

CARGOTEC REMUNERATION REPORT 2020

This Remuneration Report sets out how Cargotec Corporation (“Company”) has implemented its Remuneration Policy in 2020. This report includes information concerning remuneration of the Board of Directors (“Board”) and the CEO of Cargotec between 1 January 2020 and 31 December 2020. The Report is based on the Recommendations on Corporate Governance Code 2020 in Finland as well as the provisions to the Finnish Securities Market Act and Limited Liability Companies Act.

The Report has been reviewed by the Board’s Nomination and Compensation Committee (“Committee”) and approved by the Board of Directors.

The shareholders will make an advisory decision on the approval of the Remuneration Report at the Company’s Annual General Meeting 2021.

Letter from the Chairman of the Board

Remuneration of Cargotec governing bodies is based on the Remuneration Policy that was presented for an advisory decision at the Annual General Meeting held on 27th May 2020. Cargotec has followed the Remuneration Policy’s decision making process and remuneration governance model in 2020. There haven’t been any claw-backs made in 2020. Our Remuneration Policy and overall remuneration philosophy reinforces Cargotec’s values and ethical principles, aligns remuneration with the successful delivery of our strategy and creating long-term shareholder value. The variable, performance-based incentives – short- and long-term incentive programmes (STI and LTI programmes) are designed to be the largest component of remuneration, thereby strengthening the alignment between remuneration and company performance, and reflecting our philosophy that CEO remuneration should be closely tied to the strategy aimed at long-term value creation. Performance measures for the variable pay programmes are determined annually by the Board and they reflect our key performance indicators.

The pandemic situation had a clear impact in all Cargotec’s business areas, and orders decreased by 16 percent compared to the previous year. The situation improved steadily throughout the second half of 2020. At the beginning of the year, the order backlog was strong, which helped coping with the pandemic crisis as the year progressed. Sales increased in Kalmar’s project business and in MacGregor, while sales declined in Hiab and Kalmar’s mobile equipment.

Cargotec’s service business performance was resilient in 2020, establishing 31 percent of total sales. The sales of Cargotec’s eco portfolio increased as well, totalling 24 percent of total sales in 2020. It is clear that Cargotec’s customers are moving towards sustainable solutions, preferring electric and hybrid solutions over internal combustion engines. In 2021, Cargotec aims to achieve double eco portfolio sales growth compared to traditional products.

To minimise the pandemic effects, temporary cost savings were initiated in April–August. This produced ca. EUR 10 million monthly savings during the period. Towards the end of the year, the focus was shifted towards more permanent actions to safeguard business and profitability. Cargotec’s comparable operating profit decreased compared to the previous year. However, the comparable profit margin remained at a healthy level even during this challenging year.

Several important strategic steps were announced during the year. A strategic evaluation of the software solutions and services provider Navis was conducted to support its future development. In December, the Board of Directors decided to initiate the actual sales process of the Navis software business. Cargotec also completed the TTS integration with MacGregor and sold its share of the Rainbow-Cargotec Industries Co., Ltd joint venture in China.

In October, the plan to combine Cargotec and Konecranes through a Merger was announced. In December, the extraordinary general meetings of both companies resolved to approve the Merger. This was also the unanimous recommendation of the Boards of Directors of both Cargotec and Konecranes.

The pandemic situation and merger were taken into account in the 2020 remuneration decisions. For the 2020 Annual Bonus Programme (STI) and for the 2020–2022 Performance Share Programme (LTI), the Board decided to adjust the original performance criteria for a better steering and motivational effect of the financial performance targets in 2020. To ensure successful execution of the Merger, Cargotec’s business performance, and shareholder value creation in 2021, the Board decided to launch a retention incentive programme for the CEO. Additionally, the Board decided to launch a Restricted Share Unit Programme in which also the CEO participates.

The work to finalise the merger continues in 2021. Completion is expected in January 2022, provided that all conditions for completion are being fulfilled. The Future Company will be in a better position to address the world’s sustainability challenges. I personally believe this is an excellent value creation opportunity from a financial perspective, and also for shaping global trade for the better, and making the world a cleaner, better place.

