

Cargotec remuneration statement 2015

The remuneration statement presents Cargotec's decision-making procedure, remuneration principles and the remuneration paid to members of the Board of Directors, President and CEO and the Executive Board in 2015.

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 of Director'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 President and CEO and the Executive Board. The policy is approved by the Board of Directors. Based on a proposal by the NCC, the Board of Directors decides on the annual base salary, short-term incentive programmes and benefits of the President and 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

Cargotec's remuneration policy 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 through Corporate initiatives.
- 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.

President and CEO and the Executive Board

The total remuneration structure of the President and CEO and the 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>Performance targets:</p> <ul style="list-style-type: none"> • Financial (2015 cash flow and EBIT) • Strategic individual targets • 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"> • President and CEO: 60%/120% • Business Area President: 50%/100% • Other Executive Board member: 40%/80%
Long-term Incentives (LTI)	<p>Three-year earning period, performance measurement in two phases. Performance targets:</p> <ul style="list-style-type: none"> • Phase 1: 2015 ROCE • Phase 2: Cargotec 2015–2017 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"> • President and 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. The LTI reward vests and is delivered in shares after Phase 2, in the spring 2018. 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	<p>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 20–60% of annual base salary.</p> <p>Threshold level for financial performance (ROCE) is set by the Board. One-year earning period is followed by one-year restriction period.</p>
Pension	<p>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 current legislation.</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 six 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 18 March 2015, the Board's annual remunerations for the year 2015 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 2015 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	741
Tapio Hakakari , Vice Chairman	71,240	509
Jorma Eloranta , member	54,000	369
Peter Immonen , member	56,000	369
Antti Lagerroos , member	52,000	369
Teuvo Salminen , member	70,000	509
Anja Silvennoinen , member	52,000	369
Total	456,480	3,235

* Including annual remuneration, meeting attendance fees and fringe benefits

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

President and CEO and the Executive Board

For the financial period 2015, the base salary of Cargotec's President and CEO Mika Vehviläinen was EUR 625,088 including fringe benefits. In addition, he received a short-term incentive payout of EUR 345,149 (payout is based on 2014 performance). The President and CEO is

covered by Cargotec's share-based incentive programmes and short-term incentive programme. The monetary remuneration paid to the President and CEO and the Executive Board members in 2015 is stated in the following table:

	Base salary including fringe benefits, EUR	Short-term incentive payout (based on 2014 performance), EUR
President and CEO Mika Vehviläinen 1 Jan - 31 Dec 2015*	625,088	345,149
Other members of the Executive Board 1 Jan - 31 Dec 2015**	1,540,269	564,167

* There was no increase in base salary in 2015. Accrued number of vacation days and holiday pay was higher in 2015 when comparing to previous year.

** Olli Isotalo, Roland Sundén, Michel van Roozendaal (as of 1 August 2015), Mikael Laine, Mikko Pelkonen, Eeva Sipilä.

The following table summarises the total number of shares (gross) granted to the President and CEO and other members of the Executive Board in 2015:

Gross number of shares granted in 2015	President and CEO Mika Vehviläinen	Other members of Executive Board
2015 share-based incentive programme; earning period 2015–2017, on target performance, class B shares (gross, before deduction of taxes and employment related expenses)	20,123	38,168
2014–2016 restricted shares programme; earning period 2015, class B shares (gross, before deduction of taxes and employment-related expenses)	10,106	21,075

The following table summarises the actual number of class B shares delivered (net, after deduction of taxes and employment-related expenses) to the President and CEO and other members of the Executive Board in 2015:

Actual number of shares delivered in 2015	President and CEO Mika Vehviläinen	Other members of Executive Board
2014–2016 restricted shares programme; 2014 earning period, 2015 restriction period; class B shares	10,782	11,490

The following table summarises Cargotec 2010 A and B options exercised by the President and CEO and other members of the Executive Board in 2015:

Options exercised in 2015	President and CEO Mika Vehviläinen	Other members of Executive Board
2015 opening/closing balance: 2010 A options	60,500/0	6,000/0
2015 opening/closing balance: 2010 B options	0/0	640/640