



Corporate Governance Statement 2023

CHAIRMAN'S INTRODUCTION

Dear Shareholders,

In 2023 the Afarak Group SE continued the excellent and strong development as in the previous year and we can present one of the best results in our group's history. An excellent achievement for both our executive management team and staff as well as the whole group. With a strong balance sheet, we can secure growth and take care of new opportunities in the times to come.

The continued excellent performance of our group came despite of the challenging business conditions created by the war in Ukraine and Middle East, the central banks fighting inflation with high interest rates, and other international geopolitical problems and complications causing consequences for trading of ferro-alloys for the steel production. The market became challenging with weaker global prices and lower demand, especially in the last half of 2023, where Russian imported material put serious pressure on the prices before EU sanctioned Russian ferro-alloys in the end of the year. However, our ferro-alloys continued to be profitable and perform well improving the group's profitability and stay cash positive. It is our expectation that the segment will develop further and contribute to our group's profitability.

As a board, we continued to support our management to enable them to implement initiatives to strengthen our operations to follow our long-term strategy.

Afarak's position as a vertically integrated producer of specialty alloys; acting as a miner, producer and marketer of its products enabling our group to adapt better to the changing market circumstances and to extract value at every stage of this process. Our ability to be specialist producers as well as miners, will continue to keep us adaptable and to support our resilience.

As a company we also continue to be committed to safety and sustainability and work to ensure secure working conditions and safety for all our employees across all production units and mining operations. We extract resources safely, responsibly, and cost-effectively to mitigate our environmental impact and support our host communities. We recognize the value of multi-stakeholder engagement and tackle these challenges together with our management, employees, unions, and host communities. Our support in South Africa and Turkey has extended beyond charitable donations towards assisting NGOs and educational services.

Afarak Group is determined to have a strong corporate governance in place. Our aim is to achieve good governance by fulfilling our obligations of a publicly listed company. The Afarak Group continues to operate in a sustainable way, reducing waste and our emissions of CO₂.

The Board continued another year to be smaller than a few years ago, but still has diversity of skills and expertise as is required to be more active and involved, to maintain oversight of the business, support management, improve information flows and maintain a stable environment for strategic thinking and development. I thank all the board members for their continuing commitment and contribution in 2023, as they have continued to have multiple duties and responsibilities and jointly participated in all tasks usually carried by Board committees. We remain fully aware of the trust shareholders place in us as elected Directors and of our responsibilities towards them. In all our work and activities, we strive to apply rigorous governance standards as described in the Governance Review.

I am confident that our leadership team has the resolve and commitment to ensure the growth of the Afarak Group, staying profitable and deliver value for our customers and shareholders, even in the more complex business environment after the pandemic and with a war going on in Europe.

As stated before, I am constantly reminded, in my communication with our employees around the world, that our achievements are only made possible by our skilled, hard-working, and very talented team. I thank them for huge efforts and commitment during another challenging and difficult year and look forward to work with them to deliver growth and profitability in the years ahead.

THORSTEIN ABRAHAMSEN

Chairman

INFORMATION PRESENTED BY REFERENCE

The Group's key financial figures, related party disclosures, information on share capital and option rights are presented in the notes to the consolidated financial statements. The share ownership of the parent company's Board members and Chief Executive Officer is presented in the notes to the parent company's financial statements.

The Corporate Governance Statement and the Remuneration Report are presented as separate reports in this Annual Report.

For the purposes of United Kingdom Listing Authority listing rules ("LR") 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Sector	Topic	Location
1	Interest capitalised	1.8. Notes to the statement of financial position, 10. Property, plant and equipment.
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	1.8. Notes to the statement of financial position, 18. Share-based payments
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	1.8. Notes to the statement of financial position, 1.9.2 Related party transactions
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Agreements with controlling shareholders	Not applicable

All the information cross-referenced above is hereby incorporated by reference into this Board of Directors report.

OUR PEOPLE

THE BOARD OF DIRECTORS

CHAIRMAN

Thorstein Abrahamsen, Chairman and Independent Non-Executive Director
MSc (Electrochemical Engineering)
Born 1948

Thorstein Abrahamsen has been a member of the Board since May 23, 2017. He is an internationally respected stainless steel and ferro-alloy industry professional. He has served as Chief Executive Officer of various manufacturing companies within stainless steel, ferro-alloy, construction equipment and mining industries. He also served as Vice- President Sales & Distribution of a global stainless steel production company. Throughout his career he has served on over 30 boards including chairmanships of ferro-alloy and steel trading & marketing companies around the world. He is currently chairman of a construction industry company and a board member and partner of an investment company. Mr Abrahamsen was appointed Chairman on November 11, 2019.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr Jelena Manojlovic, Independent Non-Executive Director
Ph.D. (Medicine), Clin. D. (Psychology), MA (Psychotherapy)
Born 1950

Jelena Manojlovic has been a member of the Board since July 11, 2008. She has acted as Chairman of the Board during 2009 and 2015 and again during 2017 and 2019. She is an established university lecturer and organizational consultant and has 35 years' experience in the human resources field and 20 years in management positions in a diverse range of organisations, including the UK's National Health Service, universities and other companies.

