



2017

CORPORATE
GOVERNANCE STATEMENT

HKSCAN

TABLE OF CONTENTS

Governance	3
Corporate governance statement	3

CORPORATE GOVERNANCE STATEMENT 2017

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Corporate governance in HKScan Corporation ("HKScan" or the "Company") is based on Finnish legislation, EU-level regulations, HKScan's Articles of Association, the Finnish Corporate Governance Code 2015 (the "Code") issued by Securities Market Association, and HKScan Group's Code of Conduct as well as Governance Policy. HKScan furthermore complies with the rules and regulations of Nasdaq Helsinki Ltd and the Finnish Financial Supervisory Authority. This corporate governance statement has been drafted in accordance with the above-mentioned Code that entered into effect on 1 January 2016 and with Chapter 7:7 of the Finnish Securities Markets Act. The corporate governance statement is issued separately from the Board's Review 2017.

HKScan observes the Code subject to the following exceptions:

- Recommendation 15: Members of the Nomination Committee may be appointed also from outside the Board of Directors in order to bring additional knowledge and expertise to bear on key appointments within the Company. The Board of Directors appoints the members of the Nomination Committee.

HKScan's corporate governance statement may be viewed on the Company's website at www.hkscan.com under "Investor information". The website also gives access a list of the Company's largest shareholders, the notifications of changes in holdings submitted to the Company and the Company's Articles of Association. The Code is available for review on the Securities Market Association website at <http://cgfinland.fi/en/>.

BOARD OF DIRECTORS

The Board of Directors is responsible for the administration and the proper organization of the operations of the Company. The duties and accountability of the Board are determined primarily under the Articles of Association and the Finnish Limited Liability Companies Act. The Board's meetings procedure and duties are described in the charter adopted by the Board for each year.

Board members are elected annually by the Annual General Meeting ("AGM") based on a proposal put forward by the Board's Nomination Committee. The Articles of Association contain no mention of any special order of Board member appointments.

The Company's Board of Directors comprises between five and eight (5-8) members. In addition, a maximum of three (3) deputy members may be elected to the Board of Directors. All Board members possess the particular competence and independence consistent with the position. The Board members are proposed by the Nomination Committee taking into account the diversity principles determined by the Company in accordance with Recommendation 9 of the Code. The Company has determined the following diversity principles:

- both genders should be represented in the Board;
- the Board members should have versatile background regarding profession and education that benefits the business of the Company;
- the Board members should have experience of international tasks; and
- the Board members should represent varied age range.

The composition of the Board of the Company in 2017 represented well the Company's diversity principles.

The term of Board members begins at the end of the General Meeting at which they were elected and ends at the end of the General Meeting first following their election. The Board of Directors elects a chair and deputy chair from among its number.

The Board conducts an annual evaluation of the independence of its members in accordance with Recommendation 10. A member of the Board is required to submit to the Company the information necessary to conduct the evaluation of independence. A Board member is also required to notify the Company of any changes in information relating to independence.

The following persons were elected to the Board by the Annual General Meeting held on 6 April 2017:

Mikko Nikula (b. 1972)

Chair of the Board since 2015

M.Sc. (Physics)

Farm entrepreneur, broiler meat producer, Rusko, Finland

Shareholding at HKScan on 31.12.2017: 8 598 (direct ownership)
and 2 733 (through Myllymäen broiler Oy)

Marko Onnela (b. 1974)

Deputy chair of the Board since 2017

M.Sc. Agriculture

Farm entrepreneur, pork producer, Loimaa, Finland

Shareholding at HKScan on 31.12.2017: 11 190

Pirjo Väliaho (b. 1954)

Member of the Board since 2015

Bachelor of Economic Sciences

Shareholding at HKScan on 31.12.2017: 3 508

Per Olof Nyman (b. 1956)

Member of the Board since 2017

M.Sc. (Industrial & Management Engineering)

President & CEO, Lantmännen ek. för.

Shareholding at HKScan on 31.12.2017: 3 283 (nominee-reg.)

Riitta Palomäki (b. 1957)

Member of the Board since 2017

M.Sc. (Econ.)

