

HKSCAN

Remuneration Report
2023



Greetings from the Chairman of the Compensation Committee

Dear Shareholders,

On behalf of the Compensation Committee, I present HKScan Corporation's Remuneration Report for 2023. In this report, we describe the implementation of the Company's Remuneration Policy for the members of the Board of Directors and CEO. The report has been approved by the Board and will be presented at HKScan's Annual General Meeting in 2024 for an advisory shareholder approval.

HKScan's journey into a versatile food company continues on the basis of our core business. In the current exceptional and rapidly changing operating environment, the Company has continued to focus on and improving the profitability of its core business and strengthening its financial base. An important step towards our strategic goals was the completion of the divestment process of the Baltic business in August 2023 and the agreement we reported at the end of December 2023 on the sale of the Swedish business, which will strengthen our balance

sheet and allow us to better focus on our remaining business and implement our long-term strategy. Within our financial resources, we continue seeking profitable growth opportunities that complements our current core business and is in line with the Company's strategy.

In 2023, the Compensation Committee followed and implemented the Company's Remuneration Policy. Remuneration programs will continue to reflect the Company's business strategy and focuses on improving financial performance, support value-based behaviours and encourage individual and team accountability and reward competitively and fairly. Our financial and operative metrics and other strategic targets are being set and followed in the annual short-term incentive plan, which aligns short-term strategic actions with long-term shareholder value creation. We will continue to develop our remuneration principles going forward to support the successful long-term implementation of HKScan's strategy.



Per Olof Nyman

Chairman of the Compensation Committee

Composition of the Compensation Committee in 2023

In 2023, the Compensation Committee was chaired by Per Olof Nyman and members were Reijo Kiskola, Harri Suutari and Ilkka Uusitalo.

Compensation Committee's key activities in 2023

- Evaluation of the Group Executive Team's performance and compensation levels for 2022
- Preparation of Company's incentive plans for 2023
- Review of CEO's total compensation structure and design of CEO STI 2023 and LTI 2023-2027
- Finalisation of the Remuneration Report 2022

Introduction

This Remuneration Report describes the implementation of HKScan Corporation's (HKScan or Company) Remuneration Policy in 2023 and presents the remuneration of the members of the Board of Directors (Board) and CEO for the financial year 2023. This report also describes the trend in employees' average salary and the Company's financial performance over the last five years compared with remuneration paid to the CEO and Board members.

This report has been prepared in accordance with the requirements set forth in the Finnish Limited Liability Companies Act, Decree of the Ministry of Finance on the remuneration policy and remuneration report of a share issuer, the Finnish Corporate Governance Code and Securities Markets Act. The report will be addressed and submitted for advisory adoption at the Annual General Meeting (AGM) 2024.

Application of the Remuneration Policy in 2023

The Remuneration Policy was presented and adopted by an advisory resolution at the AGM 2020, and it will apply until the AGM 2024, unless a revised remuneration policy is presented to the AGM before that. The Compensation Committee will periodically review the Remuneration Policy to ensure that it is aligned with HKScan's key strategic targets.

The remuneration of the CEO and Board members during the financial year 2023 was executed in accordance with the adopted Remuneration Policy. The policy remains fit for purpose and achieves the guiding principles and objectives of attraction, retention, and performance motivation of our employees. No deviations from the Remuneration Policy have been made and no remuneration of the Board or CEO has been reclaimed or restated during the financial year 2023.

Overview of Company's Financial Performance and Remuneration

HKScan's long-term strategic target is to grow into a versatile food company. The key targets are to improve the profitability of the core businesses and to strengthen the financial base, enabling strategic renewal. Additionally, targets include added-value creation of the product portfolio as well as capitalising on commercial expertise and strong brands. Operational efficiency and cost management are also of great importance. During its transformation journey into a versatile food company, HKScan also utilises new business opportunities within the limits of its financial resources.

High inflation and the development of consumer purchasing power in the Company's home markets significantly affected the Company's full-year performance. The unstable geopolitical situation, rise of market interest rates and continued increases in the cost of raw materials, services and other inputs increased the Company's business challenges. In the short term, improving profitability still remains HKScan's key priority. Targets related to profitability, growth, cost efficiency and productivity remain the basis for performance management and remuneration targets in the short term.

