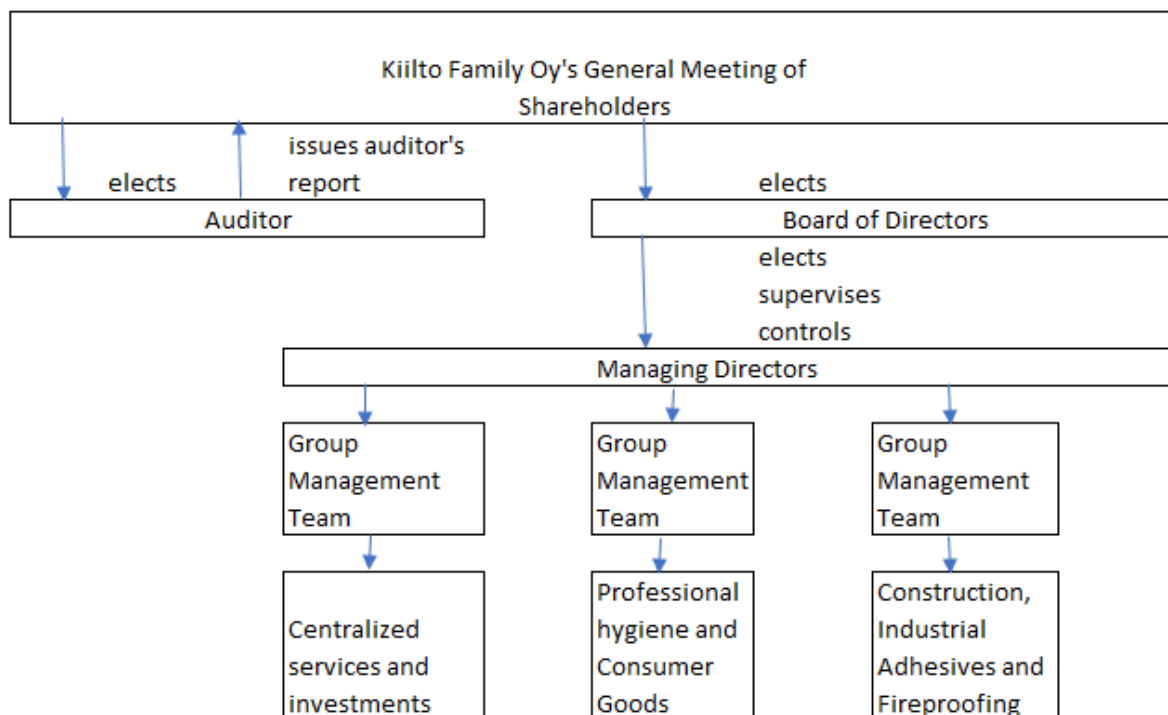




# Corporate Governance Statement

Kiilto uses a one-tier governance model. The highest decision-making power in the company is exercised by the shareholders at the Annual General Meeting (AGM). During the AGM, the shareholders select the Board of Directors (hereinafter the Board) and Auditor and are free to make recommendations on board member count, election, and remuneration. The Auditor, elected by the shareholders, serves as a critical oversight body.



Kiilto's Board oversees the company's administration and organization. The Nomination and Remuneration Committee prepares proposals for the AGM regarding the composition and size of the Board. Successive Boards of the company have consistently concluded that additional committees were unnecessary due to the Board's size and effectiveness in its performance. The entire Board is accountable for decision-making and overseeing the organization's impact on the economy, environment, and society. The Board also appoints Managing Directors for Kiilto Family Oy, Kiilto Oy, KiiltoClean Oy, and Intermedius Oy. The Group Management Teams support the work of Managing Directors.

The Board of Kiilto can have between three to eight members, as decided by the AGM. The AGM chooses the members of the Board, determines their remuneration, and appoints the Chair and Deputy Chair for the entire duration of the Board's term. The Remuneration and Nomination committee members are elected by the AGM. In addition to the Remuneration and Nomination committee, there are no other permanent committees. The Remuneration and Nomination committee consists of the Chair of the Board, the Deputy Chair, and an additional Board Member. If a temporary committee is needed, the Board elects its members.

Kiilto is a family-owned company. The owners have a strong presence both in operational and board-level activities. CEO, Chair of the Board of the company holds 78% of the votes. Possible conflict of interest related to the main owner is mitigated by having the Auditor report to AGM.