Ilkka Herlin

Chairman of the Board and Board’s Nomination and Compensation Committee

Cargotec 2020 Remuneration in brief

Cargotec’s Remuneration Policy’s key principles were followed through 2020. For the financial period 2020, the annual fixed salary of Cargotec’s CEO Mika Vehviläinen was EUR 650,958 including fringe benefits. In addition, he received the following variable pay programme payments: Short-term incentive payout of EUR 580,942 (2019 annual bonus programme, payout is based on 2019 performance) and long-term incentive payout of EUR 106,506 (2018 performance share programme, payout is based on 2018–2019 performance). Additionally he received a matching share payout of EUR 299,289. Total remuneration paid to the CEO in 2020 was (2019): 1,637,694 euros (1,539,787 euros).

In 2020, the CEO participated in the following variable pay programmes (pay-for performance):

- 2020 Annual Bonus Programme (STI): Achievement EUR 764,452 / 85% of the maximum. Programme purpose to reward and incentivise achievement of financial and strategic targets aligned with Cargotec’s business strategy.
- 2020–2022 Performance Share Programme (LTI): Achievement 6,552 class B shares / 81% of the maximum from the measuring period 2020 (incentive payment in 2023 after measuring periods 2021 and 2022).
- 2019–2021 Performance Share Programme (LTI): Achievement 0 class B shares from the measuring period 2020. Programme in total 1,650 class B shares / 7% of the maximum (incentive payment in 2021, followed by ownership and value creation period until end of 2021).

The purpose of the performance share programmes is to commit the CEO to the long-term interests of the company and shareholder alignment through share-based incentives.

Additionally, the CEO participated in the 2019–2022 Matching Share Programme. In the Merger related remuneration, the CEO participated in a retention programme and 2020 Restricted Share Unit Programme.

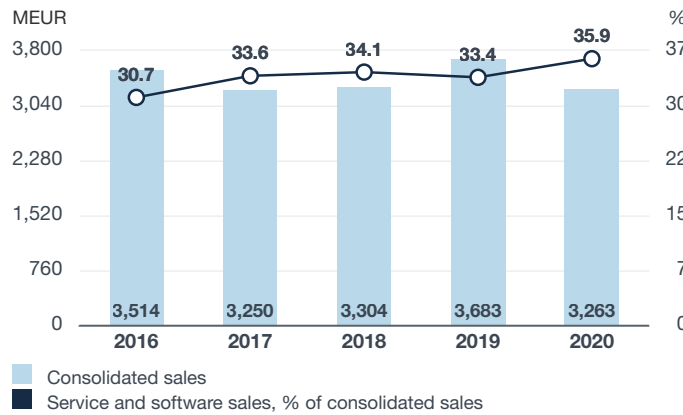
Based on the decision of the AGM of 27 May 2020, the Board’s annual remuneration remained unchanged in 2020.

Development of Financial Performance and Remuneration

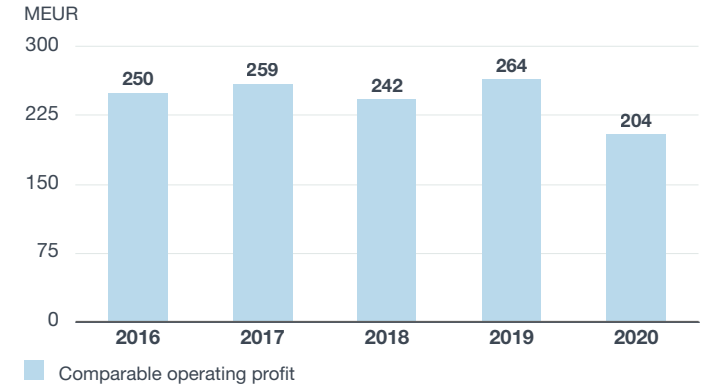
5-year Development of Financial Performance

The following graphs summarise Cargotec’s key financial and shareholder return performance indicators in the last five years. The CEO’s financial performance targets in the variable pay programmes are aligned with Cargotec’s financial performance and strategic targets.

