

Remuneration policy

Exel Composites' remuneration policy for the company's governing bodies and Group Management Team is prepared in accordance with the Finnish Corporate Governance Code. The code is available at www.cgfinland.fi.

Exel Composites' remuneration principles are developed to promote the company's strategy, the competitiveness and long-term financial success of the company and to contribute to the development of the company's shareholder value.

The company's remuneration schemes aim to increase the long-term commitment of the Board of Directors, the President and CEO and the Group Management Team to promote the interests of the company and its shareholders as well as to motivate and reward key individuals in the achievement of strategic targets.

To ensure alignment of remuneration with the company's strategy, financial targets and corporate values as well as an efficient risk management, the remuneration principles are based on predetermined and measurable performance and result criteria. The remuneration components of Exel Composites for the operative management include fixed base salary, short-term performance-based bonus and a long-term performance-based reward. The general meeting may annually authorize the Board of Directors to repurchase own shares to be used as part of the company's incentive program in line with the company's remuneration policy. To ensure a competitive and appropriate remuneration, the remuneration components are compared to the practices of comparable companies.

At Exel Composites the remuneration of employees is based on the company's strategic targets. Remuneration is a whole that comprises of several different components. In addition to monetary salary paid to all, the employee may be part of a short-term incentive plan or of different incentive or performance rewards. The higher in the organization the role of the employee is, the larger part of his/her remuneration is comprised of different remuneration components. An employee with a Group management role may also be part of a long-term incentive program. Additionally, the employee may be entitled to different fringe benefits such as a car and a phone benefit or a sports and culture benefit.

This remuneration policy is presented to the Annual General Meeting on 20 March 2020 and shall be applicable until that AGM where the remuneration policy is presented for the next time.

Decision-making process concerning remuneration

The company's Board of Directors prepares the company's remuneration policy. The remuneration policy is presented to the general meeting at least every four years and whenever material changes are proposed. The company is entitled to make other than material changes, such as technical changes or changes required by legislation, without presenting the remuneration policy to the general meeting.

With the authorization of the general meeting, the Board of Directors may decide on the issuance of shares, option rights or other special rights entitling to shares as part of a company's incentive program.

In accordance with internal guidelines followed by the company, the governing bodies and individual persons do not participate in the decision-making process concerning their own remuneration nor in making such decisions where the remuneration or his/her interest is in conflict with the company's interest. The aim thereby is to ensure that the decision-making concerning remuneration is fair and objective.

Board of Directors

The general meeting of Exel Composites decides annually on the remuneration of the members of the Board of Directors in accordance with the proposal of the Shareholders' Nomination Board. The Nomination Board prepares its proposal according to its charter and within the limits of the remuneration policy presented to the general meeting. The charter of the Shareholders' Nomination Board is available at the company's website at www.exelcomposites.com.

President and CEO

The Board of Directors decides on the remuneration and terms of service of the President and CEO within the limits of the remuneration policy presented to the general meeting.

Group Management Team

The President and CEO makes a proposal to the Board of Directors concerning the remuneration of the other members of the Group Management Team. The Board of Directors decides on the remuneration and main terms of service of the Group Management Team. The Board of Directors decides the maximum amount for bonus and the financial targets annually, as well as evaluates the achievement level of the performance criteria and decides on the payout of the bonus.

Remuneration of the Board of Directors and of management

Board of Directors

The remuneration of the Board of Directors may be composed of a fixed annual fees as well as variable remuneration components such as a meeting fee or other fees that are paid for attendance at Board and committee meetings and other similar all-day Board assignments. The Chairman and Vice Chairman of the Board may receive a raised fee or meeting fee. The general meeting may decide also on other remuneration criteria and remuneration components in accordance with the proposal of the Shareholders' Nomination Board.

The rewards of the Board members may be paid in money or in the company's shares in part or in full. Board members are encouraged to retain the shares they have received in their ownership for the duration of their Board membership.

President and CEO

The remuneration of the President and CEO comprises a fixed base salary, short-term and long-term incentives and other benefits.

The purpose of the President and CEO's base salary is to provide a competitive remuneration basis, that allows focus on taking care of the role's duties and of the implementation of the company's long-term strategy. The base salary is reviewed annually taking into consideration the company's result, personal performance and market conditions.

