



Seth Ascetic, Taiwan

## INTRODUCTION

Harvia Plc's ("Harvia" or "the company") corporate governance complies with the Finnish Limited Liability Companies Act and Securities Markets Act, regulations concerning listed companies, the company's Articles of Association, and rules and regulations of Nasdaq Helsinki Ltd. The company also adheres to the Finnish Corporate Governance Code 2015 set by the Securities Market Association ([www.cgfinland.fi](http://www.cgfinland.fi)).

This Corporate Governance Statement is available on Harvia's website at [www.harvia.fi](http://www.harvia.fi). The Corporate Governance Statement is issued as a separate statement and is published together with the financial statement, annual report and the remuneration report on the company's website at [www.harvia.fi](http://www.harvia.fi).

## GENERAL MEETING

The General Meeting of shareholders is the highest decision-making body of Harvia that decides on matters stipulated by the Finnish Limited Liability Companies Act and the company's Articles of Association. The Annual General Meeting is held annually on the date set by the Board of Directors within six months of the end of the financial period. An Extraordinary General Meeting can be convened to discuss a specific issue if the Board of Directors deems

it necessary or it is otherwise required by law. Harvia's General Meeting is held in Muurame, where the company is registered, or in Helsinki, and is convened by the Board of Directors.

The Annual General Meeting decides on

- Adoption of the financial statements and use of profit shown in the balance sheet;
- Discharging of the members of the Board of Directors and the CEO from liability;
- Election of the members of the Board of Directors and deciding on their remuneration;
- Election of the auditor and deciding on their remuneration;
- Changes to the Articles of Association;
- Purchase of own shares;
- A share issuance or issuance of other specific rights entitling to shares as well as authorization for the Board of Directors to resolve these matters.

The notice of the General Meeting is published on the company's website or by a newspaper announcement which is published in at least one widely circulated daily newspaper chosen by the Board of Directors. The notice shall be delivered to shareholders no earlier than three months and no later than three weeks before the meeting, and in any case at least nine days before the record date.

The notice includes the agenda for the General Meeting, proposals by the Board of Directors and Committees as well as the meeting registration and participation instructions. To be entitled to participate in the General Meeting, a shareholder needs to be registered in the company's shareholder register at least eight (8) business days prior to the General Meeting as well as register their participation in the meeting in the manner specified in the meeting notice. Holders of nominee-registered shares may also attend the General Meeting by registering themselves in the register of shareholders on a temporary basis.

A shareholder may attend the General Meeting either in person, or via a representative authorized by the shareholder. In the General Meeting, all shareholders are entitled to raise questions and propose resolutions regarding issues on the agenda. Harvia has one share class, and every share entitles to one vote in the General Meeting.

## **BOARD OF DIRECTORS**

Harvia's Board of Directors consists of three to six members. The members are elected in the Annual General Meeting for a one-year term which expires at the end of the Annual General Meeting following their election. The Board of Directors elects a Chairperson from among its members. The majority of the Board members shall be independent of the company, with at least two of these members also being independent of the major shareholders of the company. In the selection of members, attention shall be paid to members' mutually complementary experience and competence in the company's business area and its development stage.

### **Rules of procedure of the Board of Directors**

The duties and activities of the Board of Directors are defined by the Finnish Limited Liability Companies Act, the Finnish Corporate Governance Code 2015, other applicable legislation, Harvia's Articles of Association and the Rules of Procedure of the Board of Directors.

The Board of Directors has drafted written Rules of Procedure that define its key duties and operating principles. The Board of Directors approves Harvia's strategy and supervises its implementation. The duties of the Board of Directors include approving the company's financial statements and interim reports and monitoring the appropriateness of accounting and the company's financial management. The Board of Directors decides on significant loans, acquisitions and investments, and approves annual and long-term business plans and budgets as well as the principles of risk management. The Board of Directors also decides on the principles according to which the management may make decisions regarding investments, acquisitions and divestments and issuing of guarantees. The Board of Directors approves the Group's long- and short-term remuneration schemes and their realization. The Board of Directors appoints Harvia's CEO and decides on the terms of the CEO's employment contract.

The Board of Directors assesses its operations and ways of working annually as an internal self-assessment. The self-assessment was carried out also in 2018.

### **The Board of Directors in 2018**

The members of the Board of Directors in 2018 were 1 January–8 February 2018 Olli Liitola (Chairperson), Anders Björkell, Pertti Harvia and Ia Adlercreutz. Ari Hiltunen was elected as member of the Board on 9 February 2018. In the Annual General Meeting held on 2 March 2018 Anders Björkell, Pertti Harvia, Ia Adlercreutz and Ari Hiltunen were re-elected as members of the Board. The Annual General Meeting elected Olli Liitola as the Chairperson of the Board of Directors.

