

**HKSCAN**

REMUNERATION  
STATEMENT  
2015

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# HKSCAN'S REMUNERATION STATEMENT 2015

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 14 April 2015 resolved the annual remuneration payable to the members of the Board of Directors as follows:

- EUR 22 100 to Board members
- EUR 27 100 to Vice Chairman of the Board
- EUR 54 250 to Chairman of the Board.

An annual remuneration of EUR 7 450 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 5 000. In addition a compensation of EUR 550 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 plans. 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 2015

	Board		Committees				Total
	Annual fee	Attendance fee	Audit	Nomination	Compensation	Working	2015
Mikko Nikula <sup>1)</sup>	38 599	5 500	550	550		6 633	51 832
Niels Borup	26 935	5 500			8 815	3 300	44 550
Tero Hemmilä	21 965	5 500	7 715			3 300	38 480
Henrik Treschow	21 965	5 500	2 750			3 300	33 515
Teija Andersen	21 965	4 950			3 850	3 300	34 065
Pirjo Väliäho <sup>2)</sup>	14 733	2 750			2 200	2 750	22 433
Per Nilsson	7 399	4 950	2 200		550	2 750	17 849
Marko Onnela <sup>3)</sup>	4 967	3 850	2 200			3 300	14 317
Juha Kylämäki <sup>4)</sup>	17 732	1 650		1 100		1 632	22 114
Gunilla Aschan <sup>4)</sup>	7 232	1 650			1 100		9 982
Lars Gustafsson				1 650			1 650
Jari Mäkilä				6 615			6 615
<b>Total</b>	<b>183 492</b>	<b>41 800</b>	<b>15 415</b>	<b>9 915</b>	<b>16 515</b>	<b>30 265</b>	297 402

<sup>1)</sup> Deputy member of the Board until 14 April 2015, thereafter member of the Board.

<sup>2)</sup> Member of the Board as of 14 April 2015.

<sup>3)</sup> Deputy member of the Board as of 14 April 2015.

<sup>4)</sup> Member of the Board until 14 April 2015.

## 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 2015, 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 SCHEMES

1) 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 2015 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 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 2015, 23 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.

2) The Board of Directors of HKScan Corporation approved a share based incentive plan for the Group key personnel for the year 2016 on 18 December 2015. The plan covers one performance period, year 2016. The potential reward from the performance period will be based on the HKScan Group's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Earnings per Share (EPS).

Rewards from the performance period will be paid partly in the Company's A series shares and partly in cash as follows: 50 per cent pay-out in 2017 and 50 per cent pay-out in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. No reward will be paid, if the key employee's employment or service ends before reward payment.

The plan is directed to 37 people. The rewards to be paid on basis of the performance period are a maximum approximate total of 366 000 HKScan Corporation series A shares and cash payment corresponding to the value of such shares.

## 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 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 2015, 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	
	2015	2014	2015	2014	2015	2014	2015	2014
CEO	639	639	100	-	-	-	739	639
Other Group Management Team	1 958	1 879	109	-	-	-	2 067	1 879

# THE NORDIC MEAT EXPERTS

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