

HKScan Corporation's corporate governance statement 2011

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Corporate governance in HKScan Corporation ("HKScan" or the "Company") is based on Finnish legislation, HKScan's Articles of Association and the Finnish Corporate Governance Code (the "Code"), as well as the charter and rules of procedure adopted by the Company's Board of Directors. HKScan furthermore complies with the rules and regulations of the Stock Exchange and the Finnish Financial Supervisory Authority.

This corporate governance statement has been drafted in accordance with recommendation 54 of the Code that entered into force on 1 October 2010 and with Chapter 2:6 of the Finnish Securities Markets Act. The corporate governance statement is issued separately from the Board's Review 2011.

HKScan Corporation observes the Code subject to the following exceptions:

- Recommendation 9: No female members were elected to the Company's Board of Directors at the General Meeting of Shareholders because no suitable female candidates with good knowledge of the Company's industry were found – in order to meet the recommendation of the Code regarding the gender distribution of Board members. However, the Company aims to meet the recommendation of the Code in this respect, too.
- Recommendation 26: Tero Hemmilä, member of the Audit Committee, is not independent of the Company because his employment relationship with the Company has ended less than three years ago.
- Recommendation 28: Members to 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.

AVAILABILITY OF CORPORATE GOVERNANCE CODE

HKScan's corporate governance statement may be viewed on the Company's website www.hkscan.com under "Investor information". The website also gives access to the register of the Company's public insiders, 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 www.cgfinland.fi.

Group organization

The management and operations of the HKScan Group ("HKScan Group" or the "Group") are the responsibility of the General Meeting of Shareholders, the Board of Directors and its four Committees, and the CEO. Their duties are determined in accordance with the Finnish Limited Liability Companies Act. The Group's operational activities are the responsibility of the Group's CEO assisted by the Group Management Team.

ANNUAL GENERAL MEETING

Ultimate decision-making power in HKScan Corporation is vested in shareholders in General Meetings of Shareholders, which are convened at least once annually. The Annual General Meeting of Shareholders (AGM) is held by the end of June each year. The Board of Directors sends a notice to shareholders and draws up the agenda.

Notice of general meetings of shareholders shall be given by announcement published on the Company's website and, if so decided by the Board of Directors, in one or more national newspapers as determined by the Board of Directors no earlier than three months and no later than three weeks prior to the meeting. The notice is also given in the form of a stock exchange release.

The following matters, among others, are considered by the Annual General Meeting:

- the financial statements and report of the Board of Directors
- auditors' report
- adoption of the financial statements
- the distribution of profit
- the granting of discharge from liability
- the remuneration of members of the Board of Directors and the auditors
- the number of members of the Board of Directors
- election of the members to the Board of Directors and the auditors
- the granting of possible authorizations to the Board of Directors

Likewise, changes in the share capital and Articles of Association are also items of business to be considered by the Annual General Meeting or, if necessary, by an Extraordinary General Meeting. An Extraordinary General Meeting shall be convened when the Board deems it to be warranted or when required under law.

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 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 Board comprises 5-7 members, all of whom possess the particular competence and independence consistent with the position. 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 chairman and deputy chairman from among its number.

The Board conducts an annual evaluation of the independence of its members in accordance with recommendation 15. 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.

All members of the Board of Directors, except Tero Hemmilä, are independent of the Company. All members of the Board of Directors, except Otto Ramel, are independent of the Company's major shareholders.

The following were elected to the Board by the AGM held in 2011:

Juha Kylämäki, chairman of the Board of Directors, b. 1962
Law student
Farm entrepreneur, broiler meat producer, Marttila, Finland

Niels Borup, deputy chairman, b. 1964
MSc (Econ & Bus Admin)
Farm entrepreneur, pork and milk producer, Lapinjärvi, Finland

Tero Hemmilä, b. 1967
M.Sc. (Agr. & For.)
Managing director of Yara Suomi Oy, Laitila, Finland

Matti Karppinen, b. 1958
MSc (Econ & Bus Admin)
CEO of Lännen Tehtaat plc, Espoo, Finland

