

CORPORATE GOVERNANCE STATEMENT 2020

Governance

The governance and management of Cargotec Corporation (“Cargotec” or “Company”) 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. The Cargotec class B share is listed at Nasdaq Helsinki and the Company complies with the rules and guidelines of Helsinki Stock Exchange and the Finnish Financial Supervision Authority as well as with all the recommendations of the Finnish Corporate Governance Code 2020, published by the Securities Markets Association (www.cgfinland.fi).

The corporate governance statement has been reviewed by the Board’s Audit and Risk Management Committee on 2 February 2021. It is issued as a separate report and disclosed, together with the financial statements and Board of Directors’ report, 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 Annual General Meeting (AGM) appoints the members of the Board and the Auditors. The Company is managed by the Board of Directors and the CEO, appointed by the Board. Cargotec has three business areas, Kalmar, Hiab and MacGregor.

The Annual General Meeting is held annually within three months of the closing of the financial period, on a day designated by the Board. The issues decided on by the AGM include the adoption of the financial statements, distribution of profit, granting of release from liability to the members of the Board of Directors and to the CEO as well as the election of and remuneration payable to the members of the Board and auditor. The Shareholders’ meeting also has the right to amend the Articles of Association, decide on merger and demerger and make decisions and authorise the Board of Directors to make decisions on the acquisition of treasury shares, on share issues and on option programmes.

Cargotec has two share classes, each with different voting rights. In the Shareholders’ meeting, each class A share carries one vote, as does each set of ten class B shares, with the provision that each shareholder is entitled to at least one vote.

In 2020, Cargotec’s AGM was convened on 17 March 2020; however, the meeting was cancelled due to the development of the coronavirus situation and the announcement by the Finnish Government on 16 March 2020.

The AGM was held on 27 May 2020 with shareholders having also the possibility to follow the meeting via a video stream and to vote in advance or to exercise their voting rights by proxy representation. The meeting adopted the financial statements, consolidated financial statements and the remuneration policy as well as granted discharge from liability to the CEO and the members of the Board of Directors for the financial year 1 January–31 December 2019. The meeting approved the distribution of dividends and appointed members of the Board of Directors and the Auditor.

Cargotec’s Extraordinary General Meeting (EGM) was held on 18 December 2020. At the EGM, the shareholders resolved the merger of Konecranes Plc into Cargotec Corporation and approved the Merger plan signed by both companies’ Board of Directors on 1 October 2020. Conditional on the completion of the merger, the EGM also decided on the amendment of the articles of association of Cargotec and the issuance of shares in Cargotec as merger consideration to the shareholders of Konecranes, on the establishment of the shareholders’ nomination board, and on authorising the Board to decide on an issue of shares without payment in which each shareholder in Cargotec will be issued new shares in the Company without payment in proportion to their holdings (share split). The shareholders and their proxy representatives participated in the EGM and exercised shareholder rights by voting in advance and by asking questions in advance.

Information on both Shareholders’ meetings is available on the Company’s website at www.cargotec.com/aggm.

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 organised. 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 holds discussions also without the presence of the executive management.

In 2020, the Board had 24 meetings. Some of these meetings were held remotely or the resolutions were recorded without convening. 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 are Cargotec’s strategic focus areas, which in the strategy period 2019–2021 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. The Board monitored the integration and financial performance of companies that had joined the group as result of acquisitions. The Board handled the strategically important sustainability themes in several meetings and approved Cargotec’s commitment to the United Nations Global Compact Business Ambition for 1.5°C to mitigate climate change. The Board was informed regularly on the challenges and effects of the coronavirus pandemic to the customers, business and personnel. The Board handled the possibility to merge with Konecranes Plc and monitored the combination project, due diligence analysis and negotiations. On 1 October 2020, the Board signed the combination agreement and the merger plan to combine the two companies through a merger. The Board convened an Extraordinary General Meeting to decide on the merger.

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 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 2020, the number of Board members was confirmed to eight and the current Board members Tapio Hakakari, Ilkka Herlin, Peter Immonen, Teresa Kempppi-Vasama, Johanna Lamminen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors. Jorma Eloranta,

Board member until 27 May 2020, 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 2020, the age range of the members was between 50 and 67 years. Three of the eight Board members were women and five were men. Half of the members have been on the Board for more than five years and the other half 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 discussion conducted in December under the direction of the Chairman, the members commented that particular flexibility and commitment to board work as well as extensive business knowledge and management experience was required from the Board in the exceptional circumstances caused by both the coronavirus pandemic and the merger negotiations.