The Company has share series A and B, which differ with respect to the number of votes attached to the shares. An A share carries ten (10) votes, and a B share carries one (1) vote at a General Meeting. When votes are taken, the proposal for which more than half of the votes were given will primarily be the resolution of the General Meeting, as prescribed by the Finnish Limited Liability Companies Act. However, pursuant to the Act, certain resolutions – such as resolutions to amend the Company's Articles of Association and resolutions concerning directed share issues – require a qualified majority of two-thirds of the votes cast and shares represented at the meeting. The Limited Liability Companies Act provides that specific shareholders or all shareholders must consent to a resolution limiting the rights arising from shares or increasing the obligations of shareholders.

Employee representation in Kiilto is organized in the Management Teams where one membership is sequentially nominated by different employee groups.

Having a diverse Board at Kiilto fosters a culture of open discussion and enables the company to embrace a wide range of perspectives and ideas. Diversity is promoted by considering factors such as age and gender distribution, educational backgrounds, and differences in work and international experience, all of which offer valuable insights. By appointing individuals with varied skills, backgrounds, and viewpoints, the company is strengthened.

Board composition and shareholdings on 31<sup>st</sup> Dec. 2023. There are no non-executive members.

Name	Year of birth	Education	Principal Occupation	Board member since	Committee member	Kiilto shares hold
Erkki Solja (Chair)	1954	MSc (Econ)	CEO at Kiilto	2008	Nomination and remuneration	2400 A shares, 2400 B shares, indirectly 1230 B Shares (co-owner)
Villa Solja (Deputy Chair)	1986	MSc (Econ)	Chief Business Development Officer at Kiilto	2017	Nomination and remuneration	indirectly 1230 B Shares (co-owner)
Eeva Solja	1982	PhD Marketing	Brand and Communications Director at Kiilto	2008	Nomination and remuneration	indirectly 1230 B Shares (co-owner)
Johanna Kalela	1982	MSc (Econ)	Logistics Manager at Alko	2023		100 A shares, 100 B shares
Suvi Haimi	1981	PhD Medical Biomaterials	CEO at Sulapak	2021		
Hannu Saarijärvi	1981	PhD Marketing	Professor, Tampere University	2015		
Anssi Tammilehto	1982	MSc (Econ)	Vice President, Investor Relations, Neste	2020		

43% of the Board Members were female. The age division was such that 86% of the Members were born in 1980's and one member in 1950's.

The Board Members have different types of competencies relevant to the impacts of the organization. To name few, Eeva Solja is specialized in brand building and management and Ville Solja in business

development including venturing. Suvi Haimi has expertise in sustainable new packaging materials, Anssi Tammilehto in business reporting and development, Hannu Saarijärvi in customer driven business and Johanna Kalela in logistics.

## Independence

Throughout its over 100-year long history, Kiilto has been a family-owned company which has been led by the Board and the owners with success. As a privately owned company, Kiilto is not subject to Corporate Governance Code made for public companies. Due to this background, independence is not a criterion for all Members of the Board. Currently three Members are independent of both the company and its shareholders. The composition of the Board represents the continuation of successful leadership and having non-independent majority on the Board has served best the interests of all shareholders and the company.

The Board Members' independence is presented in the following table:

	Independent of the Company	Independent of a significant shareholder
Erkki Solja (Chair)	No	No
Villa Solja (Deputy Chair)	No	No
Eeva Solja	No	No
Johanna Kalela	Yes	No
Suvi Haimi	Yes	Yes
Hannu Saarijärvi	Yes	Yes
Anssi Tammilehto	Yes	Yes

The independent Members serve for a sufficient length of time to provide impartial perspectives to Board discussion and decision-making. The Nomination Committee reviews director tenure annually and re-nominates Members based on a satisfactory evaluation of their contributions to the Board. This means that there is no predetermined tenure. Based on the Board's overall assessment, the independence of the Board Members has not been at risk due to the long-term membership.

Conflicts of interest are openly disclosed and individuals with conflicting interests are disqualified from decision-making.

## Responsibilities of the Board of Directors

The Board is responsible for developing, approving, and updating the organization's purpose, vision statements, strategies, significant policies, and goals related to sustainability development. This is done in interaction with Group Management Teams.

Kiilto's vision is to produce and sell solutions profitably in 2080 aiming for regional market leadership. The Board established this vision many decades ago and revised it in 2021. This long-term vision encourages Kiilto's employees to act sustainably.

