

# REMUNERATION REPORT 2022

This Remuneration Report sets out how Cargotec Corporation (“Company”) has implemented its Remuneration Policy in 2022. This report includes information concerning remuneration of the Board of Directors (“Board”) and the CEO of Cargotec between 1 January 2022 and 31 December 2022. 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 2023.

## Letter from the Chair of the Board

Remuneration of the Cargotec governing bodies is based on the Remuneration Policy that was presented for an advisory decision at the Annual General Meeting held on 27 May 2020. Cargotec has followed the Remuneration Policy’s decision making process and remuneration governance model in 2022. There haven’t been any claw-backs made in 2022. Our Remuneration Policy and overall remuneration philosophy reinforce Cargotec’s values and ethical principles, aligning 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 reflect our key performance indicators.

As part of Cargotec’s remuneration principles, sustainability has had a central role ever since the Company was founded. Over the years Cargotec’s Board of Directors has evaluated various models about how to connect sustainability topics to leadership remuneration. Based on assessments, sustainability themes have been prudently and rationally included in the leadership incentive programmes in recent years.

The eco portfolio order intake and the Mission Climate programme roadmap were included in the 2022 performance share programme evaluation criteria. These concrete, measurable issues have brought the increasing of offering and sales of solutions that reduce the emissions of our customers into our remuneration criteria. The inclusion of sustainability metrics in the evaluation of management remuneration is a process that will develop over the coming years.

In October 2020, Cargotec and Konecranes Plc announced their plans to combine the two companies through a merger. Competition authorities in the EU and China had already approved the merger but, in March 2022, the UK Competition & Markets Authority blocked the merger. The completion of the planned merger would have required approvals from all relevant competition authorities. Thus, Cargotec and Konecranes cancelled the planned merger.

The merger would have created substantial value for our industry as well as shareholders and the combination would have created a strong European company. The cancellation, however, was a reality that could not be avoided, and the Company took a determined step forward, announcing its refocused strategy at the beginning of the year.

As per the refocused strategy, the Company will focus on sustainability and growth in the profitable core businesses Hiab and Kalmar, and exit from Kalmar’s heavy port cranes business. In terms of MacGregor, after evaluating its strategic options, the Board of Directors announced in November that MacGregor will not be part of Cargotec’s portfolio in the future.

The implementation of the strategy progressed well during 2022. With regards to Kalmar’s heavy crane business, the related intellectual properties and assets have been transferred to Cargotec’s subcontractor, and the majority of the heavy cranes order book is planned to be delivered in 2023. The changes in the operating model, aimed at increasing the independence of the business areas, have also been taken into use.

Supported by the refocused strategy, Cargotec’s business performance in 2022 was good. While the year was characterised by various global crises, Cargotec’s orders received, sales and comparable operating profit were at a record level. Also the service and eco portfolio sales were record-high. Customer interest in eco-efficient equipment is constantly growing, which creates a clear and increasing business opportunity for Cargotec.

In December 2022, Cargotec’s CEO Mika Vehviläinen informed Cargotec’s Board of Directors of his intention to retire from Cargotec during 2023, after which the Board initiated a search for a successor.

Under Mika’s leadership, Cargotec has made critical changes to its strategy, structure and performance that position the Company strongly for success. The work to develop Cargotec to its full potential continues, and we thank Mika warmly for his leadership and work for the benefit of Cargotec.

## Jaakko Eskola

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

## Cargotec 2022 Remuneration in brief

Cargotec’s Remuneration Policy’s key principles were followed through 2022. For the financial period 2022, the annual fixed salary of Cargotec’s CEO Mika Vehviläinen was EUR 727,661 including fringe benefits. In addition, he received the following variable pay programme payment: Short-term incentive payout of EUR 179,608 (2021 annual bonus programme, payout is based on 2021 performance). From the matching share programme he received a payout of EUR 613,804. Additionally he received a supplemental pension contribution of EUR 700,000. Total remuneration paid to the CEO in 2022 was (2021): 2,221,073 Euros (2,453,614 Euros).

