

## Governance

Cargotec's governance and management are based on the Finnish Limited Liability Companies Act and Securities Markets Act, as well as the company's Articles of Association and Code of Conduct. Cargotec class B share is listed at Nasdaq Helsinki and the company complies with the rules and guidelines of Helsinki Exchange and the Finnish Financial Supervision Authority. In 2019, Cargotec complied with all the recommendations of the Finnish Corporate Governance Code 2015, published by the Securities Markets Association and as of 1 Jan 2020, Cargotec complies with the Corporate Governance Code 2020 ([www.cgfinland.fi](http://www.cgfinland.fi)).

The corporate governance statement is issued as a separate report and disclosed, together with the financial statements, Board of Directors' report and the remuneration statement, on the company website. Up-to-date information on governance and remuneration is available on the website.

Cargotec's shareholders exercise the highest decision making power at the Shareholders' meeting. The company is managed by the Board of Directors and the CEO. Cargotec has three business areas, Kalmar, Hiab and MacGregor.

## Board of Directors

### Responsibilities

The Board confirms Cargotec's strategy and monitors its implementation. As stipulated in the Finnish Limited Liability Companies Act and the Articles of Association, the Board is responsible for the management and proper organisation of the company's operations as well as for representing the company. The Board has compiled a written charter for its work that defines its main duties and operating principles. The Board's responsibilities include approving the company's annual, half-year and interim financial statements and ensuring that the supervision of the company's accounting and financial matters is properly organized. The Board decides on significant loans, acquisitions and investments and approves the annual and long-term operational and financial plans as well as risk management principles. Violations against Cargotec's Code of Conduct are reported to the Board. The Board approves the long- and

short-term incentive programmes and their outcome. The Board appoints Cargotec's CEO and determines the related terms of employment. As defined in the Board's annual plan, the Board has theme meetings in which issues associated with the execution of the strategy or another current theme are discussed. In connection with each meeting, the Board discusses also in the absence of the executive management.

In 2019, the Board convened ten times. The attendance in the meetings is reported in the table further below. The Board agrees annually on focus areas for the coming year. The key themes on the Board's agenda were Cargotec's strategic focus areas of the strategy period 2019–2021, which are customer centricity, services, digitalisation and productivity. Cargotec's business areas Kalmar, Hiab and MacGregor and their R&D activities were discussed in specific theme meetings. Other special themes were sustainability, automation and data security.

### Composition

According to the Articles of Association, Cargotec's Board of Directors includes a minimum of six and a maximum of twelve members. Board members are elected at the Annual General Meeting (AGM) for a one-year term of office that expires at the end of the first AGM following the election. The Board elects a Chairman and a Vice Chairman from among its members.

The Board's composition shall support the overall goal of implementing Cargotec's strategy. According to the Board's diversity principles, board diversity is not a static concept but evolves over time and reflects the operations strategy and the future needs of the company. The diversity factors include work experience in Cargotec's strategic business areas and of the cultures in which Cargotec operates, as well as educational background, age and gender. There shall be both genders in the Board, the target being at least two directors representing each gender.

At the AGM in 2019, the current Board members Jorma Eloranta, Tapio Hakakari, Ilkka Herlin, Peter Immonen, Teresa Kemppi-Vasama, Johanna Lamminen, Kaisa Oikkonen, Teuvo Salminen and Heikki Soljama were

re-elected to the Board of Directors. Kimmo Alkio, Board member until 19 March 2019, did not stand for re-election. In its organising meeting, the Board elected Ilkka Herlin as Chairman and Tapio Hakakari as Vice Chairman. At the end of 2019, the age range of the members was between 49 and 68 years. Three of the nine Board members were women and six were men. Five of the members have been on the Board for more than five years and four of them for less than five years. The gender target the Board had set has been reached. The Board members have a wide range of educational background and they have executive experience in international companies in different cultures.

### Self-assessment and assessment of independence

The Board conducts an annual internal self-assessment to review its own performance and procedures. In the self-evaluation conducted in October 2019 the members considered, among other things, the Board's decision making process, the strategy work, each member's own contribution to the Board work, as well as perceiving sustainability aspects in decision making.

