



Remuneration Statement 2016

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 performance, 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 17 March 2016 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 2017. The authorization was not exercised in 2016.

Remuneration of the Board of Directors

The AGM held in 2016 confirmed the following compensation for Board members for the year 2016:

- Chairman of the Board: EUR 36,000 per annum and additionally EUR 1,500 per attended meeting.
- Vice Chairman of the Board: EUR 27,000 per annum and additionally EUR 1,250 per attended meeting.
- Other Board members: EUR 18,000 per annum and additionally EUR 1,000 per attended meeting.

According to a decision of the AGM held in 2016, 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 during 21 March - 8 April 2016 from the stock exchange market in amounts corresponding to EUR 14,400 for the Chairman, EUR 10,800 for the Vice Chairman and EUR 7,200 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 2016.

Remuneration received by the Board of Directors in 2016 (EUR thousands)

Name and position	Annual Fixed Fees 2016	Meeting Fees 2016	Total Fees 2016	Total Fees 2015
Reima Kerttula Chairman (as of 17 March 2016, member until 17 March 2016)	36	13	49	27
Peter Hofvenstam Chairman (until 17 March 2016)	0	2	2	50
Matti Hyytiäinen Vice Chairman (as of 17 March 2016, member until 17 March 2016)	27	10	37	26
Petri Helsky Member (as of 17 March 2016)	18	7	25	0
Heikki Hiltunen Member	18	7	25	26
Jouko Peussa Member (as of 17 March 2016)	18	7	25	0
Göran Jönsson Member (until 26 March 2015)	0	0	0	1
Kerstin Lindell Member (until 17 March 2016)	0	1	1	26
TOTAL	117	47	164	156

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 2016, the key financial performance criteria of the performance-based bonus based on 2016 results were turnover growth and EBIT. In 2016, 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 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 2016 the Group had three long-term incentive programs:

The 2014 program is 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 are included in the target group of the 2014 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 2017. The maximum reward to be paid will be EUR 1 million. EUR 159 thousand of related accrued costs were released in 2016.

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. EUR 156 thousand of related accrued costs were released in 2016.

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 2016 no related costs were recorded.

No reward will be paid to an executive based on the 2014, 2015 and 2016 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 cost of the 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 2016 (EUR thousands)

	Fixed annual base salary	Fringe benefits	Performance- based bonus based on 2015 results	Long-term compensation	Total 2016	Total 2015
President and CEO	294	0	18	141	453	434
Group Management Team	796	33	38	202	1,070	1,085
TOTAL	1,090	33	56	343	1,523	1,519

The share ownership of the President and CEO and the other Group Management Team members is presented on Exel Composites Plc's website at www.exelcomposites.com.