

Creating value for our stakeholders

Hexagon Composites ASA (“Hexagon” or the “Company”) follows the Norwegian Code of Practice for Corporate Governance. We aim to secure a clear division of roles and responsibilities between shareholders, the Board of Directors and executive management to ensure good corporate management. We believe that this contributes to the greatest possible value creation for all interest groups and strengthens the trust in the company among shareholders, in the capital markets and with other key stakeholders.

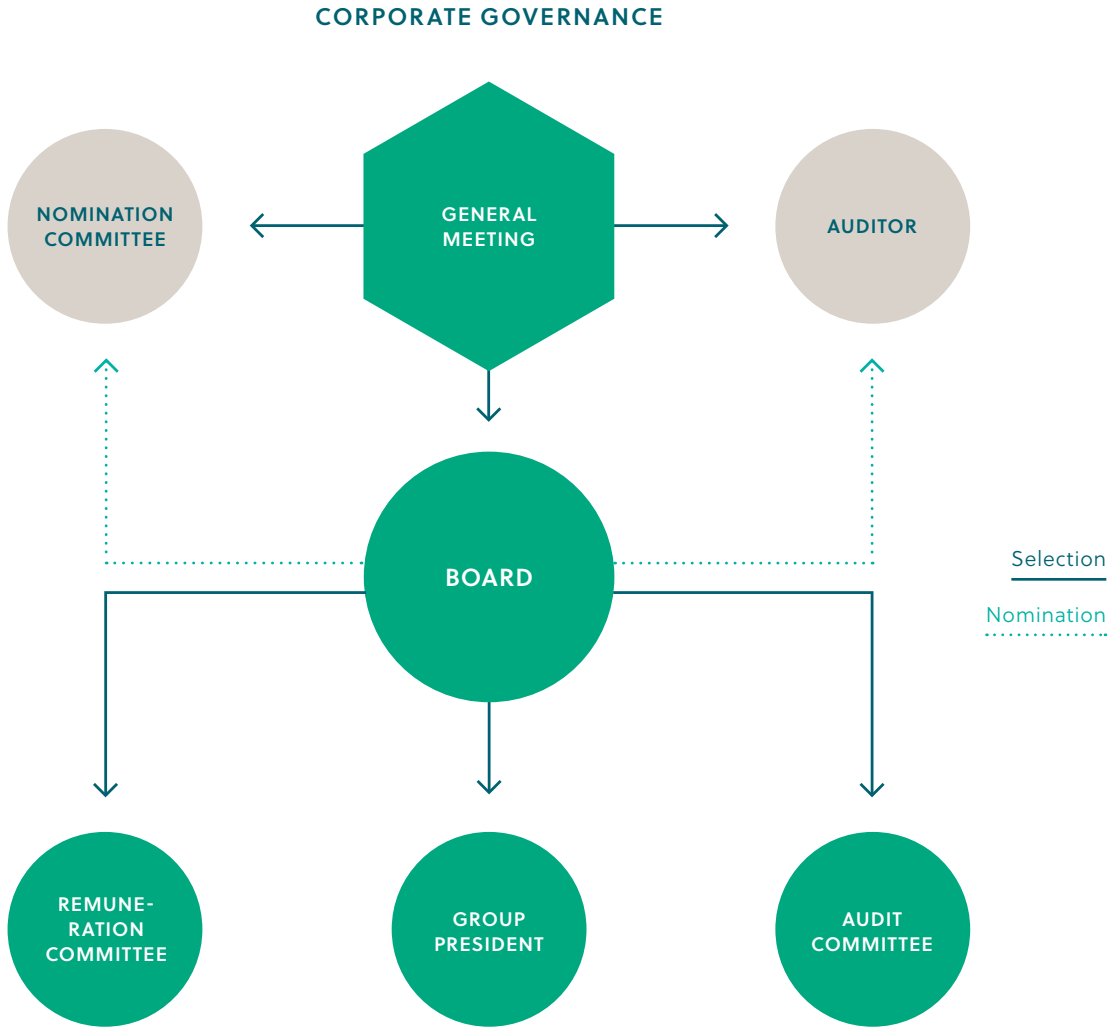
1. Implementation and reporting of Corporate Governance

Hexagon Composites ASA’s principles for corporate governance were last revised at the Board meeting of 16 February 2022.