In 2022, the CEO participated in the following variable pay programmes (pay-for-performance):

- 2022 Annual Bonus Programme (STI): Achievement EUR 447,911 / 48% 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: Achievement 8,133 class B shares / 100% of the maximum from the measuring period 2022 (incentive payment in 2023 after the measuring period 2022).
- 2021-2023 Performance Share Programme: Achievement 6,969 class B shares / 91% of the maximum from the measuring period 2021 (incentive payment in 2024 after the measuring periods 2022 and 2023).
- 2022-2024 Performance Share Programme: Achievement 3,961 class B shares / 49% of the maximum from the measuring period 2022 (incentive payment in 2025 after the measuring periods 2022, 2023 and 2024).
- 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. The CEO participated also in the 2022-2024 retention programme.

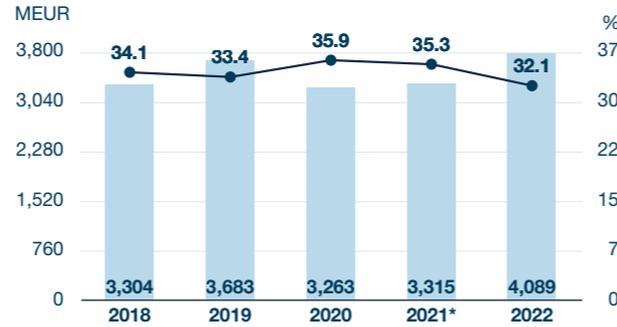
Based on the decision of the AGM of 17 March 2022, there were changes implemented in the Board's annual remuneration in 2022.

### 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 5 years. The CEO's financial performance targets in the variable pay programmes are aligned with Cargotec's financial performance and strategic targets.

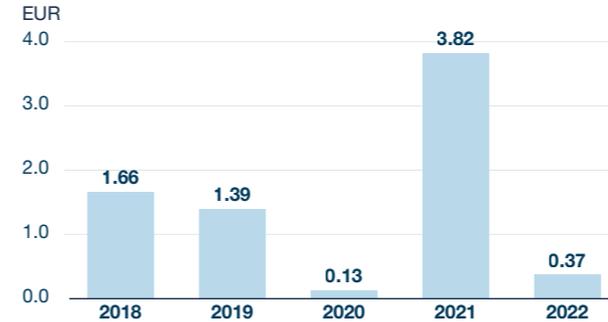
#### SERVICE AND SOFTWARE SALES AS A % OF CONSOLIDATED SALES



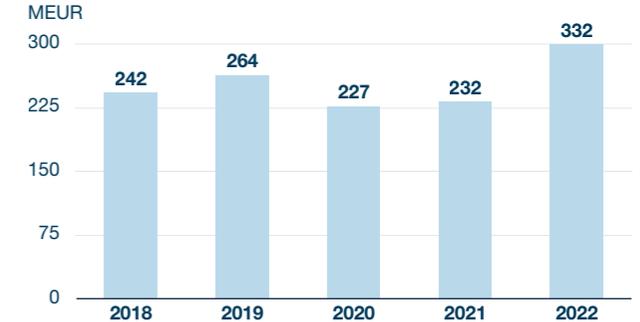
■ Consolidated sales  
■ Service sales, % of consolidated sales

\*Software sales include automation software and, until 1 July 2021, the strategic business unit Navis

