

## HARVIA PLC'S REMUNERATION POLICY



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The General Meeting has/has not supported the approval of the policy

## **HARVIA PLC'S REMUNERATION POLICY**

### **1 INTRODUCTION**

The principles and decision-making processes for the remuneration of the Board of Directors and CEO and for the key terms of the service contract are set forth in this Harvia Plc's (the "Company") remuneration policy.

The Company's remuneration principles apply to the entire personnel. Transparency and market-orientation and remuneration based on good performance are key principles in remuneration.

The Company's remuneration policy applies to the Company's Board of Directors and CEO. The objective of the Company's remuneration policy is to encourage and reward management for the work that is in line with the Company's strategy at a given time and for compliance with the set rules, as well as to motivate them to strive for the success of the Company.

Well-functioning and competitive remuneration is an essential tool for engaging competent directors and executives for the Company. This, in turn, contributes to the financial success of the Company and the implementation of good corporate governance. In addition to supporting the Company's long-term profitability and competitiveness, remuneration supports the Company's strategy.

Remuneration in accordance with the remuneration policy consists of the following components:

- Basic salary and employee benefits are in compliance with the local market practices, laws and regulations.
- The purpose of the short-term incentive scheme is to guide the performance of an individual and the organisation as well as to support rapid implementation of strategic projects.
- Long-term remuneration scheme is intended for committing key persons to the Company. Long-term incentives aim at committing management to the Company and harmonising their interests with those of shareholders.

### **2 DECISION-MAKING PROCESS**

The Company's remuneration principles and policies are addressed by the Company's Board of Directors. The Company's Board of Directors have suggested to the General Meeting held on 2 April 2020 that the General Meeting shall establish a shareholders' nomination board to prepare matters pertaining to the appointment and remuneration of the Board of Directors.

The Board of Directors shall monitor and supervise the functionality of the remuneration policy, the competitiveness of remuneration and how the remuneration policy promotes the Company's and Group's long-term objectives and proposes amendments to the remuneration policy to the General Meeting, if necessary.

When amending the remuneration policy, the Board of Directors shall state the material changes. Additionally, the Board of Directors shall state how the new policy takes into account the General Meeting's resolution on the previous policy and the statements presented at the General Meetings when discussing the remuneration reports disclosed since the adoption of the previous remuneration policy

The Company's Board of Directors approves and proposes the Company's remuneration policy to the General Meeting. The Company has not considered necessary to establish a separate remuneration committee.

The remuneration policy must be presented to the General Meeting at least every four years. In addition, material changes to the remuneration policy must always be presented to the General Meeting. The General

Meeting will resolve whether it supports the presented policy. The resolution of the General Meeting is advisory.

If a majority of the General Meeting of a listed Company opposes the presented remuneration policy, an amended policy and a statement of how the new policy takes into account the General Meeting's resolution on the previous policy must be presented no later than in the next Annual General Meeting.

The preparation of the proposal relating to the remuneration of the Board of Directors is assigned to the shareholder's nomination board. Ultimately, the General Meeting decides on the remuneration of the Board of Directors.

The Board of Directors decides on the remuneration of the CEO and possible deputy CEO as well as on the key terms and conditions of their service. The decisions must be made within the limits of the remuneration policy presented to the General Meeting.

Decisions concerning the distribution of the Company's shares, options, or other special rights entitling to shares shall be made in the General Meeting or by the Company's Board of Directors pursuant to an authorisation from the General Meeting. When shares, options, or other special rights entitling to shares are issued to members of the governing bodies as part of their remuneration, this must take place within the limits of the remuneration policy.

The management team assists the CEO in the management of business. Apart from the CEO, the Board of Directors appoints also other members of the management team and decides on the remuneration paid to the members of the management team and other terms of employment contracts. In addition to the above, the Board of Directors decides on the Company's remuneration and incentive scheme.

### **3 DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS**

Decisions concerning the remuneration of the Board of Directors are made in General Meetings for a single term of office at a time based on a proposal of the shareholders' nomination board.

Decision on the remuneration of the Board of Directors shall be based on the valid remuneration policy presented to the General Meeting.

According to a resolution of the General Meeting, an annual or a monthly fee and compensation for travelling expenses and/or other costs directly incurred by the board work are paid to the members of the Board of Directors.

The Board and any committee fees can be paid partially or entirely in the Company's shares, in accordance with a resolution of the General Meeting.

The members of the Company's Board of Directors are not eligible for short- or long-term incentive schemes.

### **4 DESCRIPTION OF THE REMUNERATION OF THE CEO**

Decisions concerning the remuneration of the Company's CEO and the terms applicable to the service contract of the CEO are made by the Company's Board of Directors within the limits of the valid remuneration policy presented to the General Meeting.

#### **4.1 Remuneration components and proportional shares of overall remuneration**

The remuneration of the CEO consists of a monthly salary, employee benefits and performance-based incentive systems. The remuneration of the CEO may also include supplementary pension arrangement and severance payment.