The majority of the 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 2020, the members were independent of the Company and all except Ilkka Herlin and Peter Immonen independent of major shareholders. Ilkka Herlin controls the company Wipunen varainhallinta oy, which is a significant shareholder of Cargotec, and he also is Board member of Mariatorp Oy, another significant shareholder. Peter Immonen is Board member of two significant shareholders, Mariatorp Oy and Wipunen varainhallinta oy. The Board considers that also Ilkka Herlin, Tapio Hakakari, Peter Immonen and Teuvo Salminen, 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 report 2020.

Board and committee members' participation in meetings 2020

Name	Board of Directors	Audit and Risk Management Committee	Nomination and Compensation Committee
Ilkka Herlin	24/24	10/10	8/8
Tapio Hakakari	24/24		8/8
Jorma Eloranta*	7/7		2/2
Peter Immonen	24/24		8/8
Teresa Kempppi-Vasama**	24/24		6/6
Johanna Lamminen	24/24		
Kaisa Olkkonen	24/24	10/10	
Teuvo Salminen	24/24	10/10	
Heikki Soljama	24/24		

* Member of Board and Nomination and Compensation Committee until 27 May 2020

** Member of Nomination and Compensation Committee as of 27 May 2020

Board members 31 Dec 2020



Ilkka Herlin

Chairman, b. 1959

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

Board Chairman since 2005

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; Board member, Foundation for a Living Baltic Sea

Ownership 31 Dec 2020*:
2,940,067 A shares,
6,210,476 B shares



Tapio Hakakari

Vice chairman, b. 1953

LL.M

Board member since 2005,
Vice Chairman since 2009

Member of the Nomination and Compensation Committee

Independent of the Company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2020*:
161,141 B shares



Peter Immonen

member, b. 1959

M.Sc. (Econ)

Board member since 2005

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 2020*:
55,324 B shares



Teresa Kemppi-Vasama

member, b. 1970

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

Board member since 2017

Member of the Nomination and Compensation Committee

Independent of the Company and significant shareholders

Main position: Executive Chairman of the Board, Kemppi Oy

Ownership 31 Dec 2020*:
1,607 B shares



Johanna Lamminen

member, b. 1966

D. Sc. (Tech.), MBA

Board member since 2017

Independent of the Company and significant shareholders

Main position: CEO, Gasum Ltd

Ownership 31 Dec 2020*:
1,607 B shares

* Direct ownership and the ownership of controlled corporations

Board members 31 Dec 2020



Kaisa Oikkonen

member, b. 1964

LL.M

Board member since 2016

Member of the Audit and Risk Management Committee

Independent of the Company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2020*:
1,897 B shares



Teuvo Salminen

member, b. 1954

M.Sc. (Econ), APA exam 1983

Board member since 2010

Chairman of the Audit and Risk Management Committee

Independent of the Company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2020*:
10,663 B shares



Heikki Soljama

member, b. 1954

M.Sc. (power electronics)

Board member since 2016

Independent of the Company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2020*:
1,897 B shares

Board member until 27 May 2020: **Jorma Eloranta**, b. 1951, M.Sc. (Tech), D.Sc. (Tech) h.c., 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 AGM 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 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 2020, the committee met ten times. The meeting attendance is reported in the above table. Along with financial, treasury, tax, risk management and compliance issues, the committee acquainted itself with the integration of the TTS Group, acquired in 2019, sales 3rd party risk management, implementation of vendor controls in front line units and information security risk management. The committee monitored the audit tender process organised in 2020, handled the audit tenders received by the Company and prepared the proposal regarding the auditor to be presented to the AGM. The committee monitored the preparation of the Cargotec-Konecranes merger prospectus and the pro forma figures and working capital calculations of the merging entity. The committee held an annual self-assessment discussion to review whether its performance needs to be developed.

Nomination and Compensation Committee

The 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 discusses 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 Tapio Hakakari, Peter Immonen, Jorma Eloranta until 27 May 2020 and Teresa Kemppli-Vasama as of the same date. 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 2020, the committee convened eight 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 prepared the remuneration policy for the governing bodies presented to the AGM in 2020. The committee discussed 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 2020. Board member Jorma Eloranta 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 eight and all other current members be re-elected. In the autumn the committee prepared for Board approval a new Restricted Share Unit Programme that is intended to function as a bridge programme for the transition period before the closing of the merger of Cargotec and Konecranes Plc and forming the combined company in 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.

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. The agenda regularly includes reports and issues concerning financial development, governance, human resources, sustainability and development projects. 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. The CEO remuneration is described in the Remuneration report 2020 and the remuneration of the Leadership Team can be found on the Company website at www.cargotec.com.