EXECUTIVE DIRECTOR

Guy Konsbruck, CEO and Executive Director
MA (Hons) Lit ; MBA (SHU Fairfield)
Born 1965

Guy Konsbruck was appointed Chief Executive Officer of Afarak on January 15, 2017. He has previously served as an Executive Vice-President of MFC Industrial since 2014. Before that he served as CEO of FESIL's global sales companies and was also the co-founder of Luxalloys. Mr Konsbruck was appointed to the Board during the Extraordinary General Meeting held on February 5, 2018.

OUR PEOPLE

THE EXECUTIVE MANAGEMENT TEAM

The Group's Executive Management Team ("EMT") assists the Group CEO in effectively accomplishing his duties. The EMT is an advisory body which was set up by the Board of Directors in November 2009. It has neither authority, based on laws or the Articles of Association, nor any independent decision-making rights. Decisions on matters discussed by the EMT are taken by the CEO, the EMT member responsible for the matter in question or the Group's Board of Directors, as appropriate.

Guy Konsbruck, CEO

MA (Hons)Lit; MBA (SHU Fairfield)
Born 1965

Guy Konsbruck was appointed Chief Executive Officer of Afarak on January 15, 2017. He has previously served as an Executive Vice-President of MFC Industrial since 2014. Before that he served as CEO of FESIL's global sales companies and was also the co-founder of Luxalloys.

Mr. Guy Konsbruck, served also as the company Group COO during the period from 1 July 2023 when Dr Roman Lurf was appointed CEO up to 12th October 2023 when he was reappointed as CEO of Afarak Group.

Dr Roman Lurf, CEO during the period 1st July 2023 and resigned on 12 October 2023

The Board of Directors of the Company has on its meeting held 21 June 2023 appointed Dr Roman Lurf as the CEO of the Company effective as of 1 July 2023. Dr Lurf is a mining engineer. He has been the founder and MD of LL-resources GmbH. Before that, he was CEO of AlbChrome and business development manager in Rio Tinto. Dr Roman Lurf has resigned from his position as the CEO of the Company on 12th October 2023. The resignation entered into force with immediate effect.

Kylie Gauci, Chief Financial Officer, Afarak Group

FCCA, CPA, MIA
Born 1990

Kylie joined Afarak Group in August 2014. She has been appointed as Group Finance Manager in 2020 before being appointed CFO in July 2023.

Dr Stefano Bonati, Chief Compliance Officer and Corporate Secretary, Afarak Group

PHD (Chemistry)
Born 1962

Dr Stefano Bonati was appointed as Chief Compliance Officer and Corporate Secretary, as of 1 July 2023. Dr Bonati has a PHD in chemistry and joined the company in 2008. He has filled various managerial positions in Afarak in the last years. Before that Dr Bonati worked with the Italian chrome chemical producer STOPPANI and BASF.

Dr.-Ing. Christoph Kemper, Chief Technical Officer, Afarak Group, and Managing Director, EWW

Dr..Ing. (Metallurgy)
Born 1985

Christoph Kemper is currently the Chief Technical Officer of Afarak Group. He joined EWW in 2015 as Production Manager. He was appointed as Managing Director June 1, 2022 and as Chief Technical Officer in November 2023.

THE CORPORATE MANAGEMENT TEAM

The Company's Corporate Management includes, in addition to the Executive Management Team, the following personnel responsible for corporate functions:

Seyda Caglayan, Managing Director, Afarak TMS

MSc (Mining Engineering)
Born 1958

Seyda Caglayan joined Afarak TMS in December 2007. Prior to joining Afarak, she held a number of senior management and directorate positions in the mining and chrome industry including the Istanbul Mineral Exporters' Association and the International Chromium Development Association (ICDA). Seyda currently serves as Member of the Board of Turkish Miners Association, Member of Chrome Committee of ICDA and Member of the Board of Trustees of the Turkish Mining Development Foundation.

Dr.-Ing. Christoph Kemper, Chief Technical Officer, Afarak Group, and Managing Director, EWW
Dr.Ing. (Metallurgy)
Born 1985

Christoph Kemper is currently the Chief Technical Officer of Afarak Group. He joined EWW in 2015 as Production Manager. He was appointed as Managing Director June 1, 2022 and as Chief Technical Officer in November 2023.

Christoph Schneider, Commercial Director, Afarak EWW
MA (Economics)
Born 1964

Christoph Schneider is currently the Commercial Director of Afarak EWW. He joined EWW in 1992 as Sales Manager. Over the years, Christoph rose the ranks of EWW and was appointed as Managing Director in December 2003. He was appointed as Commercial Director in June 1, 2022.

Dr Kurt Maske, Managing Director, Afarak SA Mining
PhD (Minerals Engineering)
Born 1955

Kurt Maske is the acting General Manager for the SA Mining Operations and manages the South African marketing and logistics processes. Prior to joining Afarak in 2011, Kurt was with BHP Billiton for nearly 25 years where he started his career as a Process Engineer. After serving as Works Manager, he was transferred to Samancor's marketing team to globally manage the sale of the group's low and medium carbon ferrochrome products.

