

# REMUNERATION REPORT 2021

## DEAR SHAREHOLDER,

I present Harvia's Remuneration Report for 2021 on behalf of the company's Board of Directors. The Remuneration Report has been drafted in accordance with the Finnish Corporate Governance Code 2020 of the Securities Market Association and other regulation. The Remuneration Report will be presented at Harvia's Annual General Meeting 2022 for an advisory vote.

### Harvia's key principles of remuneration

The key principles of remuneration at Harvia are that remuneration is transparent and market-oriented and that it rewards good performance. The remuneration policy applicable to the company's Board of Directors and CEO aims to encourage and reward for operating in accordance with the company's strategy and rules, and to motivate them to contribute to the success of the company. Ultimately, the objective is to promote the long-term profitability and competitiveness of the company. Harvia also aims to be a competitive employer to employees regardless of their job description.

In addition to the monthly salary, variable remuneration plays a significant part in the remuneration of the CEO. Variable remuneration consists of the annually determined short-term performance bonus and the long-term share-based incentive program. The elements of variable remuneration ensure the connection

between performance and remuneration. The Board of Directors set the performance criteria and related targets for the short- and long-term incentive programs.

### 2021, a strong year of growth

The past year has been excellent for Harvia: revenue had a strong increase of 64.2 percent to EUR 179.1 million. Our profitability was at an outstanding level – the adjusted operating profit nearly doubled to EUR 47.3 million. This was also a year of significant investment activities for Harvia. The company invested a total of EUR 11.8 million in expanding capacity and improving productivity. The impact of the investments will be fully evident from the year 2022 onwards.

These figures are impressive. I would like to thank the management and every employee of Harvia for the accomplishments of 2021. Especially our personnel in production, sourcing, and distribution have showcased their adaptability in the midst of strong growth, supply chain challenges, and the corona pandemic.

### Remuneration in 2021

In 2021, the remuneration of the Board of Directors and CEO was compliant with the remuneration policy.

Following the resolution of the Annual General Meeting 2021, the monthly remuneration of the Board of Directors and the remuneration paid for the members of the Audit Committee remained unchanged. Remuneration paid to the CEO in the financial year 2021 totaled EUR 1,774,104. Of this, variable remuneration constituted 70 percent.

### Developing remuneration

In 2022, we continue to comply with the principles outlined in Harvia's remuneration policy. The Shareholders' Nomination Board will make proposals to the Annual General Meeting for the remuneration and development of the company's Board of Directors. We utilize short- and long-term incentive plans for the remuneration of management to promote Harvia's performance as well as success and value creation in the longer term. On top of financial criteria, the Board of Directors decided to include sustainability targets in the performance period 2021–2023 of the long-term share-based incentive program. Harvia's Board of Directors regularly monitors the competitiveness of the company's remuneration and that it promotes Harvia's long-term goals.

### Olli Liitola

Chairman of the Board  
Harvia Plc

## HARVIA'S KEY PRINCIPLES OF REMUNERATION

The principles of remuneration apply to the entire personnel of the company. The key principles of remuneration at Harvia are that remuneration is transparent, market-oriented, and that it rewards good performance.

The company's remuneration policy aims to encourage and reward management for operating in accordance with the set strategy and rules, and to motivate them to contribute to the success of the company.

Effective and competitive remuneration is an essential tool for recruiting capable directors and executives to the company, which in turn promotes the company's financial success and good governance. Remuneration supports the execution of the company's strategy and promotes the company's long-term profitability and competitiveness.

The basic salary of the CEO must be aligned with the interests of the company and its shareholders. The salary must be competitive in comparison to the job market to ensure that the company is able to attract and retain capable talent.

Remuneration, in accordance with the remuneration policy, consists of the following parts:

- **Basic salary and employee benefits**, which adhere to local market practices, laws, and regulations.
- **Short-term incentive program**, which is meant to guide the performance of an individual and a company and to support the rapid implementation of strategic projects.

- **Long-term incentive program**, which is meant to ensure the commitment of key personnel. Long-term incentives aim at ensuring the commitment of the management and to align their interests with those of the company's shareholders.

Harvia's Board of Directors supervises the remuneration policy in terms of its effectiveness and competitiveness as well as the promotion of the company's long-term goals. If necessary, the Board of Directors proposes changes to the remuneration policy to the General Meeting.

