

# NELES

## Neles Board Charter

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## 1. Purpose

The Board of Directors (“Board”) is responsible for the administration and proper organization of operations of Neles Corporation (“Neles” or “company”). The Board has adopted this Board Charter to govern its work as part of the corporate governance in Neles.

This Charter will supplement the Finnish laws and regulations, Neles’ Articles of Association, the Finnish Corporate Governance Code and the Helsinki Takeover Code. This Charter, as well as the Audit Committee Charter and Remuneration Charter, will assist the shareholders to evaluate the work of the Board.

## 2. Independence of Board members

According to the Finnish Corporate Governance Code (Recommendation 10), the majority of the Board members shall be independent of the company. In addition, at least two of the said independent Board members shall also be independent of significant shareholders of the company.

The Board shall evaluate the independence of the Board members and report which Board members it determines to be independent of the company and which Board members it determines to be independent of significant shareholders. Each Board member has a duty to provide the Board with adequate information that will allow the Board to evaluate the member’s qualifications and independence, and to notify the Board of any changes in such information.

## 3. Duty of care and loyalty of the Board

The Board shall promote the best interests of the company and all its shareholders. The members of the Board shall act in good faith and with due care, exercising their business judgment on informed basis in what they believe to be in the best interest of the company and its shareholder community as a whole. The Board members shall act free from undue influence and interest conflicts when participating in decision making and related preparations and discussions. Acting purely in the direct interests of a particular shareholder or group of shareholders is not allowed. Acting contrary to the duty of care or loyalty may lead to liability for damages towards the company.

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## 4. Prohibition to disclose insider information

The Board shall comply with the Guidelines for Insiders published by NASDAQ Helsinki, as in force from time to time.

Inside information means information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative instruments.

A Board member may not use inside information:

- 1) to acquire or dispose of, on for his/her own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates (insider dealing). The use of inside information by cancelling or amending an order is also prohibited (**trading ban**), or
- 2) to recommend that another person engage in insider dealing, or induce another person to engage in insider dealing (**consultation ban**), or
- 3) unlawfully disclose inside information (**disclosure ban**).

In acquiring and conveying Neles' securities, the companies controlled by a Board member (controlled companies) have to comply with the same insider regulations as the Board member has to comply with.

Abuse of inside information willfully or through gross negligence and unlawful disclosure of inside information is governed by the Finnish Criminal Code and is subject to a punishment. In pettier cases, sanctions in the form of penalty payment or public warning can be imposed by the Finnish Financial Supervisory Authority.

## 5. Obligation of confidentiality

A Board member is obligated to maintain confidential all information considered as the company's business secrets. A Board member shall comply with the provisions of the Finnish Trade Secrets Act pursuant to which a person who obtains a business secret in his/her capacity as a Board of Director may not unlawfully use or disclose it.

In addition, the Board members undertake not to convey unpublicized verbal or written information concerning the company to anyone outside the company, shareholders included. In order to fulfil their obligation of confidentiality, the Board members further undertake not to be in touch with any individual shareholders in matters concerning the company or to discuss with them matters concerning the company, unless otherwise decided by the Board for a specific reason.

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Breach of the obligation of confidentiality is governed both by the Act on Trade Secrets and the Finnish Criminal Code.

When accepting their appointment, the Board members sign a separate Non-Disclosure Agreement.

## 6. Conflict of interest and related party transactions

No Board member shall participate in any discussion, review or decision making of a contract which:

- 1) concerns the Board member and Neles,
- 2) concerns a third party and Neles, if the Board member may derive essential advantage from the contract and the advantage may be in contradiction with the interests of Neles, or
- 3) concerns a related party of the Board member and Neles, if the contract is not part of ordinary business of Neles or it is not made at arm's length.

The meaning of a "contract" above includes legal proceedings and other transactions.

The Board defines the principles for the monitoring and evaluation of related party transactions.

## 7. Board meetings and decision making

The Board meets regularly, eight times on average and no less than 6 six times a year, according to a schedule decided in advance (preferably from Mondays to Thursdays). The meetings will be held in Vantaa or another location decided by the Board or if necessary, by way of virtual meetings.

Additional Board meetings shall be held within three days of the date of request, or earlier if convenient to all Board members. According to the company's articles of association, the Board meetings are convened by the Chair of the Board, or, if he/she is prevented, by the vice Chair.

The CEO shall immediately inform the Chair of the Board of significant events concerning the company. The Chair, consulting the CEO, decides whether the Board should be convened or informed.

The CEO and CFO shall participate in the meetings of the Board unless expressly resolved otherwise by the Board. However, each Board meeting ends with a session without the CEO and CFO. Other members of the Neles management team may be

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invited to present a matter in the meetings. The General Counsel shall act as the secretary of the Board unless otherwise decided by the Board.

The CEO and the secretary to the Board shall prepare the agenda of the Board for approval of the Chair, if not otherwise decided by the Chair or the Board. The CEO is responsible for the preparation of all materials and proposals to the Board.

The agenda for Board meetings with all related materials shall be sent to the Board members at least five days before the meeting unless otherwise decided by the Board. Should there be updates to the meeting materials already delivered, such updated meeting materials shall be delivered 2 days before the meeting. Notwithstanding the foregoing, quarterly financial reports shall be sent at least three days before the meeting.

Minutes of the Board meetings must be kept and signed by the Chair and by at least one member elected by the Board.

Members of the Board shall take reasonable efforts to participate in, and be prepared for, all the Board meetings. Members of the Board are also expected to participate in the shareholders' meetings.

