

HKScan's Corporate Governance Statement 2012

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 2012.

HKScan Corporation observes the Code subject to the following exceptions:

- Recommendation 26: Tero Hemmilä, member of the Audit Committee, is not independent of the Company because his employment contract with the Company ended less than three years ago.
- Recommendation 28: 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.

AVAILABILITY OF CORPORATE GOVERNANCE CODE

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 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.

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.

The following persons were elected to the Board by the AGM held on 25 April 2012:

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
M.Sc. (Econ. & Bus. Admin.)
Farm entrepreneur, pork and milk producer, Lapinjärvi, Finland

Teija Andersen, b. 1957
M.Sc. (Agr. & For.), eMBA
Managing director of Adviso TMA Oy, Finland

Gunilla Aschan, b. 1960
M.Sc. (Agriculture, Econ.)
Farm and forestry entrepreneur, beef producer, southeast Sweden
Farm & Forest Department, manager, Nordea Sweden, Stockholm

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

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

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

- Detailed introductions to the Board members are available at www.hkscan.com >> Board of Directors and Auditors

During 2012, the Board held 11 meetings. The average attendance rate of Board members was 92 per cent. The Board constitutes a quorum when more than half of its members are present.

Besides the members, the Group's CEO, the COO, the CFO and the Administrative and Legal Director as secretary to the Board also regularly attend 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 Group companies and senior management
- Group management's and personnel's incentive schemes and bonus criteria
- Group and organisation structure, commencement of new business, changes and discontinuation of central business
- Group strategy, business plan and performance targets for the following year, and related underlying assumptions
- 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 Group
- dividend policy and division proposal to the Annual General Meeting

- principles of risk management and communication related to 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 Group loans and giving securities
- giving procurations 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 chairman 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 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 at least 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, 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 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 Tero Hemmilä and its members are Gunilla Aschan, Niels Borup and Juha Kylämäki. From the Audit Committee members Tero Hemmilä is dependent of the Company and Gunilla Aschan is dependent of the Company's major shareholders.

The Audit Committee held 5 meetings during 2012. The average attendance rate of Committee members was 95 percent. Committee meetings are also regularly attended by the Company's CEO and CFO and by

its external auditors. The chairman 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.

The members of the Nomination Committee are Tiina Teperi-Saari (chair), Lars Gustafsson and Juha Kylämäki.

The Nomination Committee held 2 meetings during 2012. 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 at least 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 compensation schemes. 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 Niels Borup and its members are Teija Andersen, Juha Kylämäki and Henrik Treschow. All members of the Compensation Committee are independent of the Company.

The Compensation Committee held 4 meetings during 2012. The average attendance rate of Committee members was 100 percent. 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.

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.

The Committee is chaired by Juha Kylämäki and its members are Tero Hemmilä and Niels Borup. The members of the Working Committee, except Tero Hemmilä, are independent of the Company. All members are independent of the Company's significant shareholders. The Working Committee held no meetings during 2012.

Meeting attendance of Board members

	Attendance				
	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee	Working Committee
Juha Kylämäki	11/11	5/5	2/2	4/4	
Niels Borup	10/11	4/4		4/4	
Tero Hemmilä	9/11	5/5			
Matti Karppinen *	3/4	1/1			
Otto Ramel *	3/4				
Henrik Treschow	11/11			4/4	
Gunilla Aschan **	7/7	3/4			
Teija Andersen **	7/7			1/1	
Tiina Teperi-Saari			2/2		
Lars Gustafsson			2/2		

* Member of the Board of Directors until 25 April 2012. The Board held 4 meetings between 1 January and 25 April 2012.

** Member of the Board of Directors as of 25 April 2012. The Board held 7 meetings between 25 April and 31 December 2012

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 objectives, 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 was Matti Perkonen until 29 February 2012. Hannu Kottonen started as the CEO on 1 March 2012. In managing the Group, the CEO is supported by the Group Management Team.

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.

CONTROL ENVIRONMENT

The Group's values and policies form the basis for the internal control environment at HKScan. Particular attention was paid in 2012 to developing internal auditing, and updating of the Group's internal guidelines and policies 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 SVP, administrative and legal director especially ensures that all operations are lawful. S/he reports directly to the CEO of the Company. At the end of 2010, an internal audit development project was initiated. In accordance with the decision of the Board of Directors, internal auditing was carried out with an external partner using the so-called co-sourcing model in 2012.

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 Treasurer is responsible for the management of financial risks and risks to persons and property.

The Company implemented a systematic Enterprise Risk Management (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.

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 2012, 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.