

REMUNERATION POLICY

This Remuneration Policy (“the Policy”) presents the remuneration framework for the members of the Board of Directors (“the Board”) and the CEO (“the CEO”) of Cargotec. This Policy shall also be applied to any Deputy CEO, should such Deputy CEO be appointed.

In accordance with the implementation of the amended European Shareholder Rights Directive (SRD) in Finland, this Policy will be presented at the Annual General Meeting (AGM) on the 17th of March 2020. The AGM resolution is advisory, but all remuneration shall be in line with this Policy presented to shareholders. The Policy is intended to remain in place for four years until 2024 AGM.

Our approach to remuneration

Our Remuneration Policy reinforces Cargotec’s values and ethical principles, aligns remuneration with the successful delivery of our strategy and creating long-term shareholder value.

Our approach to remuneration 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 based on business affordability to justify the spending of compensation euros.
- We reinforce a high-performing culture – We pay for performance and behaviors 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 fair and are understood and valued by employees.

The variable, performance-based incentives – short- and long-term incentive programmes are designed to be the largest component of remuneration, thereby strengthening the alignment between remuneration and company performance, and reflecting our philosophy that CEO remuneration should be closely tied to the strategy aimed at long-term value creation.

STI and LTI performance measures are determined annually and reflect our key performance indicators. The ability to set non-financial STI performance measures further contributes to alignment between the Remuneration Policy and sustainability as well as the company values.

The Board is also mindful of shareholders’ views and welcomes all stakeholders’ feedback on the Policy and its implementation.

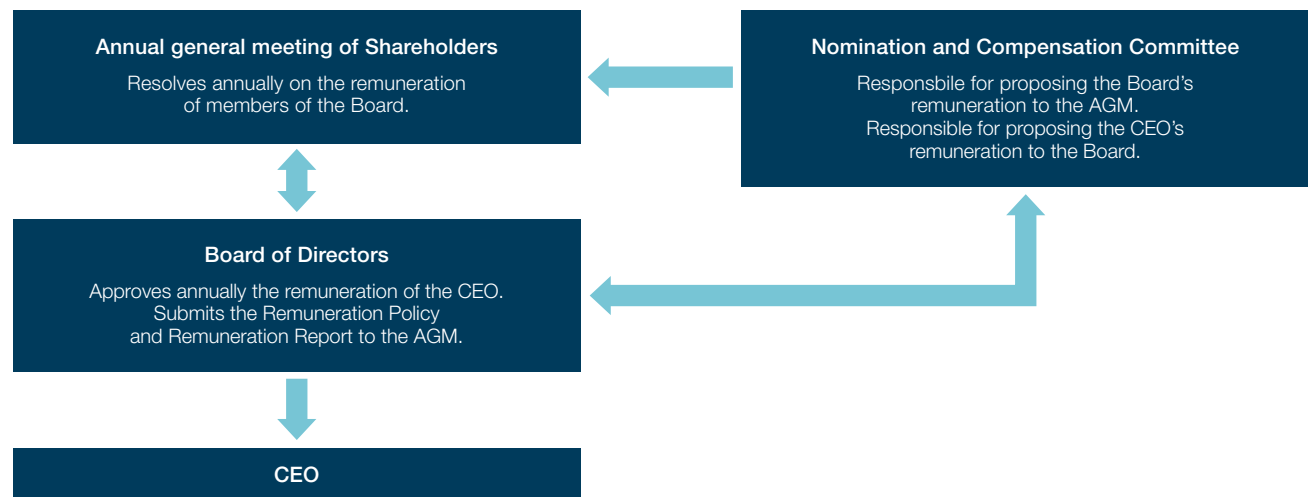
Remuneration governance

Remuneration at Cargotec is managed through clearly defined processes and involves the Annual General Meeting of Shareholders (AGM), the Board of Directors (Board) and the Board’s Nomination and Compensation Committee (NCC).

The AGM resolves annually on the remuneration of members of the Board of Directors, based on a proposal made by the Board’s Nomination and Compensation Committee (NCC), which takes into account Cargotec’s Board remuneration principles. The Board remuneration principles shall not restrict the shareholders’ ability to resolve on Board remuneration.

Upon the recommendation of the NCC, the Board submits the Remuneration Policy (at least within every 4 years) and Remuneration Report (annually

Remuneration governance model



starting in 2021) to the AGM. Board approves annually the remuneration of the CEO based on the proposal by the NCC within the confines of this Remuneration Policy.

Remuneration of the Board of Directors

Under the regulations applicable to Cargotec, the shareholders resolve annually on Board remuneration based on a proposal made by the NCC. The Board Remuneration Policy shall not restrict the shareholders’ ability to resolve on Board remuneration.