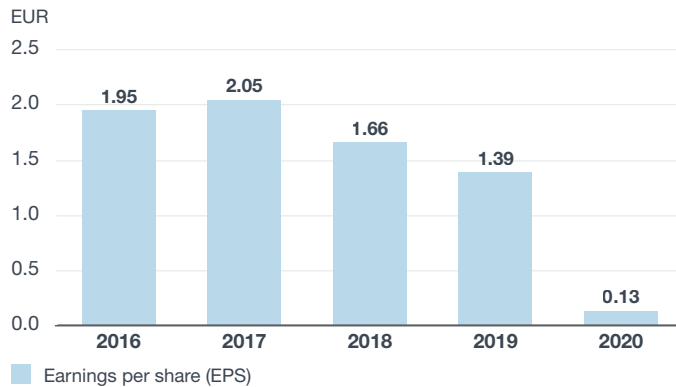
SERVICE AND SOFTWARE SALES, % OF CONSOLIDATED SALES



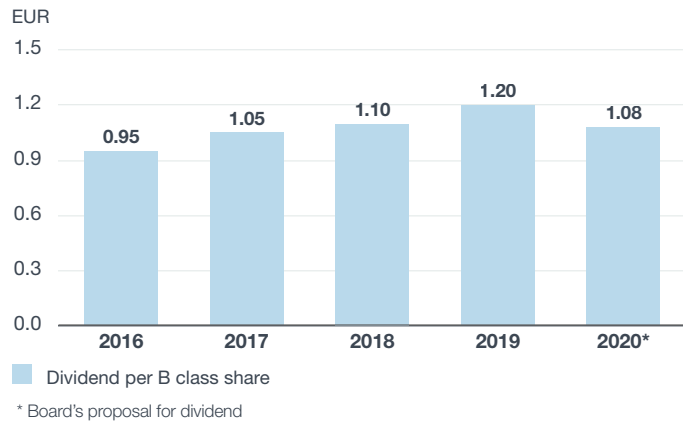
COMPARABLE OPERATING PROFIT, M€



EARNINGS PER SHARE (EPS), €



DIVIDEND PER CLASS B SHARE, €



SHARE PRICE 2016–2020



5-year Development of Remuneration

Development of paid CEO Remuneration in euros

	2016	2017	2018	2019	2020
Fixed salary ¹	686,168	706,860	701,190	699,659	650,958
Short-term incentives (STI) ²	559,707	575,505	340,184	124,344	580,942
Long-term incentives (LTI)	-	797,666 ³	1,821,328 ⁴	715,784 ⁵	106,506 ⁶
Restricted shares	443,674	258,280	-	-	-
Matching shares	-	-	-	-	299,289
Supplemental pension	700,000	500,000	500,000	0	0
Total remuneration	2,389,549	2,838,311	3,362,702	1,539,787	1,637,694
Development					
Base salary	0%	0%	0%	0%	0%
Total remuneration	-5.8%	18.8%	18.5%	-54.2%	6.4%

¹ Annual fixed salary includes base salary, holiday pay and fringe benefits. Monthly base salary EUR 55,000 during the period of 1 January 2016–31 December 2020. Additionally, voluntary base salary reduction of 20% during the period of 1 April 2020–31 August 2020.

² Short-term incentive payment based on previous year performance.

³ Performance Share Programme, performance period 2014–2016.

⁴ Performance Share Programme, performance period 2015–2017.

⁵ Performance Share Programmes, performance period 2016–2018 and performance period 2017–2018 (2019 ownership and value creation period).

⁶ Performance Share Programme, performance period 2018–2019 (2020 ownership and value creation period).

⁷ Matching Share Programme, 1st installment in 2020.

