

# REMUNERATION REPORT 2023



## DEAR HARVIA SHAREHOLDER,

With this greeting, I present Harvia Plc's Remuneration Report for the financial year 2023. The Remuneration Report describes the remuneration of the company's Board of Directors and CEO in 2023 and how the company's remuneration policy, approved by Harvia's Annual General Meeting, has been implemented in 2023. The Remuneration Report 2023 has been drafted in accordance with the Finnish Corporate Governance Code 2020 of the Securities Market Association and other regulation. It will be presented at Harvia's Annual General Meeting 2024 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 the parties 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.

## HARVIA'S PERFORMANCE IN 2023

In 2023, the operating environment remained volatile: economic uncertainty, increased interest rates, inflation and low consumer confidence impacted the European sauna and spa market in particular.

Harvia's financial success in 2023 is characterized by the achievement of strong profitability and a strong cash flow. Business growth was robust particularly in North America. Harvia's revenue returned to growth in the fourth quarter, supported by improved sales in Central Europe towards the end of the year.

I would like to take this opportunity to thank Harvia's management and entire personnel for their persistent work in 2023 as well as their efforts in building the company's future growth.

### REMUNERATION IN 2023

In the financial year 2023, the remuneration of Harvia's Board of Directors and CEO was compliant with the company's remuneration policy without exception.

The Annual General Meeting 2023 decided 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.

At the beginning of June 2023, Harvia welcomed its new CEO Matias Järnefelt. In accordance with the remuneration policy, the elements of Järnefelt's remuneration include a fixed monthly salary, a short-term performance bonus as well as participation in the performance period 2023–2025 of the long-term share-based incentive program. The criteria of the performance period include the total shareholder return of Harvia's share, organic revenue growth and reducing CO<sub>2</sub> emissions. The criteria also emphasize the importance of profitability: the payment of rewards based on organic revenue growth requires that Harvia achieves a certain EBIT margin in the performance period.

### DEVELOPING REMUNERATION

Harvia's remuneration policy has been presented to the company's Annual General Meeting in 2020; hence it is time to present an updated remuneration policy to the General Meeting in spring 2024. This will set the framework for Harvia's remuneration.

The Shareholders' Nomination Board will annually make proposals to the Annual General Meeting for the remuneration and development of the company's Board of Directors. The Board of Directors' approach to the remuneration of the company's management considers both the competitiveness of remuneration and the promotion of Harvia's long-term preconditions for success and targets by means of remuneration. The remuneration criteria include elements concerning Harvia's growth, profitability and sustainability. I consider these factors to be essential also in the future, along with the possibility of flexible remuneration structures in line with market practices.

I appreciate all remarks regarding Harvia's remuneration and 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 aim of the company’s remuneration policy, approved by the Annual General Meeting 2020, is 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 2023, the remuneration of the Board of Directors and CEO complied with the remuneration policy approved by the Annual General Meeting 2020, and there were no deviations. The remuneration of the Board of Directors or CEO were not recovered or adjusted in the financial year 2023.

An updated remuneration policy will be presented to Harvia’s Annual General Meeting 2024 for an advisory vote.

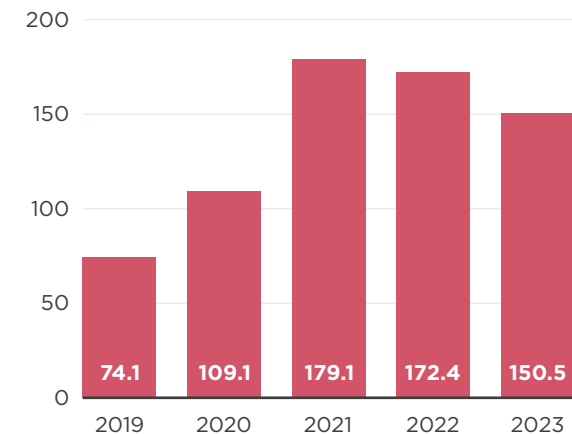
## DEVELOPING REMUNERATION

The cornerstones of Harvia’s strategy include increasing the value of the average purchase, geographical expansion, and continuous improvement of productivity. The company continued the consistent implementation of its strategy in 2023, promoting the different areas of strategy in a balanced manner.