In determining such remuneration, the committee takes account of the Board members’ responsibilities and obligations towards the company. Furthermore, the NCC compares the Board’s remuneration to other companies of the same size operating in a comparable business environment.

Given the nature of the Board duties and responsibilities, the remuneration is not linked to the Company performance and, therefore includes fixed remuneration only which can be paid in cash or shares.

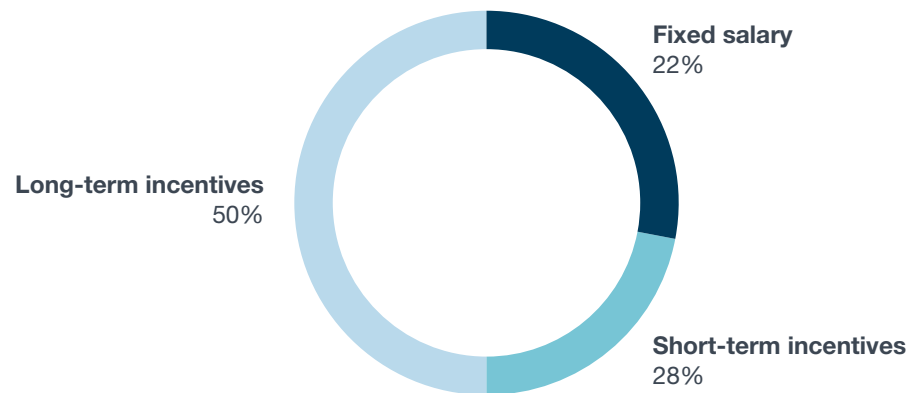
Details of the Board actual annual remuneration, as resolved by the shareholder meetings, are reported each year in the Remuneration Report.

Remuneration of the CEO

Remuneration elements

The remuneration of the CEO and Deputy CEO (if any) may consist of fixed salary, pension, and other benefits and programmes, and of variable pay components. The variable pay includes both short- and long-term incentives. To illustrate how the Policy will be implemented, the chart below shows the relative proportions of the different elements of pay at maximum level.

CEO’S RELATIVE PROPORTION OF PAY COMPONENTS (maximum allocation)



Note to the relative proportion of pay components: Long-term incentives valued at the date of grant.

Remuneration element	Purpose and link to strategy	Description and operation
Fixed salary	To attract and retain individuals with the required skills and experience to lead our businesses	<p>Fixed salary is typically reviewed annually.</p> <p>The Board may consider various factors when determining any fixed salary changes, including the level of salary increases for Cargotec's employees globally, market benchmark data, business performance, role scope and individual performance.</p> <p>The actual fixed salary and annual increases will be reported in the annual Remuneration Report.</p> <p>The Board considers the remuneration of employees and the average annual global increases an important element in determining the annual base salary increase for the CEO.</p> <p>Definition of fixed salary varies per country based on local legislation and market practice. In Finland, it normally includes base salary inclusive of fringe benefits.</p> <p>Annual fixed salary may additionally include holiday pay based on the local legislation and market practice.</p>
Short-term incentive (STI)	To reward and incentivise achievement of our financial, strategic, operational and sustainability targets aligned with our business strategy	<p>The short-term incentive can range from 0%-130% of fixed salary.</p> <p>Performance measures, weightings and targets for the selected measures are set annually by the Board of Directors to ensure they continue to support Cargotec's short-term business strategy. These can vary from year to year to reflect business priorities and typically include a balance of Group's financial performance measures (for example profitability and cash flow revenue measures) and non-financial measures (for example key operational, strategic, environmental, social, governance or other sustainability related measures) provided that in any given year the majority of weighting will be on financial performance measures. The STI performance period (earning period) is 1 year.</p> <p>Through the combination of these financial measures with the non-financial measures STI will contribute to the long-term interests and sustainability of the company.</p> <p>Details of actual performance measures applied for each year and how they support the business strategy will be disclosed in the annual Remuneration Report.</p> <p>Following the end of the year the Board of Directors reviews the performance and determines the extent to which each of the targets have been achieved, to determine the final pay-out level.</p> <p>Incentive deferral can be applied, if decided by the Board.</p>
Long-term incentive (LTI)	To commit to the long-term interests of the company and offer a competitive, ownership-based reward scheme.	<p>The long-term incentive can range from 0%-230% of fixed salary.</p> <p>Long-term incentive reward is typically paid in the form of performance shares with shares becoming unrestricted at the end of a three-year programme period. The LTI performance period (earning period) is 3 years, this may be divided into shorter measuring periods if decided by the Board.</p> <p>Performance measures, weightings and targets for these selected measures are set annually by the Board of Directors to ensure they continue to support Cargotec's long-term strategy. Performance measures may include, but are not limited to, financial and share-price related measures. Details of performance measures for each year and how they support the long-term strategy will be disclosed in the annual Remuneration Report.</p> <p>Following the end of the performance period or measuring period, the Board of Directors reviews the performance and determines the extent to which each of the targets have been achieved, to determine the final pay-out level.</p>
Pension	To provide a competitive retirement in line with local market practice	<p>Pension arrangements reflect the relevant market practice and may evolve year on year.</p> <p>The CEO may participate in the pension programmes reflecting the market practice in the country of employment.</p> <p>Additional information concerning the current CEO: Mr. Mika Vehviläinen's pension is provided according to the statutory Finnish pension system (Finnish TyEL). Additionally, Mr. Mika Vehviläinen is entitled to a supplemental defined contribution pension benefit in Finland, details of which will be shown in the annual Remuneration Report. According to the pension agreement, Mr. Mika Vehviläinen is entitled to retire between the age of 60–65.</p>
Other benefits and programmes	To provide competitive level of benefits and support recruitment and retention	<p>Benefits will be provided in line with appropriate levels indicated by local market practice in the country of employment and may evolve year on year.</p> <p>Other benefits may include phone, company car, health insurance, private accident, life and disability insurance, business travel and director's and officers' liability insurance.</p> <p>Additional benefits and allowances may be offered in certain circumstances such as relocation or international assignment in line with Cargotec's international mobility policy.</p> <p>The CEO is eligible to participate in programmes which may be offered to Cargotec's other employees at any given point such as for example co-investment share programmes.</p>

