

# Remuneration Statement 2019

In accordance with the new Finnish Corporate Governance Code, which became effective as of January 2020, this remuneration statement follows the format of the Finnish Corporate Governance Code effective 2016-2019. The Codes are available at [www.cgfinland.fi](http://www.cgfinland.fi).

## Principles of remuneration and the decision-making process

Exel Composites' remuneration principles are developed to promote the competitiveness and long-term financial success of the Company and to contribute to the development of the Company's shareholder value. Another aim of the remuneration principles is to increase the long-term commitment of the Board, the President and CEO and the Group Management Team to promote the interests of the Company and its shareholders as well as to attract, retain and motivate key personnel globally.

To ensure the alignment of compensation with the Company's financial targets, remuneration principles are based on predetermined and measurable performance and result criteria. Exel Composites' remuneration components include fixed base salary, short-term performance-based bonus and a long-term performance-based reward.

The Annual General Meeting, AGM, determines annually the remuneration of the Board members on the basis of the Shareholders' Nomination Board's proposal.

The Board of Directors decides on the remuneration and other terms of employment of the President and CEO.

The President and CEO presents the remuneration of the other members of the Group Management Team to the Board, which approves the remuneration and the main terms of employment of the Group Management Team members.

## Authorizations by the AGM

The AGM held on 21 March 2019 authorized the Board of Directors to repurchase a maximum of 600,000 Company's own shares. Shares may be repurchased to be used as

consideration in possible acquisitions or in other arrangements that are part of the Company's business, to finance investments, as part of the Company's incentive program or to be retained, otherwise conveyed or cancelled by the Company. The share repurchase authorization shall be valid until 30 June 2020.

The AGM held on 21 March 2019 authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares. The amount of shares to be issued on the basis of the authorization may be a maximum of 1,189,684 new shares, which corresponds to approximately 10.0 per cent of all shares in the company, and/or a maximum of 600,000 Company's own shares. The shares to be issued based on the authorization can be used as consideration in possible mergers and acquisitions and other business arrangements, to finance investments or as a part of the Company's incentive program for personnel. The authorization is effective until 30 June 2022.

The authorizations were not exercised in 2019.

## Remuneration of the Board of Directors

The AGM held in 2019 confirmed the following compensation for Board members for the year 2019:

- Chairman of the Board: EUR 41,000 per annum and additionally EUR 1,500 per attended Board and committee meetings and other similar all-day Board assignments.
- Other Board members: EUR 19,000 per annum and additionally EUR 1,000 per attended Board and committee meetings and other similar all-day Board assignments.

According to a decision of the AGM held in 2019, 60% of the yearly remuneration was paid in cash and 40% in Exel Composites PLC shares, which were acquired directly for

and on behalf of the members of the Board of Directors from the stock exchange market in amounts corresponding to EUR 16,400 for the Chairman and EUR 7,600 for each of the other members. Should the term of any member of the Board of Directors come to an end for whatever reason before the next AGM, such member of the Board of Directors will have to return to the Company the

remuneration or equivalent amount in cash already received but not yet earned at that point in time.

The Board of Directors convened nine times in 2019.

## Remuneration received by the Board of Directors in 2019

(EUR thousands)

Name and position	Annual fixed fees	Meeting fees	Other fees	Total fees	Total fees
	2019	2019	2019	2019	2018
Reima Kerttula Chairman (as of 17 March 2016, member until 17 March 2016)	41	14	8	62	56
Petri Helsky Member (as of 17 March 2016)	19	9	1	29	28
Helena Nordman-Knutson Member (as of 4 April 2017)	19	9	1	29	28
Jouko Peussa Member (as of 17 March 2016)	19	9	0	28	27
Maija Strandberg Member (as of 21 March 2019)	19	8	0	27	0
Kai Kauto Member (until 21 March 2019)	0	0	0	0	25
<b>Total</b>	<b>117</b>	<b>49</b>	<b>10</b>	<b>175</b>	<b>164</b>

In addition, travel expenses and other out-of-pocket expenses arising from the Board work were compensated in accordance with the Company's established practice and travel rules. Exel Composites has no such incentive program by which the Company rewards the Board members with shares or option rights. The Board members are neither entitled to a short-term performance-based bonus.

The members of the Shareholders' Nomination Board are not remunerated by Exel Composites for their membership in the Shareholders' Nomination Board. Any necessary expenses that are required for the Nomination Board's work will be reimbursed by the Company.

## Remuneration and service contract of the President and CEO

The remuneration scheme of the President and CEO consists of a fixed monthly base salary, a performance-based bonus on an annual basis and a long-term incentive compensation.

The President and CEO's pension is determined in accordance with the statutory Finnish employee pension

scheme (TyEL) that links the benefits directly to the President and CEO's earnings. The President and CEO's retirement age is 63 years. The President and CEO has no separate pension agreement.

According to the employment contract, the period of notice of the President and CEO is six months and the severance pay in the case of termination by the Company corresponds to 12 months' salary.

## Remuneration of the Group Management Team and performance-based bonus

Compensation for the members of the Group Management Team comprises a fixed monthly base salary and fringe benefits as well as a performance-based bonus on an annual basis and long-term incentive compensation.

The amount of the bonus and the performance criteria are annually determined by the Board of Directors of Exel Composites. The Board also evaluates whether the performance criteria have been met.