Shareholding at HKScan on 31.12.2017: 1 783

Tuomas Salusjärvi (b. 1973)

Member of the Board since 2017

PhD Biochemistry

Valio Oy, Executive Vice President

Shareholding at HKScan on 31.12.2017: 1 783

Veikko Kemppe (b. 1965)

Deputy member of the Board since 2017

M.Sc. (Agriculture), Agronomist

LSO Cooperative, Managing Director

Shareholding at HKScan on 31.12.2017: -

Carl-Peter Thorwid (b. 1964)

Deputy member of the Board since 2017

M.Sc. (Industrial Engineering and Management)

CEO Lantmännen Cerealia AB

Shareholding at HKScan on 31.12.2017: -

One actual member of the Board, Per Olof Nyman and one deputy member Carl-Peter Thorwid are not independent of the Company and of the Company's major shareholders. Further, deputy member Veikko Kemppe is not independent of the Company's major shareholder. Other actual members of the Board are independent of the Company and its major shareholders.

During 2017, the Board held 18 meetings. The average attendance rate of Board members and deputy members was 95.7 per cent. The Board constitutes a quorum when more than half of its members are present. Besides the members, the Group's CEO, the CFO and the General Counsel, Head of Legal as secretary to the Board, also regularly attended the Board meetings.

CHARTER OF THE BOARD

The work of the Board of Directors is based on the provisions of the Finnish Limited Liability Companies Act and the Company's Articles of Association as well as on the charter adopted by the Board.

According to the charter, the following key matters are among those to be resolved by the Board of Directors at HKScan:

- appointments and dismissals of the CEO and senior executives, and decisions on the terms of employment of management;
- terms of employment of managing directors of HKScan Group companies and senior management;
- HKScan Group management's and personnel's incentive schemes and bonus criteria;
- HKScan Group and organization structure, commencement of new business, changes and discontinuation of central business;
- HKScan Group strategy, business plan and performance targets for the following year, and related underlying assumptions;
- HKScan Group's significant investments, as well as company, business and real estate arrangements, and sales and outsourcing of significant equipment and machinery;
- other significant contracts of the HKScan Group;
- dividend policy and division proposal to the Annual General Meeting;
- principles of risk management and communication related to HKScan Group's business and follow up of the legality of business operations;
- approving of investment plans and approval of relevant investments deviating from the plan;
- taking out HKScan Group loans and giving securities;
- giving procuration and other representative rights of the Company.

The meetings of the Board of Directors follow the annually agreed management calendar. Extra meetings may be convened if required. The chair of the Board convenes the Board meetings and prepares the meeting agenda together with the CEO.

PERFORMANCE EVALUATION OF THE BOARD

The Board conducts an annual evaluation of its performance and working methods in the interests of enhancing its operations. The evaluation addresses the composition and processes of the Board, the quality of the Board's performance, cooperation between the Board and operative management, and the expertise and participation of

Board members.

BOARD COMMITTEES

Four committees have been set up in HKScan to streamline the preparation and management of matters for the consideration of the Board. The Board selects the members and chairs of the committees from among its members or deputy members, except for the Nomination Committee, to which members may be selected from outside the Board in order to bring additional knowledge and expertise to bear on key appointments within the Company. With respect to the Nomination Committee, the Company deviates from Recommendation 15 of the Code.

AUDIT COMMITTEE

The Board elects at least three members of the Audit Committee from among its members or deputy members. At least one of the members must possess particular expertise in the fields of accounting, bookkeeping or auditing. The majority of the members of Audit Committee shall be independent of the Company and at least one member shall be independent of significant shareholders. The CEO of the Company or other senior executives may not be elected to the Audit Committee.

The Audit Committee assists the Board by preparing matters within its remit for the consideration of the Board and by submitting proposals or recommendations for Board resolution. The duties of the Audit Committee have been determined in its charter adopted by the Board, in keeping with Recommendation 16 of the Code. The tasks of the Audit Committee of HKScan's Board of Directors include, among other things, the following:

- to monitor the reporting process of financial statements;
- to supervise the financial reporting process;
- to monitor the efficiency of the Company's internal control, internal auditing and risk management system;
- to evaluate and review the corporate governance statement covering the internal control and risk management related to the financial reporting process;
- to monitor the statutory audit of the financial statements and consolidated financial statements;
- to evaluate the independence of auditors and the provision of related ancillary services to the Company in particular; and
- to prepare the proposal for decision on the election of the auditors.

