

Cargotec corporate governance statement 2014

Cargotec's governance and management are based on the Finnish Limited Liability Companies Act and Securities Markets Act, the company's Articles of Association and the rules and guidelines of NASDAQ OMX Helsinki Ltd. Cargotec complies without exception with the Finnish Corporate Governance Code 2010 (www.cgfinland.fi/en).

At the Shareholders' meeting, Cargotec's shareholders exercise the highest decision-making power. The company is managed by the Board of Directors and the President and CEO.

Cargotec has three business areas: MacGregor, Kalmar and Hiab. Cargotec Corporate's role is to act as a strategic architect to maximise shareholder value and support the business areas in fulfilling the requirements, rules and regulations set for listed companies.

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 at www.cargotec.com > Investors > Governance.

Shareholders' meeting

Cargotec's Shareholders' meeting is convened by the Board of Directors and held in the company's domicile, Helsinki, Finland. The Annual General Meeting (AGM) is held annually within three months of the closing of the financial period, on a day designated by the Board. An Extraordinary Shareholders' meeting in respect of specific matters shall be held when considered necessary by the Board, or when required by law.

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 President and CEO, 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, 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.

Notice of the Shareholders' meeting is published as a stock exchange release and on Cargotec's website. This notice includes the agenda for the meeting, proposals made by the Board and the Board committees to the meeting and instructions regarding registration and attendance. Shareholders have the right to attend the Shareholders' meeting if they have been entered into the register of shareholders at least eight working days before the meeting and if they have notified the company

of their intention to attend in the manner specified in the notice of the meeting. Holders of nominee-registered shares can also attend the Shareholders' meeting by registering themselves in the register of shareholders on a temporary basis. A shareholder can attend the Shareholders' meeting either in person or via a representative authorised by the shareholder. In the meeting, all shareholders have the right to raise questions and propose resolutions regarding issues on the agenda.

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.

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The AGM held in Helsinki on 18 March 2014 was attended by 390 shareholders representing 80 percent of the total voting rights of the company. In addition to decisions taken on an annual basis, the AGM authorised the Board of Directors to decide on the acquisition of treasury shares and the issuance of shares as well as the issuance of options and other special rights entitling to shares. All documents related to the AGM are available in the AGM archives on the company website at www.cargotec.com > Investors > Governance > Shareholders' meeting.

Board of Directors

Composition

Cargotec's Board of Directors includes a minimum of five and a maximum of eight regular members, as well as a maximum of three deputy members. Board members are elected in the AGM for a one-year term of office that expires at the end of the first AGM following the election. The Board elects the Chairman and Vice Chairman from among its members. 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. In the election of Board members, due attention is paid to ensuring that members mutually complement one another in terms of experience and expertise in the company's line of business and its stage of development.

Responsibilities

The Board confirms Cargotec's strategy and will monitor 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 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 financial statements and interim reports and the supervision of accounting and the control of the company's financial matters. The Board decides on significant loans, acquisitions and investments and approves the annual and long-term business plans and budgets as well as risk management principles. The Board approves the long- and short-term incentive programmes and their outcome. The Board appoints Cargotec's President and CEO and determines the related terms of employment. As defined in the Board annual plan, the Board has theme meetings in which issues associated with one business area at a time or other current theme are discussed.

Self-assessment and assessment of independence

The Board conducts an annual internal self-assessment to review its own performance and procedures. The Board also conducts, annually and when necessary, an assessment of its members as regards their independence of the company and major shareholders.

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Name	Born	Education / Title	Main position	Independence
Ilkka Herlin <i>Chairman</i>	1959	Ph.D., D.Sc. (Tech) h.c., D.Sc. (Agr & For) h.c.	Chairman and owner of Wipunen varainhallinta oy, Chairman of Foundation for a Living Baltic Sea	Independent of the company, significant shareholder
Tapio Hakakari <i>Vice Chairman</i>	1953	LL.M.	Non-executive director	Independent
Jorma Eloranta	1951	M.Sc. (Tech), D.Sc. (Tech) h.c.	Non-executive director	Independent
Peter Immonen	1959	M.Sc. (Econ)	Chairman, WIP Asset Management Oy	Independent of the company, non-independent of significant shareholders
Antti Lagerroos	1945	LL.Lic.	Non-executive director	Independent
Teuvo Salminen	1954	M.Sc. (Econ)	Non-executive director	Independent
Anja Silvennoinen	1960	M.Sc. (Eng), MBA	Vice President, Pöyry Management Consulting Oy	Independent

In 2014, the Board met ten times and the attendance rate was 100%. The Board concentrated especially on the development and improvement of profitability of the three business areas and monitored the implementation of their most important goals. The Board evaluated its work in December with help of a self-evaluation questionnaire. Among other things, the members considered the role of the Board with regard to the business areas, decision-making process, the strategy work and the Board's ability to perceive the social and environmental effects of its resolutions. Outi Aaltonen, Senior Vice President, General Counsel, served as the Secretary to the Board of Directors.

