

# REMUNERATION STATEMENT 2019



The remuneration statement presents Cargotec's decision-making procedure, remuneration principles and the remuneration paid to members of the Board, Chief Executive Officer (CEO) and the Leadership Team in 2019.

## Decision-making procedure

The Annual General Meeting (AGM) decides on the remuneration of members of the Board of Directors, on the basis of a proposal made by the Board's Nomination and the Compensation Committee (NCC). In determining such remuneration, the committee takes account of the Board members' responsibilities and obligations towards the company. Furthermore, the NCC compares the Board's remuneration to other companies of the same size operating in a comparable business environment.

Cargotec's compensation and benefits policy is applied in determining the total remuneration of the CEO and the Leadership Team. The policy is approved by the Board of Directors. Based on a proposal by the NCC, the Board decides on the annual base salary, short-term incentive programmes and benefits of the CEO and the Leadership Team. In addition, the Board of Directors decides on long-term incentive programmes and on the target group and allocation of such programmes based on a proposal by the NCC.

## Main principles of remuneration

Remuneration at Cargotec is characterised by five key principles:

- We align total compensation funding with our strategic and business plans – Our compensation and benefits programmes reinforce the link between rewards and achievement of business results. Programmes are funded on the basis of business affordability to justify the spending of compensation euros.
- We reinforce a high-performing culture – We pay for performance and behaviours that reinforce the underlying shared performance culture value. Cargotec has a standard approach for managing performance on a global basis to reward top performers and support low performers.
- We promote pay for performance differentiation – Our compensation programmes enable robust differentiation based on individual performance contributions to business results. As individual and company performance goals are met and exceeded, our programmes offer incentives that position actual cash compensation at competitive levels.
- Our goal is to balance shareholder and employee needs – Our compensation and benefits programmes are designed to optimise the needs of both shareholders and employees.
- We enhance our ability to attract, retain, and motivate a diverse group of talented individuals – Our compensation and benefits programmes are fair and are understood and valued by employees.

## Board of Directors

The Board members receive from the company only remuneration related to their Board and committee memberships and board work. Board members are not included in Cargotec's short-term or long-term incentive programmes. Of the total annual remuneration, 30 percent is paid in Cargotec's class B shares and the rest in cash. The shares are purchased at market price on a yearly basis. Board members must keep the shares they have obtained as annual remuneration under their ownership for at least two years from the day they obtained them.

## CEO and Leadership Team

The total remuneration structure of the CEO and the Leadership Team comprises a fixed base salary including fringe benefits and incentive plans, for which both short- and long-term targets have been defined. The variable salary component consists of a share-based incentive programmes linked to the company's long-term targets, as well as short-term incentive programme. Relevant market practices are closely followed when defining the remuneration elements.

Cargotec Leadership Team remuneration consists of the following elements:

Remuneration element	Description
<b>Base salary</b>	Fixed salary including taxable fringe benefits
<b>Short-term Incentives (STI)</b>	<p>2019 annual bonus programme performance targets:</p> <ul style="list-style-type: none"> <li>• CEO: Financial 70% weight (2019 cash flow and comparable operating profit). Strategic individual targets 30% weight.</li> <li>• Other Leadership Team members: Financial 70% weight (2019 cash flow and comparable operating profit). Strategic individual targets 30% weight.</li> <li>• Threshold, target and maximum performance levels defined</li> </ul> <p>Target (maximum) incentive levels as a % of annual base salary:</p> <ul style="list-style-type: none"> <li>• CEO: 65% (130%)</li> <li>• Strategic Business Unit President: 55% (110%)</li> <li>• Other Leadership Team member: 35–45% (70–90%)</li> </ul>
<b>Long-term Incentives (LTI)</b>	<p>2019 share-based incentive programme: Performance period 2019–2020 + ownership and value creation period 2021; in total 3-year long-term incentive programme.</p> <p>Performance period includes two measuring periods, both lasting for one calendar year. Performance targets for measuring period 2019:</p> <ul style="list-style-type: none"> <li>• Cargotec or Business Area participants: Service gross profit</li> <li>• Navis software division participants: Navis' sales and on sales excluding TOS-business</li> </ul> <p>Performance targets for measuring period 2020 will be set in the beginning of the year by the Board of Directors.</p> <p>After the end of the performance period, the Board of Directors will confirm the cumulative amount of rewards earned from the measuring periods 2019 and 2020, and potential rewards from the performance period 2019–2020 will be paid partly in Cargotec's class B shares and partly in cash in 2021 (the cash portion of the reward will cover the tax and and tax-like payments arising from the reward). The shares paid as reward may not be transferred during an approximate one-year ownership and value creation period established for the shares.</p> <p>Target (maximum) number of net shares allocated for the performance period 2019–2020:</p> <ul style="list-style-type: none"> <li>• CEO: 11,550 (23,100)</li> <li>• Other Leadership Team members: 1,100–7,300 (2,200–14,600)</li> </ul> <p>Target (maximum) gross incentive level as a % of gross annual base salary for the performance period 2019–2020:</p> <ul style="list-style-type: none"> <li>• CEO: 115% (230%)</li> <li>• Other Leadership Team members: 30–125% (60–250%)</li> </ul> <p>No share delivery if a termination notice has been delivered by either party prior to the share delivery.</p> <p>Share ownership recommendation for the Leadership Team members: One-year gross base salary, the recommendation is to be fulfilled through refraining from transferring shares received under the Cargotec share-based incentive programmes.</p> <p>Claw-back provision: Board of Directors may decide to cut or cancel rewards and recover already delivered rewards from the participant in case of misconduct.</p> <p>In addition to the 2019 share-based incentive programme, there are two earlier established long-term incentive programmes:</p> <ul style="list-style-type: none"> <li>• 2017 share-based incentive programme (incentive payout in spring 2019, followed by ownership and value creation period until 31.12.2019)</li> <li>• 2018 share-based incentive programme (incentive payout in spring 2020, followed by ownership and value creation period until 31.12.2020)</li> </ul>
<b>Restricted shares</b>	As a part of total remuneration, additional restricted shares can be granted to selected Leadership Team members. Gross reward, before deduction for the applicable taxes and employment related expenses, is in range of 20–100% of the annual base salary. Threshold level for financial performance is set by the Board. One-year earning period is followed by one-year restriction period.
<b>Co-investment share programme</b>	<p>2019–2022 Matching Share Programme:</p> <p>The CEO and other selected five Leadership Team members have purchased in total 86,695 Cargotec class B shares in March 2019. Company will deliver the matching shares in relation 1:1 to the purchased shares in three matching periods, which will end on 30 April 2020 (1/3 of shares), 31 March 2021 (1/3 of shares) and 31 March 2022 (1/3 of shares). The rewards earned on the basis of the programme will be paid partly in Cargotec class B shares and partly in cash after each matching period.</p> <p>As a rule, no reward will be paid, if a participant's employment or service terminates before the reward payment. The shares paid as a reward in 2020 and 2021 may not be transferred during an approximate one-year lock-up period established for the shares. Furthermore, the company's share ownership recommendation for the Leadership Team members is applied to the rewards to be paid in the programme.</p>
<b>Pension</b>	CEO Mika Vehviläinen's pension is provided according to the statutory Finnish pension system (Finnish TyEL). Additionally, Mr. Mika Vehviläinen is entitled to a supplemental defined contribution pension benefit in Finland. According to the pension agreement, the CEO is entitled to retire between the age of 60–65. No supplemental pension contributions have been paid in 2019. Any additional contributions to the CEO's supplemental pension benefit are approved by the Board of Directors (pension contributions are subject to performance criteria set by the Board of the Directors). Other Finnish members of the Leadership Team are entitled to a statutory pension. Their retirement age is determined in accordance with the statutory pension scheme in Finland. Additionally, one Finnish member has a supplemental defined contribution pension plan. The MacGregor Business Area President has a supplemental defined contribution pension plan, following the local market practice.
<b>Severance pay</b>	The members of the Leadership Team have a period of notice of 6 months and are entitled to compensation, for termination of employment, corresponding to 6 to 12 months' salary.

## Remuneration report

### Board of Directors

Based on the decision of the AGM of 19 March 2019, the Board's annual remunerations for the year 2019 are as follows:

- Chairman: EUR 85,000
- Vice Chairman: EUR 60,000
- Chairman of the Audit and Risk Management Committee: EUR 60,000
- Other Board members: EUR 45,000

In addition, a fee of EUR 1,000 is paid for attendance of meetings of the Board and its committees.

Remuneration paid to Board members in 2019 is shown in the following table.