In 2018, the Board of Directors convened 18 times in total, with an average attendance rate of 97.8 percent. The members attended the meetings as follows: Olli Liitola (18/18), Anders Björkell (18/18), Pertti Harvia (18/18), Ia Adlercreutz (16/18) and Ari Hiltunen (17/17).



## MEMBERS OF THE HARVIA BOARD OF DIRECTORS DECEMBER 31, 2018

**OLLI LIITOLA**

Chairman of the Board  
Master of Science in Engineering  
born 1957, Finnish citizen  
Chairman of the Board of Directors from 2014, member of the Board of Directors from 2014  
Member of the Board's Audit Committee  
Independent of the company but not independent of the company's major shareholders  
Shares: 100,000

**WORK HISTORY:**

CapMan Oyj Senior Advisor 2017–, Senior Partner 2010–2017,  
Deputy CEO 2005–2009 and CFO 1991–2007.

**POSITIONS OF TRUST:**

Chairman of the Board of Tilaisuuksien ideointi- ja toteuttamistoimisto Tapaus Oy from 2014, of Oy Lunawood Ltd from 2012, of Bright Group Oy from 2011. Member of the Board of Directors of Nice Entertainment Group Oy in 2008–2013. Chairman of the Board of Directors of MOM Invest Oy from 2009 and of Momea Invest Oy from 1982.

**ANDERS BJÖRKELL**

Board member  
Master of Science in Engineering, Master of Science in Economics and Business Administration  
born 1969, Finnish citizen  
Member of the Board of Directors from 2014  
Member of the Board's Audit Committee  
Independent of the company but not independent of the company's major shareholders  
Shares: 0

**WORK HISTORY:**

CapMan Capital Management Oy Partner from 2001 and in different positions from 1997. Consultant at Energia-Ekono Oy, part of Pöyry Group, in 1993–1997.

**POSITIONS OF TRUST:**

Member of the Board of Directors of Bright Group Oy from 2019, of Walki Holding Oy 2016–2018 (Walki Group Oy 2007–2018), of Acona Invest AS from 2015, of Havator Group Oy from 2010 and of MPT Intressenter AB in 2012–2016.

**PERTTI HARVIA**

Board member  
post-secondary level degree in Engineering  
born 1950, Finnish citizen  
Member of the Board of Directors from 2016  
Independent of the company's major shareholders but not independent of the company  
Shares: 429,290

**WORK HISTORY:**

CEO of Harvia Oy in 2013–2016, Technical Director of Harvia Oy in 1973–2013.

**POSITIONS OF TRUST:**

Chairman of the Board of Directors of Tiipeti Oy from 2014.

**IA ADLERCREUTZ**

Board member  
Master of Arts, Master of Business Administration (MBA)  
born 1971, Finnish citizen  
Member of the Board of Directors from 2016  
Independent of the company and its major shareholders  
Shares: 21,000

**WORK HISTORY:**

CEO of Co-founders Oy from 2016, Director of Brand and Marketing (Functional Products EMEA) of Fiskars Finland Oy in 2014–2016, Head of Brand and Concept Development of Fiskars Home Oy in 2012–2014 and various marketing management posts at Kekkilä Oy in 2004–2012.

**POSITIONS OF TRUST:**

Chairwoman of the Board of Directors of Spikesafe Oy from 2015, member of the Board of Directors of Co-founders Oy from 2016, of Detapo Oy from 2015 and of Turvanasta Oy from 2012.

**ARI HILTUNEN**

Board member  
Master of Science in Economics and Business Administration  
born 1964, Finnish citizen  
Member of the Board of Directors from 2018  
Member of the Board's Audit Committee  
Independent of the company and its major shareholders  
Shares: 1,500

**WORK HISTORY:**

CEO of Central Finland Chamber of Commerce from 2017, CEO of Jyväskylän Regional Development Company Jykes Ltd. in 2011–2017 and sales director in Pohjola Insurance Ltd in 2005–2011.

**POSITIONS OF TRUST:**

Chairman of the Board of Directors in JyväSeedFund Oy 2013–2015, Chairman and deputy Chairman of the Board of Directors of Jyväskylän Congress Center Ltd in 2011–2017, member of the Board of MidInvest Oy in 2013–2017 and KasvuOpen Ltd. in 2016–2017.