The CV details of the Board members and information of the ownership in Cargotec, updated every stock exchange trading day, are available on the company website www.cargotec.com.

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, and confirms the committees' written charters. The committees have no independent decision-making power, but prepare issues which will 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 Corporate Audit plans and reports. Furthermore, the committee prepares a proposal to the Annual General Meeting regarding the election and fees of the external auditor, defines and monitors the non-audit services performed by the auditing firm to ensure the auditors' independence, and monitors the statutory audit of financial statements and consolidated financial statements. The committee also reviews the Corporate governance statement.

The Audit and Risk Management Committee consists of a minimum of three members of the Board of Directors. The directors of Finance, Treasury, Taxes, Corporate Audit and Risk Management report to the committee on a regular basis. Representatives of the auditing firm also attend meetings. If the matters to be dealt with so require, the committee convenes without the presence of the company's management. The committee conducts annual internal self-assessments to review its own performance.

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The Audit and Risk Management Committee was chaired by Teuvo Salminen and its members were Ilkka Herlin and Anja Silvennoinen. Committee members were independent of the company and, with the exception of Ilkka Herlin, independent of major shareholders. It is the Board of Directors' opinion that Ilkka Herlin's committee membership as a major shareholder is justified. Committee members possess years of experience in business management duties.

In 2014, the committee met six times and all members attended each meeting. Along with the financial, treasury, tax and risk management issues, the committee monitored Kalmar's project management closely, as well as the implementation of the enterprise resource planning system for the sales and service network. The committee evaluated the development needs of its work by means of an annual self-evaluation.

Nomination and Compensation Committee

The Nomination and Compensation Committee prepares a proposal to Cargotec's Annual General Meeting concerning the composition and remuneration of the Board of Directors. The committee prepares a proposal to the Board regarding the appointment of the President and CEO and the terms of employment, and prepares the nomination and remuneration issues of other top management members as needed before Board approval. The committee handles and prepares Cargotec's pay strategy and the long- and short-term incentive programmes and follows their outcome and functionality. The Nomination and Compensation Committee consists of a minimum of three Board members. The committee convenes as needed but at least three times a year.

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

In 2014, the Nomination and Compensation Committee convened five times and the attendance rate was 95%. The committee's agenda comprised of development of an incentive programme for the top management and the remuneration strategy, top management evaluations, planning of key person appointments and remuneration as well as evaluation of the development of the organisation models.

President and CEO

The Board of Directors appoints Cargotec's President and CEO and determines the related terms of employment, defined in a written employment contract. The President and 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 performance of the President and CEO is evaluated by the Board, as is the achievement of targets set by the Board.

Cargotec's President and CEO is **Mika Vehviläinen**, Master of Science (Economics).

Executive Board

Supporting the President and CEO in his duties, the Executive Board is responsible for business development and the company's operational activities in accordance with targets set by the Board of Directors and the President and CEO. The Executive Board also defines operative principles and procedures in accordance with guidelines set by the Board. The Executive Board convenes every month and whenever necessary and concentrates on the strategic issues of the group and the business areas. On the agenda there are regular reports and questions concerning the development of the financials, governance, corporate responsibility and development projects. The President and CEO acts as Chairman of the Executive Board.

The composition of the Executive Board during 2014 was as follows:

Mika Vehviläinen, President and CEO, acting President of Hiab 25 October 2013 – 30 April 2014, acting President of MacGregor as of 12 June 2014, born 1961, Finnish, M. Sc. (Econ)

Eeva Sipilä, Executive Vice President, Chief Financial Officer, born 1973, Finnish, M.Sc. (Econ), CEFA

Mikael Laine, Senior Vice President, Strategy as of 7 April 2014, born 1964, Finnish, M.Sc. (Econ)

Mikko Pelkonen, Senior Vice President, Human Resources, born 1970, Finnish, B.A.

Olli Isotalo, President, Kalmar, born 1959, Finnish, M.Sc. (Eng)

Roland Sundén, President, Hiab as of 1 May 2014, born 1953, Swedish, M.Sc. (Mech Eng)

Eric A. Nielsen, President, MacGregor until 12 June 2014, born 1959, American, B. Sc. (Mech Eng), MBA

Otti Aaltonen, Senior Vice President, General Counsel, served as the Secretary to the Executive Board. The Executive Board's CV details and information of the ownership in Cargotec, updated every stock exchange trading day, are available on the company website www.cargotec.com.