The Company shall comply with the Code of Practice established by the Norwegian Corporate Governance Board (NUES). The latest version of the Code of Practice is available at www.nues.no. We continue to update our principles for corporate governance in accordance with the Code of Practice of 14 October 2021. Unless otherwise

indicated in the text below, there are no deviations to the Norwegian Code of Practice for Corporate Governance.

Hexagon requires that all work and activities are performed in accordance with high ethical standards and that all employees and business partners refrain from corrupt practices. We operate within a framework of common values, including formal ethical requirements governing our business practices as approved by the Board. The Board believes that the organization is



characterized by strong ethical standards and a high level of integrity.

2. Business

Hexagon develops and commercializes competitive, innovative products and solutions based on advanced composite technology. Our goal is to remain the international leader in selected niches.

The scope and objectives of our business are defined in the company's articles of association §3: "The objectives of the company are in the development, production, marketing and sale of goods and services related to composites or other areas, and activities that are related thereto, and participation in companies within similar business areas." A more comprehensive discussion and analysis of our business activity and operating results are included in the annual report.

The Board has defined clear objectives, strategies and risk profiles for the Company's business activities such that the company creates value for shareholders in a sustainable manner. When carrying out this work, the board of directors takes into account financial, social and environmental considerations. These objectives, strategies and risk profiles will be subject to annual review by the Board.

Sustainability, including social responsibility, is an integral part of Hexagon's corporate governance process. Formal guidelines for corporate sustainability have been approved by the Board and integrated into the Group's management systems. In the opinion of the Board, good results have been achieved in integrating sustainability considerations into the company's business strategies.

3. Equity and dividends

Hexagon's capital structure is considered to be at a level appropriate to the Group's objectives, strategies and risk profile. Our main objective is to focus on high-growth areas, and we intend to make the necessary investments to develop our business in these markets. At 31 December 2021, the company's equity was NOK 3 484 million, equivalent to 53 per cent of total assets.

Authorization to the Board for capital transactions is normally restricted to defined objectives and time limitations that do not exceed the next ordinary general meeting. This applies to the issuance of new shares as well as the purchase of own shares. The Board is currently and until the General Meeting of 2022, but no later than 30 June 2022, authorized to approve the purchase of own shares in one or more tranches up to or 10 per cent of current issued share capital.

Authorizations for increases in share capital relating to multiple purposes are considered separately. The Board is currently and until the General Meeting of 2022, but no later than 30 June 2022, authorized to increase the share capital by up to NOK 2 016 195 in one or more issuances. The authorization may be used for one or more of the following purposes:

1. Incentive arrangements for the Company's employees, and/or
2. For general corporate purposes, including investments, merger and acquisitions.

Our main objective is to provide competitive returns to shareholders primarily through increasing the intrinsic value of our business. Dividend payments are dependent on financial performance and investment requirements. For the year 2020 Hexagon Composites did not propose a further dividend after the dividend in kind proposed and executed as a part of the spin-off of Hexagon Purus AS in December 2020. The Board does not propose a further dividend for 2021.

4. Equal treatment of shareholders

Hexagon has one class of shares with equal rights, and our policy is to comply with the equal treatment principles of applicable law in capital transactions. In the event where circumstances require deviation from the main rule of equal treatment of shareholders, subsequent measures

Good corporate governance will contribute to the greatest possible value creation over time for all interest groups.

will be implemented to reduce the impact of such deviation, unless the impact is justifiable. Reasons for any deviation from equal treatment of all shareholders in capital transactions will be included in the stock exchange announcement made in connection with the transaction.

The Company normally conducts transactions in its own shares through the stock exchange or at equivalent market rates. If there is limited liquidity in the Company's shares, the Company may consider other ways to ensure equal treatment of all shareholders. Any transactions in own shares will be carried out in compliance with applicable law, including rules governing disclosure, insider trading, market manipulation and requirements for equal treatment of shareholders.

5. Shares and negotiability

All shares in Hexagon are freely negotiable shares with full voting rights. No form of transfer or voting restrictions have been stipulated in the articles of association.

6. General meetings

We have well established procedures for publicly announcing and issuing information regarding the general meeting, and our website is an important source of information. Notice of the general meeting and supporting documents, including the recommendations from the

nomination committee, are published on our website 21 days in advance of the meeting date.

The Board will ensure that the company's shareholders can participate in the general meeting, that the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting, and that any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible. Normally, shareholders will be able to vote on each individual matter, including on individual candidates nominated for election. Shareholders who cannot attend the meeting in person will be given the opportunity to vote. The company will design the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders.