Kylie Gauci, Chief Financial Officer, Afarak Group
FCCA, CPA, MIA
Born 1990

Kylie joined Afarak Group in August 2014. She has been appointed as Group Finance Manager in 2020 before being appointed CFO in July 2023.

Dr Stefano Bonati, Chief Compliance Officer and Corporate Secretary, Afarak Group
PHD (Chemistry)
Born 1962

Dr Stefano Bonati was appointed as Chief Compliance Officer and Corporate Secretary, as of 1 July 2023. Dr Bonati has a PHD in chemistry and joined the company in 2008. He has filled various managerial positions in Afarak in the last years. Before that Dr Bonati worked with the Italian chrome chemical producer STOPPANI and BASF.

GOVERNANCE STRUCTURE

The management and control of Afarak Group SE and its subsidiaries (“Group”) is divided between the shareholders, the Board of Directors (“Board”), supported by the Board’s audit and risk management committee, nomination and remuneration committee and the Chief Executive Officer.



General Meeting

Afarak’s ultimate decision-making body is the shareholders’ General Meeting which convenes once a year and is held within six months of the end of the financial year. Pursuant to the Company’s Articles of Association, the convening notice for a General Meeting will be published on the Group’s website and in a stock exchange release no earlier than two months, and no later than 21 days, prior to the General Meeting or nine days prior to the record date of the General Meeting.

The notice of a General Meeting, the proposals for resolutions, and the documents to be submitted to the General Meeting, such as the financial statements, the annual report and the auditor’s report, will be available on the Group’s website and at the Group’s office in Helsinki at least three weeks before the meeting. The resolutions passed by the General Meeting will be published as a stock exchange release without undue delay and will be available on the Group’s website, along with the minutes of the General Meeting, no later than two weeks after the meeting.

Shareholders have the right to add items falling within the scope of the Annual General Meeting to the meeting’s agenda. The request must be submitted to the Board of Directors in advance so that the item can be included to the notice. Afarak publishes the details of how and when to submit the requests to the Board on its website.

The Company uses the Annual General Meeting to develop an understanding of the views of its shareholders about the Company.

An Extraordinary General Meeting can be convened if the Board of Directors deems it necessary or if the auditor of the Company or the shareholders owning at least 10 percent of the shares demand one in writing in order to deal with a specific matter, or if it is required by law or other regulations.

The most significant items on the Annual General Meeting’s agenda include:

- Approving the year’s financial statements;
- Confirming the financial year’s profit or loss, the dividend distribution or other distribution, such as capital redemption;

- Determining the number of directors on the Board of Directors, their remuneration and electing those directors to the Board; and
- Electing the auditor or auditors and approving their fees.

In addition, certain significant matters (such as amending the Articles of Association or deciding on a capital increase) require a resolution by the shareholders in a General Meeting.

General Meetings are organised in a manner that permits shareholders to exercise their ownership rights effectively. A shareholder wishing to exercise his or her ownership rights shall register for a General Meeting in the manner stated in the notice of meeting. All the shareholders who have been registered in the Company's shareholder register, maintained by Euroclear Finland Ltd, on the record date of the meeting have the right to attend a General Meeting, provided they have delivered a proper notice to attend the meeting. Holders of nominee registered shares may be registered temporarily on the shareholder register, and they are advised to request further instructions from their custodian bank regarding the temporary registration and issuing of a proxy document.

Resolutions by a General Meeting usually require a simple majority. Certain resolutions, however, such as amending the Articles of Association and directed share issues require a qualified majority represented by shares, and the votes conferred by the shares, at the General Meeting.

The majority of the Board members, if not all, attend General Meetings together with the CEO and the auditor. In addition, if a person is proposed for election as a director for the first time, he or she will also attend the General Meeting.

General Meetings in 2023

Annual General Meeting

Afarak Group SE's Annual General Meeting was held in Helsinki on 21 June 2023. The AGM adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2022.

All the resolutions of the above-mentioned General Meeting can be found at:
<https://afarak.com/investors/shareholder-meetings/>

THE BOARD OF DIRECTORS

Tasks and Responsibilities

The Board of Directors is composed of between three and nine members who are elected by the General Meeting of shareholders, which also approves their remuneration. The tenure of each Board member is for one year and expires at the end of the next Annual General Meeting immediately following their election. The Board elects a chairman from among its members. None of the non-executive directors has a service contract with the Company and none of the directors has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking.

The duties of a Board member are specified in the Finnish Companies Act. The Afarak Board also has a written charter governing its functions.

The Board of Directors oversees the administration of the Group and is responsible for the internal control of its assets, finances and accounts on behalf of shareholders. Its specific responsibilities include:

- Formulating the Group's business strategy and overseeing its implementation;
- Deciding on the Group's capital structure;
- Making decisions on significant investments, divestments, credits and collaterals, guarantees and other commitments;
- Approving the quarterly interim reports, the Board of Directors Report, the annual financial results and future forecasts and/or outlook;
- Deciding on the Group's organisational structure;
- Appointing the CEO and approving his or her service agreement and remuneration; and
- Convening and submitting proposals to the shareholders' General Meeting.

