

REMUNERATION OF OTHER GROUP EXECUTIVE TEAM MEMBERS 2021

REMUNERATION GOVERNANCE AND PRINCIPLES

The Board decides, based on the proposal made by the Compensation Committee, on the remuneration principles and remuneration of the Group Executive Team (GET). The remuneration and terms of employment of the Group Executive Team are decided by the Board on the basis of a proposal from the CEO. In addition, the Board approves all Group-wide incentive plans for senior management and key personnel. The AGM decides on the use of company's shares for share based incentives and may authorize the Board to decide on the issue of shares and special rights entitling to shares.

The longstanding remuneration principles support our business strategy, performance driven rewards, continuous improvement, individual accountability and value-based behavior. The strategic goals and financial results are taken into account in reward planning.

Competitive remuneration system aims at ensuring that we can retain key people and senior management in the markets in which HKScan operates. The targets of the incentive schemes are based on the business strategy execution and shareholder value creation. Supported by the motivating rewards our target is to retain core competencies and key people. Competitive base salaries and performance-based incentive systems, the selection of the best people for the key positions, job rotation and succession planning are the strengths of the company in the long-term.

LONG-TERM INCENTIVES (LTI)

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).

50% paid out in original schedule 2021-2023 and 50% postponed for 2024-2025.

Long-term Incentive Plan 2019-2021

For the period 2019-2021, there was 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 main structure was 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 took 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.

50% paid out in original schedule 2021-2023 and 50% postponed for 2024-2025.

SHORT-TERM INCENTIVES (STI)

HKScan operated in 2021 an annual STI plan for the GET members and executives. Performance criteria included pre-defined financial targets (Group and/or BU comparable EBIT) and strategy driven individual targets.

SUMMARY OF REMUNERATION ELEMENTS

The principles of the GET members' remuneration elements and principles are described below. The GET consists of members from Finland, Sweden, Denmark and the Baltics.

Base salary	Annual salary consists of base salary and customary fringe benefits such as company car and phone. Each GET member's annual salary package varies according to position and country where they reside. Salaries are reviewed annually.
Insurances	To support and protect the GET members in the performance of their duties, HKScan provides them with health insurance, life and disability insurance, business travel insurance, and liability insurance.
Pension	The GET members participate in local retirement programs according to local market and company practice in the country where they reside. Additionally, the Finnish members of GET are covered by a supplementary defined contribution pension plan. The retirement age according to the pension plan is 63 years.
Short-term incentive (STI)	The GET members are entitled to participate in HKScan's STI program subject to the terms and conditions of such program in effect. The performance criteria on the basis of the STI payout is predefined by the Board annually. The mix of Group, Unit/Function and individual targets, and their threshold and maximum ranges, are defined based on the strategic targets. The achievement of individual performance targets shall be evaluated annually by the CEO. In 2021, the maximum award value was 50% of annual base salary.
Long-term incentive (LTI)	The GET members are entitled to participate in HKScan's LTI program subject to the terms and conditions of such program in effect. The Board decides the plan terms & conditions and performance criteria based on strategic targets in the beginning of each earning period. If the performance targets are achieved, the share rewards attained based on the plan will be paid partly in HKScan's series A shares and partly in cash. The cash portion is intended to cover tax and tax-related costs arising from the award.
Share ownership guidelines	The Board recommends that the members of GET would hold 50% of all the shares received from LTI until the value of share ownerships correspond to their annual salaries. This share ownership should be held during the validity of employment.

Termination The agreement can be terminated by both parties with a notice period of 6 months. GET members are, in the event of termination by the company, entitled to 6 months' severance payments.

GET REMUNERATION IN 2021

Remuneration paid to the members of Group Executive Team (EUR).

Fixed annual salary (Includes vacation pay and taxable benefits)	2,497,592
Short-term incentive payment (based on financial year 2020)	248,676
Long-term incentive payment	154,884
Supplementary pension contributions	373,080
Compensation related to the termination of the employment	180,000
TOTAL	3,510,404