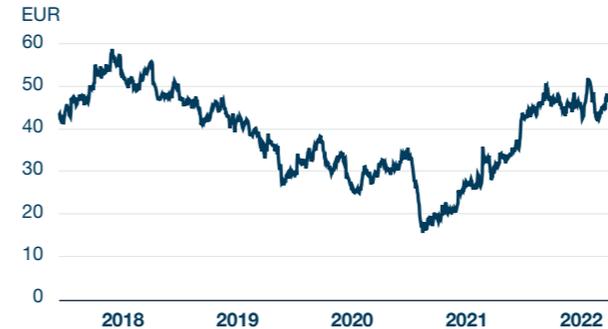
#### BASIC EARNINGS PER SHARE



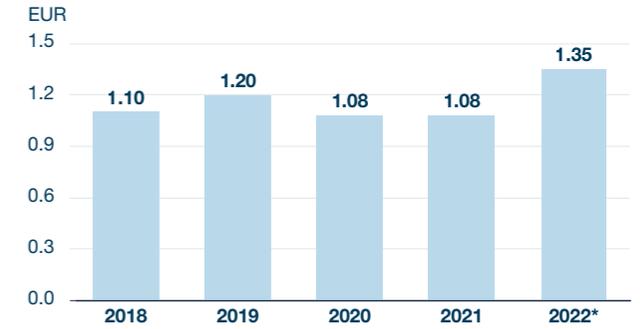
#### COMPARABLE OPERATING PROFIT



#### SHARE PRICE 2018–2022



#### DIVIDEND PER CLASS B SHARE



\* Boards proposal for dividend

**CEO Paid Compensation Development and Breakdown**

	2018	2019	2020	2021	2022
Fixed salary <sup>1</sup>	701,190	699,659	650,958	704,795	727,661
Short-term incentives (STI) <sup>2</sup>	340,184	124,344	580,942	764,452	179,608
Long-term incentives (LTI)	1,821,328 <sup>3</sup>	715,784 <sup>4</sup>	106,506 <sup>5</sup>	163,962 <sup>6</sup>	0
Restricted shares	-	-	-	-	-
Matching shares	-	-	299,289 <sup>7</sup>	820,406 <sup>8</sup>	613,804 <sup>9</sup>
Supplemental pension	500,000	0	0	0	700,000
<b>Total remuneration</b>	<b>3,362,702</b>	<b>1,539,787</b>	<b>1,637,694</b>	<b>2,453,614</b>	<b>2,221,073</b>

**Development**

Base salary	0%	0%	0%	0%	5%
Total remuneration	18.5%	-54.2%	6.4%	49.8%	-9.5%

<sup>1</sup> Annual fixed salary includes base salary, holiday pay and fringe benefits. Monthly base salary EUR 55,000 during the period of 1 January 2018–31 March 2022 and EUR 57,750 during the period of 1 April 2022–31 December 2022.

<sup>2</sup> Short-term incentive payment based on previous year performance.

<sup>3</sup> Performance Share Programme, performance period 2015–2017.

<sup>4</sup> Performance Share Programmes, performance period 2016–2018 and performance period 2017-2018 (2019 ownership and value creation period).

<sup>5</sup> Performance Share Programme, performance period 2018–2019 (2020 ownership and value creation period).

<sup>6</sup> Performance Share Programme, performance period 2019–2020 (2021 ownership and value creation period).

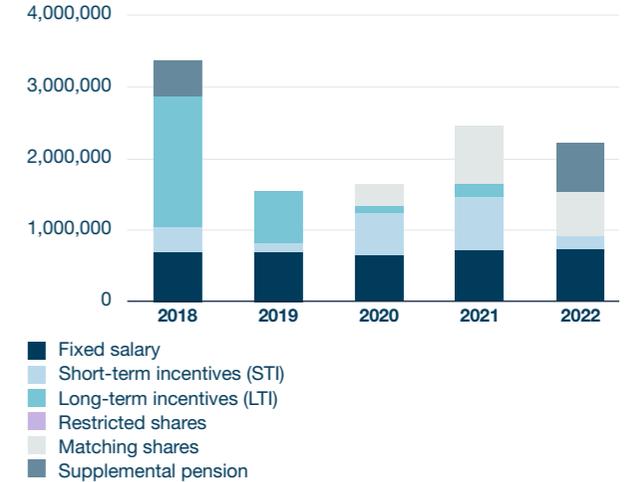
<sup>7</sup> Matching Share Programme, 1<sup>st</sup> installment in 2020.

<sup>8</sup> Matching Share Programme, 2<sup>nd</sup> installment in 2021.

<sup>9</sup> Matching Share Programme, 3<sup>rd</sup> installment in 2022.

According to the Cargotec’s Remuneration Policy, our variable pay programmes promote pay-for-performance and this is clearly seen also from the CEO’s actual incentive payouts in the past five years. During this period the CEO’s base salary development has been 5% (one-time increase in 2022), as for the Cargotec’s employees globally the median year-on-year increase has been around 3%. For the Board members the latest annual fee increase was implemented in 2022.