Key elements of the Board's charter and operations are:

- It convenes on prearranged dates, with a view to meeting approximately once a month, or more often if necessary. Meetings can be arranged as conference calls;
- Matters to be dealt with by the Board are presented by the Chairman, the CEO or another person who has participated directly in assessing and preparing the issue for consideration;
- It aims to make unanimous decisions;
- It prepares an annual plan for its operation; and
- It acts at all times in the interest of the Group and all of its shareholders.

The Board oversees all communications and other requirements stipulated by the rules of the relevant stock exchanges and financial supervision authorities and conducts regular self-assessments to ensure these requirements continue to be fulfilled. The Group has established specific targets for the development of its administrative functions and processes, and continues to implement these.

The Board also evaluates and decides on acquisitions and disposals of subsidiaries and associated companies. To ensure the efficiency of board and committee work, the Board regularly evaluates the operations and working methods of each committee and the Board. The evaluation is conducted as internal self-evaluation. The Board is also regularly in contact with the major shareholders of the Company to ensure that the Board is aware of their views.

The 2023 Annual General Meeting elected three members to the Board. Dr Jelena Manojlovic, Mr Thorstein Abrahamsen and Mr Guy Konsbruck were re-elected.

Diversity of the Board of Directors - skills, experience and attributes

The Board considers that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities and gender is required to effectively govern the business. The Board and its Nomination and Remuneration Committee work to ensure that the Board continues to have the right balance of skills, experience, independence and Group knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

To govern the Group effectively, Non-Executive Directors must have a clear understanding of the Group's overall strategy, together with knowledge about the Group and the industries in which it operates. Non-Executive Directors must be sufficiently familiar with the Group's core business to be effective contributors to the development of strategy and to monitor performance.

The Board requires that Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and are free to question or challenge the opinions of others. Each Director must ensure that no decision or action is taken that places his or her interests in front of the interests of the Company.

Current Board profile

The Board considers that each of the Non-Executive Directors has the following attributes:

- time to undertake the responsibilities of the role;
- unquestioned honesty and integrity;
- a willingness to understand and commit to the highest standards of governance;
- knowledge of commodity markets and mining
- an ability to think strategically
- a preparedness to question, challenge and critique
- experience of managing in the context of uncertainty, and an
- understanding of the risk environment of the Group, including the potential for risk to impact our health and safety, environment, community, reputation, regulatory, market and financial performance;
- knowledge of world capital markets.

Senior Independent Director

During the year under review, Thorstein Abrahamsen held the role of Senior Independent Director of Afarak Group in accordance with the UK Corporate Governance Code. He acted independently in the best interests of the Group. His expertise and broad international experience materially enhanced the skills and experience profile of the Board. He is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or CFO. As Senior Independent Director, he also provides a sounding board for the Chairman and serves as an intermediary for other Directors if necessary.

Board Independence

The Finnish Corporate Governance Code requires that the majority of the directors are independent of the Company. In addition, at least two of the directors representing this majority must be independent of the significant shareholders of the Company. The Company believes that Mr Thorstein Abrahamsen and Dr Jelena Manojlovic are independent of the Company and significant shareholders. The company believes that Mr. Guy Konsbruck is dependent of the company since Mr. Konsbruck has had a non-temporary employment relationship with the Company during past four years.

	Current Position	Appointed to the Board	Status	Audit & Risk Management Committee	Nomination and Remuneration Committee	Health, Safety & Sustainable Development Committee
Jelena Manojlovic	NED	11 July 2008	Independent	Member	Member	Member
Thorstein Abrahamsen	Chairman	23 May 2017	Independent	Member	Member	Member
Guy Konsbruck	ED	5 February 2018	Dependent			Member

THE BOARD IN 2023

The Board of Directors made it a priority to review various elements relating to the operation and corporate governance of Afarak. Highlights of the main discussions and decisions are presented below. A strategic workshop was held by the Board soon after election and various elements relating to Afarak's core business were reviewed.

Company performance

The Board supported various initiatives to make the Company more resilient and responsive to the market. Throughout the year, the Board agreed on various projects, especially in South Africa and Germany, which made the units able to respond to changing market conditions.

Risk management

The Board continued enhancing the Group's risk management function across the Group. Key factors were identified and various mitigating measures. In addition, the Board has overseen measures to improve liquidity and in particular to manage its working capital effectively.

Sustainability

The Board highlighted health & safety as a key priority. The Board is working closely with the respective units to strengthen the health & safety culture within the Company and getting ready for the Corporate sustainability Reporting, CSR Directive 2022/2464. The Board remains committed to continue investing in training, equipment and reporting to ensure that its policy of 'Zero Harm' is practiced throughout the Company. The Board continued the Company's support towards host communities in South Africa, Germany, and Turkey.

A total of 12 meetings of the Board were held during the reporting period and the attendance of the directors is tabled below.

Meetings attended	
Thorstein Abrahamsen	12/12
Jelena Manojlovic	12/12
Guy Konsbruck	8/12

A total of 12 meetings were held during the reporting period.