The majority of Board members shall be independent of the company and a minimum of two of the independent directors are to be independent of significant shareholders. The Board conducts, annually and when necessary, an assessment of its members as regards their independence of the company and major shareholders, as defined in the Corporate Governance Code. In 2019, the members were independent of the company and all except Ilkka Herlin and Peter Immonen independent of major shareholders. The Board considers that also Ilkka Herlin, Tapio Hakakari and Peter Immonen, who have been on the Board for more than ten years, are independent of the company.

Outi Aaltonen, Senior Vice President, General Counsel, served as the Secretary to the Board of Directors. The CV details of the Board members are available on the company website and the remuneration of the Board is described in the Remuneration statement 2019.

## Board members 31 Dec 2019



### **Ilkka Herlin**

Chairman, b. 1959

Ph.D., D.Sc. (Tech) h.c., D.Sc. (Agr & For) h.c

Chairman of the Nomination and Compensation Committee

Member of the Audit and Risk Management Committee

Independent of the company, significant shareholder (Wipunen varainhallinta oy), not independent of significant shareholder (Board member of Mariatorp Oy)

Main position: Chairman and owner, Wipunen varainhallinta oy; Chairman, Foundation for a Living Baltic Sea

Ownership 31 Dec 2019\*:  
2,940,067 A shares  
6,209,207 B shares



### **Tapio Hakakari**

Vice chairman, b. 1953

LL.M

Member of the Nomination and Compensation Committee

Independent of the company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2019\*:  
160,245 B shares



### **Jorma Eloranta**

member, b.1951

M.Sc. (Tech), D.Sc. (Tech) h.c

Member of the Nomination and Compensation Committee

Independent of the company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2019\*:  
9,526 B shares



### **Peter Immonen**

member, b. 1959

M.Sc. (Econ)

Member of the Nomination and Compensation Committee

Independent of the company, not independent of significant shareholders (Board member in Wipunen varainhallinta oy and Mariatorp Oy)

Main position: Chairman, WIP Asset Management Oy

Ownership 31 Dec 2019\*:  
54,652 B shares



### **Teresa Kemppe-Vasama**

member, b. 1970

M.Pol.Sc. (social psychology), MBA

Independent of the company and significant shareholders

Main position: Executive Chairman of the Board, Kemppe Oy

Ownership 31 Dec 2019\*:  
935 B shares

\* Direct ownership and the ownership of controlled corporations

## Board members 31 Dec 2019



**Johanna Lamminen**

member, b. 1966

D. Sc. (Tech.), MBA

Independent of the company and significant shareholders

Main position: CEO, Gasum Ltd

Ownership 31 Dec 2019\*:  
935 B shares



**Kaisa Olkkonen**

member, b. 1964

LL.M

Member of the Audit and Risk Management Committee

Independent of the company and significant shareholders

Main position: CEO, SSH Communications Security Oyj

Ownership 31 Dec 2019\*:  
1,225 B shares



**Teuvo Salminen**

member, b. 1954

M.Sc. (Econ), APA exam 1983

Chairman of the Audit and Risk Management Committee

Independent of the company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2019\*:  
9,767 B shares



**Heikki Soljama**

member, b. 1954

M.Sc. (Power electronics)

Independent of the company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2019\*:  
1,225 B shares

Board member until 19 March 2019: Kimmo Alkio; b. 1963; BBA, EMBA; Main position: President and CEO, Tieto Corporation; Independent of the company and significant shareholders

\* Direct ownership and the ownership of controlled corporations

## Board Committees

The Board has set up two committees to improve the efficiency of board work: the Audit and Risk Management Committee and the Nomination and Compensation Committee. The Board nominates the members and the Chairmen of the committees from among its members annually in its organising meeting and confirms the committees' written charters. The committees have no independent decision-making power, but prepare issues to be resolved by the Board.

