

**HKSCAN**

REMUNERATION  
STATEMENT  
2016

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# REMUNERATION STATEMENT

This remuneration statement has been prepared in accordance with the Finnish Corporate Governance Code 2015.

## 1. DECISION MAKING IN RELATION TO REMUNERATION

Remuneration at HKScan Group is based on the Group's remuneration guidelines and principles, as well as compensation and benefits practices.

The Annual General meeting of Shareholders (AGM), the Board of Directors and its Compensation Committee are all involved in the preparations and decision-making regarding remuneration at HKScan Group. The decision on the remuneration of the members of the Board of the Directors is made in the AGM.

The Board of the Directors decides, based on the proposals made by the Compensation Committee, on the remuneration principles and remuneration for senior management (President and CEO, and other members of HKScan Group Leadership Team). The Board of Directors approves all Group-wide incentive plans for senior management and key personnel.

## 2. REMUNERATION OF BOARD MEMBERS

The remuneration and other benefits of the Board of Directors are decided annually by the Annual General Meeting. The AGM on 13 April 2016 resolved the annual remuneration payable to the members of the Board of Directors as follows:

- EUR 27 625 to Board member,
- EUR 33 875 to Vice Chairman of the Board, and
- EUR 67 750 to Chairman of the Board.

The annual remuneration would be paid in Company shares and cash so that 20 per cent of the remuneration would be in the Company shares acquired on the market on the Board members' behalf, and the rest would be paid in cash. The shares were acquired within two weeks after the publication of HKScan Corporation's interim report 1 January-30 June 2016. Additionally, the Company paid all costs related to the transfer of the Company shares.

An annual remuneration of EUR 13 810 was paid to deputy member of the Board of Directors. To Chairmen of the Board committees (Audit, Nomination, Compensation and Working Committee) was paid an annual remuneration of EUR 5 000. In addition, a compensation of EUR 550 per a meeting was paid for all the Board members for each attended Board and Board committee meeting. Travel expenses of the members of the Board of Directors were compensated according to the Company's travel policy.

The company has no share-based incentive scheme for Board members, neither are the members of the Board covered by the company's incentive or pension plans. Board members receive per diems as outlined in the company's travel policy for travel within and outside Finland. Normal travel expenses are also covered. Board members receive no separate meeting attendance fees for serving on the Boards of Directors of the Group's subsidiaries or associated companies.

## FEES OF THE BOARD OF DIRECTORS AND COMMITTEES IN 2016

	Board		Committees				Total in euros	Paid in shares *)
	Annual fee	Attendance fee	Audit	Nomin.	Compens.	Working	2016	2016
Mikko Nikula	63 250	5 500		1 100		9 400	79 250	4 220
Niels Borup	31 617	4 950			8 300	3 850	48 717	2 105
Tero Hemmilä 1)	9 210	1 100	3 185			1 100	14 595	
Henrik Treschow	25 783	4 950	5 115			3 850	39 698	1 725
Teija Andersen	25 783	5 500			3 300	4 400	38 983	1 725
Pirjo Väliäho <sup>2)</sup>	25 783	5 500	1 650		3 300	4 400	40 633	1 725
Per Nilsson	11 690	4 950	2 750			3 850	23 240	
Marko Onnela	11 690	4 950	2 750			3 850	23 240	
Lars Gustafsson				1 100			1 100	
Jari Mäkilä <sup>3)</sup>				6 650			6 650	
Lena Åsheim 4)				550			550	
<b>Total</b>	<b>204 806</b>	<b>37 400</b>	<b>15 450</b>	<b>9 400</b>	<b>14 900</b>	<b>34 700</b>	<b>318 672</b>	<b>11 500</b>

<sup>1)</sup> Resigned from the Board, the Audit Committee and the Working Committee on 11 May 2016.

<sup>2)</sup> Member of the Audit Committee as of 12 May 2016.

<sup>3)</sup> Member of the Nomination Committee until 13 April 2016.

<sup>4)</sup> Member of the Nomination Committee as of 13 April 2016.

\*) According to the resolution of the AGM on 13 April 2016, the Board of Directors' annual remuneration was paid in Company shares and cash so that 20 per cent of the remuneration was paid in the Company shares acquired on the market on the Board members' behalf, and the rest was paid in cash. The shares were acquired within two weeks after the publication of HKScan Corporation's interim report 1 January - 30 June 2016.

### 3. PRINCIPLES OF REMUNERATION OF THE CEO AND THE GROUP LEADERSHIP TEAM

Remuneration at HKScan Group is based on the principles of remuneration approved by the Board, and attention is paid to the Group's strategic objectives and financial performance. A motivating remuneration scheme is used as a tool to elicit the commitment to the Group of core expertise and key employees. Matters pertaining to remuneration are prepared by the Compensation Committee of the Board. The principles of the remuneration schemes are decided by the Board of Directors on the basis of the Compensation Committee's proposal.

The remuneration and terms of employment of the CEO are decided by the Board of Directors. The remuneration and terms of employment of the Group Leadership Team are decided by the Board of Directors on the basis of a proposal from the CEO. HKScan Corporation's remuneration scheme consists of a base salary, benefits, as well as short-term and long-term incentive schemes.