The Audit Committee reports on its work to the Board at the Board meeting first following the meeting of the Committee and submits for the information of the Board the minutes of the committee's meeting.

The Audit Committee is chaired by Riitta Palomäki, and its other members are Pirjo Väliäho, Carl-Peter Thorwid and Mikko Nikula.

The Audit Committee held 6 meetings during 2017. The average attendance rate of Committee members was 91.7 per cent. Committee meetings were also regularly attended by the Company's CEO, the CFO, the internal auditor and by the external auditors. The chair of the Audit Committee prepares the agenda for the meeting based on a proposal made by the CFO and convenes the meetings, under normal circumstances with at least one week's notice.

NOMINATION COMMITTEE

The Board elects the three members of the Nomination Committee. The members of the Committee need not be Board members. The CEO of the Company or other senior executives may not be elected to the Nomination Committee.

The duties of the Nomination Committee are defined in its charter adopted by the Board. The Committee is tasked with preparing the proposals to be presented to the General Meeting of Shareholders concerning the number, appointment and remuneration of Board members. The Nomination Committee convenes at least once before the General Meeting of Shareholders and reports on its work to the Board of Directors immediately following the meeting of the Committee.

When the Nomination Committee plans the composition of the Board of Directors, the target is to ensure that the Board of Directors forms a functional entity. The prerequisite is sufficient diversity of the Board of Directors. The Board's Nomination Committee searches, evaluates and recommends members to be elected in the Board of Directors and evaluates the number of the members of the Board of Directors. When designing the proposal for election of Board members, the diversity principles determined by the Company shall be taken into account:

- both genders should be represented in the Board;
- the Board members should have versatile background regarding profession and education that benefits the business of the Company;
- the Board members should have experience of international tasks; and
- the Board members should represent varied age range.

The members of the Nomination Committee are Jari Mäkilä (Chair), Bengt-Olov Gunnarsson and Mikko Nikula.

The Nomination Committee held 2 meetings during 2017. The average attendance rate of Committee members was 83.3 per cent.

Introductions:

Jari Mäkilä (b. 1970)

Chair of the supervisory board of LSO Osuuskunta
Agricultural technician, pork producer, Oripää, Finland

Bengt-Olov Gunnarsson (b. 1951)

Past Chair of the Board of Lantmännen
Agricultural technologist, farmer, Klockrike, Sweden

COMPENSATION COMMITTEE

The Board elects at least three members of the Compensation Committee from among its members or deputy members. The majority of the members of the Compensation Committee must be independent of the Company. The CEO of the Company or other senior executives may not be elected to the Compensation Committee.

The duties of the Compensation Committee are defined in its charter adopted by the Board of Directors. The Compensation Committee is tasked with preparing matters pertaining to the Company's compensation schemes, such as CEO compensation, other management compensation, the Company's incentive and benefit plans and review of other arrangements or agreements between the Company and CEO or other senior executives.

The Compensation Committee convenes at least twice a year and reports on its work to the Board following the meeting of the Committee and submits for the information of the Board the minutes of the Committee's meetings.

The Committee is chaired by Pirjo Väliäho and its other members are Riitta Palomäki and Tuomas Salusjärvi.

The Compensation Committee held 10 meetings during 2017. The average attendance rate of Committee members was 100 per cent. The Compensation Committee has used external consultants in its work.

WORKING COMMITTEE

Within the Working Committee the Board considers matters without the presence of the operative management of the Company.

The duties of the Working Committee are defined in its charter adopted by the Board of Directors. The Working Committee is tasked with promoting the efficient accomplishment of the duties of the Company's Board of Directors.

The aim of the Committee is to advance compliance with the Finnish Corporate Governance Code in HKScan.

All members and deputy members of the Board are members of the Working committee. The Chair of the Board, Mikko Nikula, acts as the Committee's Chair. The Working Committee held 6 meetings during 2017. The average attendance rate of Committee members was 95.6 per cent.

