



HKSCAN

Remuneration Report

2021

Greetings from the Chairman of the Compensation Committee

Dear shareholders,

On behalf of HKScan Compensation Committee, I present the Remuneration Report for the financial year 2021 covering remuneration for the members of the Board of Directors and CEO.

Last year 2020 was the first time we published the Remuneration Report for the governing bodies according to the new governance code.

Our aim is to give as clear picture as possible how the company has been compliant with its Remuneration Policy. The Remuneration Report for the governing bodies 2021 will be presented at the Annual General Meeting 2022 for an advisory approval decision.

HKScan's strategic target is to grow into a versatile food company that creates strong shareholder value. For the last three years, the company has been in a turnaround phase, but the financial performance is still not at the desired level. Improving the profitability of the core business remains a priority.

HKScan Compensation Committee will continue to develop remuneration practices in order to ensure that rewarding is coherent and supports to reach the company targets.



Per Olof Nyman

Chairman of the Compensation Committee

Composition of the Compensation Committee in 2021

In 2021, the Compensation Committee was chaired by Per Olof Nyman and members were Reijo Kiskola, Harri Suutari and Ilkka Uusitalo.

Compensation Committee key activities in 2021

- Group Executive Team total remuneration benchmarking
- Long-term incentive plan 2018-2020 and 2019-2021 redesign
- Fiscal year 2020 performance and incentive payout evaluation
- Setting 2021 performance measures, targets, and incentive opportunities

Introduction

This Remuneration Report 2021 presents the remuneration of the members of the Board of Directors (Board) and the CEO of HKScan Corporation (HKScan) for the financial year 2021.

This Report will be addressed and submitted for advisory adoption at the Annual General Meeting (AGM). It 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.

Application of the Remuneration Policy in 2021

The remuneration for the Board and the CEO during the financial year 2021 was executed in accordance with the adopted Remuneration Policy published in a Stock Exchange Release on 13 March 2020 and at the AGM's advisory resolution on approval on 10 June 2020. The policy remains fit for purpose and achieves the guiding principles and objectives of attraction, retention, and performance motivation of our employees.

The Compensation Committee will frequently review the Compensation Policy to ensure that it is aligned with the key strategic targets of HKScan.

Remuneration of the CEO has been restated (claw back and malus provisions) during the financial year 2021. The following amendments have been made to the current LTI plans (LTI 2018-2020 and LTI 2019-2021, incl. performance period 2021) for CEO: 30% paid out in original schedule 2021-2023 and 40% postponed for 2024-2025.

The amount of the annual remuneration payable to the members of the Board of Directors remained at the same level as for year 2020: 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 both in shares and in cash.

The AGM resolved that the annual fee is paid in Company shares and cash so that 25% of the remuneration is in the Company shares acquired on the market on the Board members' behalf, and the rest is paid in cash. The shares were acquired within two weeks after the publication of HKScan's Half Year Financial Report.

The annual remuneration of the Board committee chairmen was as follows: to the Chairman of the Audit Committee EUR 7,500 and to the Chairmen of the Compensation, Working and Special Committees

EUR 5,000. A compensation of EUR 600 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 attendance as a Board member. Travel expenses of the Board members were compensated according to the Company's travel policy.

Alignment with company performance and long-term financial targets

HKScan's strategic target is to grow into a versatile food company creating strong shareholder value. Key targets are improving the profitability of the core businesses and strengthening the balance sheet, which enables a strategic renewal. Additionally, targets include added-value creation of the product portfolio as well as capitalising commercial expertise and strong brands. The importance of operational efficiency and cost management is also high. During its transformation journey into a versatile food company, HKScan also utilises new business opportunities within the limits of its financial resources.

The global pandemics has caused uncertainty around the severity and duration of their impacts across all home markets in which HKScan operates and has made the target-setting process for incentive plans difficult. Incentive plans have focused mainly on shorter term profitability-related financial measures.

Annual incentive plans

The structure of the annual incentive plan for key roles in the year ending 31 December 2021 remained broadly the same, with 70% based on financial measures and 30% on individual business 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 current challenging market conditions. The short-term incentive plan for 2021 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.

Long-term incentives

Long-term incentive plans aim to retain key skills and motivate executives over the long term, which is essential to sustainable performance.