Kiilto's purpose is to create well-being from cleanliness and build a sustainable future. By working closely with our customers, we are well-positioned to make a positive impact, develop innovative solutions, and act towards a more sustainable and healthy future.

**Kiilto's four cultural cornerstones are:**

- You can make a difference
- Customer is King
- Startup spirit since 1919
- Environmental leadership

These cultural cornerstones form the basis for the company culture. The Board approves the cultural cornerstones and oversees how the targets related to each cornerstone are reached. The Board evaluates the need to update the cultural cornerstones each time strategy updates are being prepared. Cultural awareness is measured annually as part of Kiilto's employee survey, and the results are reported to all employees and the Board. 2023 there were cultural workshops conducted in many Kiilto companies in which cultural cornerstone were concretized as behaviors, reinforced the wanted behaviors and gathered understanding about the cultural differences between Kiilto countries.

Kiilto's Board oversees the company's corporate governance and operations and ensures the proper control of its accounts and finances. The Board has confirmed a written charter outlining the Board's duties, annual calendar with themes on operation principles, meeting practices, and decision-making procedures.

The Board requires that the operative management identifies and manages their organizations' impacts on the economy, environment, and people. The outcomes are considered regularly according to the annual calendar. Additionally, a risk assessment is scheduled in the annual calendar. In addition to this, the operative management is responsible for maintaining the processes and developing those, for example, based on quality standards.

In accordance with the charter, the Board reviews and makes decisions on matters that are financially, operationally, or otherwise significant to the Group. The Board's duties, as outlined in the charter, include:

## Strategic and financial matters

- deciding on the Group strategy and confirming the subsidiaries' strategies
- confirming the Group's budget, including a capital expenditure plan
- reviewing the Group's most significant risks and uncertainties
- deciding on strategically or financially significant investments, acquisitions, divestments or arrangements, and commitments
- approving Group essential policies, such as the exchange risk and investment policy, risk management policy, cultural cornerstones, and code of conduct

## Organization and personnel matters

- appointing and discharging the Managing Directors of the direct subsidiaries, approving their Managing Director's service contract, and deciding on their remuneration and other financial benefits
- deciding on the essential structure and organization of the Group

- ensuring the proper operation and supervision of the management system
- deciding on the bonus schemes and monitoring the results of the schemes

## Reporting matters

- reviewing the Group's monthly financial statements and the Report by the Managing Directors
- reviewing and accepting Kiilto's Annual Report

## Other duties

- submitting Board proposals to the General Meeting on matters such as dividend distribution and Auditor
- being responsible for the other statutory duties prescribed to the Board of Directors by the Limited Liability Companies Act or other regulation.

Kiilto's Board has a duty to promote the best interests of Kiilto and all its shareholders. The Board Members do not represent the interests of the parties that proposed their election. A Board Member is disqualified from participating in the handling of any matter between that person and the company. When a vote is taken the Board's decision will be the opinion of the majority and if a vote results in a tie, the decision will be the opinion supported by the Board Chair. In practice, the Board aims to reach a shared view by diligently reviewing different viewpoints.

Having an open and ongoing dialogue with stakeholders is essential for successfully and proactively identifying concerns, global trends, and market expectations. At Kiilto, we engage with our stakeholders through both structured and ad hoc interactions, including regular surveys on topics such as customer and employee satisfaction. We also value the feedback received through grievance channels. In addition, we actively engage in discussions with financial institutions to increase their understanding of Kiilto's business plans, risk position, and future financing needs. At the same time, we seek to understand the compliance and sustainability requirements of financing.

## Board of Directors operations in 2023

In 2023, the Board held seven meetings to discuss and decide on the strategic choices, to prepare for the new strategy period, familiarize more deeply with Scandinavian businesses, monitor the Group's financial situation and progress of strategy, approve significant capital expenditures, and monitor the progress of key projects. The Board paid particular attention to:

- progress of strategy especially in Sweden
- downward business cycle in construction industry and its impacts on Kiilto
- preparing for new strategy period and following up on current strategy implementation
- cultural cornerstones
- preparing for new regulations related to sustainability (for example CO2, packaging materials)
- preparing for new ERP
- developing Kiilto Ventures to new scale
- SUPER healthy buildings -program.

## Planning the composition of the Board

The composition of Kiilto's Board shall support the company's current and future business operations. The Board Members are appointed on their merits and on ownership strategy, with a focus on educational backgrounds, experience, professional competences, as well as gender distribution to align with Kiilto's business objectives. The Board shall have members with diverse educational backgrounds and strong business experience, and a deep understanding of customer-focused, performance-driven, and environmentally sustainable business practices and culture. Owners have a strong presence on the Board.