In 2021, the remuneration of the Board of Directors and CEO complied with the remuneration policy, and there were no deviations. No remuneration of the Board of Directors or CEO were canceled or adjusted in the financial year 2021.

## REMUNERATION DEVELOPMENT

The cornerstones of Harvia's strategy include increasing the value of the average purchase, geographical expansion, and continuous improvement of productivity.

The company has executed its strategy with consistency and success. The Group's revenue has increased from the total of EUR 60.1 million in 2017 to EUR 179.1 million in 2021. During the same period, the adjusted operating profit increased from EUR 10.7 million to EUR 47.3 million. The company's adjusted operating profit in 2021 was EUR 47.3 million and operating profit margin 26.4 percent.

### AVERAGE REMUNERATION

EUR 1,000	2017	2018	2019	2020	2021
Chairperson of the Board of Directors	15	52	58	58	53
Other Board members on average	17	18	20	20	28
CEO's fixed monthly salary including taxable benefits	414	438	444	479	524
CEO's remuneration in total	458	514	507	611	1,774
Harvia employee salary on average <sup>1)</sup>	27	28	30	33	33

<sup>1)</sup> A reward based on Harvia's 2018–2020 long-term incentive program was paid to the management in May 2021. The gross value of the shares paid to the CEO was EUR 1,012,291.25.

<sup>2)</sup> The average salary of a Harvia employee is calculated by taking the total salaries and bonuses paid to employees other than the members of the Board of Directors, as defined in the financial statements for the financial year, and dividing the amount by the number of employees.

### GROUP'S FINANCIAL DEVELOPMENT

EUR 1,000	2017	2018	2019	2020	2021
Revenue	60,107	61,942	74,095	109,115	179,123
Adjusted operating profit	10,696	10,852	13,876	24,445	47,272
Adjusted operating profit, % of revenue	17.8	17.5	18.7	22.4	26.4

## REMUNERATION OF THE BOARD OF DIRECTORS IN 2021

In accordance with the Limited Liability Companies Act, the shareholders decide on the remuneration of the members of the Board of Directors in the Annual General Meeting. The task of drafting the proposal for the remuneration of the members of the Board of Directors has been assigned to the Shareholders' Nomination Board, established following the decision of the Annual General Meeting 2020.

The Annual General Meeting 2021 resolved on the following monthly remuneration for the members of the Board of Directors for their term ending after the Annual General Meeting 2022: Chairperson of the Board EUR 3,500 and Member of the Board EUR 2,000. Additionally, the Chairperson of the Audit Committee is paid EUR 1,300 per month and each Member EUR 750 per month. In early 2021, the remuneration of the Board of Directors was equivalent to the remuneration resolved by the Annual General Meeting 2021. The remuneration of the Board of Directors and the members of the Audit Committee are paid in cash.

Board members were not compensated separately for Board meetings in 2021. Travel expenses resulting from Board meetings will be compensated in accordance with the company's traveling compensation regulations. Remuneration for the company's Board members does not include pension payments, and Board members are not paid other fringe benefits.

The Members of the Board of Directors are not included in Harvia's short- or long-term incentive programs.

## REMUNERATION OF THE BOARD OF DIRECTORS IN 2021

Member	Monthly remuneration in total, EUR	Remuneration for Audit Committee membership, EUR	Total, EUR
<b>Olli Liitola</b> , Chairman of the Board	42,000	10,783	52,783
<b>Sanna Suvanto-Harsaae</b> , Deputy Chair of the Board	24,000	13,868	37,868
<b>Ia Adlercreutz</b>	24,000		24,000
<b>Anders Holmén</b> (from 8 April 2021)	17,700		17,700
<b>Hille Korhonen</b> (from 8 April 2021)	17,700	6,638	24,338
<b>Ari Hiltunen</b> (until 8 April 2021)	6,400		6,400
<b>Kalle Kekkonen</b> (until 8 April 2021)			
<b>Total</b>	<b>131,800</b>	<b>31,288</b>	<b>163,088</b>

Kalle Kekkonen was not remunerated for his term as a member of the Board of Directors or the Audit Committee. During the financial year, Kalle Kekkonen was paid consultancy fees amounting to EUR 5,500. The consulting agreement ended in 2021.