**CEO PAID COMPENSATION DEVELOPMENT AND BREAKDOWN**



**Development of paid Board Remuneration in euros**

	2018	2019	2020	2021	2022
<b>Chair annual fee</b>					
Development	85,000 (0%)	85,000 (0%)	85,000 (0%)	85,000 (0%)	95,000 (+11.8%)
<b>Vice chair annual fee</b>					
Development	60,000 (0%)	60,000 (0%)	60,000 (0%)	60,000 (0%)	70,000 (+16.7%)
<b>Board member annual fee</b>					
Development	45,000 (0%)	45,000 (0%)	45,000 (0%)	45,000 (0%)	55,000 (+22.2%)

**Development of employee base salary (median)**

	2018	2019	2020	2021	2022
Median year-on-year development	+3.0%	+2.9%	+0.0%	+3.3%	+4.0%

**Annual compensation ratio**

2022 CEO's annual base salary to median annual base salary for all employees (excluding CEO): 18.2 (18.0 in 2021).

## Remuneration of the Board of Directors in 2022

### Cargotec Board Remuneration 1 January–31 December 2022

Director	Committee memberships	Annual fee in euros	Meeting fees in euros	Total in euros <sup>1</sup>
Jaakko Eskola, Chair	Nomination and Compensation Committee, Chair	69,167	22,000	91,167
Ilkka Herlin, Vice Chair	Nomination and Compensation Committee, Member Audit and Risk Management Committee, Member	54,583	25,000	79,823
Teuvo Salminen	Audit and Risk Management Committee, Chair	52,500	21,000	73,500
Tapio Hakakari <sup>2</sup>	Nomination and Compensation Committee, Member	0	6,000	6,000
Teresa Kemppi-Vasama	Nomination and Compensation Committee, Member	41,250	21,000	62,250
Johanna Lamminen		41,250	16,000	57,250
Casimir Lindholm	Nomination and Compensation Committee, Member	41,250	20,000	61,250
Kaisa Olkkonen	Audit and Risk Management Committee, Member	41,250	21,000	62,250
Heikki Soljama		41,250	16,000	57,250
<b>Total</b>		<b>382,500</b>	<b>168,000</b>	<b>550,740</b>

<sup>1</sup> Including annual Board remuneration, meeting attendance fees and fringe benefits for the period of 1 January 2022–31 December 2022.

<sup>2</sup> Until 17 March 2022.

Shareholders resolved on the Board Remuneration in the Annual General Meeting of 2022 as follows:

- Chair EUR 95,000 (EUR 85,000 in 2021)
- Vice Chair EUR 70,000 (EUR 60,000 in 2021)
- Chair of the Audit and Risk Management Committee EUR 70,000 (EUR 60,000 in 2021)
- Other Board members EUR 55,000 (EUR 45,000 in 2021)
- The annual remuneration will be paid quarterly 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 2022

The CEO participated in the following variable pay programmes in 2022 (short- and long-term incentive programmes):

Programme	Purpose	Performance period	Earning opportunity	Performance measures	Achievement
STI: 2022 Annual Bonus Programme	To reward and incentivise achievement of financial, strategic, operational and sustainability targets aligned with Cargotec's business strategy	2022	Maximum 130% of annual base salary	Financial targets (80% weight): 2022 comparable operating profit (MEUR), 2022 operative cash flow (MEUR). Strategic individual targets (20% weight): Cargotec's refocused strategy.	EUR 447,911 / 48% of the maximum. Incentive payment in April 2023.
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 2022 Performance period 2020–2022	Maximum 24,400 class B shares from performance period 2020–2022	2022 sustainability targets: -Mission Climate roadmap (50% weight) -Eco portfolio order intake (50% weight)	8,133 class B shares / 100% of maximum for the measuring period 2022. Performance period 2020-2022 in total 18,810 class B shares / 77% of maximum. Incentive payment by April 2023.
LTI: 2021–2023 Performance Share Programme		Measuring period 2022 Performance period 2021–2023	Maximum 23,100 class B shares from performance period 2021–2023	2022 service gross profit (MEUR)	6,969 class B shares / 91% of maximum for the measuring period 2022. Incentive payment by April 2024, after the measuring period 2023.
LTI: 2022–2024 Performance Share Programme		Measuring period 2022 Performance period 2022–2024	Maximum 24,500 class B shares from performance period 2022–2024	2022 comparable operating profit (MEUR)	3,961 class B shares / 49% of maximum for the measuring period 2022. Incentive payment by April 2025, after the measuring periods 2023 and 2024.