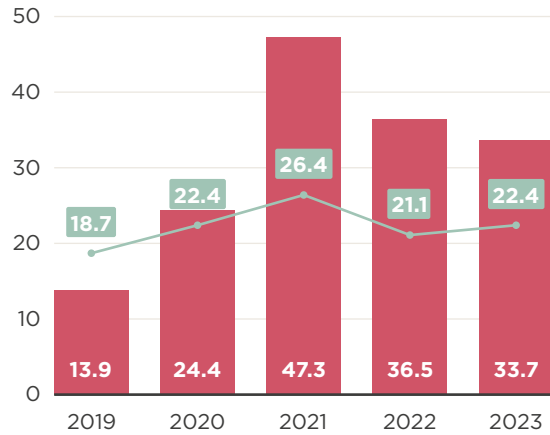
During the review period of the remuneration report, the Group revenue has increased from EUR 74.1 million in 2019 to EUR 150.5 million in 2023. During the same period, the adjusted operating profit increased from EUR 13.9 million to EUR 33.7 million. Adjusted operating profit margin was 22.4 percent in 2023.

Dividends paid by Harvia have increased by 73.0% in 2019–2023. The total shareholder return (TSR) of Harvia’s share was 36.5% in 2019–2023. Dividends paid in 2019–2023 and the price development of Harvia’s share have been taken into account in the TSR.

REVENUE, EUR MILLION



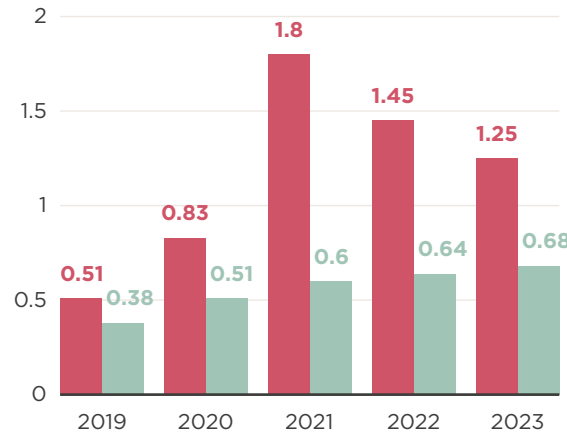
**ADJUSTED OPERATING PROFIT, EUR MILLION AND ADJUSTED OPERATING PROFIT MARGIN**



■ Adjusted operating profit\*, EUR million  
■ Adjusted operating profit margin

\* Adjusted by items affecting comparability

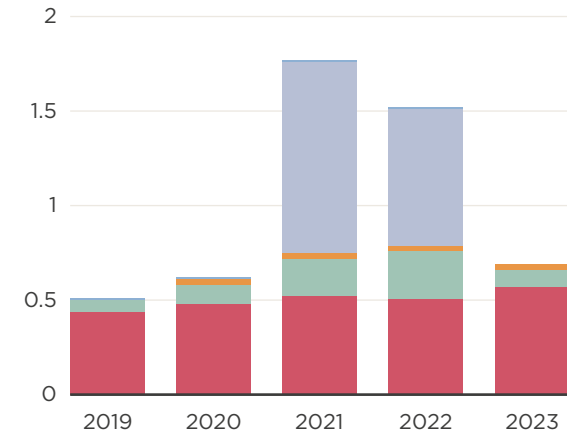
**EARNINGS PER SHARE AND DIVIDEND PER SHARE, EUR**



■ Earnings per share ■ Dividend per share

Dividend per share for 2023 is the dividend proposal of Harvia's Board of Directors to the 2024 Annual General Meeting.

**REMUNERATION PAID TO THE CEO, MEUR**



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

Based on remuneration paid to Tapio Pajuharju until 31 May 2023 and remuneration paid to Matias Järnefelt as of 1 June 2023.

**AVERAGE REMUNERATION**

EUR 1,000	2019	2020	2021	2022	2023
Chairman of the Board	58	58	53	53	61
Other Board members on average	20	20	28	30	32
CEO's fixed monthly salary including taxable benefits <sup>1)</sup>	444	479	524	510	570
CEO's remuneration in total <sup>1), 2)</sup>	507	611	1,774	1,523	695
The salary of a Harvia employee on average <sup>3)</sup>	30	33	33	33	39

1) Based on remuneration paid to Tapio Pajuharju by 31 May 2023 and remuneration paid to Matias Järnefelt as of 1 June 2023.

2) Rewards based on Harvia's long-term incentive program were paid to Pajuharju in shares in May 2021 for the 2018–2020 performance period with the gross value of EUR 1,012,291.35, and in May 2022 for the 2019–2021 performance period with the gross value of EUR 721,052.57.

3) 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.

## REMUNERATION OF THE BOARD OF DIRECTORS IN 2023

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 2023 resolved on the following monthly remuneration for the members of the Board of Directors for their term ending after the Annual General Meeting 2024: Chairperson of the Board EUR 4,500 and Member of the Board EUR 2,500. 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 was unchanged from the previous term of office.

