



REMUNERATION REPORT 2022

DEAR HARVIA PLC SHAREHOLDER,

With this greeting, I present Harvia's Remuneration Report for 2022. The Remuneration Report has been drafted in accordance with the Finnish Corporate Governance Code 2020 of the Securities Market Association and other regulation. It describes how the company's Remuneration Policy, approved by Harvia's Annual General Meeting, has been implemented in 2022. The Remuneration Report will be presented at Harvia's Annual General Meeting 2023 for an advisory vote.

The Remuneration Report 2022 presents the descriptions and application of the criteria of the company's short- and long-term incentive programs in more detail than previous reports. I hope this information benefits the shareholders.

2022 – a year of altered market conditions

The year 2022 proved to be very different from the previous year. The impacts of Russia's invasion of Ukraine were also reflected in Harvia's operations, and Harvia withdrew from the Russian sauna market during the year. Especially in Europe, high inflation combined with the emerging energy shortage made the market environment more challenging. These factors weakened consumer confidence, which also impacted demand in

the sauna and spa industry. In addition, the so-called advance demand caused by the COVID-19 pandemic faded away during the year.

Harvia's revenue for the financial year decreased by 3.7% to EUR 172.4 million. Adjusted operating profit was EUR 36.5 million, making up 21.1% of the revenue. During the year, the company adjusted its capacity, cost structure and net working capital to adapt its operations to the changes in the market environment, demand and inflation. Equally, sales efforts were amplified according to the requirements of the market situation.

During the challenging year 2022, Harvia focused on the systematic implementation of the company's strategy. The positive long-term growth outlook for the sauna and spa market remains unchanged despite the rather exceptional operating environment in 2022.

Thus, I would like to thank Harvia's management and employees for their efforts in 2022 as well as their determined work towards Harvia's long-term success. I want to give special thanks to CEO Tapio Pajuharju, who has led Harvia since 2016 and will leave his position in May 2023.

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 role 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 sets the performance criteria and related targets for the short- and long-term incentive programs.

Remuneration in 2022

In 2022, the remuneration of the Board of Directors and CEO was compliant with the company's remuneration policy without exception. The Board members' monthly fee was raised from the previous year with the General Meeting's resolution. Remuneration paid to the CEO in the financial year 2022 totaled EUR 1,522,998. Of this, variable remuneration constituted 66 percent. Of the payable remuneration based on the 2022 performance, the share of variable remuneration will be lower compared to the previous year, when the remuneration paid to the CEO reflected Harvia's extremely strong year in 2021.

Developing remuneration

The Shareholders' Nomination Board will make proposals to the Annual General Meeting for the remuneration and development of the company's Board of Directors. The Nomination Board has proposed to Harvia's Annual General Meeting 2023 that approximately 40% of the monthly fees of the members of the Board of Directors be paid in shares and approximately 60% in cash. For its part, paying the

fees partially in shares is apt to align the interests of the Board of Directors and the shareholders. In certain situations, the fees can be paid fully in cash.

As regards remuneration paid to the management, Harvia's Board of Directors regularly monitors the competitiveness of the company's remuneration and that it promotes Harvia's long-term goals. We pay attention to the appropriate flexibility of the remuneration structure. As at present, we will continue to 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.

I welcome all and any feedback on Harvia's Remuneration Report.

Olli Liitola
Chairman of the Board
Harvia Plc

KEY PRINCIPLES OF REMUNERATION

Harvia's 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 long-term profitability and the company's 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.

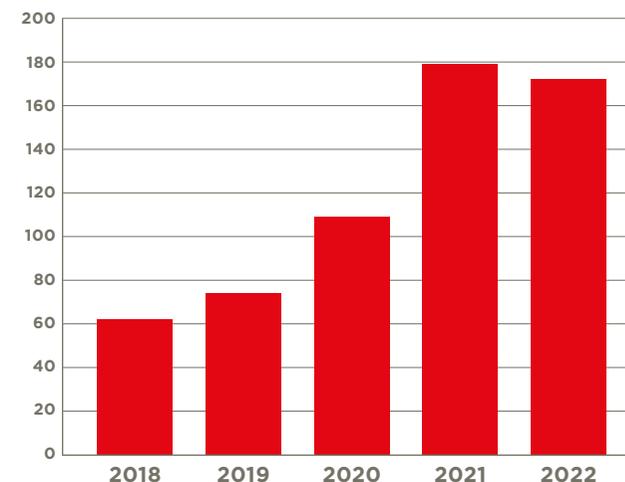
In 2022, the remuneration of the Board of Directors and CEO complied with the remuneration policy, and there were no deviations. The remuneration of the Board of Directors or CEO were not recovered or adjusted in the financial year 2022.