The Group long-term incentive plan 2019-2021 and the last one-year performance period of the performance share plan ended on 31 December 2021. There will be no pay-out for the performance share plan for the year 2021 performance since the key financial indicator did not materialize. For the restricted share plan 2019-2021 the performance condition has been fulfilled.

In the Stock Exchange Release dated 7 April 2021, we announced that, in order to ensure that the reward payments are aligned with the company's long-term performance and shareholder returns, the Board has decided to defer the payment of the remaining

portion of the Group Executive Team rewards until 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 Board decided to apply the same amendments to the rewards earned based on the ongoing performance period 2021 of the Performance Share Plan 2019-2021 and to the rewards earned based on the ongoing Restricted Share Plan 2019-2021.

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 ownership corresponds to his annual base salaries, during the validity of service.

Remuneration of current Board members over the last five financial years

Board member, Position	Annual remuneration, EUR				
	2017	2018**	2019	2020	2021*
Kiskola Reijo, Chairman		38,400**	107,900*	108,900	118,400*
Mäkilä Jari, Vice Chairman	7,400	25,100	60,300*	57,700	57,300*
Leskelä Anne, Member			36,600*	54,700	57,000*
Nyman Per Olof, Member	26,600*	42,900**	49,100*	52,000	52,400*
Suutari Harri, Member			47,700*	51,700	52,800*
Tuomi Terhi, Member			44,000*	47,000	49,500*
Thorwid Carl-Peter, Deputy Member	19,600	27,500	30,900	32,400	33,000*
Uusitalo Ilkka, Deputy Member			31,400	33,000	34,200*

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

**The annual fees were partly paid in Company shares and partly in cash so that 20 per cent of the remuneration is in Company shares acquired on the market on the Board members' behalf, and the rest was paid in cash.

Remuneration of former Board members over the last five financial years

Former Board member	Annual remuneration, EUR				
	2017	2018	2019	2020	2021
Nikula Mikko	108,000**	85,400**			
Väliaho Pirjo	49,500**	14,700			
Onnela Marko	41,400**	51,500**			
Palomäki Riitta	37,100**	47,300**			
Salusjärvi Tuomas	30,000**	39,200**			
Kemppi Veikko	17,400	8,300			
Gunnarsson Bengt-Olov	700	700			
Borup Niels	17,400				
Treschow Henrik	14,500				
Andersen Teija	12,500				
Nilsson Per	6,600				
Åsheim Lena	1,700				
Lindahl Per		600	600	1,100 ¹	

**The annual fees were partly paid in Company shares and partly in cash so that 20 per cent of the remuneration is in Company shares acquired on the market on the Board members' behalf, and the rest was paid in cash.

¹ Member of Nomination Committee 12 April 2018-10 June 2020

Remuneration of the CEO over the last five financial years

	Annual remuneration, EUR						
	2017	2018 ¹	2019 ²	2020	2021		
CEO	807,400 Latvanen	1,191,400 Latvanen	56,800 Kiskola	52,500 Kiskola	907,400 Hemmilä	1,101,300 Hemmilä	997,560 Hemmilä

Company performance over the last five financial years

Company Measure	2017	2018	2019	2020	2021
Average employee salary, EUR ³	45,800	45,800	47,000	46,500	48,000
Net Sales, EUR million	1,808	1,715	1,744	1,781	1,815
Comparable EBIT, EUR million	-17.6	-47.5	-2.2	17.0	14.5

¹ Latvanen Jari 1 January-27 November 2018; Kiskola Reijo 28 November-31 December 2018

² Kiskola Reijo 1 January-3 February 2019; Hemmilä Tero 4 February-31 December 2019

³ Personnel cost (incl. social costs) divided by headcount; excluding rented personnel



Remuneration of the Board of Directors

Board remuneration as resolved by the AGM 2021:

Position	Annual base fee in 2021, EUR	Committee	Annual fee of Chair, EUR	Meeting fee, EUR
Chairman of the Board	70,000	Audit Committee	7,500	600
Deputy Chair of the Board	37,500	Compensation Committee	5,000	600
Board Member	30,000	Working Committee	5,000	600
Deputy Board Member	15,000	Special Committee	5,000	600

Board remuneration in 2021

Board member	Annual committee meeting fees, EUR	Total remuneration, EUR
Kiskola Reijo, Chairman	14,400	118,400
Mäkilä Jari, Vice Chairman	8,400	57,300
Leskelä Anne	6,600	57,000
Nyman Per Olof	6,600	52,400
Suutari Harri	11,400	52,800
Tuomi Terhi	6,600	49,500
Thorwid Carl-Peter, Deputy	6,600	33,000
Uusitalo Ilkka, Deputy	6,600	34,200

Travel expenses of the members of the Board were compensated according to the Company's travel policy.



