

# REMUNERATION REPORT



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## Remuneration principles

Konecranes' remuneration principles aim to attract, retain and motivate talented employees. We consider incentives and learning opportunities as drivers and as vital parts of the total employee experience. Remuneration is linked to performance and achievements at all organizational levels.

Our remuneration is designed to promote high performance and commitment to our business targets. Konecranes' remuneration schemes aim to drive competitiveness and the long-term financial success of the company, as well as to contribute to the positive development of shareholder value.

### Application of the remuneration policy

The Konecranes remuneration policy was implemented in 2020 to formalize the existing and continuing practices and illustrate the link between Konecranes business targets and strategy and how those have been considered for existing remuneration principles. More details for the compensation systems are defined separately, while the principles are summarized in the group remuneration policy, supporting shareholders' understanding and evaluating compensation practices.

The remuneration policy was presented at the 2020 AGM. The AGM 2020 gave an advisory resolution to support the Konecranes Remuneration Policy, covering the principles for remuneration of the members of the Board of Directors, President and CEO and Deputy CEO. The remuneration policy's validity will be reviewed by the Board of Directors every four years, at minimum.

Konecranes remuneration policy is available on <https://investors.konecranes.com/remuneration-policy>.

The following deviations to the policy were made during 2020: Implementation of the CEO Retention plan, Bridge plan (Restricted Share Unit Plan 2020).

### Remuneration linked to the long-term success of the company

The different Konecranes remuneration elements aim to provide a competitive compensation for the executives and employees. The target is to reward short-term and long-term performance through the motivating remuneration mix.

The short term-incentive plan is based on annual targets and the financial performance of the group. The Performance Share Plan is based on longer-term financial performance and shareholder value creation. The executive shareholding requirements support the alignment of corporate aims and executive interests.

The mix of those elements and targets align interests of board members, executives and shareholders and increases the commitment to achieve strategic targets. This will positively serve the long-term interest of the company and its shareholders which is reflected in the positive development of the profitability of the company, measured with the financial KPIs.

The development of the remuneration of the Board of Directors as well as of the President and CEO is reviewed annually. The level of the remuneration for the Board of Directors was adjusted in 2017 to reflect the growing size of the group and to better align with the market trends after the integration of the acquired Materials Handling & Port Solutions business from Terex. The same effect is reflected in the compensation of the President and CEO after the acquisition to reflect the changing size of the business and responsibilities.

Financial Performance / Remuneration in €	2016	2017	2017 vs. 2016	2018	2018 vs. 2017	2019	2019 vs. 2018	2020	2020 vs. 2019
Net sales, MEUR	2,118.4	3,137.2	<b>48.1%</b>	3,156.1	<b>0.6%</b>	3,326.9	5.4%	3,178,95	<b>-4.4%</b>
Adjusted EBITA, MEUR	144.8	216.6	<b>49.6%</b>	257.1	<b>18.7%</b>	275.1	7.0%	260.8	<b>-5.2%</b>
Chairman of the Board	105,000	140,000	<b>33.3%</b>	140,000	<b>0.0%</b>	140,000	0.0%	140,000	<b>0.0%</b>
Other board members	42,000	70,000	<b>66.7%</b>	70,000	<b>0.0%</b>	70,000	0.0%	70,000	<b>0.0%</b>
President and CEO*	442,560	622,200	<b>40.6%</b>	617,700	<b>-0.7%</b>	515,976	-16.5%	698,677	<b>35.4%</b>
Average KC employees**	44,645	46,379	<b>3.9%</b>	48,059	<b>3.6%</b>	50,931	6.0%	42,616	<b>-16.3%</b>

\* The compensation of the President and CEO reflects the actual paid remuneration of Panu Routila from 2016 to 2019 and Rob Smith starting in 2020. The remuneration details contain the base salary as well as the car and phone benefit, pension is not included in this sum. The change in the remuneration of Panu Routila from 2017 to 2018 results from changes in the car benefit.

\*\* Excluding restructuring cost.

# Remuneration elements

## Remuneration of Board of Directors

The key principles for Konecranes' Board remuneration is to (1) be competitive to attract international professionals representing a diverse and relevant mix of skills and experience and (2) to provide fees which account for relevant market practices and the time commitment and responsibilities of the roles.