MEETING ATTENDANCE OF THE BOARD AND ITS COMMITTEES

	Attendance				
	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee	Working Committee
Mikko Nikula ⁴⁾	18/18	5/5	1/2		6/6
Marko Onnela ³⁾	17/18	1/1			6/6
Riitta Palomäki ²⁾⁴⁾⁶⁾	14/14	5/5		8/8	3/3
Pirjo Väliaho	18/18	5/6		10/10	6/6
Tuomas Salusjärvi ²⁾⁶⁾	12/14			8/8	3/3
Per Olof Nyman ²⁾	14/14				3/3
Teija Andersen ¹⁾⁵⁾	4/4			2/2	2/3
Niels Borup ¹⁾⁵⁾	4/4			2/2	3/3
Henrik Treschow ¹⁾³⁾	4/4	1/1			3/3
Veikko Kemppe (deputy) ²⁾	14/14				3/3
Carl-Peter Thorwid (deputy) ²⁾⁴⁾	14/14	5/5			3/3
Per Nilsson (deputy) ¹⁾³⁾	1/4	0/1			2/3
Lena Åsheim ⁷⁾			1/1		
Jari Mäkilä			2/2		
Bengt-Olov Gunnarson ⁸⁾			1/1		

¹⁾ Member of the Board until 6 April. Between 1.1.- 6.4.2017 the Board had 4 meetings and the Working Committee 3 meetings.

²⁾ Member of the Board as of 6 April. Between 6.4.- 31.12.2017 the Board had 14 meetings and the Working Committee 3 meetings

³⁾ Member of the Audit Committee until 6 April. Between 1.1.- 6.4.2017 the Audit Committee had 1 meeting.

⁴⁾ Member of the Audit Committee as of 6 April. Between 6.4.- 31.12.2017 the Audit Committee had 5 meetings.

⁵⁾ Member of the Compensation Committee until 6 April. Between 1.1.- 6.4.2017 the Compensation Committee had 2 meetings

⁶⁾ Member of the Compensation Committee as of 6 April. Between 6.4.- 31.12.2017 the Compensation Committee had 8 meetings.

⁷⁾ Member of the Nomination Committee until 6 April. Between 1.1.- 6.4.2017 the Nomination Committee had 1 meeting.

⁸⁾ Member of the Nomination Committee as of 6 April. Between 6.4.- 31.12.2017 the Nomination Committee had 1 meeting.

CHIEF EXECUTIVE OFFICER (CEO)

The CEO and the possible deputy CEO are appointed by the Company's Board of Directors. The CEO is tasked with managing the HKScan Group's business activities and administration in accordance with the Articles of Association, the Finnish Limited Liability Companies Act and instructions provided by the Board of Directors. The CEO is accountable to the Board of Directors for the implementation of the objectives, plans, procedures and goals laid down by the Board. In managing the HKScan Group, the CEO is supported by the Group Leadership Team.

The Company's CEO does not serve on the Board but attends its meetings and provides monthly reports to the Board on the HKScan Group's financial performance, financial position, solvency and market position. He or she also presents the materials of the financial statements and interim reports to the Board. The CEO furthermore reports to the Board on the implementation of the Board's resolutions and on the measures and outcomes to which these have given rise.

Jari Latvanen (b. 1964), MBA, has worked as HKScan's President and CEO as of 31 October 2016.

GROUP LEADERSHIP TEAM

The Group Leadership Team ("GLT") of HKScan assists the President and CEO in the management of the HKScan Group, in the preparation of matters such as business plans, strategy, policies and other matters of importance, as well as in the implementation of the strategic and operative targets. The members of the GLT are appointed by the Board.

The Group Leadership Team on 31 December 2017:

Jari Latvanen (b. 1964)

President and CEO

MBA

Shareholding at HKScan on 31.12.2017: -

Tuomo Valkonen (b. 1967)

CFO of HKScan

M.Sc. (Econ.)

Shareholding at HKScan on 31.12.2017: 7 855

Jyrki Karlsson (b. 1969)

EVP Market area Finland

M.Sc. (Eng)

Shareholding at HKScan on 31.12.2017: 2 500

Jukka Nikkinen (b. 1962)

EVP Market Area Denmark and Market Area International & Biotech

M.Sc. (Econ.)