**Diversity of the Board**

A person elected as a member of the Harvia's Board of Directors must have qualifications required for the task as well as adequate availability for carrying out the duties of a Board member. When electing Board members, attention shall be paid to members' mutually complementary experience and competence from the perspective of the company's business area and its development stage. Varied professional and educational backgrounds support the diversity of the Board. The goal is to promote gender equality in the selection of Board members.

When electing Board members, the objective is to ensure that the Board of Directors as a whole enables efficient management of the Board's responsibilities and supports the development of Harvia's business.

In 2018, both genders were represented in the company's Board of Directors. Ari Hiltunen was elected as a member of the Board in 2018, who reinforces Harvia's Board, especially as a member who is independent of the company and its major shareholders. In addition, he brings his experience from local (Central Finland) business, business development and interest promotion to the Board.

**Audit Committee**

To enhance the efficiency of its work, the Board of Directors has set up an Audit Committee. The Committee has no independent decision-making authority; it functions as a preparatory body, and the matters it addresses are brought to be decided on by the Board of Directors.

The Board of Directors annually elects from among its members the chairperson and members of the Committee and confirms its written Rules of Procedure. The Audit Committee consists of a minimum of three Board members. The majority of the members of the Committee shall be independent of the company, with at least one member also being independent of the major shareholders of the company. At least one member of the Audit Committee shall also have expertise in accounting or auditing.

When it comes to the company's financial reporting and auditing, the duties of the Audit Committee consist particularly of monitoring and assessing the company's financial reporting system, the efficiency of its internal control and audit as well as that of the risk management systems, and the independence of the auditor and

especially the non-auditing services provided by the auditor. In addition, the Audit Committee is tasked with monitoring the company's audit and preparing the selection of the company's auditor.

In 2018, the Board of Directors appointed from its members Olli Liitola (Chairperson), Anders Björkell and Ari Hiltunen to the Audit Committee.

In 2018, the Audit Committee convened four times in total, with an average attendance rate of 100 percent. The members attended the meetings as follows: Olli Liitola (4/4), Anders Björkell (4/4) and Ari Hiltunen (4/4).

**CEO**

The Board of Directors appoints and, if necessary, dismisses the CEO and decides on the CEO's terms of employment, defined in a written service contract approved by the Board. The CEO is appointed for the post until further notice. The Board of Directors evaluates the CEO's work and performance in achieving the assigned targets. The CEO cannot be elected as Chairperson of the Board of Directors.

The CEO is responsible for the day-to-day management of the company. The CEO is responsible for ensuring that the targets, plans, guidelines and goals set by the Board are carried out within Harvia. According to the Finnish Limited Liability Companies Act, the CEO ensures that the accounting practices of the company comply with the law and that asset management is arranged in a reliable manner.

Tapio Pajuharju acts as the CEO of Harvia, appointed by the Board of Directors.

**MANAGEMENT TEAM**

The Management Team supports the CEO and is responsible for the development and operational management of the Group, in accordance with the goals set by the Board of Directors and the CEO. The Management Team also defines the operating principles and procedures in line with the direction given by the Board of Directors. The Management Team convenes monthly and when needed and focuses on strategic questions concerning the Group and businesses. Questions concerning financial development, governance, corporate responsibility and development projects are regularly on the agenda. The CEO acts as the chairperson of the Group's Management Team.

## MEMBERS OF THE MANAGEMENT TEAM

### DECEMBER 31, 2018

**TAPIO PAJUJARJU**

CEO

Master of Science degree in Economics and Business Administration  
born 1963, Finnish citizen

CEO and member of the Management Team from 2016

Member of the Board of Directors of Harvia in 2014–2016

Shares: 240,000

**WORK HISTORY:**

CEO of Hartwall Ab Oy in 2014–2016, CEO of Lumene Oy in 2004–2014.

Management positions at Huhtamäki Group in 1988–2004.

**POSITIONS OF TRUST:**

Chairman of the Board of Directors of Varamiespalvelu Group Oy in 2011–2017, member of the Board of Directors since 2009. Member of the Board of Directors of Forshire Midco Oy and Forshire Bidco Oy since 2017, of Walki Group Oy in 2016–2018, of Halti Oy in 2012–2014 and Jääkiekon SM-liiga Oy in 2013–2017.

**ARI VESTERINEN**

Chief Financial Officer

Master of Science degree in Engineering and a Master of Business Administration (MBA) degree

born 1963, Finnish citizen

Chief Financial Officer and member of the Management Team since 2014

Shares: 131,666

**WORK HISTORY:**

Management consultant at LEAD Partners Oy in 2011–2014, Chief Financial Officer at TylöHelo Group in 1995–2011 and various positions in the group companies, such as Chief Financial Officer at Saunatec Oyj while the company was listed on the Helsinki Stock Exchange, along with his position as Chief Financial Officer.

