

# Cargotec corporate governance statement 2015

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 Helsinki Ltd. Cargotec complies without exception with the Finnish Corporate Governance Code 2010 ([www.cgfinland.fi/en](http://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: Kalmar, Hiab and MacGregor. 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](http://www.cargotec.com) > Investors > Governance. Up-to-date information will be presented on the website.

## 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. Shareholders have the right to have matters falling within the competence of the Shareholders' meeting dealt with by the meeting, if they so request in writing from the Board no later than four weeks before the notice of the Shareholders' meeting is published.

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.

## ► 2015

The AGM held in Helsinki on 18 March 2015 was attended by 535 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. The minutes of meeting and all other documents related to the AGM are available in the AGM archives on the company website at [www.cargotec.com](http://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, strategic focus areas and Board work.

## 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 execution of the strategy 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.

## 2015

Name	Born, nationality	Education/Title	Main position	Independence
<b>Ilkka Herlin</b> Chairman	1959, Finnish	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
<b>Tapio Hakakari</b> Vice Chairman	1953, Finnish	LL.M.	Non-executive director	Independent
<b>Jorma Eloranta</b>	1951, Finnish	M.Sc. (Tech), D.Sc. (Tech) h.c.	Non-executive director	Independent
<b>Peter Immonen</b>	1959, Finnish	M.Sc. (Econ)	Chairman, WIP Asset Management Oy	Independent of the company, non-independent of significant shareholders
<b>Antti Lagerroos</b>	1945, Finnish	LL.Lic.	Non-executive director	Independent
<b>Teuvo Salminen</b>	1954, Finnish	M.Sc. (Econ), APA exam 1983	Non-executive director	Independent
<b>Anja Silvennoinen</b>	1960, Finnish	M.Sc. (Eng), MBA	Vice President, Pöyry Management Consulting Oy	Independent

In 2015, the Board met ten times. The attendance in the meetings is reported in the table on page 3. The key themes on the Board's agenda were the development and monitoring of Cargotec's portfolio and strategy. Corporate level must-win battles are services, digitalisation and people leadership, which were discussed in specific theme meetings. 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 and members of the Board, 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](http://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 in its organising meeting 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. President and CEO, CFO and director of Corporate Audit as well as representatives of the auditing firm attend the meetings. The directors of Group Control, Treasury, Taxes and Risk Management 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 committee conducts annual internal self-assessments to review its own performance.

#### ► 2015

The Audit and Risk Management Committee was chaired by Teuvo Salminen and its members were Ilkka Herlin and Anja Silvennoinen. 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 2015, the committee met five times and the attendance in the meetings is reported in the table below. Along with the financial, treasury, tax and risk management issues, the committee monitored the implementation of the enterprise resource planning system for the sales and service network as well as the corporate-wide development programme concerning controls.

#### 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.

#### ► 2015

Ilkka Herlin acted as chairman of the committee, and the members were Tapio Hakakari, Peter Immonen, Antti Lagerroos until 18 March 2015 and Jorma Eloranta as of 19 March 2015. 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 2015, the Nomination and Compensation Committee convened six times and the attendance in the meetings is presented in the table below. 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.

#### Participation in meetings, Board and committees 2015

Name	Board of Directors	Audit and risk management committee	Nomination and compensation committee
Ilkka Herlin	10/10 (Chairman)	5/5	6/6 (Chairman)
Tapio Hakakari	10/10 (Vice Chairman)		6/6
Jorma Eloranta	10/10		4/4 (member as of 19 March 2015)
Peter Immonen	10/10		6/6
Antti Lagerroos	10/10		2/2 (member until 18 March 2015)
Teuvo Salminen	10/10	5/5 (Chairman)	
Anja Silvennoinen	9/10	3/5	

## 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. Outi 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](http://www.cargotec.com).

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

Name	Born, nationality	Position	Education
Mika Vehviläinen	1961, Finnish	President and CEO, Acting President, MacGregor 6/2014–7/2015	M. Sc. (Econ)
Eeva Sipilä	1973, Finnish	Chief Financial Officer	M.Sc. (Econ), CEFA
Mikael Laine	1964, Finnish	Senior Vice President, Strategy	M.Sc. (Econ)
Mikko Pelkonen	1970, Finnish	Senior Vice President, Human Resources	B.A.
Olli Isotalo	1959, Finnish	President, Kalmar	M.Sc. (Eng)
Roland Sundén	1953, Swedish	President, Hiab	M.Sc. (Mech Eng)
Michel van Roozendaal	1963, Netherlandish	President, MacGregor as of 8/2015	M.Sc. (Aero-space Eng), MBA

## Insiders

Cargotec applies the insider guidelines of Nasdaq Helsinki Ltd, in addition to which Cargotec's Board of Directors has approved internal insider guidelines based on the Nasdaq Helsinki 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](http://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.

### ► 2015

The AGM elected Authorised Public Accountants (APA) Tomi Hyryläinen and PricewaterhouseCoopers Oy as Cargotec's auditors. PricewaterhouseCoopers nominated APA Ylva Eriksson as its principal auditor. Auditors' fees are compensated against an invoice. PricewaterhouseCoopers Oy has acted as Cargotec's auditor since 2005. Competitive tendering for the audit last took place for the financial year starting in 2012.

### Auditors' fees

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Annual audit	2.6	2.6
Tax advice	1.5	1.1
Other services	0.9	1.2
Total	5.0	4.9

## 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 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](http://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, risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on 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 mitigation of selected risks. The audits of the operations of 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, and reported on 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 and group management level reviews. 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.

### **► 2015**

A corporate-wide development programme was launched, aiming to clarify and reinforce shared principles and ways of working and to strengthen internal control. The roll-out of the common enterprise resource planning (ERP) system for the sales and service network of Hiab and Kalmar continued and it was decided to start planning the expansion of the system to MacGregor. Multifaceted reporting tools, based on common systems, were developed to support the financial performance monitoring and comparability. 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.