Remuneration

The AGM resolved that the Non-executive Board Members shall be paid EUR 5,000 per month. The Chairman of the board shall be paid an additional EUR 1,500 per month. Non-Executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership. Board Members shall be compensated for travel and accommodation expenses as well as other costs directly related to Board and Committee work in accordance with the company's travel rules.

During the financial year 2023, the Board members received a total of EUR 262,000 as Board and Committee membership fees.

BOARD COMMITTEES

Audit and Risk Management Committee

The Audit and Risk Management Committee is currently composed of the two Board members: Thorstein Abrahamsen and Jelena Manojlovic. The Committee held six meetings.

The Board has defined the Committee's duties in accordance with the recommendations of the Finnish and the UK Corporate Governance Codes. The Audit and Risk Management Committee reviews the auditors' work and monitors the Group's financial position and the appropriateness of its financial reporting. The Committee oversees risk management procedures and internal controls, maintaining contact with auditors and evaluating their reports. The Committee reports regularly to the Board.

In 2023, the Committee continued to oversee the Group’s financial performance and reporting. The Committee also worked with management to continuously improve the reporting function of the Group, both internally and externally. Regular scrutiny of the Group’s compliance with laws, regulations and best practice continued being an area of focus during the year.

The Committee assessed various growth options, strategies and investments. The Committee also assessed various external financing facilities. Throughout the year, the Committee worked on improving the internal budgeting and forecasting models and processes.

The Committee also reviewed each quarterly report before release and recommended changes where necessary, before recommending the reports to the Board.

Nomination and Remuneration Committee

The combined Nomination and Remuneration Committee of the Company is currently composed of the two Board members: Thorstein Abrahamsen and Jelena Manojlovic. The Committee convened 5 times with two physical meeting and three online meetings.

The Committee leads the process for making appointments to the Board and the executive management and submits recommendations to the Board in this regard. The Committee also leads the process relating to the remuneration of the executive management and the Board and makes recommendations to the Board and to the General Meeting in relation to the Board’s remuneration.

The Committee for Health, Safety and Sustainable Development

The combined Health, Safety and Sustainable Development Committee of the Company is currently composed of three Board members: Thorstein Abrahamsen, Jelena Manojlovic and Guy Konsbruck. The Committee convened three times.

The Committee’s stated mission is to ensure that Afarak conducts its business in a responsible and ethical manner for the benefit of all its stakeholders. Throughout 2023, the Committee continued to monitor safety improvement progress and initiatives across various Units of the Company

Afarak is continuously investing in environmental initiatives and projects. It supported investments that will allow the Group to rehabilitate its mines and to invest in alternative energy sources. It continued supporting the business units in their efforts to improve water management and dust reduction. The Committee also continued to monitor Afarak’s work and social investment programmes with local communities, particularly in South Africa.

CORPORATE GOVERNANCE STATEMENT

Afarak Group SE (“Afarak”, the “Company” or the “Group”) is a Finnish public limited company listed on the Nasdaq Helsinki Stock Exchange (AFAGR) and the Main Market of the London Stock Exchange (AFRK).

Afarak’s corporate governance is based on, and complies with, the laws of Finland, the Articles of Association of the Company, the Finnish Corporate Governance Code 2020 and the regulations of the Finnish Financial Supervisory Authority, the UK Listing, Disclosure and Transparency Rules, the Nasdaq Helsinki Stock Exchange and the London Stock Exchange. As Afarak primarily follows the Finnish Corporate Governance Code, certain sections of the UK Corporate Governance Code issued in September 2012 (“UK CG”) are not strictly complied with. However, in the areas that the Company diverges from the UK CG the Company believes that its policies are acceptable for the reasons which are set out below.

UK CG Section	Description	The Reason for Non-Compliance
C.3.8	A separate section of the annual report should describe the work of the Audit committee in discharging its responsibilities	While this report includes a description of the work of the audit and risk management committee, the contents requirements of this section under the UK GC are not the same as

		those under the Finnish CG and, therefore some information required under the UK GC is not included.
E.2.1	For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation. The Company does not provide proxy voting forms.
E.2.2	Miscellaneous general meeting procedures	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation.

Afarak's foreign subsidiaries operate under the local laws and regulations of the countries in which they are located, including but not limited to local accounting and tax legislation as well as exchange controls. This Corporate Governance Statement for the financial period 1 January to 31 December 2023 is issued as a separate report to the Board of Directors' Report and is available on the Group's website at www.afarak.com. It has been prepared pursuant to the Finnish Corporate Governance Code 2020 which entered into force on 1.1.2020. Afarak will publish a Remuneration Report for Governing Bodies for the accounting year 2023 following the instructions of the Finnish Corporate Governance Code 2020. Afarak complies with the Finnish Corporate Governance Code 2020 which can be found on the Securities Market Association's website at www.cgfinland.fi. Afarak has made no exceptions in its Finnish Corporate Governance Code compliance.

INTERNAL CONTROL

The principles of internal control are confirmed by the Board. The Group's EMT members are in charge of the day-to-day business management and administrative control in their respective responsibility areas.

