

CARGOTEC REMUNERATION STATEMENT 2017

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 2017.

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 yearly 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>2017 annual bonus programme performance targets:</p> <ul style="list-style-type: none"> • Financial, 60% weight (2017 cash flow and operating profit) • Strategic individual targets, 40% weight • Threshold, target and maximum performance levels defined <p>Target (maximum) incentive levels 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>2017 share-based incentive programme: Performance period 2017–2018 + ownership and value creation period 2019; in total 3-year long-term incentive programme.</p> <p>Performance period includes two measuring periods, both lasting for one calendar year. Performance targets for measuring period 2017:</p> <ul style="list-style-type: none"> • Cargotec or Business Area participants: Service gross profit and Return on Capital Employed (ROCE %, excluding restructuring costs) • Navis software division participants: Navis' sales and on strategic targets of Xvela business <p>Performance targets for measuring period 2018 will be set in the beginning of the year by the Board of Directors.</p> <p>After the end of the performance period, the Board of Directors will confirm the cumulative amount of rewards earned from the measuring periods 2017 and 2018, and potential rewards from the performance period 2017–2018 will be paid partly in Cargotec's class B shares and partly in cash in 2019 (the cash portion of the reward will cover the tax and tax-like payments arising from the reward). The shares paid as reward may not be transferred during an approximate one-year ownership and value creation period established for the shares.</p> <p>Target (maximum) number of net shares allocated for the performance period 2017–2018:</p> <ul style="list-style-type: none"> • CEO: 9,300 (18,600) • Other Executive Board members: 3,050–3,810 (6,100–7,620) <p>Target (maximum) gross incentive level as a % of gross annual base salary for the performance period 2017–2018:</p> <ul style="list-style-type: none"> • CEO: 120% (240%) • Other Executive Board members: 80–100% (160–200%) <p>No share delivery if a termination notice has been delivered by either party prior to the share delivery.</p> <p>Share ownership recommendation for the Executive Board members: 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: Board of Directors may decide to cut or cancel rewards and recover already delivered rewards from the participant in case of misconduct.</p> <p>In addition to the 2017 share-based incentive programme, there are two earlier established long-term incentive programmes:</p> <ul style="list-style-type: none"> • 2015 share-based incentive programme (incentive payout in spring 2018) • 2016 share-based incentive programme (incentive payout in spring 2019)
Restricted shares	As a part of total remuneration, additional restricted shares can be granted to selected Executive Board members. Gross reward, before deduction for the applicable taxes and employment related expenses, is in range of 20–100% of the 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	The CEO is entitled to a supplemental pension benefit. According to the pension agreement, the CEO is entitled to retire between the age of 60–65. A EUR 500,000 contribution has been paid in 2017 to insurance company administering the pension benefit. Any additional contributions to the CEO's supplemental pension benefit are approved by the Board of Directors (pension contributions are subject to performance criteria set by the Board of the Directors). Other Finnish members of the Executive Board are entitled to a statutory pension. Their retirement age is determined in accordance with the statutory pension scheme in Finland. Hiab and MacGregor Business Area Presidents have supplemental defined contribution pension plans, following the local market practice.
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 21 March 2017, the Board's annual remunerations for the year 2017 are as follows:

- Chairman: EUR 85,000
- Vice Chairman: EUR 60,000
- Chairman of the Audit and Risk Management Committee: EUR 60,000
- Other Board members: EUR 45,000

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 2017 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	124,240	721
Tapio Hakakari, Vice Chairman	88,990	503
Kimmo Alkio, member	64,000	374
Jorma Eloranta, member	70,000	374
Peter Immonen, member	70,000	374
Teresa Kemppe-Vasama, member ¹	54,000	253
Johanna Lamminen, member ¹	54,000	253
Kaisa Olkkonen, member	69,000	374
Teuvo Salminen, member	86,750	503
Heikki Soljama, member	64,000	374
Total	744,980	4,103

*Including Board remuneration for period of 1 January 2017–31 March 2018, meeting attendance fees and fringe benefits for period of 1 January 2017–31 December 2017.

**Value included in remuneration for Board membership and Board work. Number of shares includes in addition last quarter 2016 remuneration paid in February 2017.

¹Since 21 March 2017

CEO and Executive Board

For the financial period 2017, the base salary of Cargotec's CEO Mika Vehviläinen was EUR 706,860 including fringe benefits. In addition, he received a short-term incentive payout of EUR 575,505 (payout is based on 2016 performance) and long-term incentive payout of EUR 1,055,946

in total. 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 2017 is stated in the following table:

Remuneration paid during 2017, EUR	CEO Mika Vehviläinen*	Other members of Executive Board (in aggregate)**
Base salary including fringe benefits	706,860	2,005,484
Short-term incentives (based on 2016 performance, taxable gross amount before deduction of taxes and employment-related expenses)	575,505	993,200
Long-term incentives: 2014 share-based incentive programme payout (taxable gross amount before deduction of taxes and employment-related expenses)	797,666	698,466
Long-term incentives: 2016 restricted shares programme payout (taxable gross amount before deduction of taxes and employment-related expenses)	258,280	428,219
Total	2,338,311	4,125,369

*In addition, CEO Mika Vehviläinen received EUR 500,000 supplemental pension contribution in 2017.

**Mikael Laine, Mikko Pelkonen, Mikko Puolakka, Antti Kaunonen, Roland Sundén, Michel van Roozendaal.

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 2017:

Actual number of shares delivered in 2017	CEO Mika Vehviläinen	Other members of Executive Board (in aggregate)
2014 share-based incentive programme: 2014–2016 earning period; class B shares	9,176	7,491
2014–2016 restricted shares programme: 2016 earning period, 2017 restriction period; class B shares	2,971	2,234
2016–2018 restricted shares programme: 2016 earning period, 2017 restriction period; class B shares	-	2,839
Total	12,147	12,564

The following table summarises the net number of shares granted to the CEO and other members of the Executive Board in 2017 (possible incentive payout in spring 2019):

Net number of shares granted in 2017	CEO Mika Vehviläinen	Other members of Executive Board (in aggregate)
2017 share-based incentive programme: Performance period 2017–2018 + value creation period 2019, on target performance, net number of shares. Additionally cash portion to cover taxes.	9,300	22,100

The following table summarises the gross value in euros of restricted shares granted to the CEO and other members of the Executive Board in 2017 (possible incentive payout in spring 2018):

Gross LTI value granted in 2017, EUR	CEO Mika Vehviläinen	Other members of Executive Board (in aggregate)
2016–2018 restricted shares programme; earning period 2017 (gross in euros, before deduction of taxes and employment-related expenses)	-	350,000