The Annual General Meeting decided that the monthly remuneration of the Board members will be paid in company shares and in cash in such a way that approximately 40 percent of the total monthly remuneration will be paid in company shares purchased at a price determined in public trading on Nasdaq Helsinki Ltd and approximately 60 percent will be paid in cash. The shares will be acquired within two weeks from the day following the publication of the company's interim report for the period 1 January–31 March 2023. The company

will pay any costs and transfer tax related to the purchase of company shares. In case the remuneration cannot be paid in company shares due to legal or other regulatory restrictions or due to other reasons related to the company or a member of the Board of Directors, the remuneration will be paid in cash. A member of the Board of Directors may not transfer the shares received as remuneration for Board membership in 2023 until two years has passed since the date of transfer of the shares.

The remuneration for the members of the Audit Committee will be paid fully in cash.

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 fee is paid for decisions made without convening a meeting.

The travel expenses of the members of the Board of Directors are compensated in accordance with the company's travel rules. 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 2023**

Member	Monthly remuneration in total, EUR <sup>1)</sup>	Monthly remuneration in shares, EUR <sup>2)</sup>	Monthly remuneration in shares, pcs <sup>3)</sup>	Monthly remuneration in cash, EUR	Remuneration for Audit Committee membership, EUR	Meeting fees, EUR	Remuneration in financial year 2023 in total, EUR
<b>Olli Liitola</b> , Chairperson of the Board	60,846	21,600	873	39,246			60,846
<b>Heiner Olbrich</b> , Deputy Chairperson of the Board	30,000			30,000	6,292	2,700	38,992
<b>Anders Holmén</b>	33,803	12,000	485	21,803	9,000		42,803
<b>Hille Korhonen</b>	33,803	12,000	485	21,803	13,614		47,417
<b>Markus Lengauer</b> , from 20 April 2023	21,872			21,872		2,700	24,572
<b>Catharina Stackelberg-Hammarén</b> , from 20 April 2023	24,758	12,000	485	12,758			24,758
<b>Sanna Suvanto-Harsaae</b> , until 20 April 2023	9,167			9,167	4,767	900	14,833
<b>Total</b>	<b>214,249</b>	<b>57,600</b>	<b>2,328</b>	<b>156,649</b>	<b>33,672</b>	<b>6,300</b>	<b>254,221</b>

1) In accordance with the decision of the Annual General Meeting 2023, 40% of the monthly remuneration in 2023 was paid in Harvia Plc shares and 60% in cash. In April-December 2023, some members of the Board received their monthly remuneration fully in cash. For the members to whom their monthly remuneration was paid partly in Harvia shares, the share component was paid in full on 30 May 2023 for their membership in April 2023-April 2024. For these members, the monthly remuneration includes the share purchase-related transfer tax that was paid by the company.

2) 40% of the monthly remuneration in April 2023-April 2024.

3) The number of shares is based on the volume-weighted average price of the Harvia share in 4-18 May 2023 (EUR 24.75 per share).

## CEO REMUNERATION IN 2023

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. The remuneration of the CEO may also include supplementary pension arrangement.

Variable remuneration constituted 27 percent of the overall remuneration of Tapio Pajuharju, CEO until the end of May 2023 (66 percent in 2022 and 70 percent in 2021), and fixed salary 73 percent (34 percent in 2022 and 30 percent in 2021).

Fixed salary constituted 100 percent of the overall remuneration of Matias Järnefelt, CEO since 1 June 2023.

### FIXED SALARY

CEO Tapio Pajuharju's total monthly salary was EUR 318,015 including taxable benefits in 1 January–31 May 2023 (EUR 510,290 in 2022).

CEO Matias Järnefelt's total monthly salary was EUR 251,882 including taxable benefits in 1 June–31 December 2023.

## 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 2023 can account for a maximum of 50 percent of the CEO's fixed salary, which was equal to that in 2022.

## SUMMARY OF CEO REMUNERATION

Type of remuneration	Description of remuneration, CEO Matias Järnefelt (as of 1 June 2023)	Description of remuneration, CEO Tapio Pajuharju (1 January–31 May 2023)
<b>Fixed:</b> Salary	Fixed monthly salary including taxable benefits: car benefit and telephone benefit	During the period 1 January-31 May 2023 the remuneration of CEO Tapio Pajuharju consisted of a fixed monthly salary including taxable benefits (car benefit, apartment benefit, garage and telephone benefit) and a supplementary defined contribution pension. Pajuharju receives the supplementary pension upon turning 63 years old. Pajuharju was not entitled to the short-term performance bonus, performance bonus or remuneration based on the share-based long-term incentive program for the financial year 2023 due to his resignation.
<b>Fixed:</b> Pensions	Statutory pension in Finland	
<b>Variable:</b> Short-term performance bonus	Based on financial result and personal targets, a maximum of 50% of basic annual salary in 2023. The payment of the bonus is based on achieving the target level for consolidated adjusted operating profit and personal targets.	
<b>Variable:</b> Performance bonus	Based on financial performance, a maximum of 6% of basic annual salary in 2023. The payment of the bonus is based on achieving certain profitability targets.	
<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.	



