing annually, and as necessary, proposals concerning the composition, election and remuneration of the members of the Board of Directors.

The Nomination Board consists of four members, with the company's three largest shareholders each having the right to nominate one member, and one member being the Chair of the Board of Directors of the company or another member elected by the Board of Directors from among its members. The company's largest shareholders, entitled to nominate members, are determined each year on the basis of the registered holdings in the company's shareholders' register on the last working day of August.

The present Nomination Board of KH Group comprises three representatives of the Company's largest shareholders based on the ownership situation on 31 August 2023 and the Chairman of the Board of Directors of KH Group. The members of the Nomination Board are:

- Simon Hallqvist, Preato Capital AB
- Mikko Laakkonen
- Johanna Takanen
- Juha Karttunen, Chairman of the Board of Directors of KH Group.

In its organizing meeting on 9 October 2023, the Nomination Board elected Simon Hallqvist as its Chairman.

The primary purpose of the Nomination Board is to prepare and present proposals for the Annual General Meeting concerning the composition and remuneration of the Board of Directors. The Nomination Board delivers its proposals for the Annual General Meeting to the Company's Board of Directors by the last day of January preceding the Annual General Meeting at the latest.

Tasks of the Board of Directors

The Board of Directors has approved rules of procedure for itself, which define the Board's key tasks, operating principles and meeting practices as well as an annual self-assessment of the Board's activities.

According to the rules of procedure, the key tasks of the Board of Directors include:

- to confirm the company's business strategy and supervise its implementation;
- to confirm the company's values and policies;
- to confirm annual key business targets and monitor the Group's result development;
- to decide on investment projects and divestments;
- to review and approve financial statements and other financial reports;
- to appoint and dismiss the CEO;
- to decide on the incentive schemes of the management and the personnel;

- to monitor the company's key business risks and their management, be responsible for the company's internal control system and confirm the policies and guidance related to them;
- to take care of the compulsory duties of the Audit Committee; and
- to prepare proposals to target company shareholders concerning the election of the members of the Board of Directors in target companies.

The Board's tasks related to financial reporting, internal control and risk management include, for instance:

- to monitor the company's financing and financial position and the financial statements reporting process;
- to supervise the financial reporting process;
- to monitor and supervise significant strategic and operational risks and the actions of the company's management to monitor, manage and report the risks;
- to monitor the transactions of the company's management and their related parties and any possible conflicts of interest related to them;
- to review the Corporate Governance Statement; and
- to prepare a proposal to the Annual General Meeting for the decision concerning the election of an auditor and to evaluate the auditor's independence.

The Board of Directors is also responsible for the following tasks, which fall under the Remuneration Committee's responsibility according to the Corporate Governance Code of Finnish listed companies:

- to decide on the remuneration and other benefits of the CEO and other management;
- to formulate and implement the process of finding successors for the CEO and other management; and
- to develop and evaluate the remuneration schemes and ensure their appropriateness.

Composition, independence evaluation and diversity of the Board of Directors

The Annual General Meeting of 4 May 2023 re-elected Juha Karttunen, Kati Kivimäki, Timo Mänty, Taru Narvanmaa and Harri Sivula to the Board of Directors. Based on an assessment of independence conducted by the Board of Directors in accordance with the Finnish Corporate Governance Code, the current Board of Directors considered all members of the Board of Directors to be independent of the company and of the significant shareholders of the company.

The company deems it important that its Board members have diverse backgrounds; however, it should be taken into account that the members have the competencies that are essential for the company's business. The aim is that the Board members have diverse, complementary professional backgrounds, experience and know-how and that the Board consists of representatives of both genders, so that the diversity of the Board supports KH Group's business and future in the best possible way. The objective of Board diversity is to ensure, for instance, a wide scope of views, open discussion and support for and challenging of the company's operational management.

Committees

Board committees have not been established in KH Group. The Board of Directors is responsible for taking care of the compulsory duties of the Audit Committee. According to the view of the Board of Directors, the Board's operating without committees is the most suitable option considering the current needs of the company's business and best supports the fulfilment of the responsibilities of the company's Board according to law and the Corporate Governance Code of Finnish listed companies.

Board meetings

In 2023, the Board of Directors held 13 meetings and made 6 unanimous decisions without holding a meeting. The attendance rate of the Board members at the meetings during the financial period 2023 was 99%. Information about the Board members' meeting attendance is presented in the table below.

Information about Board members and their shareholdings

Name	Personal data	Shareholding on 31 December 2023	Meeting attendance
Juha Karttunen	Chair of the Board of Directors since 11 May 2022 Born: 1964 Education: M.Sc. (Econ.), CEFA Main occupation: CEO, Sisu Partners Oy Independent of the company and its major shareholders	70,000	19/19
Kati Kivimäki	Member of the Board of Directors since 2019 Born: 1973 Education: BBA, MBA Main occupation: board professional Independent of the company and its major shareholders	0	19/19
Timo Mänty	Member of the Board of Directors since 11 May 2022 Born: 1960 Education: M.Sc. (Econ.) Main occupation: board professional Independent of the company and its major shareholders	55,100	19/19
Taru Narvanmaa	Member of the Board of Directors since 2019 Born: 1963 Education: M.Sc. (Econ.) Main occupation: board professional Independent of the company and its major shareholders	10,000	19/19
Harri Sivula	Member of the Board of Directors since 11 May 2022 Born: 1962 Education: M.Sc. (Admin.) Main occupation: board professional Independent of the company and its major shareholders	0	18/19

CEO and other management

CEO

The company's Board of Directors appoints the CEO and decides on the terms of her/his service contract and remuneration. The CEO manages and supervises the company's business operations according to the Finnish Limited Liability Companies Act and the instructions and authorisations issued by the Board of Directors. Lauri Veijalainen has been the CEO of KH Group since 1 August 2023.

