

**EXEL COMPOSITES PLC'S
CORPORATE GOVERNANCE STATEMENT**



Corporate Governance Statement

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, published by Securities Market Association. This Corporate Governance Statement has been prepared in accordance with the Recommendation 51 of the Finnish Corporate Governance Code Recommendation 51. The code is 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 Group's website at www.exelcomposites.com.

The Board of Directors

According to the Articles of Association, the Board comprises at least three and no more than eight full members, elected by the Annual General Meeting for one year at a time. The Board shall elect a Chairman from its midst and a Vice Chairman if necessary.

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 election of the Board in 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 draws up interim reports, the financial statements and the report on operations, appoints the President and CEO and the Deputy Managing Director and decides on the President and CEO's salary.

The Board monitors the Company's financial position with the help of information provided by the Management Group. Sufficient information including the agenda for the Board meetings with all relevant information on the Company's structure, operations and markets is distributed at least 7 days before the meeting.

The Board of Directors holds at least seven ordinary meetings per year:

- one meeting to be held for approving the annual accounts;
- a formative meeting to be held after the annual general meeting;
- three meetings to be held for approving the interim accounts;
- one meeting to be held to discuss and approve the strategy and the budget process; and
- one meeting to be held for discussing and approving the budget for the next financial year.

The Board of Directors is evaluated within the framework of the Nomination Committee's work. In addition, the Board performs an annual self-evaluation of its organization, working methods and fulfillment of its duties.

The Board evaluates the independence of each member of the Board at the first meeting following the AGM.

According to the Corporate Governance Code Recommendation 27, the Board shall establish an audit committee if the extent of the Company's business requires that a group with a more compact composition than the board deals with the preparation of matters pertaining to financial reporting and control.

In consideration of the Board of Directors' small size, the Company has decided not to have any permanent Board committees. In compliance with the Corporate Governance Code Recommendation 27, the Board of Directors carries out the duties of the audit committee. These duties include, amongst others, review and supervision of financial reporting process, monitoring the efficiency of the company's internal control and risk management systems, review of auditor's reports as well as preparation of auditors' election.

According to the Recommendation 28 of the Corporate Governance Code, the Board may establish a nomination committee to improve the efficient preparation of matters pertaining to the nomination and remuneration of directors. However, Exel Composites' shareholders have considered it essential that the Annual General Meeting establishes a Shareholders' Nomination Committee for the preparation of a proposal for election of Board members and fees to be paid to the Board members to be presented to the Annual General Meeting.

In 2009, the Shareholders' Nomination Committee comprised Tomas Billing as chairman (Nordstjernan AB), Mikko Mursula (Ilmarinen Mutual Pension Insurance Company) and Pertti Laine (Veikko Laine Oy) and Peter

Hofvenstam, the Chairman of the Board of Directors, acting as an expert member. The Committee met two times in 2009.

Members of the Board

On 16 April 2009 the Annual General Meeting appointed Peter Hofvenstam, Göran Jönsson, Vesa Kainu and Heikki Mairinoja to continue on the Board of Directors. Reima Kerttula was appointed as new member to the Board. Peter Hofvenstam was re-elected Chairman of the Board. There is no specific order for the appointment of directors.

Peter Hofvenstam was born in 1965. He holds an M.Sc. in Economics. He is Senior Vice President of Nordstjernan AB.

Göran Jönsson was born in 1947. He holds an M.Sc. in Economics. He retired in 2008 from the position of President and CEO of Exel Plc. He is currently actively involved in board work and management consulting.

Vesa Kainu was born in 1947. He holds a B.Sc. in Engineering. He retired in 2007 from the position of Managing Director of Metso Ventures. He is currently actively involved in board work and management consulting.

Reima Kerttula was born in 1955. He holds an M.Sc. in Engineering. He is Managing Director of Tamfelt Corporation.

Heikki Mairinoja was born in 1947. He holds an M.Sc. in Engineering and a B.Sc. in Economics. He retired in 2007 from the position of ECO of Oy G.W. Sohlberg Ab. He is currently actively involved in board work and management consulting.

In 2009, Exel's Board of Directors has evaluated the Board members' independence of the Company in accordance with Recommendation 15 of the Corporate Governance Code. Vesa Kainu, Reima Kerttula and Heikki Mairinoja are independent Board members. Peter Hofvenstam is considered as independent from the Company, but non-independent from a major shareholder, since he is the Senior Vice President of Nordstjernan AB. Göran Jönsson is considered as independent from major shareholders, but as non-independent from the Company as former President and CEO of the Company. The Board was considered to comply with the Corporate Governance independency rules.