Main Principles of Risk Management and Internal Control

The purpose of risk management is to identify, evaluate and mitigate the potential risks that could impact the Group's business and the implementation of its strategy, and to ensure that risks are proportional to the Group's risk-bearing capacity.

The Group's risk management policy is approved by the Board of Directors and defines the objectives, approaches and areas of responsibility of risk management activities. The Group's key risks are reviewed and assessed by the Board on a regular basis. The Group's business segments, and the business units within those segments, are primarily responsible for managing their risks, their financial performance and their compliance with the Group's risk management policies and internal control procedures.

The Board of Directors is responsible for organising and maintaining adequate and effective internal control performed by the senior and executive management as well as other Afarak personnel and assisted by third-party experts when appropriate.

The Board of Directors decides on the Group's management system and the corporate and organisational structure required by each business unit with a view to providing solid foundations for effective internal control. Internal control and risk management related to financial reporting at the Group level are performed in a coordinated way by a function independent of the business areas. Each subsidiary's executive management is responsible for the implementation of internal control and risk management to the agreed Group principles and guidelines.

The system of internal control provides reasonable rather than absolute assurance that Afarak's business objectives will be achieved within the risk tolerance levels defined by the Board.

Internal control refers to elements of financial and operational management which are designed to ensure:

- Achievement of defined performance targets;
- Efficient use of resources and protection of assets;
- Effective management of risks;
- Accurate, timely and continuous delivery of financial and operational information;
- Full compliance with laws and regulations as well as internal policies; and
- Business continuity through secure systems and stable operating procedures.

The Structure of Internal Control Systems

The main structural elements of the Group's internal control system are:

- The risk management and internal control policies and principles defined by the Board;
- Implementation of the policies and principles under the supervision of Group management;
- Supervision of the efficiency and functionality of the business operations by Group management;
- Supervision of the quality and compliance of the financial reporting by the Group finance department;
- An effective control environment within all organisational levels and business units, including tailored controls for each business process; and
- Internal audits conducted as and when needed.

The Internal Control of the Financial Reporting Process

The Group's financial organisation is structured so that each business unit has its own finance function, but overall financial management including accounting, taxation and financing is centralised within the Group's parent company.

The Group finance department is responsible for ensuring the compliance, quality and timeliness of the Group's external and internal financial reporting. The internal control mechanisms are based on the policies, procedures and authorisations established and approved by the Board. In addition to control mechanisms, training and sharing of knowledge are also significant tools of internal control.

Each business unit has its own finance function which reports to the Group Finance. The business unit's finance function is responsible for the unit's accounting and daily financial operations and internal reporting. The finance function and administration is overseen by the unit's management team and reports to the head of the business unit's segment.

The tasks of the Group Finance consist, among other things, of monthly consolidation of the Group's accounts, preparation of the quarterly interim reports and consolidated financial statements, financing of the Group, and tax planning.

Consolidated financial statements are prepared by using consolidation software. The accounting of the Company's subsidiaries is carried out by accounting systems and the accountants within each subsidiary enter the accounting information directly into the consolidation system, or in some cases send the information in a predefined format to the Group's financial administration to be consolidated.

Roles and Responsibilities Regarding Risk Management and Internal Control

Board of Directors

The Board of Directors is ultimately responsible for the administration and the proper organisation of the Group's operations and approves all internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk-bearing capacity of the Group and reassess them on a regular basis as part of the Group's strategy and goal-setting process. The Board reports to the shareholders of the Company.

Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for the following internal control related activities:

- Monitoring the reporting process of the financial statements;
- Supervising the financial reporting process;
- Monitoring the efficiency of the Group's internal control, internal audit and risk management systems; and
- Monitoring the statutory audit of the financial statements and consolidated financial statements.

Group Management

The Group's management is in charge of the day-to-day management of the Group in accordance with the instructions and orders given by the Board. It sets the framework of the internal control environment and is in charge of the Group's risk management process and its continuous development. This includes allocation of resources to the work and continuous review of the risk management policies, as well as defining the principles of operation and overall processes.

External Audit

According to the Articles of Association, the Annual General Meeting of shareholders elects the Company's auditor, which must be a firm authorised by the Finnish Central Chamber of Commerce; otherwise the Company will have one main auditor and one deputy auditor. The auditor's term is for one year and finishes at the end of the first General Meeting following election.

During Afarak's Annual General Meeting held in June 2023, Authorised Public Accountant Tietotili Audit Oy was re-elected as auditor, with Authorised Public Accountant Urpo Salo having the principal responsibility. Tietotili Audit Oy is part of HLB International network of auditors and the subsidiary company auditors also belong to HLB International.

In 2023, Audit fees paid to Tietotili totalled EUR 457 (2022: EUR 536) thousand in the financial year. The fees for non-audit services totalled EUR 29 (2022: EUR 87) thousand.