Deviations from the Norwegian Code of Practice for Corporate Governance:

In connection with the ordinary general meeting for 2021, only Knut Flakk was in attendance from the Board and nomination committee. The general meeting was chaired by Knut Flakk. The company's practice reflects its fundamental view that the general meeting should be chaired by

a person with deep knowledge of the matters presented for consideration at the meeting.

7. Nomination committee

The company has a nomination committee to propose candidates for election to the Board. The committee is currently comprised of three members, one of which is a Board member. The composition of the committee is intended to reflect the interests of all shareholders, and the majority of the members are independent of the Board and other executive management. Members are elected at the annual general meeting. In 2021 the nomination committee was comprised of Walter Hafslo Qvam (Chair), Leif Arne Langøy and Knut Flakk.

The nomination committee's requirements are stipulated in the articles of association. The nomination committee's main responsibility is to evaluate the work and expertise profile of the Board of Directors and to propose suitable candidates. The nomination committee also proposes the fees to be paid to members of the Board. Proposals for candidates, including the reasons for selection and other relevant information are distributed with other documentation related to the annual general meeting.

Deviations from the Norwegian Code of Practice for Corporate Governance:

The Chair of the Board is represented on the nomination committee and has also been a member of the nomination committee since it was established. The company finds it purposeful to have representation from one of the substantial shareholders on the nomination committee, and such a person does also have representation on the board.

8. Board of Directors: composition and independence

The Board is composed of individuals with sufficient competence and expertise, capacity and diversity to enable independent evaluations of the Group's operations in the common interests of all shareholders and to ensure its effectiveness as a governing body. The composition of the Board ensures that it can operate independently of any special interests. The majority of the shareholder elected Board members are independent of the company's executive personnel material business contacts and the company's major shareholders. Three of the shareholder-elected Board members are independent of the company's major shareholders. The Board does not include members of the Company's executive management. The general meeting elects the chair of the Board. The term of office

for members of the Board is no longer than two years at a time.

The annual report provides information to illustrate the expertise of the members of the board of directors, and information on their record of attendance at board meetings, as well as identify which members are considered to be independent.

Members of the Board are encouraged to own shares in the company.

9. The work of the Board of Directors

The Board of Directors works with the Chief Executive Officer and external auditors to ensure that the Group is managed in accordance with its corporate objectives, values and ethical guidelines. The Board has an annual plan with particular emphasis on objectives, strategy and implementation and submits an evaluation of its work to the nomination committee each year.

Clear guidelines require board members and executive management to notify the Board of any significant direct or indirect interest in transactions executed by the company. These guidelines are incorporated into the Board’s instructions and instructions for the Chief Executive Officer. These instructions state how agreements with related parties are handled, including whether

an independent valuation must be obtained. The board of directors will present any such agreements in their annual directors’ report. The Board ensures that members of the Board and executive management make the company aware of any material interests that they may have in items to be considered by the Board. In the event that the Board Chair has been actively engaged in such interests, the Chair will recuse himself and the Deputy Chair will assume responsibility for the matter in question.

The Company’s audit committee is governed by the Norwegian Public Limited Liability Companies Act and separate instruction adopted by the Board of Directors. The Board’s audit committee comprised of members that are independent of the Company’s executive personnel material business contacts and the major shareholders. The audit committee comprised of Board member, Kristine Landmark and Deputy Chair, Liv Astri Hovem in 2021.

The remuneration committee is governed by a separate instruction adopted by the Board of directors. The committee is independent of the Company’s executive management and comprised of Kristine Landmark, Katsunori Mori and Hans Peter Havdal, Chair.

10. Risk management and internal controls

Hexagon works systematically to identify and manage the specific risks facing its business. Risk management is executed by Group management and management in subsidiary companies. The corporate finance department is responsible for ensuring that the Group has an adequate system of internal controls, including controls over financial reporting. The department reports to the CEO and has overall responsibility for ensuring compliance with the Group’s accounting principles and financial controls. We believe that our overall strategy, management principles and organizational structure provide a good control environment. The Group’s ethical guidelines include considerations related to the company’s stakeholders in value creation and contribute to a culture and values that support this environment.