### Audit and Risk Management Committee

The committee's duty is to supervise the financial reporting executed by the management, and to monitor the financial statement and interim reporting process. In accordance with its charter, the committee supervises the adequacy and appropriateness of the company's internal control, internal audit and risk management, the development of operative and strategic risks and risk management, and handles Internal Audit plans and reports. Furthermore, the committee prepares a proposal to the Annual General Meeting regarding the election and fees of the external auditor, and monitors the statutory audit of financial statements and consolidated financial statements. The committee defines and monitors the non-audit services performed by the auditing firm to ensure the auditor's independence. Cargotec's Board has confirmed a Non-audit services policy for defining the permitted non-audit services purchased from the auditors. Violations against Cargotec's Code of Conduct are reported to the committee. The committee also reviews the Corporate governance statement and the Non-financial information report.

The Audit and Risk Management Committee consists of a minimum of three members of the Board of Directors. In addition, the CEO, CFO and Head of Internal Audit as well as representatives of the auditing firm attend the meetings. The directors of Group Control, Treasury, Taxes, Legal, Risk Management and Ethics & Compliance report to the committee on a regular basis. If the matters to be dealt with so require, the committee convenes without the presence of the company's management.

The Audit and Risk Management Committee was chaired by Teuvo Salminen and its members were Ilkka Herlin and

## Board and committee members' participation in meetings 2019

Name	Board of Directors	Audit and Risk Management Committee	Nomination and Compensation Committee
Ilkka Herlin	10/10 (Chairman)	5/5	6/6 (Chairman))
Tapio Hakakari	10/10		6/6
Kimmo Alkio	3/3		
Jorma Eloranta	10/10		6/6
Peter Immonen	10/10		4/6
Teresa Kemppi-Vasama	10/10		
Johanna Lamminen	10/10		
Kaisa Olkkonen	10/10	5/5	
Teuvo Salminen	10/10	5/5 (Chairman)	
Heikki Soljama	9/10		

Kaisa Olkkonen. Committee members are independent of the company and, with the exception of Ilkka Herlin, independent of major shareholders. Committee members possess years of experience in business management duties.

In 2019, the committee met five times. The meeting attendance is reported in the above table. Along with the financial, treasury, tax, risk management and compliance issues, the committee handled issues regarding the supply chain, insurances and the company's development projects. The committee also acquainted itself with the operations of Cargotec Business Services offering shared financial services for Cargotec companies. The committee held an annual self-assessment discussion to review whether its performance needs to be developed.

### Nomination and Compensation Committee

The Nomination and Compensation Committee prepares a proposal to Cargotec's AGM concerning the composition and remuneration of the Board of Directors. The committee prepares the remuneration policy and remuneration report for the company's governing bodies, i.e. the Board, the CEO and the deputy CEO, if such is appointed. The committee handles annually the Board's diversity principles and follows if the diversity target is met. The committee prepares a proposal to the Board regarding the appointment of the CEO and the terms of employment.

The committee prepares Cargotec's long- and short-term incentive programmes and follows their outcome and

functionality, and prepares the nomination and remuneration issues of other top management members as needed before Board approval.

The committee consists of a minimum of three Board members. The committee convenes as needed but at least three times a year.

Ilkka Herlin acted as chairman of the committee, and the members were Jorma Eloranta, Tapio Hakakari and Peter Immonen. Committee members are independent of the company. The CEO and the Senior Vice President, Human Resources, attended the committee meetings, except when they themselves were the subject of discussion.

In 2019, the committee convened six times. The meeting attendance is presented in the above table. In accordance with the annual cycle, the committee's agenda comprised top management incentive programmes and their outcome, top management reviews and compensation as well as talent review follow-up. The committee handled the Board's diversity principles and saw to it that the diversity criteria were met when preparing its proposal concerning the Board composition to the AGM in spring 2019. Board member Kimmo Alkio informed the committee that he was not going to stand for re-election and the committee proposed that the number of members be decreased to nine and all other current members be re-elected. The committee also prepared the remuneration policy for the governing bodies to be presented to the AGM in 2020.

## **CEO**

The Board of Directors appoints Cargotec's CEO and determines the related terms of employment, defined in a written employment contract. The CEO is responsible for ensuring that the targets, plans, guidelines and goals set by the Board are carried out within Cargotec. According to the Finnish Limited Liability Companies Act, the CEO ensures that the accounting practices of the company comply with the law and that financial matters are handled in a reliable manner. The Board evaluates the performance of the CEO and the achievement of the targets it has set to him. Cargotec's CEO is Mika Vehviläinen, Master of Science (Economics).