### Tapio Pajuharju

In November 2022, CEO Pajuharju announced that he will resign as CEO in May 2023. Pajuharju is entitled to the short-term performance bonus paid for 2022 as well as to the 2022 performance bonus, paid in 2023. Pajuharju is not entitled to the short-term performance bonus for 2023 or to the 2023 performance bonus.

Performance bonus criteria in 2022	Weighting	Outcome
Consolidated adjusted operating profit	66.6%	100%
Personal targets	33.4%	94.7%
<b>Total</b>	<b>100%</b>	<b>98.2%</b>

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 the financial year 2023, Pajuharju was paid a short-term performance bonus totaling EUR 92,990 for 2022. The amount of the short-term performance bonus was specified after the publication of Harvia’s Remuneration Report 2022.

### Matias Järnefelt

Järnefelt is entitled to the short-term performance bonus to be paid for 2023 as well as to the 2023 performance bonus in accordance with his term of service. In the financial year 2023, personal targets related to managing net working capital, developing the company’s capacity to make profits and improving occupational safety. In 2024, Järnefelt will be paid a short-term performance bonus of EUR 55,437 for the financial year 2023.

Criteria in 2023	Weighting	Outcome
Consolidated adjusted operating profit	66.7%	5.5% (7/12 parts of the year)
Personal targets	33.3%	19.4% (7/12 parts of the year)
<b>Total</b>	<b>100%</b>	<b>24.9%</b>

In addition to the short-term performance bonus, Järnefelt 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) from 1 June 2023 onwards. 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 2023 bonus to be paid to the CEO in 2024 will be 6% of the CEO’s salary including fringe benefits, amounting to EUR 14,700.

## 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 paid in spring 2023 for the performance period 2020–2022 of the incentive program or the share reward linked to the performance period 2021–2023.



**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
2020-2022	<ul style="list-style-type: none"> <li>Absolute TSR (50%)</li> <li>Organic revenue growth (50%)</li> </ul>	Spring 2023	8,167	Pajuharju not entitled to the reward due to resignation	0	0
2021-2023	<ul style="list-style-type: none"> <li>Absolute TSR (50%)</li> <li>Organic revenue growth (40%)</li> <li>Sustainability: sustainability strategy and metrics (10%)</li> </ul>	Spring 2024	7,910	<p>Pajuharju not entitled to the reward due to resignation</p> <p>Järnefelt is not covered by the performance period</p>	0	0
2022-2024	<ul style="list-style-type: none"> <li>Absolute TSR (50%)</li> <li>Organic revenue growth (35%)</li> <li>Sustainability: reducing CO<sub>2</sub> emissions (15%)</li> </ul>	Spring 2025	16,889	<p>Pajuharju not entitled to the reward due to resignation</p> <p>Järnefelt is not covered by the performance period</p>		
2023-2025	<ul style="list-style-type: none"> <li>Absolute TSR (50%)</li> <li>Organic revenue growth (35%)</li> <li>Sustainability: reducing CO<sub>2</sub> emissions (15%)</li> </ul>	Spring 2026	13,835	<p>Ongoing performance period</p> <p>Järnefelt covered by the performance period</p>		

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 2023****Tapio Pajuharju, until 31 May 2023**

<b>Remuneration component</b>	<b>EUR</b>
Fixed salary <sup>1)</sup>	318,015
Short-term performance bonus from 2022	92,990
Performance bonus from 2022	28,593
Supplementary pension	3,542
<b>Total</b>	<b>443,140</b>

<sup>1)</sup> Including taxable benefits (car, apartment, carage and telephone benefits)

**Matias Järnefelt, from 1 June 2023**

<b>Remuneration component</b>	<b>EUR</b>
Fixed salary <sup>1)</sup>	251,882
<b>Total</b>	<b>251,882</b>

<sup>1)</sup> Including taxable benefits (car and telephone benefit).

**THE REWARD TO BE PAID TO CEO JÄRNEFELT IN 2024 BASED ON PERFORMANCE IN 2023**

<b>Remuneration component</b>	<b>EUR</b>
Short-term performance bonus from 2023	55,437
Performance bonus from 2023	14,700
<b>Total</b>	<b>70,137</b>

**THE KEY TERMS OF SERVICE OF THE CEO**

The management contract of CEO Järnefelt 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.