From 1 January 2023 to 21 March 2023, the CEO was Jussi Majamaa, and from 22 March 2023 to 31 July 2023, the CEO was Ville Nikulainen.

Other management

The company's other management includes the CFO. The CFO is responsible for the financial reporting process and supports the CEO in the management of the company's business operations. Ville Nikulainen has been CFO of KH Group since 1 September 2023. Tuomas Joensuu served as CFO until 31 August 2023.

Information about the CEO and other management and their shareholdings

Name	Position	Personal data	Shareholding on 31 December 2023 ⁽¹⁾
Lauri Veijalainen	CEO From 1 August 2023	Born: 1968 Education: B.Sc., MBA	0
Ville Nikulainen	CEO 22 March–31 July 2023 CFO From 1 September 2023	Born: 1970 Education: M.Sc. (Econ.)	0
Jussi Majamaa	CEO 1.1. Until 21 March 2023	Born: 1971 Education: M.Sc. (Econ.)	11,000 ⁽²⁾
Tuomas Joensuu	CFO 1.1. Until 31 August 2023	Born: 1992 Education: M.Sc. (Econ.)	24,268

(1) Including shareholding through controlled entities

(2) Shares held through the controlled entity Origo Partners Oy

Risk management, internal control and audit

Risk management

The goal of KH Group's risk management is the comprehensive and proactive management of risks. The company aims to detect and identify factors that may have a negative impact on the achievement of the company's goals in a long or short term and to take necessary measures to manage these factors. In risk management, a key role is played by risk management at the business level, which is primarily organised as part of the business operations. KH Group's management promotes and monitors risk management by the businesses through active Group-level guidance and by participating in the work of the boards of directors of the Group companies.

KH Group is a conglomerate whose medium-term objective is to become an industrial group built around the KH-Koneet Group business. The company's Board of Directors confirms the company's strategy and action plan, which defines goals related to the development of the business areas and future exits, among other things. The Board of Directors makes decisions on business area exits and oversees the implementation of operations. Due to the nature of the company's operations and the change in strategy, a significant proportion of KH Group's material risks are related to the company's business areas, their activities, and exits.

Internal control and audit

Internal control at KH Group is an ongoing process to secure business performance and continuity. The objective of control is to minimise risks by ensuring that reporting is reliable and that laws and regulations are being followed.

Considering the structure and scope of the company's business, setting up a separate internal audit organisation has not been considered appropriate thus far. The company's management is responsible for the internal control system. Internal control is an active part of the company's management and governance.

The basis of financial control is formed by the controls included in operational processes, which enable the fast detection of deviations and fast reactions to them. A material part of the financial control is monthly reporting by management. The metrics followed in the monthly reporting have been set so that they support the company in reaching its targets and highlight issues that require controlling actions. Due to the nature of the business, budgeting in its traditional form is not used in the parent company. The interpretation and application of the accounting standards is centralised to the corporate financial administration.

Insider management

KH Group complies with the insider provisions of the EU Market Abuse Regulation, which entered into force on 3 July 2016, and the insider guidelines of Nasdaq Helsinki. In addition, the company has its own Insider Policy, which complements Nasdaq Helsinki's insider guidelines.

KH Group does not maintain a list of permanent insiders. Project-specific insider lists are maintained for each project constituting inside information, as defined in insider provisions, based on the insider guidelines of Nasdaq Helsinki and the company's own internal guidelines.

KH Group maintains an internal list of its managers and persons closely associated with them (related parties). The list is not public. KH Group has determined the members of the Board of Directors, the CEO and the CFO as managers defined in the Market Abuse Regulation. Each manager and their related parties are obligated to report to KH Group and the Financial Supervisory Authority all transactions made with financial instruments issued by KH Group. KH Group publishes these transactions in a separate stock exchange release. The total shareholding of each manager is annually published as part of the Corporate Governance Statement according to the Corporate Governance Code of Finnish listed companies.

KH Group's above-mentioned managers, personnel and any other persons involved in the preparation, compilation and publication of the company's financial reports may not conduct any transactions related to KH Group's financial instruments within 30 calendar days prior to the publication of the company's financial results.

Principles regarding related party transactions

KH Group evaluates and monitors the transactions with its related parties and maintains a list of its related parties. The company does not customarily enter into transactions with its related parties which would be significant for the company and deviating from the ordinary course of business or would be conducted in deviation from customary market terms. The company did not enter into such transactions in 2023. The Board of Directors decides on possible related party transactions that deviate from the ordinary course of business or customary market terms.

Auditing

According to its Articles of Association, KH Group Plc has one auditing firm as its statutory auditor with an Authorised Public Accountant as the principal auditor. The term of the auditor terminates at the end of the first Annual General Meeting following their election.

The company's current auditor is the firm of APA auditors KPMG Oy Ab, with Esa Kailiala, APA, as the principal auditor.

In 2023, the audit fees paid to the auditor amounted to EUR 88,500 and the fees related to other non-audit services totalled EUR 84,525.

