

## HKScan's remuneration statement 2013

This remuneration statement has been prepared in accordance with Recommendation 47 of the Finnish Corporate Governance Code.

### 1 Remuneration of Board Members

The remuneration and other benefits of the Board of Directors are decided annually by the Annual General Meeting. The AGM on 24 April 2013 resolved the annual remuneration payable to the members of the Board of Directors as follows:

- EUR 21 700 to Board members
- EUR 26 600 to Vice Chairman of the Board
- EUR 53 200 to Chairman of the Board

An annual remuneration of EUR 7 300 is paid to the deputy members of the Board of Directors. To Chairmen of the Board committees (Audit, Nomination, Compensation and Working Committee) will be paid an annual remuneration of EUR 4 900. In addition a compensation of EUR 500 per meeting will be paid for each attended Board and Board committee meetings. Travel expenses will be compensated according to company's travel policy.

All Board remunerations are paid in cash. The company has no share-based incentive scheme for Board members, neither are the members of the Board covered by the company's incentive or pension schemes. Board members receive per diems as outlined in the company's travel policy for travel within and outside Finland. Normal travel expenses are also covered. Board members receive no separate meeting attendance fees for serving on the Boards of Directors of the Group's subsidiaries or associated companies.

Fees of the Board of Directors and Committees in 2013:

	Board		Committees				Total
	Annual fee	Attendance fees	Audit	Nomin.	Compens.	Working	2013
Teija Andersen	21 464	6 000			2 000		29 464
Gunilla Aschan <sup>1) 4)</sup>	21 464	5 500	500		1 500		28 964
Niels Borup <sup>1)</sup>	26 336	6 000	500		6 864	500	40 200
Tero Hemmilä	21 464	5 500	6 864			500	34 328
Juha Kylämäki <sup>1) 3)</sup>	52 664	6 000	500	1 000	500	5 364	66 028
Henrik Treschow <sup>2) 3)</sup>	21 464	5 500	1 500				28 464
Mikko Nikula <sup>2)</sup>	4 864	1 500	1 500				7 864
Per Nilsson <sup>4)</sup>	4 864	1 500			1 500		7 864
Lars Gustafsson				1 000			1 000
Tiina Teperi-Saari <sup>5)</sup>				2 600			2 600
Pekka Uusitalo <sup>6)</sup>				3 264			3 264
<b>Total</b>	<b>174 584</b>	<b>36 500</b>	<b>11 364</b>	<b>7 864</b>	<b>12 364</b>	<b>6 364</b>	<b>250 040</b>

<sup>1)</sup> Member of the Audit Committee until 24 April 2013.

<sup>2)</sup> Member of the Audit Committee as of 24 April 2013.

<sup>3)</sup> Member of the Compensation Committee until 24 April 2013.

<sup>4)</sup> Member of the Compensation Committee as of 24 April 2013.

<sup>5)</sup> Member of the Nomination Committee until 24 April 2013.

<sup>6)</sup> Member of the Nomination Committee as of 24 April 2013.

## **2 Principles of remuneration of the CEO and the Group Management Team**

Remuneration at HKScan Group is based on the principles of remuneration approved by the Board, and attention is paid to the Group's strategic objectives and financial performance. A motivating remuneration scheme is used as a tool to elicit the commitment to the Group of core expertise and key employees. Matters pertaining to remuneration are prepared by the Compensation Committee of the Board. The principles of the remuneration schemes are decided by the Board of Directors on the basis of the Compensation Committee's proposal.

The remuneration and terms of employment of the CEO are decided by the Board of Directors. The remuneration and terms of employment of the Group Management Team are decided by the Board of Directors on the basis of a proposal from the CEO. HKScan Corporation's remuneration scheme consists of a base salary, benefits, as well as short-term and long-term incentive schemes.

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

In 2013, the Group had in place an extensive short-term incentive scheme. It covered the Group's CEO, the other members of the Group Management Team, as well as upper and middle management. Possible fees earned on the basis of the scheme were paid in cash.

The earning criteria of the incentive scheme and the possible performance fees are set for each year by the Board of Directors on the proposal of the Compensation Committee.

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

The Board of Directors of HKScan Corporation approved a new share based incentive plan for the Group key personnel in 2012. The aim of the Plan is to combine the objectives of the shareholders and the key personnel in order to develop the value of the Company, to commit the key personnel to the Company, to increase their share ownership in the Company, and to offer them a competitive reward plan based on earning and holding the Company's shares.

The Plan includes three one-year performance periods, calendar years 2013, 2014 and 2015. The Board of Directors of the Company decides on the performance criteria and their targets for a performance period at the beginning of each performance period. The potential reward from 2013 is based on the HKScan Group's Earnings per Share (EPS) and Return on Capital Employed (ROCE).

Furthermore, the Plan includes one three-year performance period, calendar years 2013—2015. The prerequisite for receiving reward on the basis of this performance period is, among other things, that a key employee previously owns or acquires the Company's series A shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of employment or service upon reward payment.

Rewards from performance periods 2013 and 2013—2015 will be paid partly in the Company's A series shares and partly in cash in 2016. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. No reward will mainly be paid, if the key employee's employment or service ends before reward payment. The rewards to be paid are a maximum approximate total of 300 000 HKScan Corporation series A shares and cash payment corresponding to the value of such shares. The Plan can include new shares as well as the Company's own shares. At the end of 2013, 21 people were included in the Plan.

The Board of Directors recommends that the members of the Management Team would hold 50 per cent of all of the shares received on the basis of the Plan until the value of their share ownerships correspond to their gross annual salaries. This share ownership should be held during the validity of employment or service.

**Additional pension benefits**

The Finnish Members of the Group Management Team are covered by a contribution-based additional pension insurance. The contribution is 20 per cent of the insured person's annual pay. The retirement age according to the pension agreements is 63 years; the pension insurance includes a paid-up policy applicable after four years' employment.

**Remuneration of the CEO**

The remuneration and terms of employment of the CEO are decided by the Board of Directors.

CEO Hannu Kottonen's remuneration consists of a fixed base salary, benefits, supplementary pension benefits and possible incentive awards under the Group's incentive scheme. Under the terms of the CEO's executive agreement Hannu Kottonen can retire at the age of 62.

Under the terms of the CEO's executive agreement, the agreement can be terminated by both the Group and the CEO. The period of notice for the CEO is six months. In the event that the HKScan terminates the agreement, the CEO will be paid a sum corresponding to his 12 months' salary. In addition he will be paid the salary for the termination period. In 2013, Hannu Kottonen was paid a total salary (including benefits) of EUR 0.6 million.

**Remuneration of the CEO and the Group Management Team**

(EUR thousand)	Salaries	Short term incentives	Long-term incentives	Total
CEO	638	38	-	676
Other Group Management Team	1 710	52	-	1 762