

HKSCAN

Remuneration Report 2022



Greetings from the Chairman of the Compensation Committee

Dear shareholders,

On behalf of the Compensation Committee, I present HKScan Corporation's Remuneration Report for 2022. In the report, we describe the implementation of the company's remuneration policy for the CEO and the members of the Board of Directors. The report has been approved by the Board of Directors. This report will be presented at HKScan's Annual General Meeting in 2023 for an advisory shareholder approval.

HKScan's long-term strategy remained unchanged. HKScan's strategic target is to grow into a versatile food company whose responsibly produced and tasty products are part of consumers' varied food moments. In the current exceptional and rapidly changing

operating environment, the company is focusing on improving the profitability of its core businesses and strengthening its financial base. In the longer term, the strategic change from a meat company into a versatile food company will open up new opportunities for growth.

In 2022, the Compensation Committee followed and implemented the company's remuneration policy. Remuneration will continue to be guided by ambitious performance targets and remuneration principles that support shareholder value growth and that require remuneration to be transparent and in line with the company's core interests.



Per Olof Nyman

Chairman of the Compensation Committee

Composition of the Compensation Committee in 2022

In 2022, the Compensation Committee was chaired by Per Olof Nyman and members were Reijo Kiskola, Harri Suutari and Ilkka Uusitalo.

Compensation Committee's key activities in 2022

- Evaluation of the performance and compensation levels of the Group Executive Team for 2021
- Definition of performance measures, targets and compensation levels for 2022
- Review of Executive Team remuneration
- Finalisation of the Remuneration Report 2021

Introduction

This Remuneration Report 2022 presents the remuneration of the CEO and the members of the Board of Directors (Board) of HKScan Corporation (HKScan) for the financial year 2022.

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 2022

The remuneration for the CEO and the Board during the financial year 2022 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 HKScan’s key strategic targets.

Remuneration Policy for the CEO at a glance

The Remuneration policy provides a total remuneration structure that aligns the remuneration of the CEO with the delivery of HKScan’s long-term strategy. The remuneration of the Board of Directors is decided by the AGM based on the proposal by

the Shareholders’ Nomination Board. The following table describes the content of the remuneration policy for the CEO at a glance. The full Remuneration Policy is available on HKScan’s website.

Element	Purpose and link to strategy	Maximum earning opportunity and policy implementation
Fixed compensation	CEO receives an annual fixed base salary, which the Compensation Committee considers to be market competitive.	Fixed base salary is reviewed by the Compensation Committee at the beginning of each year and upon a change of position or scope of responsibility. Levels are not subject to the achievement of performance measures. However, an individual’s experience, development and performance in the role will be considered when setting and reviewing salary levels.
Pension	A retirement benefit in addition to the statutory pension	In addition to the statutory pension plan, the CEO may be covered by a supplementary defined contribution pension plan, which provides a retirement benefit based on the accrued savings capital.
Short-term incentives (STI)	Short-term incentive opportunity will be linked to the achievement of challenging financial and, when appropriate, nonfinancial performance targets.	The Board decides on the plan terms, participants and performance criteria based on strategic targets. The performance measures, weightings and targets are set annually by the Board. The quantum of short-term incentive is determined on a specified range. Performance below threshold results in a zero incentive. Maximum pay-out is capped at the equivalent of 60% of fixed base salary. The short-term incentive plan is annual-based.
Long-term incentives (LTI)	Delivery of the Group’s long-term performance	The commencement of the long-term incentive plan requires a shareholder decision after which the Board shall decide on the terms and conditions of the programme. The long-term incentive plan is based on multiple years. In the long-term incentive plan, the remuneration may consist of individual performance share plans and the remuneration is paid in HKScan’s shares, if no other remuneration format is announced. The LTI allocation is maximum 150% of annual fixed base salary. The Board reserves the right to adjust the targets if events occur (e.g. material acquisition and/or divestment of a Group business), which cause it to determine that they are no longer appropriate.
Shareholding requirement		The Board recommends that the CEO would hold 50% of all the shares received from the long-term incentive plan until the value of share ownership corresponds to individual’s annual salary. This share ownership should be held during the validity of service. The Board may amend its recommendations at any time.