INSIDER ADMINISTRATION

The Board of Directors of Afarak Group has confirmed the Insider Guidelines for the Company. The Insider Guidelines supplement the applicable regulations in force at any given time on the management and processing of insider information in accordance with the Market Abuse Regulation (EU) No 596/2014 (MAR), Chapter 51 of the Criminal Code, Chapter 15 of the Securities Markets Act, the Finnish Financial Supervisory Authority's regulations and Nasdaq Helsinki Ltd's Insider Guidelines.

All persons who have access to insider information on the company and who work for them on the basis of an employment contract or otherwise perform duties through which they have access to insider information, such as advisers, are included in the company's insiders.

The company maintains a separate list named Permanent Insiders. The supplementary section of Permanent Insiders contains information only on persons who have continuous access to all insider information within the company, such as persons in Company's finance department, legal counsels and auditors.

The Company maintains separate Project-Specific Insider Lists. Each Project-Specific Insider List only contains the details of such persons who have access to specific Inside Information relating to the particular project. Trading is prohibited during the project from the project-specific insiders

The Company has set up a list named PDMR -list (Persons Discharging Managerial Responsibilities) with Notification Obligation (Article 19 MAR) for the company's Board of Directors, Management Team and advisers as well as their closely associated persons.

The company's permanent insiders include the members of the Board of Directors, the Executive management team, members of the senior management, and the principal auditor appointed by the audit firm responsible for auditing the company, legal advisors, and translators. In addition, a non-public, project-specific insider register is kept concerning significant projects referred to in the insider regulations.

The Company trains and informs permanent insiders and project-specific insiders in such a way that they recognize their position and its importance. As concerns persons included in the register of Company's PDMR list with Notification Obligation and in the Permanent Insiders register, the Company's Insider Guidelines set a 30-day closed period prior to the publication of the interim report or the financial statements. During the closed period, trading in the issuer's financial instruments on one's own account or on behalf of a third party, directly or indirectly, is prohibited.

The Chief Executive Officer of the Company is responsible for insider issues.

Whistle-blowing

The Company maintains an internal system available for all employees for reporting any detected violations of internal or external standards and regulations (so called whistle-blowing). All such notifications will be investigated as a matter of urgency and confidentiality while protecting the identity of the notifier as far as possible.

Shareholdings of the CEO, members of the Board of Directors, Executive Management Team and auditors at 31 December 2023

Members of the Board	Title	Shares	Related Party Shares	Options
Thorstein Abrahamsen	Chairman	0		
Jelena Manojlovic	Non-Executive Director	150,000		
Guy Konsbruck	Chief Executive Officer, Executive Director	1,800,000		
Auditors				
Urpo Salo	Auditor	0		
EMT				
Kylie Gauci	Chief Financial Officer	0		
Stefano Bonati	Chief Compliance Officer	0		
Christoph Kemper	Chief Technical Officer	0		

PRINCIPLES CONCERNING RELATED PARTY TRANSACTIONS

The Company complies with the provisions of the Securities Markets Act and Limited Liability Companies Act, the recommendations of the Finnish Corporate Governance Code 2020 and the rules of Nasdaq Helsinki Ltd stock exchange concerning related party transaction. The Board of Directors of the company has adopted the policy on Related Party Transactions (“Policy”) to be observed in the business operations of Company. The purpose of the Policy is to set out the processes and procedures that should be followed in relation to inter-company and related party transactions of the Group, mainly to ensure that transactions are carried out on arm’s length terms. Related party transactions which do not form part of the Company’s regular business activities or which are not conducted on normal market terms will be decided on by the Board of Directors of the Company, observing rules for conflict of interest.

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

Afarak Group SE’s Annual General Meeting was held in Helsinki on 21 June 2023. The AGM adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2022. The AGM resolved that no dividend would be paid for 2022. The AGM also adopted the Remuneration Report for the Company’s governing bodies. THE BOARD OF DIRECTORS The AGM resolved that the Board of Directors would comprise of three (3) members: Dr Jelena Manojlovic (UK citizen), Mr Thorstein Abrahamsen (Norwegian citizen) and Mr Guy Konsbruck (Luxembourg citizen) were re-elected as Board members. The AGM resolved that the Non-executive Board Members shall be paid EUR 5,000 per month and the Chairman of the board shall be paid an additional EUR 1,500 per month. Non-Executive Board Members who serve on the Board’s Committees shall be paid additional EUR 1,500 per month for committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership. Board Members shall be compensated for travel and accommodation expenses as well as other costs directly related to Board and Committee work in accordance with the company’s travel rules.

THE AUDITOR

The AGM resolved that the Company will pay the fee to the auditor against an invoice that is inspected by the Company and that according to the recommendation by the Audit Committee, the Authorised Public Accountant Tietotili Audit Oy was re-elected as the Auditor of the Company. Tietotili Audit Oy has informed the Company that the individual with the principal responsibility at Tietotili Audit Oy, is Authorised Public Accountant Urpo Salo.

ONE-OFF RETROACTIVE ADDITIONAL COMPENSATION TO NON-EXECUTIVE BOARD MEMBERS

The AGM resolved that the Non-Executive Board Members Thorstein Abrahamsen and Dr Jelena Manojlovic shall be paid EUR 50,000 each as a one-off retroactive additional compensation for during the last couple of years having taken on substantial more work on a 24/7 availability basis, to facilitate operating through difficult times with reduced income during the pandemic and with a lot of changes in the Company (divestment of assets, downsizing, further development), and through recovery and significant improved performance of the Company to its’ best ever financial result in 2022.