The remuneration elements for the Board the Directors are an Annual Fee, Committee Attendance Fee and travel reimbursements.

40 percent (50 percent until AGM 2020) of annual fee is paid in Konecranes shares purchased on the market at a price determined in public trading on behalf of the Board members. The remuneration shares are purchased in accordance with a trading plan prepared by the Company. The Company covers the transaction costs and transfer tax in connection with the purchase or transfer of remuneration shares. If payment in shares cannot be carried out due to legal or other regulatory restrictions or due to other reasons related to either the Company or a Board member, annual remuneration will be paid entirely in cash. According to the Trade Plan 2020, the remuneration should be paid in three instalments. The first instalment comprises half (1/2) of the total number and the following two instalments comprise one quarter (1/4) of the total number each. Each instalment shall be purchased within the two-week period beginning on the date following each of the company's interim report announcements in 2020 and the company's financial statements bulletin concerning the year 2020.

In addition to the Annual Fee, a Committee Attendance Fee will be paid to the committee members to reflect any additional time commitment or duties. Travel expenses for all Board members, including the employee representative will be compensated against receipt.

The members of the Shareholders' Nomination Board shall not be entitled to any remuneration from Konecranes on the basis of their membership.

Konecranes' Board members are not in an employment relationship or service contract with Konecranes with the exception of one Board member who has been selected among the employees. Except this Board member, the other Board members do not participate in Konecranes' incentive programs or have a pension scheme arranged by Konecranes.

## Remuneration of the President and CEO

The remuneration of the Konecranes President and CEO and Deputy CEO include a fixed base salary, fringe benefits, a defined contribution scheme in addition to the Finnish statutory pension, performance-related annual variable pay and a long-term, performance-related share plan.

### Salaries

The base salaries and fringe benefits of the Konecranes President and CEO, the Deputy and Interim CEO and Konecranes Leadership Team members reflect the performance and individual job responsibilities, experience, skills and knowledge.

## Incentives

### Short-term Incentives

Konecranes' short-term incentives are designed to support the Company's financial success and the leaderships'

commitment to achieve set targets on a semi-annual or annual basis, depending on the year.

President and CEO Rob Smith's annual incentive is calculated based on the comparison of financial performance of the Company for the applicable year considering strategic business priorities. The maximum incentive opportunity for the President and CEO as well as for the Deputy CEO / Interim CEO is 100 percent of the annual base salary.

The short-term incentive plan 2020 for the President and CEO and Deputy CEO was based on the achievement of the following measures: 70 percent Group adjusted EBITA percentage and 30 percent Group Orders Growth percentage. There are due short-term incentive payments for 2020. They will be reported in the 2021 report and on the company webpage, as the amounts have not been finalized by the date when the report is published.

## Long-term Incentives

### Performance Share Plan (PSP)

The aim of Konecranes' long-term incentive plans, i.e. the Performance Share Plans, is to align the objectives of shareholders and Konecranes' key employees to increase the value of the Company, to commit key employees to the Company and to reward employees for achieving set targets. The actual grant is directly linked to Key Performance Indicators supporting long-term shareholder return and applies multi-year performance period (programs active during year 2020, 3-year performance period).

The 2019–2021 plan has two criteria: 40 percent weighting of sales growth compound annual growth rate (CAGR) of 2019–2021, and adjusted cumulative earnings per share (EPS) 2019–2021, including defined restructuring costs,

purchase price allocation amortization and certain other unusual items. The plan is directed to approximately 200 key employees, with maximum 670,000 allocated Konecranes shares. There is one cap on the value of total reward that if the share price has grown 75 percent from granting to vesting, the exceeding reward will be cut.

The 2020–2022 plan has a performance period with three separate measurement periods and separate targets for 2020, 2021 and 2022. The criterion for the measurement period 2020 and 2021 is adjusted EPS. Adjustments to the EPS include defined restructuring costs, mergers and acquisitions related deal costs and other unusual items. The EPS targets for the measurement periods 2020 and 2021 have also been resolved by the Board of Directors. The target group of the plan for the performance period 2020–2022 consists of a maximum of 160 key employees of the Konecranes Group. The rewards to be paid on the basis of the performance period correspond to the value of a maximum total of 600,000 Konecranes’ shares. The payment of the total reward takes place in 2023 if the plan term conditions are met.