Shareholding at HKScan on 31.12.2016: 10 711

Anne Mere (b. 1971)

EVP Market area Baltics

MBA

Shareholding at HKScan on 31.12.2017: 14 720

Heli Arantola (b. 1969)

EVP Categories and Concepts

D.Sc. (Economics)

Shareholding at HKScan on 31.12.2017:-

Sofia Hyléen Toresson (b. 1977)

EVP Market Area Sweden

M.Sc. (Economics)

Shareholding at HKScan on 31.12.2017:-

Anu Mankki (b. 1963)

EVP, HR of HKScan

MA

Shareholding at HKScan on 31.12.2017: -

Mikko Saariaho (b. 1977)

EVP Communications and Corporate Responsibility

M.Sc. (Business Administration)

Shareholding at HKScan on 31.12.2017: 300

Pia Nybäck (b. 1969)

EVP Animal Sourcing & Primary Production

M.Sc. (Engineering), eMBA

Shareholding at HKScan on 31.12.2017: -

During the year 2017 also the following persons have been members of the Group Leadership Team: Aki Laiho, EVP Operations until 8 November 2017, Göran Holm, EVP Consumer business in Scandinavia until 1 June 2017, Markku Suvanto, EVP Legal until 5 June 2017, Svend Schou Borch, EVP Market area Denmark until 4 October 2017.

In 8 November 2017, Sami Sivuranta was named EVP Operations starting from 1 January 2018. In 28 December 2017, Mikko Forsell was named CFO starting from 1 January 2018.

Sami Sivuranta (b. 1975)

EVP Operations as of January 2018

M.Sc. (Tech.)

Shareholding at HKScan on 31.12.2017:-

Mikko Forsell (b. 1974)

CFO as of January 2018

M.Sc. (Tech.) and M. Sc. (Econ.)

Shareholding at HKScan on 31.12.2017:-

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

INTERNAL CONTROL FRAMEWORK

The Company's internal control framework is within the remit of Board of Directors. HKScan Group's management is responsible for maintaining and further developing effective internal control. Internal control aims to ensure compliance with laws and regulations as well as the HKScan's values and internal policies and guidelines. The internal control

system has the further objective of supporting activities in line with HKScan's strategy. The reliability of financial reporting and measures in the service of this goal are an integral component in the Company's internal control framework.

CONTROL ENVIRONMENT

HKScan's values and policies form the basis for the internal control environment. The Board of Directors and the Audit Committee in particular monitor the Company's financial position and the quality of the financial reporting. The Board carries out this duty by, among other, adopting the HKScan Group's risk management policy and determining the objectives and principles of internal control. The CEO and CFO are responsible for maintaining and further developing an effective control environment relating to financial reporting.

At HKScan, the internal audit is a management tool for the accomplishment of supervision. The Group Internal Auditor reports to the CFO and the Board of Directors. In addition to this, the Company's Head of Legal especially ensures that all operations are lawful. He reports directly to the CEO.

The aims of internal auditing are integrally linked with the Company's management system built on a principle of continuous improvement. The implementation of corrective and preventative measures is a key part of the entire process.

RISK MANAGEMENT

The aim of risk management within the HKScan Group is to safeguard the conditions to achieve business objectives and enable uninterrupted business operations. The risks faced by HKScan are by nature strategic (e.g. acquisitions), operative (e.g. animal diseases), financial (e.g. currency exchange rates, interest rates, tax related risks) and risks of damage (e.g. accidents and interruptions in production).

The Board of Directors and CEO have responsibility for the strategy and principles of risk management within the Group, and for managing risks that threaten the achievement of HKScan's strategic intents. Operative risks are the responsibility of the managers of the respective business and Group entities. The CFO is responsible for the management of financial risks and the HKScan Group's insurance policies.

The Company uses a systematic Enterprise Risk Management (ERM) process, which contain consistent principles and systematic practices for risk management. The aim of the ERM process is to promote risk awareness in HKScan and effective risk management throughout the HKScan Group, and to ensure that the Company's management and the Board of Directors are in possession of sufficient information on risks to support their decision-making. The ERM process is an integral component of the management system and strategy process. The risk management policy is applied in all of the companies in the HKScan Group, which carry out business operations.