## Mitigating conflicts of interests

The Board Members of Kiilto Family Oy, a total of seven individuals, and their potential conflicting interests are evaluated before their nomination. Some of the Board Members have distinct roles in relation to the company: four of the board members are owners and of those three are employees. Conflicts of interest are openly disclosed and individuals with conflicting interests are disqualified from decision-making.

The Board has approved a Code of Conduct which addresses conflict of interest issues. Each Kiiltonian is required to complete an e-learning course that includes a section on conflicts of interest.

Board Members, Managing Directors, Country Directors, Management Team Members and Heads of Purchasing must annually disclose any conflicts of interest or confirm if none of those exist. Potential recruits must disclose potential conflicts of interest before a hiring decision is made. All directors are required to deal at arm's length with the Company and its subsidiaries and to disclose circumstances that might be perceived as a conflict of interest. Cross-board memberships or cross-shareholding with suppliers do not exist.

Kiilto Family Oy is a family-owned company whose shares are not for sale. 78% of the votes are owned by a majority owner so the nature of Kiilto's shareholding is not vulnerable to hostile shareholders.

Employees are encouraged to disclose possible conflicts of interest and they are encouraged to have discussions related to conflicts of interest. Disclosing conflicts of interest prior to transactions and disqualifying oneself in an interest conflict situation is required. Managing and Country Directors are contractually obliged not to, without prior written agreement from the company's Board, engage in other extraneous business activity. The transactions with related parties always follow the principle "one over." There have been no material transactions with related parties.

Transactions with related parties shall always promote the purpose of the company and be concluded on arm's length terms and in the interest of the company. Internal and Auditor's controls have been designed to ensure that related party transactions are duly monitored and identified. Related party transactions, which are part of the ordinary course of business and undertaken on arm's length terms, are approved in accordance with the company's internal guidelines related to, for example, pricing.

## Communication of critical concerns

Critical concerns are communicated to the Board by directors. Managing Directors and key directors report on current significant issues by attending Board meetings.

Different types of critical concerns were communicated to the Board related to potential and actual negative impacts on stakeholders. In 2023, such concerns related to for example lay-offs, and equal pay.

At Kiilto, we put emphasis on our culture of integrity where employees feel comfortable to voice any concerns they may have. Kiiltonians can trust that we will take appropriate action when concerns are raised. We aim to enhance this “Speak up” culture through regular training and effective leadership. It is crucial to note that Kiilto strongly opposes any retaliation against individuals who report suspected misconduct or participate in an investigation in good faith. Our commitment to integrity is reflected in our employee survey, which covers topics related to this culture of integrity. We conducted a Code of Conduct e-learning in 2023, which aimed to communicate examples of misconduct cases and how they are handled in the company to our employees.

Employees are encouraged to report suspected cases of misconduct or unethical behavior. All potential non-compliance cases involving a Kiiltonian or a contracted third party are widely investigated by a dedicated and independent internal organization. The composition of such an organization is defined case by case, and the organization usually involves a member from the Management Team, HR, and legal team. The organization may involve other members, internal or external, if needed. Significant cases are reported to the Chair of the Board and Managing Director of Kiilto Family Oy and the company in question. Proven cases of non-compliance may lead to disciplinary or legal action.

Reporting is done via any of Kiilto’s grievance channels: by personal contact, e-mail, letter, personnel survey, eNPS queries, phone, or anonymously via the WhistleBlowing online service. 2023 there were few (suspected) misconduct cases related to inappropriate behavior, breach of labor laws, violation of CLP regulation, and corruption.

Potential non-compliance cases reported	4
Investigations of potential non-compliance cases closed 2023	3
Of which, identified proven cases leading to disciplinary action, legal action and/or process improvement	2
No. of cases resulting in termination of business relationships	0
No. of proven cases related to discrimination, harassment and/or bullying	1
No. of proven cases related to fraud and/or corruption	

## Compliance with laws and regulations

During the reporting period, there were no significant instances of non-compliance with laws and regulations, except for one incident regarding non-compliant packaging material. No non-monetary sanctions were incurred, and there were no fines or non-compliance that occurred in previous reporting periods. Significant instances of non-compliance are determined as follows: if the instance risks the continuance of operations, leads to a court case, or causes financial damage exceeding 25.000€.