CEO of Helo Oy in 2010–2011 and as the CEO of Helo GmbH in 1993–2006.

**POSITIONS OF TRUST:**

Member of the Board of Directors of TylöHelo Group Oy 2009–2011 and in several TylöHelo Group companies.

**DAVID AHONEN**

Export Director

Vocational qualification in business and administration

born 1966, Finnish citizen

Export Director since 2016

Member of the Management Team since 2014

Shares: 135,000

**WORK HISTORY:**

Harvia's Export Manager in 1996–2016.

**POSITIONS OF TRUST:**

Chairman of the Board of Directors of Kiinteistö Oy Killerin Tenniskeskus since 2010, member of the Board of Directors of Benlop Oy since 2012.

**TIMO HARVIA**

Director, Research & Development and Quality  
Master of Science degree in Engineering  
born 1978, Finnish citizen  
Director, Research & Development and Quality since 2016  
Member of the Management Team since 2014  
Shares: 128,750

**WORK HISTORY:**

Research & Development Director of Harvia Oy in 2014–2016, Research & Development Manager in 2010–2014 and as a Product Designer in 2004–2010.

**POSITIONS OF TRUST:**

Deputy member of the Board of Directors of Tiipeti Oy since 2014.

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**TOMAS HJÄLMEBY**

Sales Director, Scandinavia  
Technical education and professional experience in construction of wooden houses  
born 1968, Swedish citizen  
Sales director in Scandinavia since November 2018  
Member of the Management Team since November 2018  
Shares: 0

**WORK HISTORY:**

Scandinavian Sales Director at TylöHelo AB in 2015–2018, regional Sales Manager at Inwido Sweden AB in 2013–2015, Sales Manager at GGM Plast AB in 2011–2013. Various sales and marketing management positions in companies providing construction equipment.

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**SAMI LINNA**

Marketing Director  
Master of Science degree in Economics and Business Administration  
born 1978, Finnish citizen  
Marketing Director since 2017  
Member of the Management Team since 2017  
Shares: 556

**WORK HISTORY:**

Product Line Manager at Orkla Confectionery & Snacks Finland Ab in 2014–2017, Product Line Manager at Oy Panda Ab in 2010–2014. Various positions as Marketing Manager and Product Manager at Robert Bosch Oy in 2002–2010.

**ANSSI PELKONEN**

Sales Director, Finland  
Vocational qualification in business and administration  
born 1964, Finnish citizen  
Sales Director in Finland  
Member of the Management Team since 2014  
Shares: 65,000

**WORK HISTORY:**

Harvia's Sales Director in Scandinavia in 2014–2018, Shop Manager at Carlson Oy in 2010–2014, Sales Manager at Harvia Oy in 2000–2010. Sales Representative at Black & Decker Oy in 1995–1999.

**MIKA SUOJA**

Production and Sourcing Director  
Master of Engineering degree  
born 1975, Finnish citizen  
Production and Sourcing Director  
Member of the Management Team since 2016  
Shares: 40,000

**WORK HISTORY::**

Director, Materials Administration at the Central Finland Health Care District in 2016, Chief Operating Officer at Pikval Oy in 2015–2016 and company's Production Director in 2012–2015, Technology Director at Kojair Tech Oy in 2010–2012 and Production Manager at Sovella Oy in 2004–2009.

**MARKUS WÖRMANSEDER**

Sales Director, Central Europe  
Technical chemistry, Johannes Kepler University Linz, Austria  
born 1974, Austrian citizen  
Sales Director, Central Europe since 2017, Managing Director of Sentiotec GmbH since 2007  
Member of the Management Team since 2017  
Shares: 111,111

**WORK HISTORY:**

Sales and marketing positions at AXAVIA Software GmbH, BEKO Engineering and Cadison Software GmbH.



## FINANCIAL REPORTING

Harvia compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Finnish Securities Markets Act, the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board, while also complying with the rules and regulations of the Financial Supervisory Authority and the rules of the Helsinki Stock Exchange. The principles, instructions, practices and areas of responsibility in internal auditing and risk management relating to the company's financial reporting process are aimed at ensuring that the company's financial reporting is reliable and that the financial statements have been prepared in accordance with applicable laws, regulations and the company's operating principles. Harvia's financial reporting is supervised on two levels, in a separate company and at the group level. On both levels, control measures and analyses are carried out to ensure the validity of financial reporting. The Audit Committee is responsible for overseeing the financial reporting process.