#### SHORT-TERM INCENTIVE SCHEME

In 2016, the Group had in place an extensive short-term incentive scheme. It covered the Group's CEO, the other members of the Group Leadership Team, as well as upper and middle management. Awards are based on a combination of Group, business unit, functional and individual targets. Possible fees earned on the basis of the scheme are paid solely in cash.

The earning criteria of the incentive scheme and the possible performance fees are set for each year by the Board of Directors on the proposal of the Compensation Committee.

#### LONG-TERM INCENTIVE SCHEMES

1) The Board of Directors of HKScan Corporation approved a new share based incentive plan for the Group key personnel in The aim of the Plan is to combine the objectives of the shareholders and the key personnel in order to develop the value of the Company, to commit the key personnel to the Company, to increase their share ownership in the Company, and to offer them a competitive reward plan based on earning and holding the Company's shares.

The Plan includes three one-year performance periods, calendar years 2013, 2014 and 2015. The Board of Directors of the Company decides on the performance criteria and their targets for a performance period at the beginning of each performance period. The potential reward from 2015 is based on the HKScan Group's Earnings per Share (EPS) and Return on Capital Employed (ROCE).

Furthermore, the Plan includes one three-year performance period, calendar years 2013-2015. The prerequisite for receiving reward on basis of this performance period is, among other things, that a key employee previously owns or acquires the Company's series A shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of employment or service upon reward payment.

Rewards from performance periods 2013 and 2013-2015 will be paid partly in the Company's A series shares and partly in cash in 2016. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. No reward will mainly be paid, if the key employee's employment or service ends before reward payment.

The rewards to be paid are a maximum approximate total of 300 000 HKScan Corporation series A shares and cash payment corresponding to the value of such shares. The Plan can include new shares as well as the Company's own shares. At the end of 2015, 23 people were included in the Plan.

The Board of Directors recommends that the members of the Leadership Team would hold 50 per cent of all of the shares received on the basis of the Plan until the value of their share ownerships correspond to their gross annual salaries. This share ownership should be held during the validity of employment or service.

In accordance with the above, the Board of Directors of HKScan Corporation resolved on a directed share issue without consideration according to the Group's share based incentive plan 2013, payment of the rewards for the performance period 2013-2015.

On 8 April 2016, in total 44 885 HKScan Corporation's A shares owned by the Group were gratuitous been transferred to the participants of the share based incentive plan according to its terms.

2) The Board of Directors of HKScan Corporation approved a share based incentive plan for the Group key personnel for the year 2016 on 18 December. The plan covers one performance period, year 2016. The potential reward from the performance period will be based on the HKScan Group's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Earnings per Share (EPS).

Rewards from the performance period will be paid partly in the Company's A series shares and partly in cash as follows: 50 per cent pay-out in 2017 and 50 per cent pay-out in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. No reward will be paid, if the key employee's employment or service ends before reward payment.

The plan was initially directed to 37 people. The rewards to be paid on basis of the performance period are a maximum approximate total of 366 000 HKScan Corporation series A shares and cash payment corresponding to the value of such shares. After the relevant taxes and other employment-related expenses have been deducted, the participants are paid the net balance in the form of shares.

## **ADDITIONAL PENSION BENEFITS**

The Finnish Members of the Group Leadership Team are covered by a contribution-based additional pension insurance. The contribution is 20 per cent of the insured person's annual pay. The retirement age according to the pension agreements is 63 years.

## **REMUNERATION OF THE CEO JARI LATVANEN**

The remuneration and terms of employment of the CEO are decided by the Board of Directors.

CEO Jari Latvanen's remuneration consists of a fixed base salary, benefits, supplementary pension benefits and possible incentive awards under the Group's short- and long-term incentive schemes. Under the terms of the CEO's executive agreement Jari Latvanen can retire at the age of 63.

Under the terms of the CEO's executive agreement, the agreement can be terminated by both the Group and the CEO. The period of notice for the CEO is six months. In the event that HKScan terminates the agreement, the CEO will be paid a sum corresponding to his 12 months' salary. In addition he will be paid the salary for the termination period. In 2016, Jari Latvanen was paid a total salary of EUR 0.36 million.

## REMUNERATION OF THE CEO AND THE GROUP LEADERSHIP TEAM

	<b>Jari Latvanen, CEO</b>	<b>Aki Laiho, Deputy CEO</b>	<b>Hannu Kottonen, CEO</b>		<b>Other Group Leadership Team</b>	
	<b>31 Oct-31 Dec 2016</b>	<b>21 Jan-30 Oct 2016</b>	<b>1 Jan-20 Jan 2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
(EUR thousand)	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Salaries	361 <sup>*)</sup>	303	1 053	639	2 048	1 958
Short-term incentives		n/a	54	100	137	109
Long-term incentives		n/a	77 <sup>**)</sup>	-	157 <sup>**)</sup>	-
Supplementary pensions	22	n/a	67		281	-
<b>Total</b>	<b>383</b>	<b>303</b>	<b>1 251</b>	<b>739</b>	<b>2 466</b>	<b>2 067</b>

\*) Includes a signing fee of 250 000 euros

\*\*\*) In 2016, payment partly in Company's A series shares and partly in cash as follows: Hannu Kottonen: 23 000 gross shares and 9 847 in net shares, and the other Group Leadership Team 47 500 gross shares and 24 235 in net shares.

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