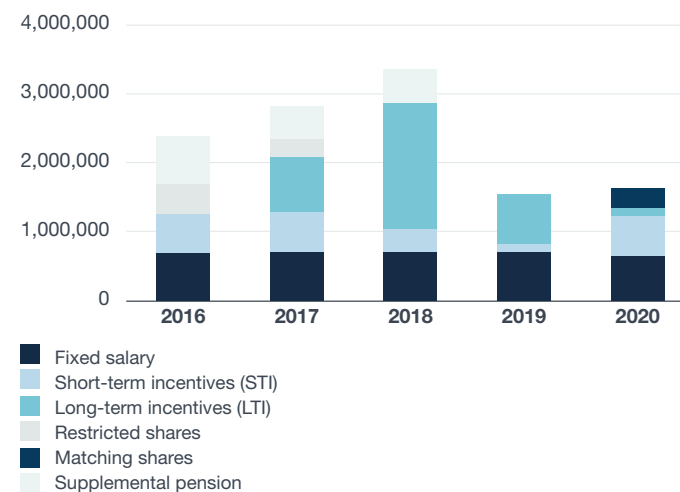
Development of paid Board Remuneration in euros

	2016	2017	2018	2019	2020
Chairman annual fee					
Development	80,000 (0%)	85,000 (+6.3 %)	85,000 (0%)	85,000 (0%)	85,000 (0%)
Vice chairman annual fee					
Development	55,000 (0%)	60,000 (+9.1%)	60,000 (0%)	60,000 (0%)	60,000 (0%)
Board member annual fee					
Development	40,000 (0%)	45,000 (+12.5%)	45,000 (0%)	45,000 (0%)	45,000 (0%)

Development of employee base salary (median)

	2016	2017	2018	2019	2020
Median year-on-year development	+3.0%	+3.0%	+2.9%	+3.0%	0.0%

CEO PAID COMPENSATION DEVELOPMENT AND BREAKDOWN



According to Cargotec's Remuneration Policy, our variable pay programmes promote pay-for-performance and this can also be seen in the CEO's actual incentive payouts in the past five years. During this period, the CEO's base salary development has been 0 percent, while for Cargotec's employees globally, the median year-on-year increase has been around 3 percent. Year 2020 was an exception, the CEO had a voluntary salary reduction for five months and for Cargotec's employees globally, the merit increases were cancelled to manage fixed costs. For the Board members the latest annual fee increase was implemented in 2017.

Remuneration of the Board of Directors in 2020

Cargotec Board Remuneration 1 January–31 December 2020

Director	Committee memberships	Annual fee in euros	Meeting fees in euros	Total in euros ¹	Number of class B shares obtained as remuneration ²
Ilkka Herlin, Chairman	Nomination and Compensation Committee, Chairman Audit and Risk Management Committee, Member	85,000	30,160	115,400	1,269
Tapio Hakakari, Vice Chairman	Nomination and Compensation Committee, Member	60,000	21,696	81,936	896
Jorma Eloranta ³	Nomination and Compensation Committee, Member	0	5,000	5,000	0
Peter Immonen	Nomination and Compensation Committee, Member	45,000	22,022	67,022	672
Teresa Kempfi-Vasama	Nomination and Compensation Committee, Member	45,000	20,022	65,022	672
Johanna Lamminen		45,000	14,022	59,022	672
Kaisa Olkkonen	Audit and Risk Management Committee, Member	45,000	23,022	68,022	672
Teuvo Salminen	Audit and Risk Management Committee, Chairman	60,000	22,696	82,696	896
Heikki Soljama		45,000	13,022	58,022	672
Total		430,000	171,662	602,142	6,421

¹ Including annual Board remuneration, meeting attendance fees and fringe benefits for the period of 1 January 2020–31 December 2020.

² 30% of the Annual Fee is paid as Cargotec class B shares. The value of the shares is included in the Annual Fee in Euros.

³ Until 27 May 2020.

Note on Board remuneration in 2020: The Board decided that meeting fees are not paid for the several virtual meetings held during the year.

Shareholders resolved on the Board Remuneration in the Annual General Meeting of 2020 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
- Of the total annual remuneration, 30 percent is paid in Cargotec's class B shares and the rest in cash.
- Additionally, a meeting fee of EUR 1,000 is paid for attendance of meetings of the Board and its committees.