Alignment with company performance and long-term financial targets

HKScan's strategic target is to grow into a versatile food company. The key targets are to improve the profitability of the core businesses and to strengthen the balance sheet, which will enable 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.

Geopolitical crises and increased energy costs brought additional challenges to the business. In the short-term, targets related to profitability, growth, cost efficiency and productivity remain the basis for performance management and remuneration targets in a short-term.

Annual incentive plans

In recent years, short-term incentives have consistently been based on the company's profitability targets (comparable EBIT). The structure of the annual incentive plan for key roles in the year ending 31 December 2022 remained broadly the same, with 70% based on financial measures and 30% on individual 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 ongoing challenging market conditions.

The short-term incentive plan for 2022 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 incentive plans

Long-term incentive plans aim to retain key skills and motivate executives to increase shareholder value over the long term.

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 indicators did not materialize. For the restricted share plan 2019-2021, the performance condition was 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 decided to defer the payment of the remaining portion of the Group Executive Team rewards until 2024-2025 concerning Performance Share Plan 2018-2020. 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 Performance Share Plan 2019-2021 and 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/her annual base salaries, during the validity of service.

Remuneration of the CEO

CEO's total remuneration 2022

	Base salary	Short-term Incentive	Long-term Incentive ¹	Benefits	Pension ²	Pay during notice period and severance pay	Total
Tero Hemmilä (1.1.-29.9.2022)	522,375	-	87,647	16,027	168,000		794,049
Tero Hemmilä (30.9.2022-31.3.2023)						1,092,024	1,092,024
Juha Ruohola (29.9.-31.12.2022)	120,546	-	-	3,896	24,000		148,442
Total	642,921	0	87,647	19,923	192,000	1,092,024	2,034,515

¹Tero Hemmilä (1.1.-29.9.2022): FY 2022, the relative share of the incentives was 9% of the base salary. Due remuneration to be paid in 2023 is EUR 0.

Juha Ruohola (29.9.-31.12.2022): FY 2022, the relative share of the incentives was 0% of the base salary. Due remuneration to be paid in 2023 is EUR 0.

²Pension is paid as a cash allowance for acquiring a pension.

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.

The retirement age of the CEO is 63 that was applied to CEO Tero Hemmilä. In addition to the Finnish statutory pension plan, the CEO Tero Hemmilä was 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. The interim CEO Juha Ruohola is entitled to the Finnish statutory pension plan. The interim CEO

Juha Ruohola is covered by a supplementary defined contribution pension plan, which provides a retirement benefit based on the accrued savings plan. The retirement age will be determined by the Finnish statutory pension plan for the interim CEO Juha Ruohola.

Short- and long-term incentives

Short-term incentives paid in 2022

The short-term incentive maximum was 50% of the CEO's base salary in FY 2021 and the potential incentive would have been paid to the CEO in spring 2022. The performance measures applied were Group EBIT excl. NRI and individual targets. There was no incentive payout in spring 2022.

Short-term incentives payable in 2023

The performance measures applied were Group EBIT excl. NRI, and individual targets. The individual targets focused on operational and financial performance measures. There will be no due remuneration to be paid in spring 2023.

Long-term Incentive Plan 2018-2020

HKScan long-term incentive plan was based on the turnaround program 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).

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 performance period 2021 of the Performance Share Plan 2019-2021 and to the rewards earned based on the Restricted Share Plan 2019-2021.

LTI 2019-2021

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

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

Restricted Share Plan 2019-2021:
Rewards earned if average ROCE 2019-2021 is positive.
The performance measure was positive.

Long-term Incentive Plan	2018-2020		2019-2021
	Tero Hemmilä	Tero Hemmilä	Juha Ruohola
Allocated shares			
Maximum number of shares granted (gross)	165,700	604,800	168,000
Grant date	26.6.2019	26.6.2019	26.3.2020
Share price at grant, EUR	1.674	1.674	1.756
Shares earned¹			
Number of shares earned (gross)	53,550	296,345	117,600
Shares delivered in 2022			
Number of shares delivered (net)		32,501	12,154
Share delivery date		4.3.2022	4.3.2022
Share price at delivery, EUR		1.3802	1.3802
Shares to be delivered in 2023-2025¹			
Number of shares delivered (gross)	0	0	88,200

¹ 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.