DEVELOPING REMUNERATION

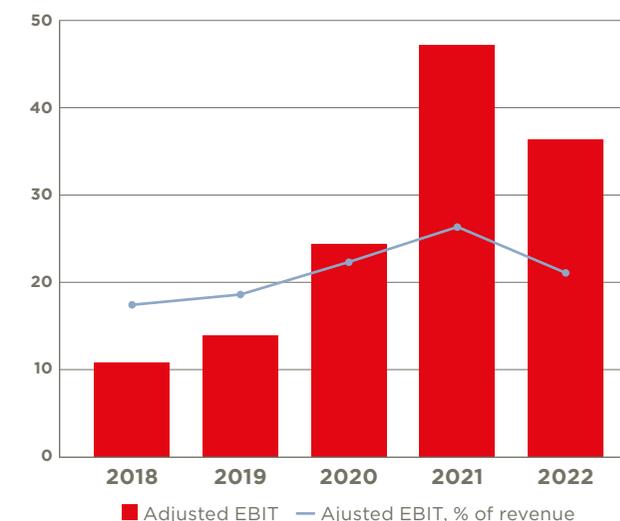
The cornerstones of Harvia's strategy include increasing the value of the average purchase, geographical expansion, and continuous improvement of productivity. The company has implemented its strategy consistently, promoting the different areas of strategy in a balanced manner. Successful advancement of the strategy has ensured growth both organically and through acquisitions: the Group revenue has increased from EUR 61.9 million in 2018 to EUR 172.4 million in 2022. During the same period, the adjusted operating profit increased from EUR 10.9 million to EUR 36.5 million. Adjusted operating profit margin was 21.1 percent in 2022.

Dividends paid by Harvia have increased by 62% in 2019-2022. The total shareholder return (TSR) of Harvia's share was 264% in 2019-2022.*)

REVENUE, EUR MILLION



ADJUSTED EBIT, EUR MILLION AND ADJUSTED EBIT, % OF REVENUE



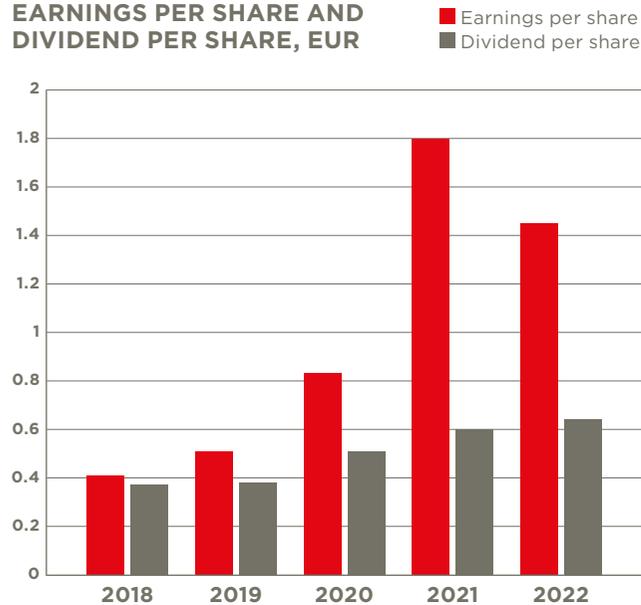
*) Trading in Harvia's shares commenced in March 2018, which is why the review of dividends and TSR includes the financial years between 2019 and 2022. Dividends paid in 2019-2022 and the price development of Harvia's share have been taken into account in the TSR.

AVERAGE REMUNERATION

EUR 1,000	2018	2019	2020	2021	2022
Chairman of the Board	52	58	58	53	53
Other Board members on average	18	20	20	28	38
CEO's fixed salary including taxable benefits	438	444	479	524	510
CEO's remuneration in total ¹⁾	514	507	611	1,774	1,523
The salary of a Harvia employee on average ²⁾	28	30	33	33	33