## **Leadership Team**

Supporting the CEO in his duties, the Leadership Team is responsible for business development and the company's operational activities in accordance with the targets set by the Board of Directors and the CEO. The Leadership Team also defines operative principles and procedures in accordance with the guidelines set by the Board. The Leadership Team concentrates on the strategic issues of the group and the business areas. On the agenda there are regularly reports and questions concerning the development of the financials, governance, human resources, sustainability and development projects.

Cargotec simplified its leadership structure in April 2019 and combined the former Executive Board and Extended Executive Board to form a new Cargotec Leadership Team. The Leadership Team consists of former Executive Board members Mika Vehviläinen, CEO; Mikko Puolakka, Executive Vice President, CFO; Stefan Lampa, President, Kalmar Mobile Solutions; Antti Kaunonen, President, Kalmar Automation Solutions; Scott Phillips, President, Hiab; Michel van Roozendaal, President, MacGregor; Mikael Laine, Senior Vice President, Strategy; Soili Mäkinen, CIO, Senior Vice President, Digitalisation; and Mikko Pelkonen, Senior Vice President, Human Resources, as well as former Extended Executive Board members Outi Aaltonen, Senior Vice President, General Counsel, and Carina Geber-Teir, Senior Vice President, Communications. The Leadership Team members report to Cargotec's CEO. The CEO's and the Leadership Team's CV details are available on the company website and their remuneration is described in the Remuneration statement 2019.

## Leadership Team 31 Dec 2019



**Mika Vehviläinen**

CEO

B. 1961, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2019\*:  
111,694 B shares



**Mikko Puolakka**

Executive Vice President, CFO

B. 1969, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2019\*:  
19,363 B shares



**Antti Kaunonen**

President, Kalmar Automation  
Solutions

B. 1959, Finnish citizen

Dr. Tech

Ownership 31 Dec 2019\*:  
11,099 B shares



**Stefan Lampa**

President, Kalmar Mobile  
Solutions as of 1 April 2019

B. 1964, Swedish citizen

M.Sc. (mech. eng.), EMBA

Ownership 31 Dec 2019\*:  
12,385 B shares



**Scott Phillips**

President, Hiab

B. 1966, American citizen

MBA, B.Sc. (Ind. Tech.)

Ownership 31 Dec 2019\*:  
12,385 B shares



**Michel van Roozendaal**

President, MacGregor

B. 1963, Dutch citizen

M.Sc. (Aerospace Eng.), MBA

Ownership 31 Dec 2019\*:  
29,321 B shares

\* Direct ownership and the ownership of controlled corporations

## Leadership Team 31 Dec 2019



### **Outi Aaltonen**

Senior Vice President, General Counsel

B. 1965, Finnish citizen

LL.M

Ownership 31 Dec 2019\*:  
5,920 B shares



### **Carina Geber-Teir**

Senior Vice President, Communications

b. 1972, Finnish citizen

M. Sc. (Pol)

Ownership 31 Dec 2019\*:  
875 B shares



### **Mikael Laine**

Senior Vice President, Strategy

B. 1964, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2019\*:  
13,837 B shares



### **Soili Mäkinen**

CIO, Senior Vice President, Digitalisation

B. 1960, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2019\*:  
11,078 B shares



### **Mikko Pelkonen**

Senior Vice President, Human Resources

B. 1970, Finnish citizen

B.A.

Ownership 31 Dec 2019\*:  
36,899 B shares

\* Direct ownership and the ownership of controlled corporations

## Related party transactions

Cargotec's related parties include the subsidiaries, associated companies and joint ventures. Also the members of the Board of Directors, the CEO and other members of the Leadership Team, their close family members and entities controlled directly or indirectly by them, as defined in IAS 24, are related to Cargotec. Major shareholders with more than 20 percent ownership of shares or of the total voting rights in the company, are included in related parties. The company maintains lists of its related parties. The transactions with associated companies and joint ventures are followed in the financial reporting system. They are reported in Note 9.3 to the financial statements and they have been carried out at market prices. The company has an instruction for the Board and Leadership Team members and major shareholders regarding recognising the related party transactions. They are obliged to inform the company of any planned agreements or other legal acts with any group company and asked annually to confirm if any related party transactions have taken place. The Board will handle all related party transactions that are not conducted in the ordinary course of business of the company or are not implemented under arm's-length terms.