Remuneration of the Board of Directors

The amount of the annual remuneration payable to the members of the Board remained about at the same level as for year 2021: 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 in cash.

Board remuneration as resolved by the AGM 2022

Position	Annual base fee in 2022, EUR
Chairman of the Board	70,000
Deputy Chair of the Board	37,500
Board Member	30,000
Deputy Board Member	15,000

The annual remuneration of the Board committee chairmen was as follows: to the Chairman of the Audit Committee EUR 10,000 and to the Chairmen of the Compensation, Working and Special Committees EUR 5,000. A compensation of EUR 650 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.

Committee	Annual fee of Chair, EUR	Meeting fee, EUR
Audit Committee	10,000	650
Compensation Committee	5,000	650
Working Committee	5,000	650
Special Committee	5,000	650

Board remuneration in 2022

Board member	Annual committee meeting fees, EUR	Total remuneration, EUR
Kiskola Reijo, Chairman	12,500	122,600
Mäkilä Jari, Vice Chairman	5,600	57,000
Leskelä Anne	7,600	61,200
Nyman Per Olof	7,450	54,500
Suutari Harri	9,300	52,600
Tuomi Terhi	7,600	51,200
Thorwid Carl-Peter, Deputy ¹	2,400	9,210
Conradsson Ove, Deputy ¹	4,550	25,150
Uusitalo Ilkka, Deputy	8,100	36,700

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

¹Thorwid Carl-Peter, deputy member until 30 March 2022. Conradsson Ove, deputy member from 30 March 2022.



Remuneration of current Board members over the last five financial years

Board member, Position	Annual remuneration, EUR				
	2018 ¹	2019	2020	2021 ²	2022
Kiskola Reijo, Chairman	38,400 ¹	107,900 ²	108,900	118,400 ²	122,600
Mäkilä Jari, Vice Chairman	25,100	60,300 ²	57,700	57,300 ²	57,000
Leskelä Anne, Member		36,600 ²	54,700	57,000 ²	61,200
Nyman Per Olof, Member	42,900 ¹	49,100 ²	52,000	52,400 ²	54,500
Suutari Harri, Member		47,700 ²	51,700	52,800 ²	52,600
Tuomi Terhi, Member		44,000 ²	47,000	49,500 ²	51,200
Thorwid Carl-Peter, Deputy Member	27,500	30,900	32,400	33,000 ²	9,210
Conradsson Ove, Deputy Member					25,150
Uusitalo Ilkka, Deputy Member		31,400	33,000	34,200 ²	36,700

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.

² 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.

Remuneration of former Board members over the last five financial years

Former Board member	Annual remuneration, EUR				
	2018	2019	2020	2021	2022
Nikula Mikko	85,400 ¹				
Väliaho Pirjo	14,700				
Onnela Marko	51,500 ¹				
Palomäki Riitta	47,300 ¹				
Salusjärvi Tuomas	39,200 ¹				
Kemppi Veikko	8,300				

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.



Remuneration of the CEO over the last five financial years

	Annual remuneration, EUR							
	2018 ¹	2019 ²	2020	2021	2022 ³			
CEO	2,070,300 Latvanen	56,800 Kiskola	52,500 Kiskola	907,400 Hemmilä	1,101,300 Hemmilä	997,560 Hemmilä	1,886,073 Hemmilä	148,442 Ruohola

¹ Latvanen Jari 1 January-27 November 2018; Kiskola Reijo 28 November-31 December 2018, and includes compensation related to termination of Latvanen's contract.

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

³ Hemmilä Tero 1 January-29 September, Hemmilä's total compensation includes his pay for the period of notice and severance pay; Ruohola Juha 29 September-31 December 2022

Company performance over the last five financial years

Company Measure, continuing operations	2018	2019	2020	2021	2022
Average employee salary, EUR ¹	54,550	55,409	54,974	56,537	55,985
Net Sales, EUR million	1,553	1,576	1,606	1,645	1,834
Comparable EBIT, EUR million	-48.2	-10.0	11.8	17.9	9.7

¹ Personnel cost (incl. social costs) divided by headcount (FTE); excluding rented personnel