## 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 retention

**CEO's share-based incentive programmes in 2022:**

Programme	2019	2020	2021	2022	2023	2024	2025
2020–2022 Performance Share Programme		Measuring period 1: - Comparable operating profit	Measuring period 2: - Service gross profit	Measuring period 3: - Sustainability targets	€		
2021–2023 Performance Share Programme			Measuring period 1: - Comparable operating profit	Measuring period 2: - Service gross profit	Measuring period 3: - TBD	€	
2022–2024 Performance Share Programme				Measuring period 1: - Comparable operating profit	Measuring period 2: - TBD	Measuring period 3: - TBD	€
2019–2022 Matching Share Programme	Share investment	€	€	€			
2022–2024 Restricted Share Unit Programme					€	€	

€ = share delivery / incentive payment.

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

**2020–2024 Performance Share 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 to 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 the shares vested during the last year for which there is no lock-up period.

**2022–2024 Restricted Share Unit Programme**

The reward from the Restricted Share Unit Programme 2022–2024 is conditional on the achievement of strategic goals set by the Board of Directors. The reward is paid in two installments, half in the spring of 2023 and half in the spring of 2024. The shares received as a reward from the programme's first installment may not be sold, transferred, pledged or otherwise assigned during a lock-up period which ends on 31 December 2023. In addition, a cash proportion is included in the reward to cover taxes and tax-related costs arising from the reward.

**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
2019–2022 Matching Share Programme	2019–2022	1 March 2019	31 March 2022	31 March 2022	Personal share investment and continuous shareholding	24,770	1/3 of total matching shares delivered in 2022	8,258
2020–2022 Performance Share Programme	2020–2022	8 April 2020	By April 2023	April 2023	2022 sustainability targets	24,400	Measuring period 2022: 100% Programme in total: 77%	Measuring period 2022: 8,133 Programme in total: 18,810
2021–2023 Performance Share Programme	2021–2023	13 April 2021	By April 2024	April 2024	2022 service gross profit; 2023 to be decided by the Board	23,100	Measuring period 2022: 91%	Measuring period 2022: 6,969
2022–2024 Performance Share Programme	2022–2024	13 May 2022	By April 2025	April 2025	2022 comparable operating profit; 2023 and 2024 to be decided by the Board	24,500	Measuring period 2022: 49%	Measuring period 2022: 3,961
2022–2024 Restricted Share Unit Programme	2022–2024	13 May 2022	1 <sup>st</sup> installment in spring 2023; 2 <sup>nd</sup> installment by April 2024	1 <sup>st</sup> installment: 31 December 2023 2 <sup>nd</sup> installment: April 2024	Strategic goals set by the Board	29,350	2022 strategic goals: 100%	2022 strategic goals / 1 <sup>st</sup> installment: 14,675

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 2022**

Fixed Salary	Supplemental Pension Payment	Paid Short-term Incentives	Paid Long-term Incentives	Paid Matching Shares	Total Paid Remuneration in 2022
727,661	700,000	179,608	0	613,804	2,221,073

**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: 2021 Annual Bonus Programme	2021	65% / 130%	2021 comparable operating profit 2021 operative cash flow 2021 strategic individual targets	20%	179,608

**Paid share-based incentives**

Programme	Performance Period	Remuneration
2019–2022 Matching Share Programme	2022 (3 <sup>rd</sup> installment by the company)	8,258 net shares 613,804 euros

**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. The CEO Mika Vehviläinen has informed Cargotec’s Board of Directors in December 2022 of his intention to retire from Cargotec during 2023, in accordance with the terms of his CEO service contract. The CEO’s supplemental pension contribution paid in 2022 was EUR 700,000.

**STRUCTURE OF PAID COMPENSATION IN 2022**