The term of the current Board members will expire at the end of the AGM 2010.

Further information on the Board (biographical details, holdings and compensation) is presented separately under the heading "Board of Directors" on page 33 in the Annual Report 2009 and on the Company website at www.exelcomposites.com.

Work of Board of Directors in 2009

The Board of Directors convened 10 times in 2009 and the average attendance rate at these meetings was 98 per cent.

Besides the regular annual Board work during the financial year 2009, the key priorities in 2009 included measures to protect the financial fundamentals and to reinforce the financial position, to reinforce the focus on the core composite business, to accelerate the sales force activities and to refine the Group strategy to find ways to capitalize on the down-turn for longer term success.

President and CEO

The President and CEO is appointed by the Board to run the Company on a day-to-day basis in compliance with existing laws and regulations, as well as instructions and decisions given by the Board. Since duties of the Board include supervision of managing director, Exel Composites' President and CEO shall not be elected as Chairman of the Board. 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, acquisitions and 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 Managing Director containing guidelines and instructions regarding the Company's day-to-day management. In fulfilling his duties the Managing Director shall be assisted by the members of the Group Management Team of Exel Composites and any other corporate bodies established by the Board of Directors.

Vesa Korpimies is Exel's President and CEO. He was born in 1962 and holds an M.Sc. in Economics.

The 2009 information on the President and CEO (biographical details and holdings) is presented separately under the heading "Management Group" on page 34 of the Annual Report 2009.

Internal Control and Risk Management Pertaining to the Financial Reporting

Exel Composites' internal control framework and roles and responsibilities for internal control have been defined in Internal Control Policy approved by the Board of Directors.

Exel Composites' system of 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 and communicated throughout the organization. Other internal policies and rules related to the financial reporting process include Treasury Policy, Code of Conduct and Fraud Policy, as well as Authorization and Signature Policies.

Group accounting maintains a common chart of accounts that is applied in all units. The rollout of a common enterprise resource planning system has continued in 2009, which has further supported the harmonization of processes and controls. Subsidiaries submit their figures to group accounting 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 IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2009. 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, audit of the financial statements, and review of internal control procedures as well as communication with Company's auditors. The President and CEO is responsible for the implementation of internal control and risk management processes and ensuring their operational effectiveness. The President and CEO is also responsible for ensuring that the Company accounting practices comply with the law and that financial matters are handled in reliable manner. 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 has established objectives for reliable financial reporting in order to identify financial reporting risks. Within the risk assessment process, Exel Composites identifies and analyses risks to the achievement of financial reporting objectives as a basis for determining how the risks should be managed. The risk assessment process also considers the potential for material misstatement due to fraud.

Control activities are linked to risk assessment and specific actions are taken to address risks to the achievement of financial reporting objectives. The identified risks related to financial reporting are managed through control activities that are set throughout the organization, at all levels and in all functions. Control activities are defined and selected considering their cost and effectiveness in mitigating risks to the achievement of financial reporting

objectives. Exel Composites' common controls include variety of activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, safeguarding of assets 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 and functions in setting up adequate control activities in cooperation with the business controllers. The Group controller function is also responsible for ensuring that that external financial reporting is correct, timely and in compliance with applicable regulations.

Ongoing monitoring activities include the follow up of monthly financial reports in relation to budget and targets, follow-up of business plans, monitoring of new plans and follow-up of internal and external projects. The scope and frequency of separate evaluations depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures such as business unit self-assessments of control effectiveness. 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.

As part of internal control development during 2009, Exel Composites has performed identification and analysis of financial reporting risks to the achievement of financial reporting objectives. Risks, control objectives and common controls were systematically identified and documented in monthly Business Unit level closing process and Group level consolidation processes. During the latter part of 2009, Group controlling started to evaluate control effectiveness in different business units in order to ensure that the defined common controls are implemented.

The focus areas in 2010 will include operative follow-up of the adequacy and effectiveness of control activities of financial reporting process. Exel Composites' management has also identified other core processes where the internal controls development work will be prioritized. In 2010 the management will focus on risk assessments and controls identification pertaining to the sales process. Group wide common controls will be defined, and implemented throughout Exel Composites.