Henrik Treschow, b. 1946
MBA
FoodMan Advisor AB, Lund, Sweden

Otto Ramel, b. 1950
An Agricultural Technologist degree from the Swedish Agricultural University and a BA in business from Lund University
Farm entrepreneur and beef producer, Sjöbo, Sweden

Until the Extraordinary General Meeting (held on 4 February 2011), member of the Board was:

Markku Aalto, chairman of the Board, b. 1950
Farmer, Jämijärvi

Tiina Varho-Lankinen, deputy chairman, b. 1962
MSc (Econ & Bus Admin)
Beef and broiler meat producer, Oripää

Matti Murto, b. 1964
MSc (Agriculture)
Beef producer, Salo

Until the Annual General Meeting of 2011 (held on 27 April 2011), members of the Board were:

Pasi Laine, b. 1963
MSc (Tech)
President, Energy and Environmental Technology, Metso Corporation, Helsinki

During 2011, the Board held 16 meetings. The average attendance rate of Board members was 91 percent. The Board constitutes a quorum when more than half of its members are present.

Besides the members, the Group's CEO, the Group's CFO and the Group's Administrative and Legal Director as secretary to the Board also regularly attend 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 and supplementary rules of procedure 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:

- appointment and dismissal of senior executives and decisions on the remuneration and other terms of employment of management
- appointment and dismissal of Group Management Board members and decision on remuneration and other terms of employment at the proposal of the CEO
- management incentive scheme and bonus criteria
- Group strategy and underlying assumptions as well as selection of strategy monitoring
- business plans, mergers and acquisitions
- other significant operating policies
- financial performance targets
- Group organizational structure
- commencement and discontinuation as well as acquisitions and disposals of business lines
- adoption of investment plans inclusive of cost estimates
- adoption of the report by the Board of Directors and financial reviews
- submission of the dividend proposal

The Board of Directors holds monthly meetings, except in the summer holiday season. More meetings may be held if required. The chairman of the Board prepares the agenda for the meeting based on a proposal

made by the CEO and convenes the meetings, under normal circumstances with at least one week's notice.

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 most recent evaluation addressed 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 chairmen of the committees from among its 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.

Audit committee

The Board elects the three members of the Audit Committee from among its members. At least one of the members must possess particular expertise in the fields of accounting, bookkeeping or auditing. 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 27 of the Corporate Governance Code. The tasks of the Audit Committee of HKScan's Board of Directors include, but are not limited to 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 review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's corporate governance statement; to monitor the statutory audit; to evaluate the independence of auditors and the provision of related services to the Company in particular; and to prepare the proposal for resolution 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 CEO of the Company or other senior executives may not be elected to the Audit Committee.

The Audit Committee is chaired by Matti Karppinen and its members are Juha Kylämäki and Tero Hemmilä. All the members are independent of significant shareholders and Matti Karppinen and Juha Kylämäki are independent of the Company. The Audit Committee held five meetings during 2011. The average attendance rate of Committee members was 100 percent. Committee meetings are also regularly attended by the Company's CEO and CFO and by its external auditors.

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.

The members of the Nomination Committee are Tiina Teperi-Saari (chair), Lars Gustafsson and Juha Kylämäki. The Nomination Committee held two meetings during 2011. The average attendance rate of Committee members was 100 percent.

Introductions:

Tiina Teperi-Saari (b. 1960)
BSc (Agriculture), pork producer, Alastaro, Finland

Lars Gustafsson (b. 1956)
Degree in Economics at Lund University of Agricultural Sciences
Farm entrepreneur, pork producer, Knislinge, Sweden

Compensation committee

The Board elects the three members of the Compensation Committee from among its 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 remuneration schemes. The Compensation Committee convenes as necessary 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 Niels Borup and its members are Juha Kylämäki and Henrik Treschow. All members of the Compensation Committee are independent of the Company. The Compensation Committee held two meetings during 2011. The average attendance rate of Committee members was 100 percent. The Compensation Committee has used external consultants in its work.

