

# REMUNERATION REPORT 2019

The Remuneration Report 2019 of Harvia Plc (“the company” or “Harvia”) complies with the Finnish Corporate Governance Code for Listed Companies (2015). The company publishes the Remuneration Report on its website.

The objective of Harvia’s remuneration program is to promote the company’s competitiveness and to support the execution of the company’s strategy. Furthermore, the remuneration programs aim to retain key persons and the whole staff for long-term work in order to achieve shared goals and to create shareholder value.

## REMUNERATION OF THE BOARD OF DIRECTORS

According to the Finnish Limited Liability Companies Act, the Annual General Meeting decides on the remuneration of Harvia’s Board of Directors. The Board prepares the presentation for Board remuneration to the General Meeting.

The remuneration for the Board of Directors and members of the Audit Committee is monetary. Board members are not compensated separately for Board meetings. 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.

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

## REMUNERATION OF THE CEO AND MANAGEMENT TEAM

The company’s Board of Directors determines the salary, remuneration and other benefits received by the CEO and other members of the Management Team.

The remuneration of the CEO and the members of the Management Team consists of a fixed monthly salary and a bonus. The CEO possesses supplementary pension insurance.

The company’s Board of Directors determines annually the conditions of the bonus. The Board of Directors monitors the realization of the conditions of the bonus scheme.

Under the 2019 program, the bonuses of Harvia’s CEO and Management Team are based on personal targets and certain profitability targets set for the financial year. The fulfilment of these conditions supports Harvia’s long-term financial success. The maximum performance bonus is equivalent to a two months’ full salary, and a maximum personal target bonus equivalent to one month’s full salary. In addition, members of the Management Team who are employed by Harvia Plc, Harvia Group Oy or Harvia Finland Oy, are part of the performance bonus system where the performance bonus is a maximum of six percent of annual salary, based on the achievement of certain profitability targets.

The CEO and other members of the Management Team are entitled to a mobile phone benefit. In addition, the CEO and some members of the

Management Team possess a car benefit, and the CEO and the CFO possess an apartment benefit.

#### **TERMS OF SERVICE OF THE CEO AND MANAGEMENT TEAM**

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 contract of employment, the CEO is entitled to a severance payment corresponding to six months' full salary.

The period of notice for other members of the Management Team varies between three to six months. Members of the Management Team are entitled to a salary from their period of notice.

The group CEO and Management Team are entitled to a statutory pension and their retirement age is determined within the framework of the work pensions system. The CEO's retirement age is subject to the applicable legislation. The CEO possesses life insurance and supplementary pension insurance provided by Harvia. The CEO receives his supplementary pension upon turning 63 years old. The supplementary pension agreement is a defined contribution plan.

#### **SHARE-BASED INCENTIVE PROGRAMS**

The Board of Directors of Harvia Plc decided on May 21, 2018 to establish a new share-based long-term incentive scheme for the CEO and Management Team members. The scheme will form a part of Harvia Plc's remuneration program for its management, with the objective of supporting the implementation of the company's strategy, aligning the interests of the management with the interests of shareholders, increasing the company's value, improving the company's performance, and retaining the management personnel.

The long-term incentive scheme consists of three performance periods of three calendar years each, 2018–2020, 2019–2021 and 2020–2022. The Board of Directors will decide separately for each performance period the plan participants, performance criteria and related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment. The amount of the reward paid to the participants depends on achieving the predefined targets. No reward will be paid if targets are not met or if the participant's employment or service ends before reward payment. 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.



In the first performance period, the long-term incentive plan has 10 participants at most, and the targets for the plan relate to the company's total shareholder return, revenue growth and EBIT margin. The maximum number of shares to be paid based on the first performance period is approximately 125,000 shares in Harvia Plc, which corresponds to approximately EUR 715,000 calculated with the volume weighted average share price on the trading day preceding the decision date. This 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. However, the company is entitled to pay the reward fully in cash under certain circumstances. Potential rewards from the first performance period will be paid out during the spring of 2021.

Harvia's Board of Directors decided on December 17, 2019 to continue the long-term incentive plan aimed at the CEO and other key management personnel for the period 2019–2021. In the period 2019–2021, the plan has 13 participants at most and the targets for the long-term incentive plan 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 2019–2021 is a maximum of 130,000 Harvia Plc's shares. This 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. However, the company has the right to pay the reward fully in cash under certain circumstances. Potential rewards from the period 2019–2021 will be paid out in spring 2022.

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### REMUNERATION OF THE BOARD OF DIRECTORS IN 2019

By shareholder decision at Harvia's Annual General Meeting held on April 4, 2019, it was decided that the Chairperson of the Board of Directors will be paid EUR 3,500 monthly and that the members of the Board EUR 2,000 monthly. In addition, the Audit Committee's Chairperson will be paid EUR 1,300 monthly,

and each member of the Audit Committee will be paid EUR 650 monthly. Member of the Board of Directors Anders Björkell will not be paid for his membership in the Board nor for his membership of the Audit Committee.

During the financial year 2019, the members of the Board of Directors were paid the following remuneration:

Board member	Remuneration paid, EUR	Committee membership, EUR	Total, EUR
Olli Liitola	42,000	15,600	57,600
Anders Björkell	0	0	0
Pertti Harvia	24,000	0	24,000
Ia Adlercreutz	24,000	0	24,000
Ari Hiltunen	24,000	7,800	31,800
<b>Remuneration in total</b>	<b>114,000</b>	<b>23,400</b>	<b>137,400</b>

## REMUNERATION OF THE CEO AND OTHER MANAGEMENT TEAM MEMBERS IN 2019

During the financial year 2019, the CEO and other members of the Management Team were paid the following remuneration and fringe benefits:

	CEO, EUR	Other Management Team members total, EUR	Total, EUR
Salary, including benefits	443,822	840,565	1,284,387
Pension costs (defined contribution plans)	8,500		8,500
Bonuses	62,902	77,521	140,424
<b>Total</b>	<b>515,224</b>	<b>918,087</b>	<b>1,433,311</b>

The salary with fringe benefits paid to the CEO in 2019 totaled EUR 443,822. Bonuses based on performance in 2018 (paid in 2019) totaled EUR 62,902.

The annual cost of CEO's voluntary pension insurance acquired by the company was EUR 8,500. The company is also committed to purchasing life insurance for the CEO.

The salary and fringe benefits paid to the other members of the company's Management Team in 2019 totaled EUR 840,565. Bonuses based on the performance in 2018 (paid in 2019) totaled EUR 77,521. Other members of the Management Team do not have supplementary pension insurances.