## CEO REMUNERATION IN 2021

The Board of Directors determines the salary, bonuses, and other benefits of the CEO. The remuneration of the CEO consists of a fixed monthly salary, fringe

benefits, and performance-based incentive programs. Additionally, the CEO is entitled to a supplementary pension insurance.

### SUMMARY OF CEO REMUNERATION 2021

Type of remuneration	Description of remuneration
<b>Fixed:</b> Salary	Fixed monthly salary including taxable benefits: car benefit, apartment benefit, garage benefit, and telephone benefit
<b>Fixed:</b> Pensions	Statutory pension in Finland Supplementary defined contribution pension. The CEO receives his supplementary pension upon turning 63 years old.
<b>Variable:</b> Short-term performance bonus	Based on financial result and personal targets, a maximum of 50 percent of basic annual salary in 2021
<b>Variable:</b> Performance bonus	Based on financial performance, a maximum of 6 percent of basic annual salary in 2021
<b>Variable:</b> Long-term incentive program	Share-based long-term incentive program, which aims to support the implementation of the company's strategy, align the objectives of the management and the company's shareholders to increase the value of the company, improve the performance of the company, and strengthen the commitment of management to the company.

In 2021, variable remuneration constituted 70 percent of the overall remuneration of the CEO (21 percent in 2020) and fixed salary 30 percent (79 percent in 2020).

#### FIXED SALARY

In 2021, CEO Tapio Pajuharju's total monthly salary was EUR 523,792 (EUR 479,421 in 2020, including taxable benefits).

#### SHORT-TERM PERFORMANCE BONUS AND PERFORMANCE BONUS

The CEO's performance targets are set by the company's Board of Directors. The purpose of the short-term incentive program is to support the achievement of the company's short-term financial and strategic objectives. The performance period for the CEO's short-term incentive program is one year.

The bonus payable based on the short-term incentive program for 2021 can account for a maximum of 50 percent of the CEO's fixed salary. The bonus payment is based on achieving the set targets related to the Group's consolidated adjusted operating profit as well as the personal targets. The bonus to be paid in March 2022 is 48 percent of the CEO's 2021 fixed salary, or EUR 253,766.

The bonus payable based on the short-term incentive program for 2020 accounted for a maximum of 50 percent of the CEO's fixed salary. The bonus payment was based on achieving the set targets related to the group's consolidated adjusted operating profit as well as the personal targets. The bonus paid in 2021 was 42 percent of the CEO's fixed salary in 2020, or EUR 200,755.

In addition, the CEO is part of a performance bonus system that covers the entire personnel of Harvia's companies in Finland (Harvia Plc, Harvia Group Oy, and Harvia Finland Oy). In the system, the performance bonus is a maximum of six percent of the annual salary, based on the achievement of certain profitability targets. The 2021 bonus to be paid to the CEO in 2022 was 6% of the annual salary. The 2020 bonus paid to the CEO in 2021 was 6% of the annual salary.

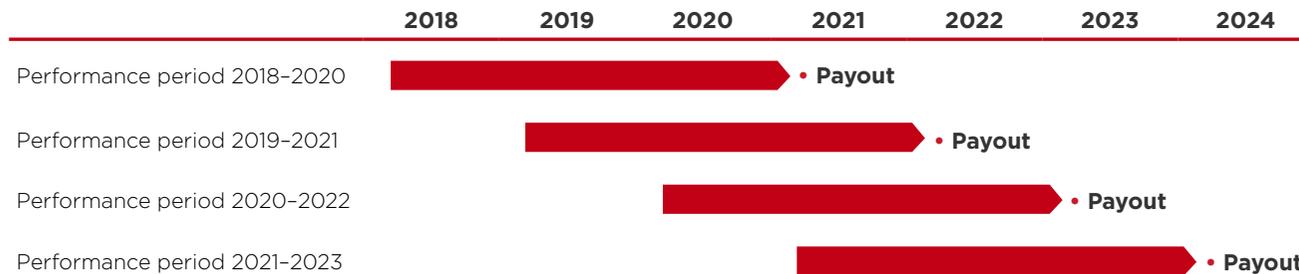
**LONG-TERM INCENTIVE PROGRAMS**

The purpose of Harvia’s long-term incentive program is to support the implementation of the company’s strategy, to align the objectives of the management and the company’s shareholders to increase the value of the company, to improve the performance of the company, and to strengthen the commitment of the CEO to the company.