Leadership Team 31 Dec 2020



Mika Vehviläinen

CEO

B. 1961, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2020*:
122,888 B shares



Mikko Puolakka

Executive Vice President,
CFO

B. 1969, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2020*:
24,677 B shares



Antti Kaunonen

President, Kalmar Automation
Solutions

B. 1959, Finnish citizen

Dr. Tech

Ownership 31 Dec 2020*:
14,293 B shares



Stefan Lampa

President, Kalmar Mobile
Solutions

B. 1964, Swedish citizen

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

Ownership 31 Dec 2020*:
16,513 B shares



Scott Phillips

President, Hiab

B. 1966, American citizen

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

Ownership 31 Dec 2020*:
18,829 B shares



Michel van Roozendaal

President, MacGregor

B. 1963, Dutch citizen

M.Sc. (Aerospace Eng.), MBA

Ownership 31 Dec 2020*:
34,449 B shares

* Direct ownership and the ownership of controlled corporations

Leadership Team 31 Dec 2020



Outi Aaltonen

Senior Vice President,
General Counsel

B. 1965, Finnish citizen

LL.M

Ownership 31 Dec 2020*:
6,195 B shares



Soili Mäkinen

CIO, Senior Vice President,
Digitalisation

B. 1960, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2020*:
11,672 B shares



Carina Geber-Teir

Senior Vice President,
Communications

b. 1972, Finnish citizen

M. Sc. (Pol)

Ownership 31 Dec 2020*:
1,150 B shares



Mikko Pelkonen

Senior Vice President,
Human Resources

B. 1970, Finnish citizen

B.A.

Ownership 31 Dec 2020*:
42,213 B shares



Mikael Laine

Senior Vice President,
Strategy

B. 1964, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2020*:
14,687 B shares

* Direct ownership and the ownership of controlled corporations

Related party transactions

Cargotec's related parties include its 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. Transactions with associated companies and joint ventures are monitored 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 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 handles 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. 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. In 2020 Cargotec terminated its permanent insider register. 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.

Trading in Cargotec financial instruments is prohibited on the person's own account or for the account of a third party

- a) if a person possesses inside information,
- b) regarding project-specific insiders, for the duration of the project until the project is published or otherwise terminated,
- c) regarding Managers, during a period of 30 days prior to the publication of Cargotec's annual or interim reports (closed window),
- d) regarding persons having access to full Cargotec financials, especially persons engaged with preparing Cargotec's annual or interim reports, during a period of 30 days prior to the publication of such report (extended closed window), and
- e) until execution of the contemplated merger of Konecranes Plc into Cargotec, regarding persons belonging to steering groups of the merger, or having regularly access to transaction related information of such steering groups, during a period of 30 days prior to the publication of an annual or interim report (extended closed window).

A closed window regarding trading in Konecranes Plc financial instruments applies to persons to whom Cargotec closed window is applied, until execution of the contemplated merger. Konecranes closed window starts on the 15th day of the month prior to the end of each calendar quarter and ends when the corresponding interim report or the financial statement bulletin is published, including the day of the publication of said report.

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 project-specific 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.

The AGM on 27 May 2020 elected one auditor, the auditing firm PricewaterhouseCoopers Oy, with APA Markku Katajisto as its principal auditor. PricewaterhouseCoopers Oy has acted as Cargotec's auditor since 2005. Competitive tendering for the audit was organised in 2020 and based on the tendering, the Audit and Risk Management Committee will make a proposal for Cargotec's auditor to the AGM in 2021.

Auditor's fees are compensated against an invoice. 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	2020	2019
Audit fees	3.0	2.9
Services under the Finnish Auditing Act, chapter 1, section 1(1), point 2	0.5	-
Tax advice	0.6	0.6
Other services	1.0	0.6
Total	5.1	4.0

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 evaluating and improving the effectiveness of risk management, control, and governance processes. To ensure the independence of the Internal Audit function, the 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

Cargotec's risk management is guided by the Enterprise risk management policy, approved by the Board of Directors. It specifies the objectives and principles of risk management as well as the process and responsibilities involved. Risk management is to be naturally built into all business decisions and plans. 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 Board of Directors defines the overall risk appetite of the Company and ensures that the organisation has sufficient risk management and control. The CEO and the Leadership Team are responsible for the methods, implementation and supervision of risk management. 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. The Risk Management function is responsible for reporting any findings to the CEO and Leadership Team, and reports quarterly to the Board's Audit and Risk Management Committee on the risk reviews, identified risks and mitigation plans.

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 a harmonised 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.