## OVERVIEW OF RISK MANAGEMENT

Risk management is part of Harvia's business management. Harvia Group's risk management is guided by the Risk Management Policy. The purpose of risk management is to promote the identification of risks and their preventive management, to ensure an adequate level of risk management, and to include risk management as part of the company's business.

Harvia has a group level risk assessment and reporting model. The Group carries out a comprehensive risk assessment annually, in which the most relevant risks to the realization of the Group's strategy or other objectives are evaluated based on their likelihood and impact on business operations. The annual risk assessment also evaluates the company's risk management measures. The Group's Management Team is responsible for the risk assessment. If needed, the risk assessment is updated, for example, for the risk assessment included in interim reports. The results of the risk assessment are reported to the Group's Board of Directors.

The Group's Management Team is responsible for the execution of risk management. The Audit Committee of the Board of Directors supervises the efficiency and expediency of the Group's risk management.

## INTERNAL CONTROL AND AUDIT

The objective of internal control at Harvia is to ensure the realization of the company's strategic, financial, operational and procedural targets, and to ensure compliance with applicable laws and regulations in the Group. Internal control is an essential part of business management and in ensuring that the set objectives are reached. Internal control is aimed to be organized efficiently, so that any deviations from targets can be detected as early as possible or that they can be prevented.

Harvia's tools of internal control include internal policies, guidelines and instructions, together with manual controls as well as controls built into systems. In addition, internal control is implemented in the form of various monitoring reports and meetings.

The Board of Harvia is responsible for organizing the internal control and the Audit Committee oversees the efficiency of internal control. The Group Management Team and the CEO of each Group company are responsible that functioning control procedures are in use.

Harvia Group does not have its own internal audit function. The Board will annually assess the need for internal audit procedures and, if needed, may use internal company resources or external service providers for internal audit measures.

## AUDIT

The statutory audit covers the company's accounting, financial statements and administration for the financial year. In addition to the annual auditor's report, the auditors regularly report their auditing observations to the Board of Directors and participate in the meetings of the Board's Audit Committee.

The company shall have an auditor, which is an auditing organization approved by the Finnish Patent and Registration Office. The term of the auditor expires at the conclusion of the Annual General Meeting following their election.

The company's Audit Committee prepares a proposal on the auditor and the remuneration of the auditor to the General Meeting. The General Meeting elects the auditor and decides on their remuneration.

#### **Audit in 2018**

PricewaterhouseCoopers Oy acted as the company's auditor in 2018 with Markku Launis, Authorized Public Accountant, acting as the principal responsible auditor. In 2018, the auditors were paid a total of EUR 75,000 for auditing services and a total of EUR 409,000 for other non-auditing services.

#### **INSIDER MANAGEMENT**

Harvia complies with the Market Abuse Regulation ((EU) No. 596/2014, "MAR"), including its amendments, and regulations issued under it, instructions issued by the authorities, including the insider guidelines of Nasdaq Helsinki Ltd. In addition, the company has supplemented Nasdaq Helsinki Oy's insider guidelines with its own insider guidelines.

The company maintains a list of employees and service providers who have access to insider information. The company's insider list comprises of one or more project-based insider lists. The company has estimated that it does not have insiders who would require a separate supplement to the insider list.

The company has appointed a person in charge of insider issues, who is responsible for maintaining insider lists, handling trading restrictions and the management of the

obligation to notify and disclose transactions, internal communications related to insider issues, training on insider issues and the supervision of insider issues.

Harvia has internal procedures for publishing insider information, possible delayed disclosure of insider information and the maintaining of project-specific insider lists.

#### **Management transactions**

Harvia has determined that managers, whose transactions shall be notified, includes members of the Board of Directors, the CEO, and members of the Management Team. These persons and their closely associated persons are required to notify the company and the Financial Supervisory Authority of every transaction conducted on their own account relating to the shares, debt instruments, derivatives or other financial Instruments of Harvia. Harvia discloses the information via a stock exchange release without delay, at the latest within three business days following the execution of the transaction.

Managers may not conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to Harvia's shares, debt instruments, derivatives or other financial instruments during a closed period of thirty (30) calendar days before the publication of an interim financial report, half-year report or year-end report.

#### **Trading restrictions**

Harvia observes the trading ban on managers (closed window) specified in MAR article 19(11). In addition, the company has separately defined specific individuals who participate in preparing financial reports, or who have access to information related to such reports, as being restricted by a trading ban of similar length and content (closed window).