The incentive systems consist of an annual short-term performance bonus scheme and long-term share incentive scheme.

The CEO's basic salary shall be aligned with the interest of the Company and its shareholders. The basic salary shall be competitive in the labour market comparison in order to be able to induce and engage talented professionals to the Company's service.

#### 4.2 Grounds for determining the variable remuneration

The target levels and maximum levels of the variable remuneration's measures are based on the long-term strategic objectives defined by the Board of Directors. The measures are regularly followed. The fulfilment of the criteria supports the Company's long-term financial success.

##### *Short-term incentive scheme*

The CEO can be paid an annually determined performance bonus. The CEO's performance objectives are set by the Company's Board of Directors. The performance time for the CEO's short-term incentive scheme is one year. The purpose of the short-term incentive scheme is to support the achievement of the Company's short-term financial and strategic objectives.

If the criteria predefined annually by the Board of Directors are met, the CEO may be entitled to a performance bonus, which may account for 50% of the fixed annual salary (gross) at most.

The criteria defined by the Board of Directors can take into account the personal objectives of the CEO, the Company's turnover, operating profit, the stability of customers, efficiency of operations, employee satisfaction, the progress of product development and product-group specific growth.

##### *Long-term incentive scheme*

The purpose of the long-term incentive scheme is to support the implementation of the Company's strategy, harmonise the objectives of the management and the Company's shareholders to increase the value of the Company and to improve the performance of the Company and to commit the CEO to the Company.

The CEO may be eligible for a share or stock option incentive scheme decided by the Company.

The long-term incentive scheme consists of performance periods of several financial years. The Board of Directors will decide separately for each performance period performance criteria and related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment.

The proportion of the long-term incentive scheme in relation to the overall remuneration of the CEO can vary substantially when the value of the shares of the Company changes. For this reason, the maximum amount payable pursuant to the long-term incentive scheme cannot be evaluated in advance.

The amount of the reward paid to the CEO depends on achieving the predefined targets. No reward will be paid if the targets are not met or if the service ends before reward payment. If the targets of the incentive scheme are reached, the rewards will be paid during the spring following the end of the given performance period. The possible reward may be paid in the form of shares or in cash following the given performance period.

#### 4.3 Other key terms applicable to the service

##### *Pension arrangement*

Employees Pensions Act (in Finnish: Työntekijän eläkelaki (TyEL)) offers pension security based on the term of service and earnings, as provided in law. The CEO's retirement age will be determined on the basis of the Employees Pensions Act.

In addition to the statutory pension, the Company may agree on supplementary pension arrangements with the CEO. The Board of Directors of the Company shall decide on the payments of the supplementary pension arrangements in accordance with the market practices.

#### *Terms of notice*

Period of notice applicable to the CEO can be agreed in the service contract. The period of notice shall be determined when the agreement is concluded and in accordance with the market practices. Currently, the mutual period of notice of the CEO's service contract is six months at most.

In addition to the salary from the period of notice, the CEO may be paid a severance payment which is determined in accordance with the market practices when concluding the agreement. If the Company terminates the service contract, the current CEO is entitled to a severance payment corresponding to six months' salary. The Board of Directors has the right to demand that the severance payment can be revoked if the person has been found guilty to a significant violation or has acted in a way that is harmful for the Company or against the interests of the Company.

#### *Insurances*

The CEO may possess a life insurance, a permanent disability insurance, a private accident insurance, a business travel insurance and a director's liability insurance provided by Harvia.

#### 4.4 Terms for deferral and possible clawback of remuneration

The Board of Directors may determine that the variable remuneration shall not be paid entirely or partially in the case that the corporation's financial position has declined in a manner which according to the evaluation of the Board of Directors makes the payment of the performance bonuses unreasonable when taking into account the situation of the corporation. Additionally, the bonuses related to the variable remuneration can be clawed back in exceptional circumstances, for example in the case of misconduct or the manipulation of financial results.

## **5 REQUIREMENTS FOR TEMPORARY DEVIATION**

A temporary deviation from the remuneration policy is allowed if this is necessary to ensure the Company's long-term interests, taking into account the Company's long-term success, competitiveness and shareholder value development.

A temporary deviation from the valid remuneration policy is only allowed in exceptional circumstances in which the Company's key operating preconditions have changed after the General Meeting discussed the remuneration policy, for example, due to a change of CEO or a corporate arrangement such as a merger or takeover bid, and the valid remuneration policy would no longer be appropriate in these changed circumstances.

If deviating from the remuneration policy is assessed to continue to the point that it cannot be deemed temporary, the Company must prepare a new remuneration policy to be discussed at the next possible Annual General Meeting.

The Board of Directors of the Company shall evaluate the needs for deviating from the remuneration policy and shall make a decision on the deviation. A temporary deviation must be reported in the annual remuneration report.

## **6 AVAILABILITY OF THE REMUNERATION POLICY**

The Company shall make the valid remuneration policy available to the public on its website.