Summary of HKScan's remuneration development and Company performance from continuing operations over the last five financial years

	2019	2020	2021	2022	2023
CEO total remuneration EUR	959,900	1,010,300	997,560	2,034,515	683,149
Ruohola Juha, CEO ¹				148,442	683,149
Hemmilä Tero, Previous CEO ²	907,400	1,101,300	997,560	1,886,073	
Kiskola Reijo, Previous CEO ³	52,500				
Total Board remuneration EUR	407,900	437,400	454,600	470,160	469,650
Kiskola Reijo, Chairman	107,900 ⁴	108,900	118,400 ⁴	122,600	125,300
Mäkilä Jari, Vice Chairman	60,300 ⁴	57,700	57,300 ⁴	57,000	57,800
Koutonen Anne, Member	36,600 ⁴	54,700	57,000 ⁴	61,200	62,100
Nyman Per Olof, Member	49,100 ⁴	52,000	52,400 ⁴	54,500	55,150
Suutari Harri, Member	47,700 ⁴	51,700	52,800 ⁴	52,600	52,100
Tuomi Terhi, Member	44,000 ⁴	47,000	49,500 ⁴	51,200	49,500
Thorwid Carl-Peter, Deputy member	30,900	32,400	33,000 ⁴	9,210	
Conradsson Ove, Deputy member				25,150	33,850
Uusitalo Ilkka, Deputy member	31,400	33,000	34,200 ⁴	36,700	33,850
Employee salary on average⁵ EUR	54,088	53,942	54,583	54,949	56,880
Net sales, EUR million	926	947	951	1,098	1,163
Comparable EBIT, EUR million	-13.0	-1.6	1.3	-2.9	14.9

¹ Ruohola Juha as of 29 September 2022

² Hemmilä Tero from 4 February 2019 to 29 September 2022; Hemmilä's total compensation in 2022 includes his pay for the period of notice and severance pay

³ Kiskola Reijo from 1 January to 3 February 2019

⁴ The annual fees were partly paid in Company shares and partly in cash so that 25% of the remuneration is in Company shares acquired on the market on the Board members' behalf, and the rest was paid in cash.

⁵ Personnel cost (incl. social cost) divided by headcount (FTE); excluding rented personnel



Annual incentive plans

In recent years, short-term incentives have consistently been based on the Company's profitability targets (comparable EBIT). The structure of the annual incentive plan for key roles in the year ending 31 December 2023 remained broadly the same, with 70% based on financial measures and 30% on individual objectives. The EBIT excl. NRI measure (in absolute numbers) has been used as a financial measure in recognition of the criticality of profitability improvements in the ongoing challenging market conditions. The short-term incentive plan for 2023 provided a bonus opportunity payable entirely in cash. The Compensation Committee makes a proposal to the Board whether to adjust annual incentive pay-outs to ensure they appropriately reflect underlying business performance and shareholder experience. Any discretionary adjustments will be reported in the following year's remuneration report.

Additionally, the Board decided to establish a separate short-term incentive plan 2023 for the CEO in order to align the objectives of the shareholders and CEO for increasing the value of the Company in the short term. The CEO was not part of the annual incentive plan for key roles in 2023.

Long-term incentive plans

Long-term incentive plans aim to retain key skills and motivate executives to increase shareholder value over the long term.

The performance/vesting periods of the Company's long-term incentive plans 2018-2020 and 2019-2021 have ended. Based on the Board's decision, the payment schedules of these incentive plans were changed to ensure that the reward payments are aligned with the Company's long-term performance and shareholder returns. According to the new payment schedule, part of the rewards earned were paid between 2021 and 2023 while the remainder of the Group Executive Team rewards were deferred and will be paid between 2024 and 2025. The deferred rewards will be paid based on the minimum requirements set by the Board on the Company's total shareholder return (TSR) and profitability. The Board has set a maximum limit on the cost of deferred reward.

In the Stock Exchange Release dated 3 April 2023, we announced a new Performance Share Plan for the CEO for the period of 2023-2027.

All LTI plans include the requirement of continuance of service upon award payment in order to be qualified to receive the potential award. Also, the CEO should retain at least 50% of all shares received as award until the value of shareholding equals his/her annual base salaries during the validity of service.



Remuneration of the Board of Directors

The amount of the annual remuneration payable to the Board members remained at the 2022 level: to a Board member EUR 30,000, to the Vice Chairman of the Board EUR 37,500 and to the Chairman of the Board EUR 70,000. An annual remuneration of EUR 15,000 was paid to a deputy member of the Board. The annual remuneration was paid in cash.

