

Cargotec remuneration statement 2016

The remuneration statement presents Cargotec's decision-making procedure, remuneration principles and the remuneration paid to members of the Board, Chief Executive Officer (CEO) and the Executive Board in 2016.

Decision-making procedure

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

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

Main principles of remuneration

Remuneration at Cargotec is characterised by five key principles:

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

Board of Directors

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

CEO and Executive Board

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

Cargotec Executive Board remuneration consists of the following elements:

Remuneration element	Description
Base salary	Fixed salary including taxable fringe benefits
Short-term Incentives (STI)	<p>Annual bonus programme performance targets:</p> <ul style="list-style-type: none"> • Financial, 60% weight (2016 cash flow and EBIT) • Strategic individual targets, 40% weight • Threshold, target and maximum performance levels defined <p>Target (maximum) incentive level as a % of annual base salary:</p> <ul style="list-style-type: none"> • CEO: 60% (120%) • Business Area President: 50% (100%) • Other Executive Board member: 40% (80%)
Long-term Incentives (LTI)	<p>LTI programme includes a three-year earning period, performance measurement in two phases. Performance targets:</p> <ul style="list-style-type: none"> • Phase 1: 2016 ROCE • Phase 2: Cargotec 3/2016–3/2019 Total Shareholder Return • Threshold, target and maximum performance levels defined <p>Target (maximum) incentive level as a % of annual base salary:</p> <ul style="list-style-type: none"> • CEO: 120% (360%) • Business Area President: 80% (240%) • Other Executive Board member: 80% (240%) <p>Phase 1 threshold financial performance level needs to be reached for any share reward.</p> <p>Phase 2 of the programme determines earning multiplier for the Phase 1 achievement. The LTI reward vests and is delivered in shares after Phase 2, in the spring 2019. No restriction period after the shares have been delivered. No share delivery if a termination notice has been delivered by either party prior to the share delivery.</p> <p>Share ownership recommendation: One-year gross base salary. The recommendation is to be fulfilled through refraining from transferring shares received under the Cargotec share-based incentive programmes.</p> <p>Claw-back provision: The Board may decide to cut or cancel rewards and recover already delivered rewards from the participant in case of misconduct.</p>
Restricted shares	Additional restricted share grants may be allocated for selected Executive Board members. Gross reward, before deduction for the applicable taxes and employment related expenses, is in the range of 20–100% of annual base salary. Threshold level for financial performance is set by the Board. One-year earning period is followed by one-year restriction period.
Pension	<p>CEO is entitled to a supplemental defined contribution pension benefit. According to the pension agreement, the CEO is entitled to retire between age of 60–65. One-time payment of EUR 700,000 has been paid in full in 2016 to insurance company administering the CEO's pension benefit. There are no additional costs for Cargotec in relation to the CEO's supplemental pension.</p> <p>Other Finnish members of the Executive Board are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme. For the Finnish members of the Executive Board, the statutory retirement age is 63 years in accordance with the legislation in 2016 (new legislation from January 2017 onwards increases the statutory retirement age).</p> <p>Hiab and MacGregor Business Area Presidents have supplemental defined contribution pension plans, following the local market practice in Belgium and the Netherlands.</p>
Severance pay	The members of the Executive Board have a period of notice of 6 months and are entitled to compensation, for termination of employment, corresponding to 6 to 12 months' salary.

Remuneration report

Board of Directors

Based on the decision of the AGM of 22 March 2016, the Board's annual remunerations for the year 2016 are as follows:

- Chairman: EUR 80,000
- Vice Chairman: EUR 55,000
- Chairman of the Audit and Risk Management Committee: EUR 55,000
- Other Board members: EUR 40,000

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

Remuneration paid to Board members in 2016 is shown in the following table.

Member of the Board	Remuneration for Board membership and Board work, EUR*	Number of class B shares obtained as remuneration**
Ilkka Herlin , Chairman	101,240	721
Tapio Hakakari , Vice Chairman	69,240	495
Kimmo Alkio , member ¹	36,667	169
Jorma Eloranta , member	53,000	359
Peter Immonen , member	53,000	359
Antti Lagerroos , member ²	11,000	203
Kaisa Olkkonen , member ¹	44,667	169
Teuvo Salminen , member	70,000	495
Anja McAlister (Silvennoinen) , member ²	12,000	203
Heikki Soljama , member ¹	38,667	169
Total	489,481	3,342

* Including annual remuneration and meeting attendance fees

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

¹ as of 22 March 2016

² until 22 March 2016

CEO and Executive Board

For the financial period 2016, the base salary of Cargotec's CEO Mika Vehviläinen was EUR 686,168 including fringe benefits. In addition, he received a short-term incentive payout of EUR 559,707 (payout is based on 2015 performance) and long-term incentive payout of

EUR 443,674 (restricted shares programme). The CEO is covered by Cargotec's short-term incentive programme and share-based incentive programmes. The remuneration paid to the CEO and the Executive Board members in 2016 is stated in the following table:

Remuneration paid during 2016, EUR	CEO Mika Vehviläinen	Other members of Executive Board *
Base salary including fringe benefits	686,168	1,971,142
Short-term incentives (based on 2015 performance)	559,707	1,100,095
Long-term incentives (restricted shares, taxable gross amount)	443,674	676,391
Long-term incentives (2010 B options, taxable gross amount)	0	3,656
Total	1,689,549	3,751,284

* Mikael Laine, Mikko Pelkonen, Mikko Puolakka (as of 1 May 2016), Eeva Sipilä (until 31 July 2016), Antti Kaunonen (as of 1 July 2016), Olli Isotalo (until 30 June 2016), Roland Sundén, Michel van Roozendaal. Summary table does not include termination benefits of EUR 474,601 (payments related to short- and long-term incentives).

The following table summarises the actual number of class B shares delivered (net, after deduction of taxes and employment-related expenses) to the CEO and other members of the Executive Board in 2016:

Actual number of shares delivered in 2016	CEO Mika Vehviläinen	Other members of Executive Board
2014–2016 restricted shares programme; 2015 earning period, 2016 restriction period; class B shares	8,097	13,174

The following table summarises Cargotec 2010 B options exercised by the CEO and other members of the Executive Board in 2016:

Options exercised in 2016	CEO Mika Vehviläinen	Other members of Executive Board
2016 opening / closing balance: 2010 B options	0 / 0	640 / 0

The following table summarises the gross value in Euros of long-term incentives granted to the CEO and other members of the Executive Board in 2016:

Gross LTI value granted in 2016, EUR	CEO Mika Vehviläinen	Other members of Executive Board
2016 share-based incentive programme; earning period 2016–2019, on target performance (gross in euros, before deduction of taxes and employment related expenses)	792,000	1,275,504
2014–2016 restricted shares programme; earning period 2016 (gross in euros, before deduction of taxes and employment-related expenses)	264,000	437,739
Total	1,056,000	1,713,243