

## **REMUNERATION OF GROUP EXECUTIVE TEAM MEMBERS 2020**

### **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 Annual General Meeting (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 HKScan. 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 from 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 is 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 payout from RSP 2018–2020.

#### **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 payout of the plans will take place.

All LTI plans include the requirement of continuance of employment upon award payment in order to be qualified to receive the potential award. Also, GET members should retain at least 50% of all shares received as award until the value of their ownerships correspond to their annual base salaries, during the validity of employment or service.

### **SHORT-TERM INCENTIVES (STI)**

HKScan operated in 2020 an annual STI plan for the GET members. Performance criteria included pre-defined financial targets (Group and/or BU comparable EBITDA) 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 Estonia.

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. Maximum award value was 50% of annual base salary in 2020.
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. The award for GET members, calculated with the prevailing share price at the beginning of the plan, may vary between 0–150% of annual fixed salary, based on performance.
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 employment agreement of the GET members 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 2020

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

Fixed annual salary (Includes vacation pay and taxable benefits)	1,984,837
Short-term incentive payment (based on financial year 2019)	388,791
Long-term incentive payment	0
Supplementary pension contributions	328,000
<b>TOTAL</b>	<b>2,701,628</b>