The performance periods of the long-term incentive program are 2018–2020, 2019–2021, 2020–2022, and 2021–2023. For each performance period, the Board

of Directors will make a separate decision on the plan participants, performance criteria, and related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment. If the targets of the incentive program are reached, the rewards will be paid in shares or in some situations in cash during the spring following the end of the given performance period. The program has no commitment period or terms and conditions associated with the amount of shareholdings.

**HARVIA’S SHARE-BASED INCENTIVE PLAN**



Rewards from *the first performance period 2018–2020* were paid during spring 2021. In this performance period, the targets for the long-term incentive program were related to the company’s total shareholder return, revenue growth, and EBIT margin. The maximum number of shares paid based on the first performance period corresponded to 89,727 shares in Harvia Plc. This number of shares represented gross earning, from which withholding tax and possible other applicable contributions were deducted, and the remaining net amount was paid in shares.

The reward of the CEO based on the incentive program was paid in the spring of 2021 in company’s shares. The CEO was paid 25,358 shares (gross) in total.

Based on the performances in *the second performance period of the program, 2019–2021*, the total number of shares to be paid to the participants of the program corresponds to 92,496 shares in Harvia Plc. Also in this performance period, the targets for the long-term incentive program related to the company’s total shareholder return, revenue growth, and EBIT margin.

The above-mentioned number of shares represents gross earning, from which withholding tax and possible other applicable contributions are deducted, and the remaining net amount is paid in shares.

The CEO achieved the maximum targets for the performance period. The reward of the CEO based on the long-term incentive program, 23,124 shares (gross) in total, will be paid in the spring of 2022 in the company’s shares unless the Board of Directors decides on the payment of the complete reward in cash.

The targets for *the performance period 2020–2022* decided by the Board of Directors in November 2020 relate to the company's total shareholder return, revenue growth, and EBIT margin. The total number of shares to be paid based on the period corresponds to a maximum of 50,300 shares in Harvia Plc. Potential rewards for the period 2020–2022 will be paid out in the spring of 2023.

In July 2021, the Board decided on *a new performance period 2021–2023* for the share-based incentive program. The targets for the performance period relate to the company's total shareholder return, revenue growth, sustainability targets, and EBIT margin. The total number of shares to be paid based on the period 2021–2023 corresponds to a maximum of 33,500 shares in Harvia Plc. Potential rewards from the period will be paid out in the spring of 2024.

### THE KEY TERMS OF SERVICE OF THE CEO

The management contract of the CEO is valid until further notice. The CEO's contract contains a mutual six-month period of notice and a 12-month non-compete period upon its termination.

If the company terminates the service contract, the CEO is entitled to a severance payment corresponding to six months' basic salary.

The CEO's retirement age is determined by the statutory pension system. The CEO is entitled to a supplementary pension insurance. The supplementary pension agreement is a defined contribution plan. The CEO receives his supplementary pension upon turning 63 years old. The CEO has a life insurance policy provided by Harvia, and the beneficiaries are the family members of the CEO.

### REMUNERATION PAID TO THE CEO IN 2021

Remuneration component	EUR
Fixed salary <sup>1)</sup>	523,792
Short-term performance bonus from 2020	200,755
Performance bonus from 2020	28,765
Long-term incentive program 2018–2020 <sup>2)</sup>	1,012,291
Supplementary pension	8,500
<b>Total</b>	<b>1,774,104</b>

1) Including taxable benefits

2) Gross value of the rewards. The CEO was paid 25,358 shares (gross), and the value of the shares on the date of payment 12 May 2021 was EUR 1,012,291. Withholding tax and possible other applicable contributions were deducted from the gross earning, and the remaining net amount was paid in shares.

### REWARD OF THE CEO TO BE PAID IN 2022

Remuneration component	
Short-term performance bonus from 2021, EUR	253,766
Performance bonus from 2021, EUR	31,427
Long-term incentive program 2019–2021 <sup>1)</sup> , shares	23,124

1) Gross value of the rewards. The CEO will be paid 23,124 shares (gross) on or about 16 May 2022, and the value of the shares on the payment date will be based on the closing price of the company's share on that date. Withholding tax and possible other applicable contributions will be deducted from the gross earning, and the remaining net amount will be paid in shares.