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.

The terms of service of the President and CEO are determined in a written service contract approved by the Board of Directors. According to the service contract of the President and CEO, the notice period is six months. In case of termination by the company a severance pay corresponding to 12 months' salary may be paid in addition to salary during the notice period.

Based on current remuneration schemes, the payment of potential rewards when the employment has been terminated depends on the reason for the termination of employment. In principle no reward will be paid based on current remuneration schemes when the employment is terminated by the employee or by the company. In case the employment is terminated based on certain specifically defined reasons, part of the reward may be paid based on the terms of current remuneration schemes.

Group Management Team

The remuneration of members of the Group Management Team comprises a fixed monthly base salary, fringe benefits, a short-term performance-based bonus as well as a long-term performance-based incentive program. There are no additional pension schemes for the Group Management Team members.

Variable remuneration of the President and CEO and Group Management Team

Short-term incentive programs

The President and CEO, Group Management Team and other selected key individuals in the Group are entitled to a short-term performance based annual bonus. The objective of the annual performance-based bonus plan is, on an annual basis, to commit the management to achieving the company's most important financial and other performance targets that support the company's strategy.

The structure, measurement and target levels of the annual performance-based bonus plan are determined, set and may vary depending on the decision of the Board of Directors at a given time. The targets of the President and CEO are primarily based on the Group financial performance and operational targets.

The maximum annual performance-based bonus for the President and CEO is 50% of his/her annual base salary. For the other members of the Group Management Team the maximum annual bonus is 40% of their respective annual salary. The bonus is paid out in money.

Long-term incentive programs

The President and CEO, Group Management Team and other selected key individuals in the Group may be part of Exel Composites' long-term incentive programs, which may be monetary or share-based. 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, to commit the management to achieving the company's strategic targets and to retain the company's key individuals.

The structure, measurement and target levels of the long-term incentive programs are determined, set and may vary depending on the decision of the Board of Directors at a given time. The Board of Directors may decide on one or several structures.

The reward of the programs is based on key performance figures and other measurable criteria decided by the Board of Directors. The criteria may measure absolute or proportional performance.

In case of interleaving incentive programs within the limits of a remuneration plan, the Board of Directors decides on the start, conditions of the earning period and the length of each individual incentive program. No reward will be paid to an executive 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 may also include a lock-up period, until the end of which the restriction on leaving the company is extended.

The company maintains a share ownership recommendation policy that concerns the members of the Group Management Team. Each member of the Group Management Team is expected to accumulate and maintain a minimum share ownership in Exel Composites representing in value the executive's annual base salary. Each member of the Group Management Team is expected to retain at least 50% of shares received under incentive programs until the recommended share ownership level is reached. The members of the Group Management Team are not expected to invest own funds for accumulating his/her share ownership.

Deferral and possible clawback of remuneration

The company's Board of Directors is in exceptional situations entitled to restrict or reject the payment of performance rewards when considered in the interest of the company by the Board of Directors. In addition, the Board of Directors is in limited exceptional situations of misuse entitled to clawback an already paid reward.

Remuneration elements agreed prior to the presentation of this remuneration policy

The Board of Directors reserves the right, without limitation by this remuneration policy, to pay all rewards, benefits and compensations (including using judgment in their payout and amount) that the company has already decided on, agreed to or committed to before this remuneration policy was presented to the annual general meeting.

Requirements of temporary deviation

It is possible to deviate temporarily from the company's remuneration policy in certain situations and in order to ensure the company's long-term interest. These situations include for example a change of the President and CEO, a corporate arrangement and changes in regulations. Deviation from the remuneration policy requires approval by the Board of Directors. The deviation may concern any part of remuneration and any component presented in this remuneration policy.

Monitoring of the materialization of the remuneration policy

The Shareholders' Nomination Board monitors and evaluates the materialization of the remuneration policy for the Board of Directors and how the remuneration policy supports the achievement and implementation of the company's strategic targets. The Board of Directors monitors and evaluates the Group's remuneration schemes, including the materialization of the remuneration policy for the President and CEO and the competitiveness of the remuneration schemes and how the materialized remuneration supports the achievement of the company's strategic targets and long-term financial success.