Working committee

All Board members are members of the Working Committee, which is chaired by the chairman of the Board. Within the Working Committee the Board considers matters without the presence of the operative management.

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 Corporation. With respect to the Working Committee members' independence of the Company and its significant shareholders, see the introductions of the members of the Board of Directors.

The Working Committee held no meetings during 2011.

Meeting attendance of Board members

	Attendance				
	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee	Working Committee
Markku Aalto *	2/2			1/1	
Matti Murto *	2/2				
Tiina Varho-Lankinen *	2/2			1/1	
Pasi Laine **	4/7				
Juha Kylämäki ***	14/14	5/5	2/2	1/1	
Niels Borup ***	14/14	1/1		1/1	

Tero Hemmilä ***	12/14	4/4			
Matti Karppinen	16/16	5/5		1/1	
Henrik Treschow ****	7/9			1/1	
Otto Ramel	14/16				
Tiina Teperi-Saari			2/2		
Lars Gustafsson			2/2		

*Member of the Board of Directors until 4 February 2011. The Board held 2 meetings between 1 January and 4 February 2011.

**Member of the Board of Directors until 27 February 2011. The Board held 7 meetings between 1 January and 27 April 2011.

***Member of the Board of Directors as of 4 February. The Board held 14 meetings between 4 February and 31 December 2011.

****Member of the Board of Directors as of 27 April 2011. The Board held 9 meetings between 27 April and 31 December 2011.

CHIEF EXECUTIVE OFFICER (CEO)

The CEO and possible deputy CEO of the Company are appointed by the Company's Board of Directors. The CEO is tasked with managing the 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 aims, plans, procedures and goals laid down by the Board.

The Company's CEO does not serve on the Board but attends its meetings and provides monthly reports to the Board on the 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.

The CEO of the Company in 2011 was Matti Perkonoja (b. 1949, commercial college graduate). The CFO Irma Kiilunen serves as deputy to the CEO. In managing the Group, the CEO is supported by the Group Management Team.

HKSSCAN MANAGEMENT TEAM

HKScan's CEO is assisted by the Group Management Team. In 2011 it consisted of CEO Matti Perkonoja as Chairman along with CFO Irma Kiilunen; Markku Suvanto, administrative and legal director; Sirpa Laakso, HR director, Olli Antniemi (until 24 November 2011), managing director of Rose Poultry A/S;), Jari Leija, managing director of HKScan Finland Oy and HK Ruokatalo Oy and Denis Mattsson, managing director of Scan AB . The Management Team meetings are also attended by Harri Saukkomaa, HKScan's communications director; Anne Mere, managing director of AS Rakvere Lihakombinaat; and Teet Soorm, managing director of AS Tallegg. The Management Team convenes approximately once a month and a charter has been prepared for it.