**Restricted Share Unit Plan (RSU 2020)**

On October 27, 2020 Konecranes announced that the Board of Directors of Konecranes has decided to establish a new share-based incentive plan for the Konecranes Group key employees. The new Restricted Share Unit Plan 2020 is intended to function as a bridge plan for the transition period before the closing of the contemplated Merger of Konecranes and Cargotec and forming the Future Company in the Merger. The aim of the plan is to align the objectives of the shareholders and the key employees, to secure business continuity during the transition period, and to retain key employees at Konecranes. The reward from the plan is conditional to the closing of the Merger. In addition, the reward is based on a valid employment or service and the continuity of the employment or service during the waiting period. The reward is paid partly in shares and

partly in cash, after the end of the waiting period, ending on the closing date of the Merger. Shares received as a reward in the plan may not be sold, transferred, pledged or otherwise assigned during the 12-month lock-up period. The lock-up period begins on the date following the closing date of the Merger.

The plan is intended for selected key employees only, approximately 100 employees, including the Konecranes Leadership Team members. The rewards to be allocated in Konecranes shares on the basis of the plan will amount up to an approximate maximum total of 120,000 Konecranes shares. In addition, a cash proportion is included in the reward to cover taxes and tax-related costs arising from the reward. The share allocation for President and CEO is 12,922 net shares, for the Deputy CEO 3,889 net shares.

**Employee Share Savings Plan (ESSP)**

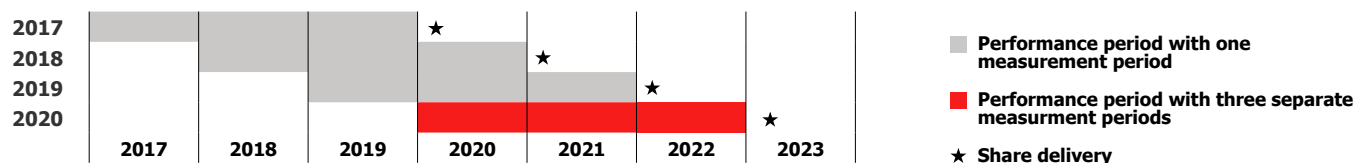
In 2012, Konecranes launched an Employee Share Savings Plan for all employees, including the Management, except in those countries where the plan could not be offered for

legal or administrative reasons. Participants save a monthly sum of up to 5 percent of their gross salary, which is used to buy Konecranes shares from the market on behalf of the participants. If participants are still in possession of these shares after an approximate three-year holding period, they will receive one matching share for every two initially purchased. This plan is also available for the President and CEO as well as Deputy CEO.

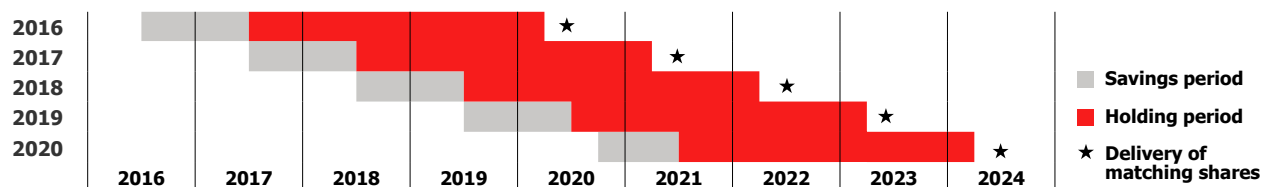
**Retention incentive plan for the President and CEO**

To ensure Konecranes’ business performance, successful execution of the merger transaction, and shareholder value creation in 2021, Konecranes has extended a cash-based retention incentive program to the President and CEO. The value of the retention program is EUR 1,500,000 payable after the closing of the merger. The retention incentive payment is subjective to the following preconditions: closing of the merger, President and CEO continues in service of the company, has not served a notice of termination and has performed his duties according to his contract prior to merger transaction being completed.

