

# REMUNERATION REPORT 2020

## INTRODUCTION

The Remuneration Report of Harvia Plc (“Harvia” or “the company”) has been drafted in accordance with the requirements concerning remuneration in the Finnish Corporate Governance Code 2020. Harvia’s Annual General Meeting, held on April 2, 2020, approved the company’s remuneration policy with an advisory resolution. There were no counterproposals or calls for a vote regarding the agenda item. The remuneration policy concerns the company’s Board of Directors as well as the CEO.

## KEY PRINCIPLES OF REMUNERATION AT HARVIA

The principles of remuneration apply to the entire personnel of the company. 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 the 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, competitiveness and 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 2020, the remuneration of the Board of Directors and the CEO complied with the remuneration policy, and there were no deviations.

## LONG-TERM 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. Harvia’s revenue has increased from the total of EUR 50 million in 2016 to EUR 109.1 million in 2020. During the same period, operating profit increased from EUR 9.7 million to EUR 22.4 million. The company’s adjusted operating profit in 2020 was EUR 24.4 million and operating profit margin 22.4 percent.

## AVERAGE REMUNERATION

EUR, thousand	2016	2017	2018	2019	2020
Chairperson of the Board of Directors	-	15	52	58	58
Other Board members on average	21	17	18	20	20
CEO	299	458	514	507	611
Harvia employee salary on average <sup>1)</sup>	29	27	28	30	33

<sup>1)</sup> The average salary of Harvia employees 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, thousand	2016	2017	2018	2019	2020
Revenue	50,095	60,107	61,942	74,095	109,115
Adjusted operating profit	10,055	10,696	10,852	13,876	24,445
Adjusted operating profit margin (%)	20.1	17.8	17.5	18.7	22.4

## REMUNERATION OF THE BOARD OF DIRECTORS IN 2020

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. Going forward, 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 2020 resolved on the following monthly remuneration for the members of the Board of Directors for their term ending after

the Annual General meeting 2021: 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. Kalle Kekkonen is not remunerated for his term as the member of the Board of Directors or the Audit Committee. The remuneration of the Board of Directors and members of the Audit Committee is paid in cash.

Until the Annual General Meeting 2020, the additional monthly remuneration paid to members of the Audit Committee was EUR 650; in other respects, the remuneration of the Board of Directors in early 2020 was the same as the remuneration decided by the Annual General Meeting 2020.

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, and Board members are not paid other fringe benefits.

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 2020

Member	Monthly remuneration in total, EUR	Remuneration for Audit Committee membership, EUR	Total, EUR
<b>Olli Liitola</b>	42,000	15,600	57,600
<b>Ia Adlercreutz</b>	24,000		24,000
<b>Ari Hiltunen</b>	24,000	2,009	26,009
<b>Kalle Kekkonen</b> (from April 2, 2020)	-	-	-
<b>Sanna Suvanto-Harsaae</b> (from April 2, 2020)	17,900	6,725	24,625
<b>Anders Björkell</b> (until April 2, 2020)	-	-	-
<b>Pertti Harvia</b> (until April 2, 2020)	6,182		6,182
<b>Total</b>	<b>114,082</b>	<b>24,334</b>	<b>138,416</b>

### CEO REMUNERATION IN 2020

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.

#### 2019 bonus and performance-based incentive program

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 for the financial year 2019 is equivalent to a two months' full salary, and a maximum personal target bonus is equivalent to one month's full salary.

The 2019 bonus paid in 2020 was 23 percent of the CEO's fixed salary in 2019.

In addition, the CEO is part of a 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 2019 bonus paid to the CEO in 2020 was 6% of the annual salary.

#### Payments outstanding

Harvia's incentive programs, based on the remuneration policy presented to the Annual General Meeting 2020, consist of an annual short-term performance-based bonus and a long-term share-based incentive scheme.

#### Short-term performance bonus

The CEO's performance targets are set by the company's Board of Directors. The performance

period for the CEO's short-term incentive program is one year. The purpose of the short-term incentive program is to support the achievement of the company's short-term financial and strategic objectives.

The bonus payable based on the short-term incentive program for 2020 can account for a maximum of 50 percent of the CEO's fixed salary. Bonus payment is based on achieving the targets set related to the Group's consolidated adjusted operating profit as well as the personal targets. The bonus to be paid in March 2021 is 41.0 percent of the CEO's 2020 fixed salary.

In addition, the CEO is part of a 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 2020 bonus paid to the CEO in 2021 was 6% of the annual salary.

#### Long-term incentive program

The purpose of the 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 long-term incentive program consists of three performance periods of three calendar years each, 2018–2020, 2019–2021 and 2020–2022. The amount of the reward paid depends on achieving the predefined targets. 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. Rewards from the first performance period 2018–2020 will be paid during spring 2021.

The maximum number of shares to be paid based on the first performance period corresponds to 89,727 shares in Harvia Plc. 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.

The reward of the CEO based on the long-term incentive program will be paid in spring 2021 in the company's shares unless the Board of Directors decides on payment of the complete reward in cash. In 2021, the CEO is paid 25,358 shares (gross) for the incentive program.

#### REMUNERATION PAID TO THE CEO IN THE FINANCIAL YEAR 2020

Fixed salary <sup>1)</sup>	Variable remuneration		Pension benefit		Total
	Incentive bonus paid for 2019	Performance bonus paid for 2019	Supplementary pension contributions		
479,421	102,987	28,737	8,500		619,645
	Incentive bonus to be paid for 2020	Performance bonus to be paid for 2020			
479,421	196,608	28,765	8,500		713,294

<sup>1)</sup> Including taxable fringe benefits

In 2020, variable remuneration constituted 21 percent of the overall remuneration of the CEO and fixed salary 79 percent.

The annual cost of CEO's voluntary pension insurance acquired by the company was EUR 8,500. The supplementary pension agreement is a defined contribution plan. The CEO's retirement age is determined by the statutory pension system. The CEO receives his supplementary pension upon turning 63 years old.

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' full salary.

The CEO was not paid any other financial benefits in 2020.