In addition to the Executive Board members, the Extended Executive Board included **Otti Aaltonen**, Senior Vice President, General Counsel; **Stephen Foster**, Senior Vice President, Corporate Audit; **Soili Mäkinen**, Chief Information Officer; and **Anne Westersund**, Senior Vice President, Communications and Public Affairs. They support the Executive Board in their fields of expertise.

Insiders

Cargotec applies the insider guidelines of NASDAQ OMX Helsinki Ltd, in addition to which Cargotec's Board of Directors has approved internal insider guidelines based on the NASDAQ OMX guidelines.

Insider registers

In compliance with the Finnish Securities Markets Act, Cargotec's permanent public insiders due to their positions are the members of the Board, the President and CEO, the auditors, and members of the Executive Board as defined by the company. Information in the public register of insiders is updated every stock exchange trading day and is available on the company website www.cargotec.com > Investors > Shareholders > Insider register.

The company's permanent company-specific group of insiders includes people employed by the company, and people who work for it under contract, and who, due to their duties, have regular access to insider information. People who, on the basis of an employment or other contract, work for the company and obtain insider information associated with a specific project, are entered in the company's project-specific insider register, which is established when necessary.

Trading rules

Permanent insiders are prohibited from trading in Cargotec's securities for 21 days prior to the publication of Cargotec's interim reports or financial statement releases (closed window). Project-specific insiders are prohibited from trading in the company's securities until the project concerned has been cancelled or disclosed.

Insider administration

Corporate Legal is responsible for adherence to insider guidelines and for monitoring the duty to declare as well as the maintenance of insider registers. The company maintains its insider registers in Euroclear Finland Oy's SIRE system.

External audit

The statutory external audit for the financial period includes 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 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.

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The AGM re-elected Authorised Public Accountants (APA) Jouko Malinen and PricewaterhouseCoopers Oy as Cargotec's auditors. PricewaterhouseCoopers nominated APA Tomi Hyryläinen as its principal auditor. Auditors' fees are compensated against an invoice.

PricewaterhouseCoopers Oy, APA, has acted as Cargotec's auditor since 2005. Jouko Malinen, APA, has acted as the principal auditor nominated by the auditing firm 2005–2012.

Audit fees

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Annual audit	2.6	2.4
Tax advice	1.1	0.7
Other services	1.2	2.4
Total	4.9	5.5

Internal control 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 OMX 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 in Cargotec's intranet and on the company website at www.cargotec.com > Investors > Investor services. Investor Relations together with Corporate Communications are responsible for ensuring the accuracy of and compliance with the policy.

Internal control

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, its risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on its values and the code of conduct. With respect to the financial reporting process, these are supported by Cargotec's policies and guidelines, as well as its 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.

Cargotec's Corporate Audit is an independent and objective assurance and consulting activity that operates separately from the operative organisation and reports to the Board Audit and Risk Management Committee and, administratively, to the President and CEO. Corporate Audit takes account of the major risks identified in the company's risk map when developing the audit plan and monitors the risk mitigation of selected risks. The audits of the operations of selected subsidiaries and business units assess the effectiveness of internal control and risk management, as well as compliance with operating principles and guidelines. Furthermore, Corporate Audit audits and assesses financial reporting processes and compliance with the related control measures in Cargotec units. It regularly reports on its findings and audit activities to the company management and the Board Audit and Risk Management Committee.

Risk management

In Cargotec, risk management forms part of internal control operations. Approved by the Board of Directors and based on Cargotec's values, the risk management policy specifies the objectives and principles of the risk management as well as the responsibilities involved. A 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 President and CEO and the Executive Board are responsible for the methods, implementation and supervision of risk management, and report on these to the Board of Directors. Cargotec's risk management is spread across units and corporate support functions that assign responsibility for risk management and which are in charge of identifying, managing and reporting risks. Financial risks are centrally managed by the Corporate Treasury, which draws up financial risk reports for corporate management and the Board of Directors on a regular basis.

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 President and CEO, the Executive Board 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 reporting unit level, and then in review meetings of operative management on division level, followed by business area level review. Finally, the reports are discussed at the Extended Executive Board'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 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.

► 2014

The roll-out of a common enterprise resource planning (ERP) system for the sales and service network of Hiab and Kalmar continued from Europe and Asia to the United States. During the year the ERP system and the reporting tools were further developed to support more effective use of working capital and project management. As part of the common system, countries have started to make use of Cargotec's Service Centre for financial services. The common system and process improve transparency and the internal controls of the reporting process. At MacGregor, the development concentrated on the integration of the two acquired companies. The enterprise resource planning system was also updated to a new version.