## Insider administration

Cargotec applies the insider guidelines of Nasdaq Helsinki Ltd, in addition to which the Board of Directors has approved internal insider guidelines based on the Nasdaq Helsinki guidelines. Persons who have access to all Cargotec inside information are registered permanently. The members of the Board of Directors, the CEO and other members of the Leadership Team, the Head of Internal Audit, the executive assistant to the CEO and the officer maintaining the insider registers are included on the permanent insider list. Persons who, on the basis of an employment or other contract, work for the company and obtain inside information associated with a specific project, are entered in the company's project-specific insider register, which is established when necessary.

Cargotec maintains a list of its Managers and their closely associated persons. Cargotec's Managers include the

members of the Board of Directors and the Leadership Team. The Managers and their closely associated persons are obliged to notify Cargotec and the Finnish Financial Supervisory Authority of every transaction conducted on their own account relating to Cargotec's financial instruments. Cargotec will publish each notification in the form of a stock exchange release.

Trading in Cargotec financial instruments is prohibited

- a) if a person possesses inside information,
- b) regarding permanent insiders as well as to any legally incompetent persons under their custody or trusteeship, during a period of 30 days prior to the publication of Cargotec's annual, half year or interim reports (closed window),
- c) regarding persons having access to full Cargotec financials, especially persons engaged with preparing Cargotec's annual or interim reports, as well as to any legally incompetent persons under their custody or trusteeship, during a period of 30 days prior to the publication of such report (closed window), and
- d) regarding project-specific insiders, for the duration of the project until the project is published or otherwise terminated.

The General Counsel of Cargotec is responsible for the overall insider management in Cargotec, including necessary training. Corporate Legal is responsible for maintaining the list of Managers and the insider lists and informing the insiders on their insider status and of closed windows. Corporate Communications is responsible for disclosing the transactions of the Managers and their closely associated persons.

## External audit

The statutory external audit for the financial period includes the auditing of accounting records, financial statements and administration. In addition to the auditor's report issued annually, the auditors report to the Board of Directors on their audit findings on a regular basis, and attend the Board's Audit and Risk Management Committee meetings. According to the Articles of Association, the company has

at least one and a maximum of three auditors. The auditors must be public accountants authorised by the Central Chamber of Commerce, or an auditing firm. The auditors are elected annually by the AGM and their assignment expires at the end of the first AGM following the election.

Until the AGM 2019, Cargotec had two auditors: Authorised Public Accountant (APA) Markku Katajisto and the auditing firm PricewaterhouseCoopers Oy with APA Mikko Nieminen as its principal auditor. The AGM on 19 March 2019 elected one auditor, the auditing firm PricewaterhouseCoopers Oy, with APA Markku Katajisto as its principal auditor.

Auditor's fees are compensated against an invoice. PricewaterhouseCoopers Oy has acted as Cargotec's auditor since 2005. Competitive tendering for the audit last took place in 2011. The fees paid to the auditors for different services are listed below. Other services are mainly related to mergers and acquisitions.

## Auditor's fees

MEUR	2019	2018
Audit fees	2.9	2.8
Tax advice	0.6	0.6
Other services	0.6	1.8
Total	4.0	5.1

## Internal control and risk management of the financial reporting process

Cargotec compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Securities Markets Act, the Finnish Accounting Act and the Finnish Accounting Board's guidelines and statements, while complying with the standards of the Financial Supervisory Authority (FIN-FSA) and the rules of Nasdaq Helsinki Ltd. The internal control and risk management principles, guidelines, practices and responsibilities pertaining to the company's financial reporting process have been designed to ensure that the financial reports disclosed by Cargotec are reliable and meet the requirements of the law, regulations and company principles. Instructions regarding



the publication of financial information and external communications are included in Cargotec's disclosure policy approved by the Board of Directors. This is available on the company intranet and website. Investor Relations together with Corporate Communications are responsible for ensuring the accuracy of and compliance with the policy.

