

Remuneration Report



Remuneration of Members of the Management Board

2

In this remuneration report of AS Harju Elekter (reporting period 1 January 2021 to 31 December 2021), information is disclosed on the remuneration and benefits paid to the Members of the Management Board of AS Harju Elekter in 2021.

The remuneration of members of the management bodies of AS Harju Elekter (basic and supplementary remuneration) will be determined taking into account the company's practices, strategy, short and long-term objectives, financial performance, and the tasks and responsibilities of each member of the management. Remuneration needs to be competitive to retain professional and competent top managers.

As at 31 December 2021, the Supervisory Board of AS Harju Elekter has approved the principles for determining the remuneration of the members of management bodies. The principles for granting additional remuneration are reviewed annually, and changes are made, if necessary.

The remuneration policy aims to ensure that the long-term objectives and interests of the company are protected and sustainable.

The remuneration report is drawn up for the first time and submitted to the shareholders for approval at the annual general meeting.

This remuneration report forms an integral part of the annual report.

Remuneration of Members of the Management Board

The Members of the Management Board are remunerated pursuant to their contracts. The remuneration of a Member of the Management Board is determined with a decision of the Supervisory Board. The remuneration is reviewed once a year. In 2021, remuneration of the members of the Management Board was adjusted.

The performance pay for a Member of the Management Board is set at 0.75% of the consolidated operating profit of the Harju Elekter Group. The performance pay is paid in two instalments:

1. 80% of the performance pay of the first half of the year, after the results of the first half become known;
2. performance pay of the second half of the year, together with the previously formed 20% reserve after the audited annual results have become known.

The annual performance pay paid to Members of the Management Board is 1.0% of the consolidated net profit. Disbursement of the performance pay of the second half of the year and the annual performance pay is coordinated with the Supervisory Board, and disbursed after the audit of the Group's annual accounts.

The amount of performance pay is proportional to the share of basic salary in the basic salary total.

The total amount of remuneration (basic and additional) is competitive in Estonia and performance-related. Performance-related pay motivates managers to contribute towards long-term improvements in performance and the achievement of set targets.

Additional benefits cover the car and telephone expenses of the members of the Management Board. No conditions for repayment of the variable performance pay have been established, and as at 31 December 2021, no claims for repayment have been enforced. In 2021, no exceptions have been made to the remuneration principles for determining the remuneration of the members of the Management Board.

Gross remuneration paid to Members of the Management Board in 2021:

EUR'000	Basic remuneration	Performance pay	Meeting participation remuneration*	Total gross remuneration
Tiit Atso	132	39	8	179
Chairman of the Management Board	74%	22%	4%	100%
Aron Kuhi-Thalfeldt	86	33	2	121
Member of the Management Board	71%	27%	2%	100%

In 2021, the Members of the Management Board have received remuneration from foreign subsidiaries of the Harju Elekter Group. *The remuneration is for attending a meeting of the management and supervisory bodies, and is not paid if the Member attends the meeting by telephone or via MS Teams. The Members of the Management Board have not received any remuneration from the Group's Estonian subsidiaries.

Stock options granted to Members of the Management Board as at 31 December 2021:

	Tiit Atso		Aron Kuhi-Thalfeldt	
	Chairman of the Management Board		Member of the Management Board	
Stock options granted in 2019	quantity	8,000	quantity	8,000
	exercise price in EUR	3.98	exercise price in EUR	3.98
	time of subscription	15 July 2022	time of subscription	15 July 2022
Stock options granted in 2020	quantity	10,000	quantity	-
	exercise price in EUR	4.44	exercise price	-
	time of subscription	14 July 2023	time of subscription	-
Stock options granted in 2021	quantity	10,000	quantity	10,000
	exercise price in EUR	4.50	exercise price in EUR	4.50
	time of subscription	25 June 2025	time of subscription	25 June 2025

The terms and conditions of the share option program have been approved by the general meeting of AS Harju Elekter in 2018 and 2021. For the subscription rights to be valid, a Member of the Management Board must have a valid employment and professional relationship with AS Harju Elekter or a company belonging to the Group up to and including the date of subscription, except for in the case of retirement.

There were no changes in members of the management body regarding option transactions.

Changes in the performance and remuneration of AS Harju Elekter in 2017–2021:

	2021	2020	2019	2018	2017
Change in remuneration of Members of the Management Board (%)	-24	28	3	5	109
<i>incl. Tiit Atso from 01 November 2016</i>	30	41	3	5	798
<i>incl. Aron Kuhi-Thalfeldt from 01 November 2016</i>	27	21	11	9	661
<i>incl. Andres Allikmäe until 3 May 2020</i>	-99	22	-1	2	12
Change in average remuneration of employees (%)	6	-1	6	5	7
Change in sales revenue (%)	4.2	2.2	18.7	18	67.4
Change in EBIT (%)	-51.1	100	35.6	-55.7	71.1

See the full Annual Report of Harju Elekter for 2021 here:
harjuelekter.com/annual-report-of-harju-elekter-2021/

AS HARJU ELEKTER
Paldiski mnt 31,
+372 76606 Keila, Estonia
info.he@harjuelekter.com
www.harjuelekter.com