



2017

REMUNERATION
STATEMENT

HKSCAN

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REMUNERATION STATEMENT 2017

This remuneration statement has been prepared in accordance with the Finnish Corporate Governance Code 2015.

1. DECISION MAKING IN RELATION TO REMUNERATION

This section describes the decision-making procedure concerning the remuneration of the members of the Board of Directors (Board), the President & CEO and other executives.

The Annual General Meeting (AGM) decides on the remuneration and other financial benefits of the members of the Board and the committees of the Board annually based on a proposal by the Nomination Committee.

The Board decides, based on the proposal made by the Compensation Committee, on the remuneration principles and remuneration of the President & CEO. The remuneration and terms of employment of the Group Leadership Team (GLT) are decided by the Board on the basis of a proposal from the President & CEO. The Board approves all Group-wide incentive plans for senior management and key personnel.

The AGM decides on the use of company's shares for share based incentives and may authorize the Board to decide on the issue of shares and special rights entitling to shares. The information about the valid authorizations of the Board concerning the remuneration, as well as any decisions made by the Board as part of remuneration are described in section 3.

2. MAIN PRINCIPLES OF REMUNERATION

This section describes the main principles of remuneration relating to the remuneration of the Board members, the President & CEO and other executives.

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.

HKScan Corporation's remuneration scheme consists of base salary, benefits, as well as short-term and long-term incentive schemes.

Board of Directors

The remuneration of the Board members consists of annual fees based on memberships of the Board and its committees, and in addition members receive an attendance payment for each Board or Committee meeting. 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 no separate meeting attendance fees for serving on the Boards of Directors of the Group's subsidiaries or associated companies.

The AGM on 6 April 2017 resolved the annual remuneration payable to the members of the Board as follows:

Annual fee in EUR	
Chair of the Board	67 750
Vice Chair of the Board	33 875
Board member	27 625
Deputy member of the Board	13 810
Chair of the Board committee	5 000

The AGM resolved that the annual fee is paid in Company shares and cash so that 20 per cent of the remuneration is in the Company shares acquired on the market on the Board members' behalf, and the rest is paid in cash.

Additional fees: The AGM resolved to compensate EUR 550 per a meeting for all the Board members for each attended Board and Board committee meeting.

Expenses: The AGM resolved to compensate the travel expenses of the members of the Board of Directors according to the Company's travel policy.

President and CEO

The principles of the President and CEO's remuneration are described below:

Remuneration element	Description
Base salary	Fixed salary which includes taxable fringe benefits (car and telephone). President & CEO's salary is EUR 54 166 per month (unchanged since 31.10.2016).
Insurances	To support and protect the President & CEO in the performance of his duties, HKScan provides him with health insurance, life and disability insurance, business travel insurance, and liability insurance.
Pension	Retirement age is 63. In addition to Finnish statutory pension plan the President & CEO is covered by supplementary defined contribution pension plan, which provides a retirement benefit based on the accrued savings capital. The supplementary pension plan is financed in full by the employer and the contribution is 20 per cent of annual salary. If the President & CEO's contract ends before retirement age, he is entitled to retain the accrued savings.
Short-term incentive (STI)	The President & CEO is entitled to participate in HKScan's STI program subject to the terms and conditions of such program in effect. The performance criteria on the basis of the STI payout is predefined by the Board annually. The mix of Group and individual targets, and their threshold and maximum ranges, are defined based on the strategic targets. The achievement of individual performance targets shall be evaluated annually by the Chair of the Board. Maximum award value is 60 per cent of annual base salary.
Long-term incentive (LTI)	The President & CEO is entitled to participate in HKScan's LTI program subject to the terms and conditions of such program in effect. The Board decides annually the plan terms and performance criteria based on strategic targets. If the performance targets are achieved, the share rewards attained based on the plan will be paid partly in HKScan's series A shares and partly in cash. The cash portion is intended to cover tax and tax-related costs arising from the award. The maximum award value at grant is 100 per cent of annual salary. Final award value is depended on performance and share price

	appreciation.
Share ownership guidelines	The Board recommends that the President & CEO would hold 50 per cent of all the shares received from LTI until the value of share ownership corresponds to his annual salary. This share ownership should be held during the validity of service.
Termination	The agreement can be terminated by both parties. Notice period for the President & CEO is 6 months. In the event that HKScan terminates the agreement, the President & CEO is entitled to compensation corresponding to his 12 months' salary. In addition he will be paid the salary for the termination period.