CHANGE OF THE ARTICLES OF ASSOCIATION

The AGM resolved that the Articles of Association of the Company are amended by changing the Article 8 (Call to the General Meeting) so that the general meeting can be held completely without a meeting venue as a so-called remote meeting. Following the changes, the above-mentioned Article 8 of the Articles of Association reads as follows: “8 Call to the General Meeting The call to the General Meeting shall be published on the company’s website and as a stock exchange release no earlier than two (2) months and no later than twenty-one (21) days before the meeting, however, in any event nine (9) days before the record date of the General Meeting. The Board of Directors may, at its discretion, also publish the call to the General Meeting in one or two national newspapers or by sending the call to the meeting to the shareholders to their addresses recorded in the share register by registered mail or other verifiable means. Aside from the location of the registered office, the General Meeting may also be held in Espoo, Oulu, Oulunsalo or Vantaa. The Board of Directors may also decide that the General Meeting will be held without a meeting venue so that the shareholders will exercise their decision-making power full-on and on an up-to-date basis by means of a telecommunications connection and a technical device during the meeting.”

ACQUISITION OF LL-RESOURCES GMBH

The AGM approved the Transaction, as detailed in the Circular dated 31 May 2023, and authorized the Board of Directors to take all such steps as may be necessary or acceptable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (providing such modifications, variations, revisions or amendments are not of a material nature) as they shall deem necessary or desirable. In relation to the Transaction, the AGM authorized the Board of Directors to issue ordinary shares. By virtue of the authorization shares could be issued up to a maximum of 140,000,000 new shares. This equates approximately 52.43 % of the Company's current registered shares. The Board of Directors 10 will be entitled to decide on the directed share issue related to the implementation of the Transaction in such a way that the payment of the whole subscription price will be made with contribution in kind (the entire share capital of LL-resources GmbH). The authorization does not replace the previous authorizations and it is valid two (2) years as from the decision of the General Meeting.

AUTHORIZATION TO THE BOARD OF DIRECTORS TO DECIDE UPON SHARE ISSUE AND UPON ISSUING OTHER SPECIAL RIGHTS THAT ENTITLE TO SHARES

The AGM resolved to authorize the Board of Directors to issue shares and stock options and other special rights that entitle to shares in one or more tranches up to a maximum of 250,000,000 new shares or shares owned by the Company. This equates to approximately 93.62 % of the Company's currently registered shares. The authorization may be used among other things to raise additional finance and enabling corporate and business acquisitions or other arrangements and investments of business activity or for employee incentive and commitment schemes. By virtue of the authorization, the Board of Directors can decide both on share issues against payment and on share issues without payment. The payment of the subscription price can also be made with consideration other than money. The authorization contains the right to decide on derogating from shareholders' pre-emptive right to share subscriptions provided that the conditions set in the Finnish Companies' Act are fulfilled. The authorization replaces all previous authorizations granted in the Annual General Meeting in 2022 and is valid two (2) years from the decision of the Annual General Meeting.

2024 Annual General Meeting

Afarak's 2024 Annual General Meeting will be held within the time stipulated in the Finnish Companies Act.

Distribution proposal

The Board of Directors will propose a new dividend policy to the Annual General Meeting. The Group will in future review its distributions to shareholders either through a capital redemption or dividend. The target dividend payout ratio in respect to each financial year shall be minimum 10% (ten percent) of the Afarak Group's EBITDA per full year. This new policy will allow the board to take prudent decisions based on market conditions whilst continuing to share its positive results with shareholders.

ADDITIONAL INFORMATION

Share information

On 31 December 2023, the registered number of Afarak Group SE shares was 267,041,814 (267,041,814) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2023, the Company had 6,541,514 (7,041,514) own shares in treasury, which was equivalent to 2.45% (2.64%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2023, was 260,500,300 (260,000,300).

On 17 January 2023, the company announced changes regarding Afarak Group SE's treasury shares, where a total of 500,000 shares were transferred to the CEO Guy Konsbruck, which form part of the remuneration package under the CEO agreement.

Flagging notifications

On 27 February 2023, Afarak published that on 27 February 2023 it received from Aida Djakov and the company Atkey Limited ("Atkey"), in which Aida Djakov has a controlling interest, a flagging notification pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to the notification, Aida Djakov holds 61,926,701 Afarak shares as a result of a transaction carried out on 27 February 2023, which is equivalent to approximately 23.19 per cent of the shares and votes of Afarak.

On 06 October 2023, Afarak Group SE published a notification pursuant to chapter 9, section 10 of the Finnish securities market act. According to the flagging notification as a result of an intragroup merger in which LNS Resources Ltd (previous direct shareholder in Afarak Group SE) has been merged into its sister company LNS International Ltd, LNS International Ltd is as of 3 October 2023 the direct shareholder in Afarak Group SE.