The annual remuneration of the Committee Chairmen was paid as follows: to the Chairman of the Audit Committee EUR 10,000 and to the Chairmen of the Compensation, Working and Special Committees EUR 5,000. A compensation of EUR 650 per meeting was paid to all the Board members for each attended Board and Board Committee meeting, and a compensation of EUR 300 for a meeting or occasion requiring their attendance as a Board member. Travel expenses of the Board members were compensated according to the Company's travel policy.

Board remuneration as resolved by the AGM 2023:

Position	Annual base fee in 2023, EUR
Chairman of the Board	70,000
Deputy Chair of the Board	37,500
Board Member	30,000
Deputy Board Member	15,000

Committee	Annual fee of Chair, EUR	Meeting fee, EUR
Audit Committee	10,000	650
Compensation Committee	5,000	650
Working Committee	5,000	650
Special Committee	5,000	650

Board remuneration in 2023

Board member	Annual committee meeting fees, EUR	Total remuneration, EUR
Kiskola Reijo, Chairman	16,900	125,300
Mäkilä Jari, Vice Chairman	7,800	57,800
Koutonen Anne	12,350	62,100
Nyman Per Olof	9,750	55,150
Suutari Harri	12,350	52,100
Tuomi Terhi	9,100	49,500
Conradsson Ove, Deputy	8,450	33,850
Uusitalo Ilkka, Deputy	9,100	33,850



Remuneration of the CEO

CEO's total remuneration 2023

EUR	Base salary	Short-term Incentive ¹	Long-term Incentive ¹	Benefits	Pension ²	Total
Juha Ruohola	539,765	-	23,135	14,249	106,000	683,149

¹ FY 2023, the relative share of the incentives was 3% of the base salary. Due remuneration to be paid in 2024 is EUR 150,000.

² Pension paid as a cash allowance for acquiring the pension.

In 2023, Juha Ruohola's remuneration consisted of fixed components, such as fixed base salary and fringe benefits, supplementary defined contribution pension, and variable components including short- and long-term incentives.

In addition to the Finnish statutory pension plan, the CEO Juha Ruohola is covered by a 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% of annual salary. If the CEO's contract ends before retirement age, he is entitled to retain the accrued savings. The retirement age will be determined by the Finnish statutory pension plan for the CEO Juha Ruohola.

Briefly on the CEO's Remuneration Policy

The Remuneration Policy provides a total remuneration structure that aligns the remuneration of the CEO with the delivery of HKScan's long-term strategy. The remuneration of the Board of Directors is decided by the AGM based on the proposal by the Shareholders' Nomination Board. The following table describes the content of the CEO's remuneration policy at a glance. The full Remuneration Policy is available on HKScan's website.



Element	Purpose and link to strategy	Maximum earning opportunity and policy implementation
Fixed compensation	CEO receives an annual fixed base salary, which the Compensation Committee considers to be market competitive.	Fixed base salary is reviewed by the Compensation Committee at the beginning of each year and upon a change of position or scope of responsibility. Levels are not subject to the achievement of performance measures. However, an individual's experience, development and performance in the role will be considered when setting and reviewing salary levels.
Pension	A retirement benefit in addition to the statutory pension	In addition to the statutory pension plan, the CEO may be covered by a supplementary defined contribution pension plan, which provides a retirement benefit based on the accrued savings capital.
Short-term incentives (STI)	STI opportunity is linked to the achievement of challenging financial and, when appropriate, nonfinancial performance targets.	The Board decides on the plan terms, participants and performance criteria based on strategic targets. The performance measures, weightings and targets are set annually by the Board. The quantum of STI is determined on a specified range. Performance below threshold results in a zero incentive. Maximum pay-out is capped at the equivalent of 60% of fixed base salary. The STI plan is annual-based.
Long-term incentives (LTI)	Delivery of the Group's long-term performance	The commencement of the LTI plan requires a shareholder decision after which the Board decides on the terms and conditions of the programme. The LTI plan is based on multiple years. In the LTI plan, compensation may consist of individual performance share plans and remuneration is paid in HKScan's shares unless another form of remuneration is indicated. The LTI allocation is maximum 150% of annual fixed base salary. The Board reserves the right to adjust the targets if events occur (e.g. material acquisition and/or divestment of a Group business) that make the targets no longer appropriate.
Shareholding requirement		The Board recommends that the CEO holds 50% of all shares under long-term incentive plans until the value of shareholding equals an individual's annual salary. This shareholding should be retained during the validity of service. The Board may amend its recommendations at any time.