Other Executives

The principles of the GLT members' remuneration are described below. The GLT consists of members from Finland, Sweden and Estonia.

Remuneration element	Description
Base salary	Annual salary consists of base salary and customary fringe benefits such as company car and phone. Each GLT member's annual salary package varies according to position and country where they reside.
Insurances	To support and protect the GLT members in the performance of their duties, HKScan provides them with health insurance, life and disability insurance, business travel insurance, and liability insurance.
Pension	The GLT members participate in local retirement programs according to local market and company practice in the country where they reside. Additionally, the Finnish members of GLT are covered by a supplementary defined contribution pension plan. The retirement age according to the pension plan is 63 years.
Short-term incentive (STI)	The GLT members are entitled to participate in HKScan's STI program subject to the terms and conditions of such program in effect. The performance criteria on the basis of the STI payout is predefined by the Board annually. The mix of Group, Unit/Function and individual targets, and their threshold and maximum ranges, are defined based on the strategic targets. The achievement of individual performance targets shall be evaluated annually by the President & CEO. Maximum award value is 50 per cent of annual base salary.
Long-term incentive (LTI)	The GLT members are entitled to participate in HKScan's LTI program subject to the terms and conditions of such program in effect. The Board decides the plan terms & conditions and performance criteria based on strategic targets in the beginning of each earning period. If the performance targets are achieved, the share rewards attained based on the plan will be paid partly in HKScan's series A shares and partly in cash. The cash portion is intended to cover tax and tax-related costs arising from the award. The maximum award value at grant can be up to 90 per cent of annual salary according to the position. Final award value is depended on performance and share price appreciation.
Share ownership guidelines	The Board recommends that the members of GLT would hold 50 per cent of all the shares received from LTI until the value of share ownerships correspond to their annual salaries. This share ownership should be held during the validity of employment.
Termination	The agreement can be terminated by both parties with a notice period of 6 months. GLT members are, in the event of termination by the company, entitled to 6 months' severance payments.

3. REMUNERATION REPORT

In this section HKScan discloses the remuneration and other financial benefits paid to the Board, the President & CEO and other executives (GLT) during the previous financial period, i.e. 2017. The remuneration paid during the financial period preceding the reported financial period, i.e. 2016, is presented for comparison.

Board of Directors

Remuneration paid to the members of the Board in 2017 and 2016 are set forth in the table below.

	Annual fees (EUR)		Meeting attendance fees (EUR)		Paid in shares* (number of shares)	
	2017	2016	2017	2016	2017	2016
Mikko Nikula ⁴⁾	59 222	68 250	12 100	11 000	4 378	4 220
Marko Onnela ³⁾	20 420	11 690	9 900	11 550	2 190	
Per Olof Nyman ²⁾	12 906		7 150		1 783	
Riitta Palomäki ^{2) 4) 6)}	16 242		13 750		1 783	
Tuomas Salusjärvi ^{2) 6)}	12 906		11 000		1 783	
Pirjo Väliäho	25 452	25 783	17 600	14 850	1 783	1 725
Veikko Kemppe ²⁾	9 232		7 150			
Carl-Peter Thorvid ^{2) 4)}	9 232		9 350			
Niels Borup ^{1) 5)}	12 958	36 617	3 850	12 100		2 105
Henrik Treschow ^{1) 3)}	10 878	28 698	3 300	11 000		1 725
Teija Andersen ^{1) 5)}	9 210	25 783	3 300	13 200		1 725
Per Nilsson ^{1) 3)}	4 604	11 690	1 650	11 550		
Jari Mäkilä	5 000	5 000	1 100	1 650		
Bengt-Olov Gunnarsson ⁸⁾			550			
Lena Åsheim ⁷⁾			550	550		
Yhteensä	208 260	37 400	102 300	87 450	13 700	11 500

¹⁾ Board member until 6 April 2017.