Risk management is a key element in HKScan's financial reporting process. At the Group level, the Company strives to identify and assess, at least once a year, all significant risks inherent in material balance sheet and income statement items and to determine the key controls for risk prevention.

CONTROL MEASURES

Control measures are designed to ensure that

- the Company's business is managed efficiently and profitably;
- the Company's financial reporting is accurate, transparent and reliable; and
- the Company complies with laws and regulations and all internal principles.

Control measures can take the form of manual or automated system controls. Examples of controls to ensure the reliability of financial reporting include reconciliations, approvals, reviews, analyses and the elimination of high-risk combinations of duties.

HKScan Group's financial administration has determined, via risk assessment, key controls to financial reporting process. The implementation and effectiveness of the controls is the responsibility of financial administration in the business segments. HKScan has in place a self-evaluation process, which seeks to ensure the function and effectiveness of controls relating to financial reporting. In addition to ensuring control effectiveness, self-evaluation also seeks to locate possible gaps and areas for further development in the controls.

MONITORING

HKScan Group's earnings performance is monitored in meetings of the Board and the Group Leadership Team with the help of monthly reporting. The Audit Committee evaluates and the Board approves all interim reports and financial statements prior to their release to the market. The Company's Internal Auditor provides the Audit Committee with an internal audit plan annually and regularly reports internal audit observations. In addition, the external auditors provide the Audit Committee with an annual report on their audit plans and a quarterly report on their audit observations and the functioning of internal control. The Audit Committee in turn conducts an annual evaluation of the performance and independence of the auditors.

In 2017, the development of the internal control framework continued among others by introducing new HKScan policies and guidelines, updating the HKScan Group's approval framework and starting and executing a governance training project. The governance training project was directed to the management teams of all HKScan's operational entities and countries. The governance training has consisted of reviewing HKScan Code of Conduct, policy and guideline structure, competition and insider rules, related party transactions, information classification as well as upcoming EU-wide personal data protection rules. Altogether 128 employees will participate to the trainings, and the trainings are estimated to be completed by the end of Q1 in 2018. In addition, during year 2017 work has been started to update and renew the Company's Code of Conduct.

RELATED PARTY TRANSACTIONS

The Company has identified its related parties and keeps a list of them in accordance with Recommendation 28 of the Code. The Company has defined its related parties according to the definitions of IAS 24.9 standard. The Company is occasionally engaged in transactions with some of its related parties and the Company evaluates and monitors such transactions in accordance with Recommendation 28 and the Company's internal guidelines for related party transactions.

As a general principle, all transactions to be entered with the related parties shall relate to the company's normal business operations and they are in line with the purpose of the company and executed on market or market equivalent terms and practices. To ensure that possible conflicts of interest are appropriately taken into account in the decision-making process, the Company's Board of Directors ultimately decides upon execution of any related party transactions that are considered to be material to the Company, deviate from Company's normal business operations or are not made on market or market equivalent terms.