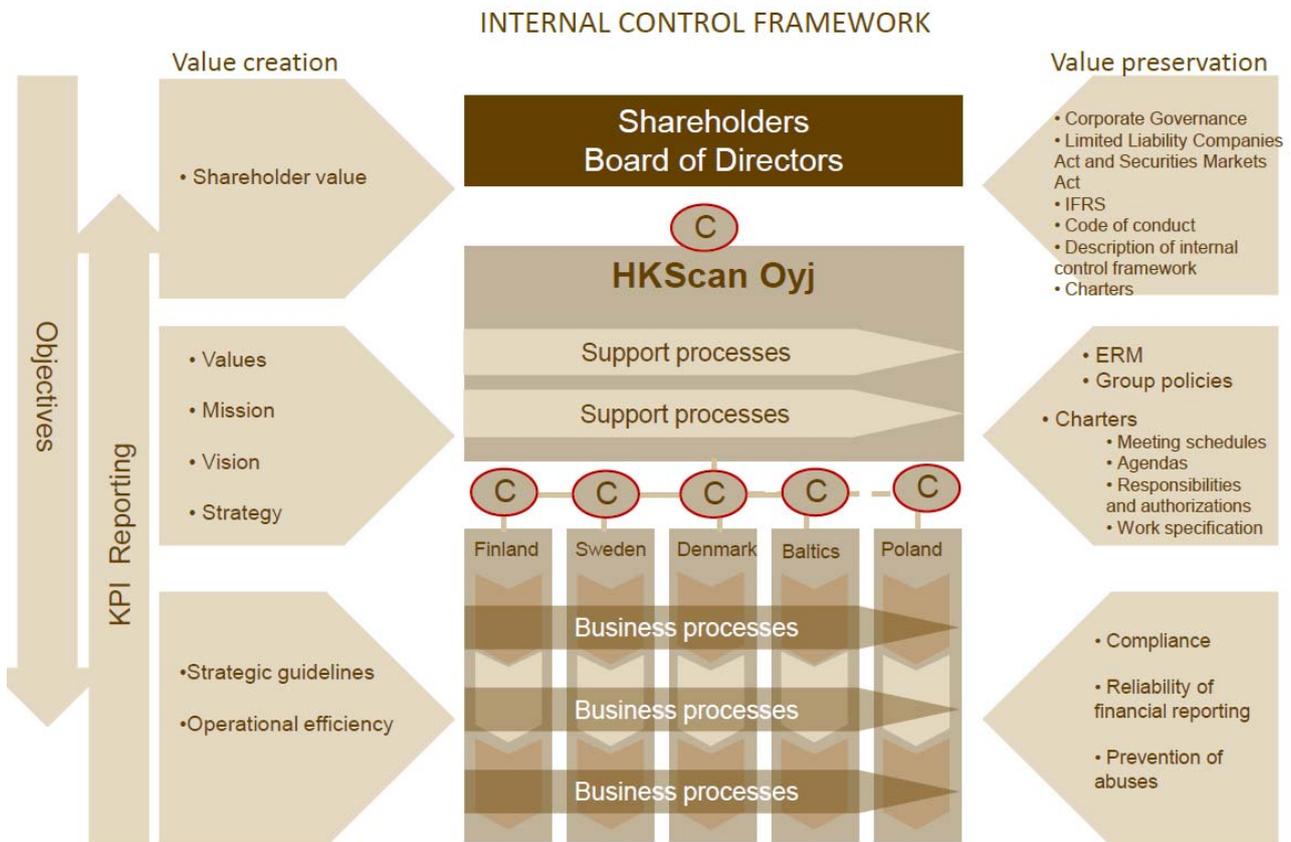
The Management Team has the following tasks:

- strategic management of the Group (strategy drafting and submission of strategy to the Board, strategy implementation)
- control and coordination of the various functions (annual planning and its supervision, organization of key resources, steering of human resources administration, maintenance of community and stakeholder relations, communications in respect of matters of major significance)
- preparation of matters for the consideration of the Board (strategy, budgets, major investments, financing, etc.)
- development of Management Team performance (target setting, job descriptions, ground rules, members' personal development)

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 HKScan Corporation's Board of Directors. Group 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 Group's values and internal policies and guidelines. The internal control system has the further objective of supporting activities in line with the Group'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.



C = Consolidated financial statement

The internal control framework of HKScan contains elements originating in the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework.

CONTROL ENVIRONMENT

The Group's values and policies form the basis for the internal control environment at HKScan. Particular attention was paid in 2011 to developing internal auditing, and updating of the Group's internal guidelines and policies was continued.

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 its duty by means including adoption of the Group's risk management policy and determination of the objectives and principles of internal control. The Group's 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. In addition to this, the Company's lawyer especially ensures that the operations are lawful. He reports directly to the CEO of the Company. At the end of 2010, an internal audit development project was started. In accordance with the decision of the Board of Directors, internal auditing was carried out in 2011 with an external partner using the so-called co-sourcing model.

The aims of internal auditing are integrally linked with the Company's management system built on a principle of ongoing improvement. The implementation of corrective and preventative measures is a key part of the function 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 the Group are by nature strategic (e.g. acquisitions), operative (e.g. animal diseases), financial (e.g. currency exchange rates and interest rates) 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 achievement of the Group's strategic intents. Operative risks are the responsibility of segment management and the managers of the respective business processes. The Group CFO is responsible for the management of financial risks and risks to persons and property.