Remuneration of the CEO

The remuneration of the CEO consists of fixed components, such as base salary and fringe benefits, variable components, such as short- and long-term incentives and a defined contribution pension.

CEO's total remuneration, euros and shares

	2021, EUR	Due remuneration, to be paid in 2022, EUR
Base salary	710,475	
Short-term incentives	100,508	0
Long-term incentives	52,177	105,669*
Pension contribution	134,400	
Total	997,560	

*Estimation based on the closing price of HKScan A share on 31 December 2021 (EUR 1.664). The value of the award will be determined by the share price at the date of delivery.

In FY 2021, the relative share of the incentives was 21% of the base salary.

The retirement age of the CEO is 63.

In addition to the Finnish statutory pension plan, the CEO 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.

Short- and long-term incentives

Short-term incentives paid in 2021

The short-term incentive maximum was 50% of the CEO's base salary in FY 2020 and the incentive was paid to the CEO in spring 2021. The performance measures applied were Group EBITDA excl. NRI and individual targets. The incentive paid in spring 2021 was between the threshold and target level.

Short-term incentives payable in 2022

The performance measures applied were Group EBIT excl. NRI, and Individual targets. The individual targets focused on operational, financial, strategy and corporate responsibility performance measures. There will be no due remuneration for 2021.

Long-term Incentive Plan 2018-2020

HKScan long-term incentive plan is based on the turnaround situation in the company. HKScan's long-term incentive plan 2018-2020 was a performance share plan (PSP) with one one-year performance period (2018) and one two-year performance period (2019-2020). The earning criteria for performance period 2018 were EBIT and EPS. These criteria were not met and thus, there was no pay-out for this period.

For the performance period 2019-2020, the performance measure was cumulative Cash Flow from operating activities. The achievement level of this two-year period was confirmed by the Board during Q1/2021. The main structure was complemented with a Restricted Share Plan (RSP) 2018-2020 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 not positive and thus, there was no pay-out for RSP 2018-2020.

LTI 2018-2020 consists of:

Performance Period 2018:
No outcome.

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

Restricted Share Plan 2018-2020:
No outcome (average ROCE 2018-2020 was negative).
30% paid out in original schedule 2021-2023 and 40% postponed for 2024-2025.

Long-term Incentive Plan 2019-2021

For the period 2019-2021, there is both a Performance Share Plan and a Restricted Share Plan. The Performance Share Plan 2019-2021 has one two-year performance period (2019-2020) and one one-year performance period (2021). The main structure is complemented with a Restricted Share Plan 2019-2021 with one three-year vesting period. After the whole performance period, an evaluation of the overall pay-out of the plans will take place.

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 Board decided to apply the same amendments to the rewards earned based on the ongoing performance period 2021 of the Performance Share Plan 2019-2021 and to the rewards earned based on the ongoing Restricted Share Plan 2019-2021.

LTI 2019-2021 consists of:

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

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

Restricted Share Plan 2019-2021:
Rewards will be earned if average ROCE 2019-2021 is positive. 30% paid out in original schedule 2021-2023 and 40% postponed for 2024-2025.

Long-term Incentive Plan	2018-2020	2019-2021
Allocated shares		
Maximum number of shares granted (gross)	165,700	604,800
Grant date	26.6.2019	26.6.2019
Share price at grant, EUR	1.674	1.674
Shares earned*		
Number of shares earned (gross)	53,550	
Shares delivered in 2021		
Number of shares delivered (net)	11,746	
Share delivery date	7.5.2021	
Share price at delivery, EUR	2.2735	
Shares to be delivered in 2022-2025*		
Number of shares delivered (gross)	30,600	

* 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.