Remuneration of the CEO

Application of Performance Criteria in 2020

The CEO participated in the following variable pay programmes in 2020 (short- and long-term incentive programmes):

Programme	Purpose	Performance period	Earning opportunity	Performance measures	Achievement
STI: 2020 Annual Bonus Programme	To reward and incentivise achievement of financial, strategic, operational and sustainability targets aligned with Cargotec's business strategy	2020	Maximum 130% of annual base salary	2020 full year and 2nd half comparable operating profit (m€), 2020 full year and 2nd half operative cash flow (m€)*	EUR 764,452 / 85% of maximum. Incentive payment in April 2021.
LTI: 2020–2022 Performance Share Programme	To commit CEO to the long-term interests of the company and offer a competitive, ownership-based reward scheme	Measuring period 2020	Maximum 24,400 class B shares from performance period 2020–2022	2020 comparable operating profit (m€)*	6,552 class B shares / 81% of maximum for the measuring period 2020. Incentive payment by April 2023 after measuring periods 2021 and 2022.
LTI: 2019–2021 Performance Share Programme		Measuring period 2020	Maximum 23,100 class B shares from performance period 2019–2020, 2021 ownership and value creation period.	2020 service gross profit (m€)	Measuring period 2020: 0 class B shares / 0% of maximum. Programme in total: 1,650 class B shares / 7% of maximum. Incentive payment by April 2021.

*COVID-19 adjustments made for a better steering and motivational effect of the financial performance targets.

Share-Based Incentives

CEO's share-based incentive framework:

- Annually rolling Performance Share Programmes for steering and achieving strategic targets
- Other programmes:
 - Matching Share Programme for retention and share ownership
 - Restricted Share Unit Programme for merger completion and retention

CEO's share-based incentive programmes in 2020:

Programme	2018	2019	2020	2021	2022	2023
2018–2020 Performance Share Programme	Measuring period 1: - Service gross profit	Measuring period 2: - Comparable operating profit	€			
2019–2021 Performance Share Programme		Measuring period 1: - Comparable operating profit	Measuring period 2: - Service gross profit	€		
2020–2022 Performance Share Programme			Measuring period 1: - Comparable operating profit	Measuring period 2: - TBD	Measuring period 3: - TBD	€
2019–2022 Matching Share Programme		Share investment	€	€	€	
2019–2020 Restricted Share Unit Programme					€	

€ = share delivery / incentive payment.

Purpose and operation of the CEO's share-based incentives:

2017–2020 share-based incentive programme

The Performance Share Programme consists of three annually granted incentive programme periods in which rewards are conditional on the fulfilment of a three-year service condition (calendar years 2017–2019, 2018–2020 and 2019–2021) and performance conditions during the first two years that are tied to financial targets and separately set for each year. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. The reward related to each incentive programme period is paid after two years based on fulfilment of the vesting criteria and is subject to approximately one-year lock-up period.

2020–2024 share-based incentive programme

The Performance Share Programme includes three performance periods, calendar years 2020–2022, 2021–2023 and 2022–2024. Each performance

period includes one to three measuring periods. One measuring period can be three calendar years at maximum, which is the total length of one performance period. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. No reward will be paid, if a key employee's employment or service ends before the reward payment.

2019–2022 Matching Share Programme

Programme participants have made an investment in Cargotec shares at the inception of the programme and receive an equivalent amount of shares in accordance with the matching share programme. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. The vesting condition related to matching shares is tied to working condition so that one third of the reward is earned annually over the three year period after which the vested shares have a lock-up period of one year except for shares vested during the last year for which there is no lock-up period.

2020 Restricted Share Unit Programme

The Restricted Share Unit Programme 2020 is intended to function as a bridge programme for the transition period before the completion of the Merger. The aim of the programme is to align the objectives of the shareholders and the key employees, to secure business continuity during the transition period, and to retain key employees at the company. The reward from the programme is conditional to the completion of the Merger. In addition, the reward is based on a valid employment or service and the continuity of the employment or service during the waiting period. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. Shares received as a reward in the Programme may not be sold, transferred, pledged or otherwise assigned during the 12-month lock-up period. The lock-up period begins on the date following the completion of the Merger.