Member of the Board	Remuneration for Board membership and Board work, EUR*	Number of class B shares obtained as remuneration**
Ilkka Herlin, Chairman	105,240	691
Tapio Hakakari, Vice Chairman	75,240	488
Kimmo Alkio, member***	3,000	-
Jorma Eloranta, member	60,060	366
Peter Immonen, member	58,060	366
Teresa Kemppe-Vasama, member	54,000	366
Johanna Lamminen, member	54,000	366
Kaisa Olkkonen, member	59,000	366
Teuvo Salminen, member	74,000	488
Heikki Soljama, member	53,000	366
<b>Total</b>	<b>595,600</b>	<b>3,863</b>

\* Including Board remuneration, meeting attendance fees and fringe benefits for period of 1 January 2019–31 December 2019.

\*\* Value included in remuneration for Board membership and Board work.

\*\*\* Until 19 March 2019.

### CEO and Cargotec Leadership Team

For the financial period 2019, the base salary of Cargotec's CEO Mika Vehviläinen was EUR 699,659 including fringe benefits. In addition, he received a short-term incentive payout of EUR 124,344 (payout is based on 2018 performance) and long-term incentive payout of EUR 715,784 in total. The CEO is covered by Cargotec's short-term incentive programme and share-based incentive programmes. The remuneration paid to the CEO and the Leadership Team members in 2019 is stated in the following table:

Remuneration paid during 2019, EUR	CEO Mika Vehviläinen	Other members of Leadership Team (in aggregate)*
Base salary including fringe benefits	699,659	2,906,230
Short-term incentives (based on 2018 performance, taxable gross amount before deduction of taxes and employment-related expenses)	124,344	503,378
Long-term incentives: 2016 share-based incentive programme payout (taxable gross amount before deduction of taxes and employment-related expenses)	550,746	572,911
Long-term incentives: 2017 share-based incentive programme payout (taxable gross amount before deduction of taxes and employment-related expenses)	165,038	325,152
Restricted shares: 2018 restricted shares programme payout (taxable gross amount before deduction of taxes and employment-related expenses)	-	301,931
<b>Total</b>	<b>1,539,787</b>	<b>4,609,602</b>

\* Outi Aaltonen (since 25 April 2019), Carina Geber-Teir (since 25 April 2019), Antti Kaunonen, Mikael Laine, Stefan Lampa (since 1 April 2019), Soili Mäkinen, Mikko Pelkonen, Mikko Puolakka, Scott Phillips, Roland Sundén (until 31 January 2019), Michel van Roozendaal.

Long-term incentives - the following table summarises the actual number of class B shares delivered (net, after deduction of taxes and employment-related expenses) to the CEO and other members of the Leadership Team in 2019:

Actual number of shares delivered in 2019	CEO Mika Vehviläinen	Other members of Leadership Team (in aggregate)
2016 share-based incentive programme: 2016–2018 earning period; class B shares	9,162	9,643
2017 share-based incentive programme: 2017–2018 earning period + value creation period 2019; class B shares	2,325	4,873

Long-term incentives - the following table summarises the net number of shares granted to the CEO and other members of the Leadership Team in 2019 (possible incentive payout in spring 2021):

Net number of shares granted in 2019	CEO Mika Vehviläinen	Other members of Leadership Team (in aggregate)
2019 share-based incentive programme: Performance period 2019–2020 + value creation period 2021, on target performance, net number of shares. Additionally, a cash portion to cover taxes and employment-related expenses.	11,550	44,250

Restricted shares - the following table summarises the actual number of class B shares delivered (net, after deduction of taxes and employment-related expenses) to the CEO and other members of the Leadership Team in 2019:

Actual number of shares delivered in 2019	CEO Mika Vehviläinen	Other members of Leadership Team (in aggregate)
2018 restricted shares programme: 2018 earning period, 2019 restriction period; class B shares	-	9,050

Restricted shares - the following table summarises the net number of shares granted to the CEO and other members of the Leadership Team in 2019 (possible incentive payout in spring 2021):

Net number of shares granted in 2019	CEO Mika Vehviläinen	Other members of Leadership Team (in aggregate)
2019 restricted shares programme. Share delivery by April 2021. Additionally, a cash portion to cover taxes and employment-related expenses.	-	2,755

Co-investment share programme - The following table summarises the net number of shares purchased by the CEO and other members of the Leadership Team in 2019:

Number of shares purchased in 2019	CEO Mika Vehviläinen	Other members of Leadership Team (in aggregate)
2019–2022 Matching Share Programme	24,770	61,925

Company will deliver the matching shares in relation 1:1 to the purchased shares in three matching periods, which will end on 30 April 2020 (1/3 of shares), 31 March 2021 (1/3 of shares) and 31 March 2022 (1/3 of shares).