The Board will have a quorum when more than half of members are present and one of these is the Chair or the Vice Chair. Decisions are made on a simple majority basis, and when the votes are even, the Chair has the casting vote. A Board member and the CEO has a right to add his/her dissenting opinion in the minutes of the meeting.

The Board may not undertake any such action or measure that is likely to result in an unjust benefit to a shareholder or any other person at the cost of the company or another shareholder.

## 8. Matters to be handled at Board meetings

### **Organization and personnel**

- Appointment and dismissal of the CEO
- Monitoring and evaluation of the performance of the CEO
- Compensation of the CEO
- Compensation of the executive team (executive team members' individual compensation delegated to the Remuneration Committee)
- Approval of the appointment and dismissal of CFO and Deputy to CEO

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- Structure of and changes to the composition Neles executive team, including approval of the appointment and dismissal of the heads of the reporting business lines and other members of Neles' executive team
- Approval of the main principles and financial targets of incentive systems
- Appointment of Board Committees, including the Chairs
- Supervision of the activities of Board Committees

## **Investments, acquisitions, divestments, and significant sales contracts**

- Approval of annual capex plan
- Approval of major investments, including equity investments in Neles' subsidiaries (over EUR 5 million)
- Approval of acquisitions and equity investments to joint ventures
- Credits relating to joint ventures (Neles' ownership or control < 50%, credit over EUR 1 million)
- Approval of major divestments (enterprise value, including all liabilities such as pension liabilities and environmental liabilities, over EUR 5 million or loss relative to book value worth over EUR 1 million)
- Lease agreements (other than premises) with Net Present Value exceeding EUR 5 million
- Lease agreements for premises with value exceeding EUR 5 million
- Irregular non-business related transaction, non-budgeted business related transaction, and investments if the annual investment budget has been used: exceeding EUR 1 million in value
- Sales contracts that may impact annual sales by more than 10%

## **Economic and financial matters**

- Approval of loans to be taken and giving financial guarantees by Neles Corporation as set out in Neles' Treasury Policy Board
- Ensuring that supervision of the bookkeeping and the financial matters is properly organized
- Ensuring the adequacy and functioning of planning, information and control systems intended for financial reporting and risk management

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- Ensuring the proper preparation of the interim and the yearly financial statements

## **Corporate governance, strategy, annual plans and policies in key management areas**

- Approval of strategy and financial targets
- Approval of annual plan and other major plans
- Approval of Charters of the Board, Audit Committee, and Remuneration Committee and the Internal Audit Charter
- Approval of Diversity Policy of the Board of Directors
- Approval of Neles' code of conduct and corporate policies in key management areas, such as, corporate governance, financial control, treasury, internal control, disclosure policy, risk management, information security, human resources and donations and sponsorships
- Matters submitted by Board members or the CEO

The Board may decide to delegate its decision-making authority on specifically defined matters to the board committee or the CEO, who shall have a reporting obligation to the Board on how such delegated decision-making authority has been exercised by the board committee or the CEO.

The CEO is entitled to decide on all matters if not governed as a decision for the Board in accordance with the Companies Act, the Corporate Governance Code or this Board Charter.

## 9. Duties of the Chair

Duties of the Chair of the Board include chairing the Board's meeting and managing the Board's work so that it can fulfil its duties.

The Chair of the Board shall:

- ensure that the meetings are held according to schedule
- ensure that the Board is convened for the extraordinary meetings, if necessary
- approve the agenda prepared by the CEO

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- ensure that the minutes of meeting and decisions are appropriately documented
- keep in contact with the CEO and monitor the company's business performance, and
- be in charge of evaluating the work done by the Board.

## 10. Board Committees

The Board has two permanent committees, the Audit Committee and the Remuneration Committee. The Board supervises the activities of the committees. The committees shall report regularly on their work to the Board.

The members and the Chairs of the committees are appointed annually from among the members of the Board in accordance with the charter of the respective committee. The Board may establish other committees and working groups for duties assigned by the Board. The Board confirms the charters for the committees. The committees assist the Board by preparing matters that are within the scope of responsibilities of the Board. The committees are not decision-making or executive organs. Instead, the Board is responsible for the tasks it has assigned to the committees, unless otherwise stated in the committees' charters.

## 11. Instructions and orders of the Board

The Board may give instructions and orders concerning the management and the proper arrangement of the operations of the company. Such instructions and orders shall be addressed to the CEO, who shall be responsible for their execution.

If an individual Board member has an information request, observation or a concern, the member shall address such request to the CEO, CFO and the board secretary, with a copy to the Chair of the Board, who shall ensure that the information requested is brought, to the extent necessary, to the knowledge of the entire Board. No Board member is entitled to address his/her request directly to the organization of the company or to an individual member of the company's personnel.

## 12. Corporate communications

No individual Board member has, by the virtue of law, a general right based on his/her position to represent the company, or on his/her own initiative to take any action

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belonging to the Board. Accordingly, the Board members shall refrain from all statements to the media concerning Neles.

The CEO represents the company and maintains contact with the shareholders, investors, media, and other stakeholders, unless otherwise decided by the Board. On the order of the CEO, other representatives of the senior management may also speak on behalf of the company. The Chair of the Board speaks on behalf of the company on issues concerning the ownership structure of the company, major strategic issues or issues relating to the CEO.

## 13. External advisors

If the Board or any of its committees uses an external advisor to assist in managing its tasks, the committee shall ensure that the advisor does not also act as an advisor to the members of the management in a manner that may give rise to a conflict of interest.

## 14. Annual self-assessment

The Board shall conduct an annual self-assessment of its work and performance.