Share ownership recommendation

The CEO is required to accumulate and maintain a shareholding which is equivalent to the one-year gross fixed salary.

Claw-back and malus provision

Variable pay awards to the CEO (STI and LTI awards) are subject to malus (adjustment before pay-out) and claw-back (reclaimed after pay-out) provisions, which can be applied in case of if Cargotec's financial statements have to be amended due to such substantial misconduct or conduct in contradiction with Cargotec's interest and those amendments affect the amount of the reward, if any incentive programmes performance criteria and their performance levels have been manipulated, or in case of any action against business or employment related law or against the Code of Conduct of Cargotec or any other unethical action.

Any application of claw-back or malus will be disclosed and explained in the annual Remuneration Report.

Service contract and end of employment payments

The current CEO has a contract with indefinite period. The CEO has a period of notice of 6 months and is entitled to compensation, for termination of employment, corresponding to 12 months' salary.

The treatment of STI and LTI awards will depend on the circumstances of departure. No award shall be paid to the CEO, if Cargotec or the CEO gives notice of termination, or terminates the CEO's contract before the award payment. The Board may, however, in these cases resolve upon the CEO's right to the award accrued by the end of employment and upon the award payment date.

Deviations from the Remuneration Policy

The Board of Directors upon recommendation of the Nomination and Compensation Committee may temporarily deviate from any sections of this Policy based on its full discretion in the circumstances described below:

- Upon change of the CEO and the Deputy CEO (if applicable) in accordance with the new hire policy,
- Upon material changes in the company structure, organization, ownership and business (for example merger, takeover, demerger, acquisition, etc.), which may require adjustments to STI and LTI plans or other remuneration elements to ensure continuity of management, and
- In any other circumstance where the deviation may be required to serve the long-term interests and sustainability of the Company or to assure its viability.

New hire policy

When determining remuneration for a new CEO or Deputy CEO, the Board will consider the requirements of the role, the needs of the business, the relevant skills and experience of the individual and the relevant external market for talent. Where an individual is recruited externally, the Board we will also consider the remuneration package of that individual in their prior role.

Generally, the Board will seek to align the new CEO or Deputy CEO's remuneration package to Cargotec's Remuneration Policy and principles. On occasion in case of external hires, Board may also determine to grant a sign-on-award in cash and/or equity, to compensate the loss of compensation that incoming individual would face upon a transfer of employment. Such sign-on award will be limited to a comparable value to the arrangements forfeited. When determining the terms of the sign-on award, the Board may modify the terms, considering the structure, time horizons, value and performance targets associated with arrangements forfeited. The rationale and detail of any such award will be disclosed in the annual Remuneration Report.

Where an individual is appointed to the CEO or Deputy CEO as a result of internal promotion or following a corporate transaction (e.g. following an acquisition), the Board retains the ability to honor any legally binding legacy arrangements agreed prior to the individual's appointment.

In addition, where necessary, additional benefits may also be provided such as, but not limited to, relocation support, expatriate allowance, tax equalisation and other benefits which reflect local market practice and/or relevant legislation.