²⁾ Board member from 6 April 2017.

³⁾ Member of the Audit Committee until 6 April 2017.

⁴⁾ Member of the Audit Committee from 6 April 2017.

⁵⁾ Member of the Compensation Committee until 6 April 2017.

⁶⁾ Member of the Compensation Committee from 6 April 2017.

⁷⁾ Member of the Nomination Committee until 6 April 2017.

⁸⁾ Member of the Nomination Committee from 6 April 2017.

*) According to the resolution of the AGM in 2016 and 2017, the Board's annual remuneration has been paid in Company shares and cash so that 20 per cent of the remuneration was paid in the Company shares acquired on the market on the Board members' behalf, and the rest was paid in cash. The shares were acquired within two weeks after the publication of HKScan Corporation's half year financial report.

The meeting attendance fees do not include travel expenses.

President & CEO and other GLT members

Remuneration paid to the President & CEO and the other members of GLT in 2017 and 2016 are set forth in the table below.

EUR (thousand)	President & CEO		GLT members (in aggregate)**	
	2017	2016*	2017	2016
Base salary and benefits	677	1 717	2 810	2 048
Short-term incentives	0	54	73	137
Long-term incentives	0	77	0	157
Supplementary pension	130	89	260	281
Total remuneration	807	1 937	3 143	2 623

*) Remuneration of President & CEO in 2016 is an aggregate of payments to Hannu Kottonen (1-20 Jan), Aki Laiho (21 Jan-30 Oct) and Jari Latvanen (31 Oct-31 Dec).

***) Remuneration of GLT members is shown as aggregate and is not fully comparable from year to year due to changes in GLT members.

Short-term incentives (STI)

HKScan operated in 2017 an annual STI plan for the President & CEO, other GLT members, and key employees. Performance criteria included pre-defined financial and non-financial targets at Group, Unit/function and individual levels. Overall, the 2017 financial performance did not reach the minimum STI target level and the incentive payout (payable in 2018) will remain at similar level as in previous year.

Long-term incentives (LTI)

HKScan's LTI 2013-2015 consisted performance share plans with three one-year performance periods and a restricted share plan with a three-year restriction period. The earning criteria for performance periods 2013 and 2014 were not met and thus no payout, and the awards for 2015 performance period will be paid out in 2018. The awards for restricted plan have been paid in 2016.

The LTI plans 2016 and 2017 are performance share plans. The earning criteria in either of the plans were not met and thus no payout.

All LTI plans include the requirement of continuance of employment or service upon award payment in order to be qualified to receive the potential award. Also, the President & CEO and other members of GLT should retain at least 50 per cent of all shares received as award until the value of their ownerships correspond to their annual base salaries, during the validity of employment or service.

The table below describes the main features of the long-term incentive plans:

	LTI 2013-2015				LTI 2016	LTI 2017
Type of plan	Restricted share plan	Performance share plan	Performance share plan	Performance share plan	Performance share plan	Performance share plan
Earning period	2013-2015	2013	2014	2015	2016	2017
Number of participants at grant	21	22	22	25	31	26
Earnings criteria	Share ownership	70% ROCE & 30% EPS	70% ROCE & 30% EPS	70% ROCE & 30% EPS	70% EBITDA & 30% EPS	70% ROCE & 30% EPS
Extent to which criteria achieved	100%	0%	0%	17%	0%	0%
Number of shares delivered after tax						
President & CEO	9847	0	0		0	0
GLT	24235	0	0		0	0
Year of vesting	2016	2016	2017	2018	50 % in 2017 and 50 % in 2018	50 % in 2018 and 50 % in 2019

Authorizations of the Board concerning remuneration

The AGM on 6 April 2017 authorized the Board to decide on share issue as well as issue of option rights and other special rights entitling to shares. The Board has not exercised this right during 2017.

Annual report 2017

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