



Remuneration Statement 2017

This remuneration statement is prepared in accordance with the Finnish Corporate Governance Code effective as of January 2016 and available at 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.

Authorization to repurchase Company's own shares as part of incentive program

The AGM held on 4 April 2017 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 2018.

During the financial year the authorization was exercised when purchasing 77,000 shares in conjunction with the hedging arrangement related to the 2017 share-based long-term incentive program for the top management.

Remuneration of the Board of Directors

The AGM held in 2017 confirmed the following compensation for Board members for the year 2017:

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

According to a decision of the AGM held in 2017, 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 eight times in 2017.

Remuneration received by the Board of Directors in 2017 (EUR thousands)

Name and position	Annual fixed fees 2017	Meeting fees 2017	Other fees 2017	Total fees 2017	Total fees 2016
Reima Kerttula Chairman (as of 17 March 2016, member until 17 March 2016)	41	12	14	67	49
Petri Helsky Member (as of 17 March 2016)	19	8	0	27	25
Kai Kauto Member (as of 4 April 2017)	19	7	0	26	0
Helena Nordman-Knutson Member (as of 4 April 2017)	19	4	0	23	0
Jouko Peussa Member (as of 17 March 2016)	19	6	0	25	25
Matti Hyytiäinen Vice Chairman (as of 17 March 2016 and until 4 April 2017, member until 17 March 2016)	0	1	0	1	37
Heikki Hiltunen Member (until 4 April 2017)	0	0	0	0	25
Peter Hofvenstam Chairman (until 17 March 2016)	0	0	0	0	2
Kerstin Lindell Member (until 17 March 2016)	0	0	0	0	1
Total	117	38	14	169	164

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. The members' expenses are reimbursable in accordance with the Company's established practice and travel rules.

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 2017, the key financial performance criteria of the performance-based bonus based on 2017 results were operating profit (EBIT) and operating working capital ratio. In 2017, the maximum annual bonus for the President and CEO was a maximum of 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.

Long-term incentive compensation

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 objectives of the programs are to align the interests of the management with those of the company's shareholders and, thus, to promote shareholder value creation in the long term, to commit the management to achieving the strategic targets of the company and to retain the company's key individuals. The Board of Directors makes the decision on the program annually.

The 2014 program, the earning period of which ended in 2016, was based on a long-term monetary incentive program and is targeted at approximately 20 executives for the earning period 2014 – 2016. The President and CEO and the members of the Group Management Team were included in the target group of the 2014 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 on the earning period 2014-2016 was EUR 1 million. The final monetary reward paid in 2017 based on the program was EUR 174 thousand excluding social security costs.

On 31 December 2017 the Group had two monetary and one share-based long-term incentive programs:

The 2015 program is based on a long-term monetary incentive program and is targeted at approximately 25 executives for the earning period 2015 – 2017. The President and CEO and the members of the Group Management Team are included in the target group of the 2015 incentive program. The potential long-term monetary performance reward is based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR). The potential reward will be paid in 2018. The maximum reward to be paid will be EUR 1.5 million. In 2017 no related costs were recorded.

The 2016 program is based on a long-term monetary incentive program and is targeted at approximately 20 executives for the earning period 2016 – 2018. The President and CEO and the members of the Group Management Team are included in the target group of the 2016 incentive program. The potential long-term monetary performance reward is based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR). The potential reward will be paid in 2019. The maximum reward to be paid will be EUR 1 million. In 2017 no related costs were recorded.

The 2017 plan is part of a share-based long-term incentive program for the earning period 2017-2020 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. The potential share-based performance reward is based on the operating profit (EBIT) and the absolute 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. EUR 79 thousand of related costs were accrued in 2017.

No reward will be paid to an executive based on the 2015, 2016 and 2017 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 2017 program also includes a lock-up period ending 20.2.2021 (if the financial statements release for 2020 is after this date then the lock-up will end on the date of the release) and the restriction on leaving the Company is extended to that date.

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

Financial benefits of the President and CEO and Group Management Team in 2017 (EUR thousands)

	Fixed annual base salary	Fringe benefits	Performance-based bonus based on 2016 results	Long-term compensation	Total 2017	Total 2016
President and CEO	300	0	0	63	363	453
Group Management Team	640	20	20	75	756	1,070
Total	940	20	20	138	1,119	1,523

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.