The Board ensures that the Group has good internal controls and appropriate systems for risk management in relation to the scope and type of our business operation. This includes ensuring that the Group’s risk management and internal controls are adequate and systematic and that processes are established in accordance with laws and regulations, articles of association, instructions and external and internal guidelines. The Board regularly and systematically assesses strategies and guidelines for risk management. The Board’s audit committee reviews the overall

risk management policy and procedures and the Group’s internal control routines. The committee functions as a preparatory and advisory committee for the Group’s Board and provides support for exercising its responsibilities relating to risk management, financial reporting, financial information and auditing.

Please see Risk Management section of the Board of Directors’ report for further information on the Group’s main risks.

11. Remuneration of the Board

The remuneration of the Board of Directors shall be decided by the Company’s general meeting and should reflect the Board’s responsibility, expertise, time commitment and the complexity of the company’s activities. The nomination committee has proposed that the fees for the Board of Directors and Board committees are increased by 3.5 per cent for the financial year 2021.

Position	Fees 2021 (NOK)	Fees 2020 (NOK)
Chair	621 000	600 000
Deputy Chair	362 250	350 000
Other Board Members	310 500	300 000

Leaders of the Board committees are paid additional fees per positions of NOK 62 100

(60 000). Members of the Board committees are paid additional fees per positions of NOK 41 400 (40 000). Fees are fixed and are not linked to the company's performance. Board members are not eligible for share option programs.

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full Board. The remuneration for such additional duties should be approved by the Board of Directors.

Business transactions between companies owned by the two primary shareholders, Knut Flakk and Mitsui & Co., and Hexagon are described in [note 28](#) to the consolidated financial statements – transactions with related parties.

12. Salary and other remuneration for executive personnel

The Board has established clear and transparent guidelines on salary and other remuneration of the executive management. Hexagon's arrangements in respect of salary and other remuneration are considered to ensure that the executive management and shareholders have convergent interests. Executive management

remuneration is based on company and individual performance, and both the method and the amount are intended to promote commercial strategy, long-term interests and financial viability for the company. We believe that this can be achieved through the prudent use of share options and/or other equivalent financial instruments and/or bonus schemes. Both the Executive management's collective short-term and long-term incentive plans are subject to proportionate salary or absolute value "on award" limits respectively. All long-term incentive plans contain variable performance parameters which influence the ultimate value of the award at vesting/completion. The Company shall ensure that both the remuneration policy and the remuneration report, are approved and made available on the Company's website in accordance with statutory legislation. For further details on remuneration of the executive management, refer to the Remuneration report for 2021.

13. Information and communication

The Group follows the Oslo Stock Exchange's recommendations for reporting investor information. The Group's information policy is based on openness and equal treatment of all shareholders and participants in the securities market. Our policy is to provide all shareholders with correct, clear, relevant and prompt information. Efforts are being directed towards

developing disclosures on major value drivers and risk factors. We believe it is important that employees, shareholders and investors have equal opportunities to monitor the company's performance and receive sufficient information to value the company correctly. The Group seeks to communicate information about its products and markets to central target groups, while ensuring that all stakeholders have equal access to information provided by the company.

All stock exchange releases, financial reports and presentations, other public presentations and press releases are made available on the company's website www.hexagongroup.com together with other relevant information. All information distributed to the Company's shareholders will be published on the Company's website at the same time as it is sent to shareholders. Hexagon holds open presentations in connection with its financial reporting, and these presentations are broadcasted live via webcast

14. Take-overs

The Board acknowledges that it should not prevent or obstruct offers for purchase of the company's business operations or shares. Agreements that restrict the possibility of obtaining other offers for the company's shares should only be entered into when clearly justified as being in the joint interests of the company and its

shareholders. Agreements between the company and an offeror that are important to the market's assessment of the offer are made public before or at the same time as notice is given that an offer will be made.

15. Auditor

Each year, the company's external auditor provides an annual written confirmation of his/her independence and objectivity. The auditor attends Board meetings that address the annual accounts and presents to the audit committee the main features of a plan for implementing the auditing work. Annually the auditor presents to the Board an opinion on the company's accounting principles, asset management and internal control procedures. EY are the Group's auditors, appointed by the general meeting of shareholders. The auditors have no engagements with the company that could impair their independence, and the Board, through the Audit Committee, has established guidelines in respect of the use of the auditor for services other than the audit.

See [note 28](#) to the consolidated financial statements for information about remuneration to the auditor, including statutory audit and other services.