To prevent financial and other misconduct, Cargotec has instructions for principles and process for raising concerns. The SpeakUp line gives an opportunity to anonymously raise concerns of possible misconduct or other matters that may not be in line with company values and policies. The reporting channel is provided by an external partner, to ensure anonymity. All reports are investigated and processed in confidence by the Ethics and Compliance team. Corrective and disciplinary actions are discussed and agreed in the Code of Conduct panel of Cargotec Leadership Team.

### **Internal control**

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, that risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on the company's Code of Conduct and internal controls. With respect to the financial reporting process, these are supported by policies and guidelines, as well as the internal financial reporting process and communication. Cargotec's internal control policy, which is approved by the Board of Directors, specifies the applicable control principles, procedures and responsibilities. Similarly to other Cargotec operations, responsibility for internal control is divided into three tiers. The line management is principally responsible for internal control. This is backed by corporate support functions, which define instructions applicable across the company and supervise risk management. Internal and external audits form the third tier, their task being to ensure that the first two tiers function effectively.

### **Internal Audit**

The role of Cargotec Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value and improving the operations

of Cargotec and its businesses. It helps and supports the business organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. To ensure the independence of the Internal Audit function, Head of Internal Audit reports functionally to the Audit and Risk Management Committee, and administratively to the CFO. Internal Audit develops a flexible risk based audit plan which is approved by the Audit and Risk Management Committee.

### **Risk management**

Approved by the Board of Directors and based on Cargotec's values, the risk management policy specifies the objectives and principles of risk management as well as the responsibilities involved. The core principle is continuous, systematic and preventive action taken to identify risks, define the company's risk appetite, assess and handle risks and, if they materialise, deal with them effectively. The CEO and the Leadership Team are responsible for the methods, implementation and supervision of risk management, and report on these to the Board's Audit and Risk Management Committee. Cargotec's risk management is spread across units and corporate support functions that assign responsibility for risk management and that are in charge of identifying, managing and reporting risks. Financial risks are managed centrally by the Corporate Treasury and reported on for corporate management and the Audit and Risk Management Committee on a regular basis. Board of Directors' report includes an estimate on the company's main risks and uncertainties and short-term risks.

### **Financial reporting process**

The effectiveness of internal control measures related to financial reporting is monitored by the Board of Directors, the Audit and Risk Management Committee, the CEO, the Leadership Team and business area management teams. Various control measures, such as reconciliations, logic analyses and comparative analyses are performed at different organisational levels. The purpose of these control measures is to detect, prevent and correct any errors and deviations in financial follow-up. Cargotec's financial

reporting is based on monthly performance monitoring in a centralised reporting system. Financial reports are first reviewed at a reporting unit level, and then at the operative management's review meetings on a division level, followed by business area level and group management level reviews. Finally, the reports are discussed at the Leadership Team's meeting. Financial information is also reported to the Board of Directors on a monthly basis. Controllers report any deviations from the plans to the management teams, analyse the reasons for such deviations and support the management in decision-making. Monthly reviews also ensure that performance is in line with annual targets and that financial forecasts are up to date.

The financial reporting and planning instructions (Cargotec accounting standards and Cargotec reporting manual) are available to all employees on Cargotec's intranet. The company's finance function aims to harmonise the practices and procedures applied by controllers, while ensuring consistent interpretation of instructions and further improving them. Cargotec Business Services offer shared financial, HR and indirect procurement services for Cargotec companies and target to harmonized way of working with common processes, controls and tools.

A corporate-wide development programme regarding internal controls has clarified and reinforced the shared principles and ways of working and strengthened internal control. The programme's processes are part of the company's daily operations and help ensure compliance with Cargotec's Code of Conduct and internal policies. Multifaceted reporting tools, based on common systems, have been developed to support the financial performance monitoring and comparability.