The Company implemented a systematic ERM process which comprises 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 Group, and to ensure that 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 the Group'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.

The Group's financial administration has determined, via risk assessment, the controls central to financial reporting. These cover the financial reporting process. The implementation and effectiveness of the controls is the responsibility of financial administration in the segments. The Group has in place a self-evaluation process which seeks to ensure the function and effectiveness of controls relating to financial reporting. The Group's major subsidiaries provide the Group's financial administration with an annual report on the effectiveness of key controls. In addition to ensuring control effectiveness, self-evaluation also seeks to locate possible gaps and areas for further development in the controls.

COMMUNICATION AND DISTRIBUTION OF INFORMATION

The guidelines and principles relating to financial reporting are handled by the Group's financial administration in internal meetings, video conferences, discussions and by email. Issues relating to result and financial situation, new accounting procedures, changes in internal guidelines and processes, and other topical issues in financial administration are discussed.

The Group observes a silent period of approximately one month before the publication of interim reports and financial statements. In respect of external distribution of information, Group Communications maintains guidelines concerning the disclosure of financial information.

MONITORING

The Group's earnings performance is monitored in meetings of the Board and the Group Management 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. In addition, the statutory 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 2011, the internal control framework development work continued. It includes updating of internal guidelines, specification of the Group processes and preparation of charters for the various bodies. The outcomes of the work will be reported to the Audit Committee and the Management Team.

AUDITORS

Under its Articles of Association, HKScan shall have two auditors and two deputy auditors; one of the auditors and one of the deputy auditors shall be an auditor or a firm of accountants authorized by the Central Chamber of Commerce. The auditors and deputy auditors are elected by the Annual General Meeting. The auditors' term of office is the Company's financial year and their duties end at the Annual General Meeting of Shareholders first following their election.

The task of statutory auditing is to verify that the financial statements give a true and fair view of the result and financial position of the HKScan Group in the financial period audited. The auditor submits to the shareholders an auditor's report as a part of the annual financial statements and also provides the Audit Committee with regular reports on his/her observations.

Authorized public accountants PricewaterhouseCoopers Oy, with Johan Kronberg, APA, as principal auditor, and Petri Palmroth, APA, have served as the Company's independent statutory auditors. Mika Kaarisalo, APA, and Jari Viljanen, APA, have served as deputy auditors.

INSIDER ADMINISTRATION

The Company complies with the Insider Guidelines of NASDAQ OMX Helsinki. The revised version of the Guidelines was adopted effective 9 October 2009 and it is available for review on www.nasdaqomx.com

HKScan's insiders are split into a public register and a company specific (non-public) register. By law, the public insiders are members of the Board of Directors, the Company's auditors and the CEO. By corporate decision, the HKScan Management Team and designated representatives of the principal owners' administrative bodies are the public insiders too. These number approximately 20 persons.

By corporate decision, certain managing directors of subsidiaries, members of financial and accounting clerical staff, communications officers, management secretaries, etc. - a total of approximately 40 persons - are included in the company-specific (non-public) register of permanent insiders.

HKScan's insiders may trade during 30 days following the disclosure of an interim report and financial statements bulletin. Insiders are barred from trading in the Company's share at other times.

The Company ensures compliance with insider guidelines by regularly reminding insiders of permitted trading windows and by checking the register maintained by Euroclear Finland once a year to see the transactions carried out by insiders. In the same context, the Company sends an extract from the register to each insider to allow checking and completing personal information in the register. The decision to establish project-specific registers of insiders is taken by the CEO on a case by case basis. Persons entered in a project-specific register are prohibited from trading in the Company's shares until the relevant project is announced or it lapses.

HKScan's Group administration maintains and manages the insider register. The actual/public register resides in the SIRE system of Euroclear Finland Oy. Public access to the registers has been provided since 17 October 2005 on the Company's website under "Investor information".