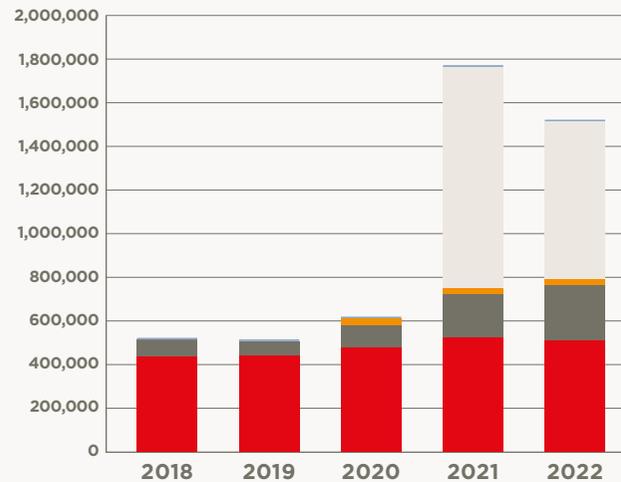
1) A reward based on Harvia's 2019–2021 long-term incentive program was paid to the management in May 2022. The gross value of the shares paid to the CEO was EUR 721,052.57.
 2) The average salary of a Harvia employee is calculated by taking the total salaries and bonuses paid to employees other than 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.

EARNINGS PER SHARE AND DIVIDEND PER SHARE, EUR



Dividend per share for 2022 is Harvia's Board's dividend proposal to the 2023 Annual General Meeting.

REMUNERATION PAID TO THE CEO, EUR



The graph presents the remuneration paid to the CEO in each financial year. For example, in 2022 the CEO was paid

- a salary for 2022
- a short-term performance bonus (performance period 2021, paid in 2022)
- a performance bonus from 2021
- a reward paid in 2022 in accordance with the 2019–2021 performance period of the long-term share-based incentive program, as well as
- supplementary pension.

■ Salary
 ■ Short-term performance bonus
 ■ Performance bonus
 ■ Long-term incentive
 ■ Supplementary pension

REMUNERATION OF THE BOARD OF DIRECTORS IN 2022

In accordance with the Finnish 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 2022 resolved on the following monthly remuneration for the members of the Board of Directors for their term ending after the Annual General Meeting 2023: Chairperson of the Board EUR 4,500 (previously 3,500) and Member of the Board EUR 2,500 (previously 2,000). Additionally, it was decided that the Chairperson of the Audit Committee be paid EUR 1,300 per month and each Member EUR 750 per month. The remuneration of the Board of Directors and the members of the Audit Committee was paid in cash in 2022.

In addition, the Annual General Meeting decided that the members of the Board of Directors living outside Finland will be paid a meeting fee of EUR 900 per meeting if they travel to Finland to attend a meeting. If a member participates in a meeting via phone or other electronic device, no separate meeting fee will be paid. No meeting fees were paid for decisions made without convening a meeting.

Travel expenses resulting from Board meetings were 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. The Board members have not received any rewards from other Harvia Group companies.

REMUNERATION OF THE BOARD OF DIRECTORS IN 2022 (EUR)

Member	Monthly remuneration in total	Remuneration for Audit Committee membership	Meeting fees	Total
Olli Liitola , Chairman of the Board	53,184	0	0	53,184
Sanna Suvanto-Harsaae , Deputy Chair of the Board	28,395	15,573	3,600	47,568
Anders Holmén	28,395	6,526	0	34,921
Hille Korhonen	28,395	8,974	0	37,368
Heiner Olbrich (from 7 April 2022)	21,974	0	3,600	25,574
Ia Adlercreutz (until 7 April 2022)	6,526	0	0	6,526
Total	166,869	31,073	7,200	205,142

CEO REMUNERATION IN 2022

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.

In 2022, variable remuneration constituted 66 percent of the overall remuneration of the CEO (70 percent in 2021 and 21 percent in 2020) and fixed salary 34 percent (30 percent in 2021 and 79 percent in 2020).

Pajuharju resigned from his position in November 2022. He will continue as the CEO of Harvia until the end of May 2023.

FIXED SALARY

In 2022, CEO Tapio Pajuharju's total monthly salary was EUR 510,290 (EUR 523,792 in 2021) including taxable benefits. In September–December 2022, the CEO was only paid a partial salary based on a voluntary decision by Harvia's Management Team to lower the Management Team members' salaries during said period.

SUMMARY OF CEO REMUNERATION 2022

Type of remuneration	Description of remuneration
Fixed: Salary	Fixed monthly salary including taxable benefits: car benefit, apartment benefit, garage benefit, and telephone benefit
Fixed: Pensions	Statutory pension in Finland Supplementary defined contribution pension. The CEO receives his supplementary pension upon turning 63 years old.
Variable: Short-term performance bonus	Based on financial result and personal targets, a maximum of 50% of basic annual salary in 2022
Variable: Performance bonus	Based on financial performance, a maximum of 6% of basic annual salary in 2022.
Variable: 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.