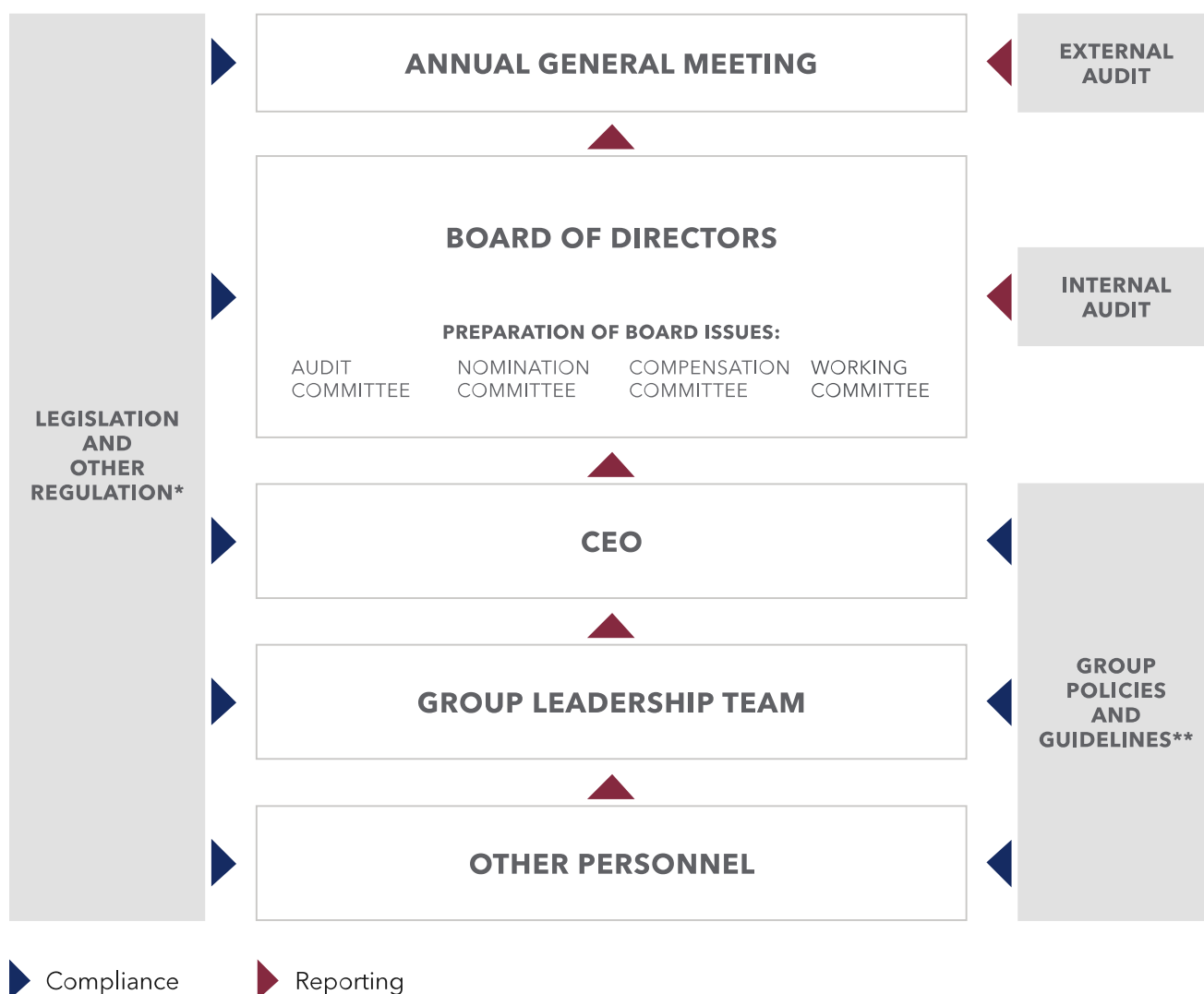
The principle defined in the Company's internal guidelines is that the Internal Auditor regularly monitors transactions concluded between the Company and its related parties and reports to the Board's Audit Committee.

AUDITORS

The external auditors are nominated annually by the Annual General Meeting. The AGM 2017 elected PricewaterhouseCoopers Oy, the firm of authorized public accountants, with APA Markku Katajisto as responsible auditor of HKScan until the close of the next AGM.

The Group's audit fees paid to independent auditors are presented in the table below. The fees are in respect of the audit of the annual accounts and legislative functions closely associated therewith. Other expert services include tax consulting and advisory services in corporate arrangements.

	2017	2016
Audit fees	-498	-599
Tax consultation	-15	-13
Other fees	-767	-379
Audit fees, total	-1280	-991



* Limited Liability Companies Act, Securities Markets Act, Auditing Act, Accounting Act, EU-level regulations, Financial Supervisory Authority’s regulations, Rules of the Stock Exchange, Corporate Governance Code, industry-related legislation, Market abuse regulation/MAR

** Articles of Association, other internal policies, guidelines and operating procedures

Annual report 2017

Quality and responsibility from farm to fork.

Read a full overview of our year:

annualreport2017.hkscan.com

HKSCAN

hkscan.com