

REMUNERATION REPORT 2020

This remuneration report is prepared in accordance with the Finnish Corporate Governance Code effective as of January 2020 (available at www.cgfinland.fi) and within the limits of Exel Composites' remuneration policy presented to the Annual General Meeting on 20 March 2020. The remuneration policy is available at the company's website at www.exelcomposites.com.

Introduction

Exel Composites' remuneration policy has been followed during the financial year 2020 in relation to the remuneration of the company's Board of Directors as well as President and CEO.

During the financial year, the company's remuneration schemes have promoted the company's strategy, competitiveness and long-term financial success of the

company and contributed to the development of the company's shareholder value.

The company's remuneration schemes aim to increase the long-term commitment of the Board, the President and CEO, as well as the Group Management Team. They also aim 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.

Development of Group remuneration

(EUR thousands)

EUR thousand	2020	2019	2018	2017	2016
Remuneration of the Board of Directors	173	175	164	169	164
Remuneration of the President and CEO	376	324	390	363	453
Remuneration of the company's employees on average 1) 2)	46	47	45	46	48
Revenue 2)	108,595	103,784	96,608	86,255	73,079
Adjusted operating profit 2)	9,708	7,160	5,018	6,319	2,621

1) Personnel expenses divided by number of employees on average.

2) Exel Composites acquired Diversified Structural Composites in North America in April 2018 and Nanjing Jianhui in China in April 2017.

Remuneration of the Board of Directors in 2020

The AGM held in 2020 confirmed the following compensation for Board members for the year 2020:

- **Chairman:** Annual remuneration of EUR 43,000 (previous year EUR 41,000) and additionally EUR 1,500 (1,500) for attendance at Board and committee meetings and other similar all-day Board assignments.

- **Board member:** Annual remuneration of EUR 20,000 (19,000) and additionally EUR 1,000 (1,000) for attendance at Board and committee meetings and other similar all-day Board assignments. For committee meetings, the meeting fee for the committee chairman shall be EUR 1,500.

Travel expenses and other out-of-pocket expenses due to Board work shall be compensated in accordance with the Company's established practice and travel rules.

According to a decision of the AGM held in 2020, 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 17,200 for the Chairman and EUR 8,000 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 Annual General Meeting, 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.

Remuneration received by the Board of Directors in 2020

(EUR thousands)

Name and position	Annual fixed fees	Meeting fees	Other fees	Total fees	Total fees
	2020	2020	2020	2020	2019
Reima Kerttula Chairman (as of 17 March 2016, member until 17 March 2016)	43	14	0	57	62
Petri Helsky Member (as of 17 March 2016)	20	8	1	29	29
Helena Nordman-Knutson Member (as of 4 April 2017)	20	9	0	29	29
Jouko Peussa Member (as of 17 March 2016)	20	9	0	29	28
Kirsi Sormunen Member (as of 20 March 2020)	20	8	0	28	0
Maija Strandberg Member (until 20 March 2020)	0	1	0	1	27
Total	123	49	1	173	175

The Board of Directors convened nine times in 2020.

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.

Remuneration of the President and CEO and Group Management Team in 2020

Financial benefits paid to President and CEO and Group Management Team in 2020

(EUR thousands)

	Fixed annual base salary	Fringe benefits	Performance-based bonus based on 2019 results	Long-term compensation paid in 2020*	Total 2020	Total 2019
President and CEO	316	0	37	23	376	324
Group Management Team	926	11	82	36	1,054	914
Total	1,242	11	118	58	1,430	1,237

* The earning period of the long-term compensation paid in 2020 was 2017-2019.

Financial benefits earned by President and CEO and Group Management Team in 2020

(EUR thousands)

	Fixed annual base salary	Fringe benefits	Estimated performance-based bonus based on 2020 results	Estimated long-term compensation to be paid in 2021*	Total 2020
President and CEO	316	0	93	14	423
Group Management Team	926	11	228	22	1,187
Total	1,242	11	321	36	1,610

* Earning period of the long-term compensation to be paid in 2021 includes years 2018-2020.

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.

Incentive programs

Exel Composites' short-term 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 2020 the Group had three share-based long-term incentive programs:

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. Estimated payout (to be confirmed in March 2021) is 6,832 shares.

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.

The 2020 plan is part of a share-based long-term incentive program for the earning period 2020-2022 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 2020 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 2023. The maximum number of shares to be paid under this individual plan is 125,000 shares, of which President and CEO's share is 32,000 shares.

The 2017 program, the earning period of which ended in 2019, was based on a long-term monetary incentive program and was targeted at 16 executives for the earning period 2017-2019. The President and CEO and the members of the Group Management Team were included in the target group of the 2017 incentive program. 75% of the potential share-based performance reward was based on cumulative operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The maximum number of shares to be paid under this individual plan in 2020 was 153,700 shares, of which President and CEO's share was 42,800 shares. In 2020, a total reward of 21,331 shares (9,850 in shares and 11,481 in cash) was paid out under the 2017 plan to 16 executives. The President and CEO's share of the reward was 6,079 (3,039 in shares and 3,040 in cash). The shares were acquired at an average price of EUR 3.77 per share on 17 March 2020.

The profit and loss of 2020 includes EUR 88 thousand of costs related to these incentive programs.

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 into the group's IFRS financial statements as a structured entity.

No reward will be paid to an executive based on the 2018, 2019 and 2020 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.

Authorizations by the AGM

Repurchase and/or the acceptance as pledge of the company's own shares

On 20 March 2020 the Annual General Meeting authorized the Board of Directors to repurchase and/or accept as pledge of the company's own shares as follows:

The amount of own shares to be repurchased and/or accepted as pledge on the basis of the authorization shall not exceed 600,000 shares in total, which corresponds to approximately 5.0 per cent of all the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares based on the authorization.

Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market.

The Board of Directors decides on how own shares will be repurchased and/or accepted as pledge. Shares can be repurchased using, inter alia, derivatives. Own shares can

be repurchased otherwise than in proportion to the shareholdings of the existing shareholders (directed repurchase). The Board of Directors shall decide on other terms of the share repurchase and/or acceptance as pledge.

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 authorization cancels the authorization given to the Board of Directors by the General Meeting 2019 to decide on the repurchase and/or acceptance as pledge of the company's own shares.

The authorization is effective until the end of the next Annual General Meeting, however no longer than until 30 June 2021.

Exel Composites held 67,150 own shares at the end of 2020, which have been repurchased to be used as part of the company's incentive program.

Issuance of shares and special rights entitling to shares

On 21 March 2019 the Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act as follows:

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 Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

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 cancels the authorization given to the Board of Directors by the General Meeting on 17 March 2016 to decide on the issuance of shares as well as special rights entitling to shares.

The authorization is effective until 30 June 2022.

These authorizations were not exercised in 2020.