Summary of Granted, Earned and Paid Share-Based Incentives to the CEO in Connection to the Reporting Period

Programme	Performance Period	Grant Date	Payment Date	Vesting Date	Performance Criteria	Awarded Shares Net pcs maximum	Achieved Reward as % of maximum	Net Shares Earned pcs
2020 Restricted Share Unit Programme	2020–2021	5 November 2020	Within three months after the closing date of Merger	12-month lock-up period, starting the day after closing of the merger	Closing of the Merger of Cargotec Corporation and Konecranes Plc	7,521	n/a	n/a
2020–2022 Performance Share Programme	2020–2022	8 April 2020	By April 2023	April 2023	2020 comparable operating profit; 2021 and 2022 decided by the Board	24,400	Measuring period 2020: 81%	Measuring period 2020: 6,552
2019–2021 Performance Share Programme	2019–2020	10 April 2019	By April 2021	31 December 2021	2019 comparable operating profit; 2020 service gross profit	23,100	7%	1,650
2019–2022 Matching Share Programme	2019–2022	1 March 2019	1 st installment paid by the company on 31 March 2020 2 nd installment by April 2021 3 rd installment by April 2022	For the 1 st installment until 31 March 2021	Personal share investment and continuous shareholding	24,770	1/3 of total matching shares delivered in 2020	8,256
2018–2020 Performance Share Programme	2018–2019	8 April 2018	31 March 2020	31 December 2020	2018 service gross profit; 2019 comparable operating profit	15,040	19.5%	2,938

In addition to the earned shares, the company pays a cash portion to cover taxes and employment-related expenses.

In the Performance Share Programmes the grant value is maximum 230% of the annual base salary in accordance with the Remuneration Policy.

Remuneration of the CEO in 2020

Fixed Salary	Supplemental Pension Payment	Paid Annual Short-term Incentive	Paid Long-Term Incentive	Paid Matching Shares	Total Paid Remuneration in 2020
650,958	0	580,942	106,506	299,289	1,637,694

Paid annual short-term incentives

Programme	Performance Period	Earning opportunity as a % of base salary target / max	Performance measures	Achieved Reward as % of maximum	Remuneration in EUR
STI: 2019 Annual Bonus Programme	2019	65% / 130%	2019 comparable operating profit (m€), 2019 operative cash flow (m€), 2019 strategic individual targets	65%	580,942

Paid share-based incentives

Programme	Performance Period	Earning opportunity	Financial performance measure	Achieved Reward as % of maximum	Remuneration
LTI: Performance Share Programme 2018–2020	2018–2019	Maximum 15,040 class B shares	2018 service gross profit (m€), 2019 comparable operating profit (m€)	19.5%	2,938 net shares / EUR 106,506
Matching Share Programme 2019–2022	2020 matching (1 st installment by the company)				8,256 net shares / EUR 299,289

Pension

The CEO Mika Vehviläinen's pension is provided according to the statutory Finnish Employees Pensions Act. Additionally, Mr Vehviläinen is entitled to a supplemental defined contribution pension benefit in Finland. According to the renewed pension agreement in 2020, the CEO is entitled to retire at the age of 65. If the CEO's service ends before the retirement age of 65 determined in the pension agreement, the CEO is entitled to begin taking the supplemental pension at the age of 62. No supplemental pension contributions have been paid in 2020.

Merger related retention programme

To ensure Cargotec's business performance, successful execution of the Merger, and shareholder value creation in 2021, Cargotec has extended a retention incentive programme to the CEO Mika Vehviläinen in 2020. The value of the retention programme is EUR 1,500,000, and the payment under the programme will be paid as a one-off payment to the CEO's supplemental pension plan under the new pension agreement after the completion of the Merger. The payment is subject to the following preconditions: the Merger is completed, the CEO continues in the service of the company, he has not served a notice of termination prior to the completion of the Merger and has performed his duties according to his contract.

STRUCTURE OF PAID COMPENSATION IN 2020