Short- and long-term incentives

Short-term incentives paid in 2023

The short-term incentive maximum was 50% of the CEO's base salary in the FY 2022 and the potential incentive would have been paid to the CEO in spring 2023. The performance measures applied were Group EBIT excl. NRI (70% weight) and individual targets (30% weight). There was no incentive payout in spring 2023.

Short-term incentives payable in 2024

The short-term incentive plan 2023 offers the CEO a possibility to earn a reward in euros for achieving the required performance level set by the Board. The Board set three performance criteria for the CEO related to key strategic targets, which aimed to strengthen the Company's balance sheet and increase financial flexibility. The performance criteria and outcomes under the short-term incentive plan are presented in the table below.

Performance criteria in 2023	Weight	Outcome
Property sale and leaseback project	40%	0%
Divestment of the Swedish operations	40%	100%
Completion of the divestment of the Baltic operations	20%	100%
Total	100%	60%

The maximum amount of the CEO's reward for the performance period is EUR 250,000. At the Board discretion, the achievement of the target was 60% and the incentive to be paid in spring 2024 will be EUR 150,000.

Long-term Incentive Plan 2019-2021

The CEO Juha Ruohola was entitled to the LTI 2019-2021 plan, which included both a Performance Share Plan and a Restricted Share Plan. The Performance Share Plan 2019-2021 had one two-year performance period (2019-2020) and one one-year performance period (2021). The performance measure for the performance period 2019-2020 was cumulative cash flow from operating activities. The achievement level of this two-year period was 75%. The earning criterion for performance period 2021 was EBIT. The criterion was not met and thus, there was no pay-out for this period.

The main structure was complemented with a Restricted Share Plan 2019-2021 with one three-year vesting period, and the plan included a financial criterion that is measured based on the average achievement of a three-year period ROCE. The cumulative ROCE was positive and thus the earning criterion for the period was met.

LTI 2019-2021

Performance Period 2019-2020:
75% outcome for Operative Cash Flow.

Performance Period 2021:
Outcome based on EBIT 2021.
Performance for 2021 was below threshold.

Restricted Share Plan 2019-2021:
Rewards earned if average ROCE 2019-2021 is positive.
The performance measure was positive.

The Board decided to change the payment schedule of LTI 2019-2021 to ensure relative alignment of rewards with the Company's long-term performance and shareholder returns. According to the new payment schedule, part of the rewards for LTI 2019-2021 earned were paid during 2022-2023, with the remainder deferred and paid during 2024-2025. The deferred rewards will be paid based on the minimum requirements set by the Board on the Company's total shareholder return (TSR) and profitability. The Board has set a maximum limit on the cost of deferred reward.

The minimum requirements for the deferred rewards for 2024 were not met and thus, no deferred rewards will be paid in 2024.

Long-term incentive plan 2023-2027

In April 2023, HKScan announced a new Performance Share Plan for the CEO with one five-year performance period covering the financial years 2023-2027. The potential rewards based on the plan will be paid in three instalments, by the end of May 2026, May 2027 and May 2028. The rewards of the plan are based on EBIT 2023 (10% weight), EBIT 2024 (10% weight), EPS during 2023-2027 (50% weight) and the Company's debt service capacity during 2023-2027 (30% weight).

The achievement level of the earning criterion based on EBIT 2023 was 77%. The earned reward will be paid out in 2026-2028.

The rewards payable based on the performance period 2023-2027 correspond to the value of approximately 1.9 million HKScan Corporation shares in maximum total, including the cash portion. The reward payable on the basis of the Performance Share Plan will be capped if the limits set by the Board for the reward payable for the performance period 2023-2027 are reached.

Long-term Incentive Plan	2019-2021	2023-2027
Allocated shares		
Maximum number of shares granted (gross)	168,000	1,944,445
Grant date	26.3.2020	3.4.2023
Share price at grant, EUR	1.756	0.781
Shares earned		
Number of shares earned (gross)	117,600 ¹	149,139
Shares delivered in 2023		
Number of shares delivered (net)	15,771	
Share delivery date	6.3.2023	
Share price at delivery, EUR	0.7869	
Shares to be delivered in 2025		
Number of shares delivered (gross)	29,400 ¹	
Shares to be delivered in 2026-2028		
Number of shares delivered (gross)		149,139

¹The deferred rewards will be paid based on the minimum requirements set by the Board on the Company's total shareholder return (TSR) and profitability. The Board has set a maximum limit on the cost of deferred reward.