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.

In November 2022, CEO Pajuharju announced that he will resign as CEO in May 2023. Pajuharju is entitled to the short-term performance bonus to be paid for 2022 as well as to the 2022 performance bonus.

The bonus payable based on the short-term incentive program for 2022 can account for a maximum of 50 percent of the CEO’s fixed salary, which was equal to that in 2021.

SHORT-TERM PERFORMANCE BONUS

Criteria in 2022	Weighting	Outcome
Consolidated adjusted operating profit	66.6%	0%
Personal targets	33.4%	90.0%
Total	100%	30.0%

Criteria in 2021	Weighting	Outcome
Consolidated adjusted operating profit	66.6%	100.0%
Personal targets	33.4%	94.7%
Total	100%	98.2%

In the financial year 2022, personal targets related to reducing net working capital, integrating the executed acquisitions, improving occupational safety and developing business operations as a result of Russia’s invasion of Ukraine. In 2021, personal targets were linked to the sustainability program and occupational safety as well as innovations and quality, among other things.

In 2023, the CEO will be paid a short-term performance bonus of EUR 60,277 for the financial year 2022.

In addition to the short-term performance bonus, 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 2022 bonus to be paid to the CEO in 2023 will be 6% of the CEO’s salary including fringe benefits, amounting to EUR 28,593. Similarly, the 2021 bonus paid to the CEO in 2022 was 6% of the annual salary.

LONG-TERM INCENTIVE PROGRAMS

The purpose of Harvia’s long-term share-based 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.

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. The payment of rewards based on the performance criterion concerning

organic revenue growth requires that Harvia achieves a certain EBIT margin in the performance period. If the targets of the plan are reached, rewards will be paid to the participants 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.

The potential rewards paid through the incentive program represent gross earning, from which withholding tax and possible other applicable contributions are deducted, and the remaining net amount is paid in shares. However, the company has the right to pay the reward fully in cash under certain circumstances.

Due to his resignation, CEO Pajuharju is not entitled to the reward to be paid in spring 2023 for the performance period 2020–2022 of the incentive program.

PERFORMANCE PERIODS OF THE SHARE-BASED INCENTIVE PROGRAM

Performance period	Performance criteria and their weighting	Payment date	The maximum number of shares to be paid to the CEO, gross	The reward earned by the CEO in relation to the maximum	The number of the gross shares earned by the CEO	The number of net shares given to the CEO
2019–2021	<ul style="list-style-type: none"> • Absolute TSR (50%) • Organic revenue growth (50%) 	12 May 2022	23,124	100%	23,124	12,233
2020–2022	<ul style="list-style-type: none"> • Absolute TSR (50%) • Organic revenue growth (50%) 	Spring 2023	8,167	Pajuharju not entitled to the reward due to resignation	0	0
2021–2023	<ul style="list-style-type: none"> • Absolute TSR (50%) • Organic revenue growth (40%) • Sustainability: sustainability strategy and metrics (10%) 	Spring 2024	7,910	Ongoing performance period		
2022–2024	<ul style="list-style-type: none"> • Absolute TSR (50%) • Organic revenue growth (35%) • Sustainability: reducing CO₂ emissions (15%) 	Spring 2025	16,889	Ongoing performance period		

The payment of rewards based on the performance criterion concerning organic revenue growth requires that Harvia achieves a certain EBIT margin in the performance period.

REMUNERATION PAID TO THE CEO IN 2022

Remuneration component	EUR
Fixed salary ¹⁾	510,290
Short-term performance bonus from 2021	253,766
Performance bonus from 2021	29,389
Long-term incentive program 2019-2021 ²⁾	721,053
Supplementary pension	8,500
Total	1,522,998

1) Including taxable benefits

2) Gross value of the rewards. The CEO was paid 23,124 shares (gross), and the value of the shares on the date of payment 12 May 2022 was EUR 721,052.60. Withholding tax and possible other applicable contributions were deducted from the gross earning, and the remaining net amount was paid in shares.

THE REWARD OF THE CEO TO BE PAID IN 2023 BASED ON PERFORMANCE IN 2022

Remuneration component	EUR
Short-term performance bonus from 2022	77,499
Performance bonus from 2022	28,593
Total	106,092

THE KEY TERMS OF SERVICE OF THE CEO

The management contract of the CEO is an indefinite contract. 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.