In 2019, the key financial performance criteria of the performance-based bonus were adjusted operating profit

(EBIT) and gross profit. In 2019, the maximum annual bonus for the President and CEO was 50% of his annual base salary. For the other members of the Group Management Team the maximum annual bonus was 40% of their respective annual salary.

There are no additional pension schemes for the Group Management Team members.

The share ownerships of the President and CEO and the other Group Management Team members are presented on Exel Composites' website at [www.exelcomposites.com](http://www.exelcomposites.com).

## Financial benefits paid to President and CEO and Group Management Team in 2019

(EUR thousands)

	Fixed annual base salary	Fringe benefits	Performance-based bonus based on 2018 results	Long-term compensation paid in 2019*	Total 2019	Total 2018
President and CEO	320	0	4	0	324	390
Group Management Team	895	12	8	0	914	872
<b>Total</b>	<b>1,215</b>	<b>12</b>	<b>11</b>	<b>0</b>	<b>1,237</b>	<b>1,262</b>

\* The earning period of the long-term compensation paid in 2019 was 2016-2018.

## Financial benefits earned by President and CEO and Group Management Team in 2019

(EUR thousands)

	Fixed annual base salary	Fringe benefits	Estimated performance-based bonus based on 2019 results	Estimated long-term compensation to be paid in 2020*	Total
President and CEO	320	0	45	27	392
Group Management Team	895	12	104	37	1,048
<b>Total</b>	<b>1,215</b>	<b>12</b>	<b>149</b>	<b>64</b>	<b>1,440</b>

\* Earning period of the long-term compensation to be paid in 2020 includes years 2017-2019.

## Incentive programs

Exel Composites' performance-based incentive program covers all employees. Office employees receive a monthly salary and an annual bonus tied to the achievement of annually established goals emphasizing growth and profitability. Production employees are also eligible for incentive compensation. Their annual bonus is mainly based on factory profitability and production related performance indicators.

The Group has long-term incentive programs for the President and CEO and the Group Management Team and selected key employees of the company. The aim of the programs is to combine the objectives of the shareholders and the executives in order to increase the value of the company, to commit the executives to the company and to offer the executives a competitive reward program. The Board of Directors makes the decision on the program annually.

On 31 December 2019 the Group had three share-based long-term incentive programs:

**The 2017 plan** is part of a share-based long-term incentive program for the earning period 2017-2019 and is targeted at approximately 14 executives. The President and CEO and the members of the Group Management Team are included in the target group of the 2017 incentive program. 75% of the potential share-based performance reward is based on cumulative operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The potential share reward is payable in 2020. The maximum number of shares to be paid under this individual plan is 153,700 shares, of which President and CEO's share is 42,800 shares. EUR 30 thousand of costs related to the 2017 plan were accrued in 2019. Estimated payout (to be confirmed in March 2020) is 25,000 shares.

**The 2018 plan** is part of a share-based long-term incentive program for the earning period 2018-2020 and is targeted at approximately 15 executives. The President and CEO and the members of the Group Management Team are included in the target group of the 2018 incentive program. 75% of the potential share-based performance reward is based on cumulative adjusted operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The potential share reward is payable in 2021. The maximum number of shares to be paid under this individual plan is 122,000 shares, of which President and CEO's share is 33,973 shares. EUR 27 thousand of costs related to the 2018 plan were accrued in 2019.

**The 2019 plan** is part of a share-based long-term incentive program for the earning period 2019-2021 and is targeted at approximately 20 executives. The President and CEO and the members of the Group Management Team are included in the target group of the 2019 incentive program. 75% of the potential share-based performance reward is based on cumulative adjusted operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The potential share reward is payable in 2022. The maximum number of shares to be paid under this individual plan is 196,000 shares, of which President and CEO's share is 50,000 shares. EUR 9 thousand of costs related to the 2019 plan were accrued in 2019.

**The 2016 program**, the earning period of which ended in 2018, was based on a long-term monetary incentive program and was targeted at approximately 20 executives for the earning period 2016-2018. The President and CEO and the members of the Group Management Team were included in the target group of the 2016 incentive program. The potential long-term monetary performance reward was based on the Group's cumulative Economic

Profit and on the Group's Total Shareholder Return (TSR). The potential maximum reward to be paid in 2019 was EUR 1 million. There were no rewards paid based on the 2016 program.

The administration of the share-based incentive plan and the acquisition of shares are conducted through an arrangement made with Evli Awards Management Oy (EAM) as per the decision of the Board of Directors on 12 June 2017 and according to the stipulations of the Companies Act for financing the purchase of own shares (the Finnish Companies Act, Chapter 13, Section 10, Subsection 2) relating to incentive plans. As a part of this arrangement EAM founded EAM EXL1V Holding Oy (Holding company) which acquires the shares with Exel's funding and according to the agreement. These shares will be delivered to the employees according to the Exel's share plan terms and conditions. The Holding company is owned by the EAM in legal terms, but according to the agreement Exel has control over the company and acts as the principal, whereas EAM is an agent through the Holding company. This control arising from contractual terms means, that the Holding company is consolidated in to the group's IFRS financial statements as a structured entity.

No reward will be paid to an executive based on the 2017, 2018 and 2019 programs described above, if his or her employment or service with the Company ends before the reward payment unless the executive is leaving the Company due to retirement or unless the Board decides otherwise. The programs also include a one year lock-up period, and the restriction on leaving the Company is extended to the end of the lock-up.

The cost of all programs will be accounted for as operating expenses during the duration of the programs.