**Performance Share Plan**



**Employee Share Savings Plan**



## Pensions

The Finnish statutory pension system covers the Finnish Konecranes Leadership Team members. The non-Finnish members participate in pension systems in their local countries. In addition to statutory pensions, Konecranes provides a supplementary contribution-based pension benefit to the President and CEO as well as to the Deputy CEO.

The pension scheme for the President and CEO sets his defined contribution at 20 percent of his annual base salary including fringe benefits and excluding performance-based compensation (annual or long-term incentives). The contribution level for the Deputy CEO has been set at 1 percent of the annual base salary. The retirement age in this plan is 63 years.

### Remuneration elements of the President and CEO and Deputy CEO (Interim CEO) Konecranes Leadership Team

	<b>President and CEO (from February 1, 2020)</b>	<b>Deputy CEO (Interim CEO from October 7, 2019 to January 31, 2020)</b>
<b>Base salary</b>	Fixed salary with fringe benefits	Fixed salary with fringe benefits
<b>Short-term incentives</b>	Based on financial performance Max. 100% of annual base salary	Max. 100% of annual base salary
<b>Long-term incentives</b>	Paid according to Performance Share Plans (and RSU 2020 plan)	Paid according to Performance Share Plans (and RSU 2020 plan)
<b>Proportion of fix and variable compensation (as % of total target remuneration)</b>	41% base salary 21% short-term incentive* 38% long-term incentive*  * target opportunity, long-term incentive is excluding RSU 2020	43% base salary 22% short-term incentive* 35% long-term incentive*
<b>Pensions</b>	Finnish Statutory pension  Defined contribution plan at 20% of annual base salary incl. fringe benefits	Finnish Statutory pension  Defined contribution plan at 1% of annual base salary incl. fringe benefits
<b>Additional elements</b>	Cash based retention incentive	
<b>Shareholding requirements</b>	Performance Share Plan 2017 or Performance Share Plan 2017–2021 for the CEO - Must hold until he owns shares worth EUR 750,000 in total  Previous plans - Must hold min. 50% of any net shares given based on reward plans, until the value of shareholding equals annual salary	Must hold min. 50% of any net shares given based on reward plans - Until the value of shareholding equals annual salary and - Membership in the Konecranes Leadership Team continues

#### Terms of Employment for the President and CEO

- Period of notice: 6 months' notice by the President and CEO and by the company.
- Severance pay: equals to 12 months' salary and fringe benefits in case of termination prior to the age of 63, in addition to the salary for the notice period
- Retirement age: 63 years
- Total remuneration:
  - Monthly salary: EUR 66,667.00
  - Fringe benefits: Car, mobile phone
  - Contribution based pension: 20% of the annual base salary incl. fringe benefits
  - Short-term incentive maximum: 100%
  - Long-term incentives: according to the performance share plans and RSU plan

#### Terms of Employment for the Deputy CEO (Interim CEO from October 7, 2019 to January 31, 2020)

- Period of notice: 6 months' notice by the Interim CEO or 9 months' notice by the company.
- Severance pay: equals to 9 months' salary and fringe benefits, in addition to the salary for the notice period
- Retirement age: 65 years 6 months
- Total remuneration:
  - Monthly salary: EUR 24,753.75
  - Fringe benefits: Car, mobile phone
  - Contribution based pension: 1% of the annual base salary incl. fringe benefits
  - Short-term incentive maximum: 100%
  - Long-term incentives: according to the performance share plans and RSU plan

# Annual remuneration report 2020

This part presents the remuneration paid and payable to Board of Directors, Konecranes President and CEO, and Deputy CEO and Interim CEO in 2020.

## Remuneration of the Board of Directors

Fees payable to the Board members as confirmed by the latest Annual General Meeting on June 11, 2020 and the total compensation paid in 2020 are shown in the tables on the right.

## Total remuneration paid to the Board of Directors during 2020

Due to the payment cycle, Board remuneration during 2020 includes the Board of Directors' partial remuneration decided by AGM 2019 from January 1, 2020 until AGM 2020, and from AGM 2020 until December 31, 2020 the partial remuneration decided by AGM 2020.

## Fees payable to the Board of Directors

Annual fee 2020	Total EUR
Chairman of the Board	140,000
Vice Chairman	100,000
Board member	70,000
Fee per Board Committee meeting	1,500
Chairman of the Audit and HR Committee per committee meeting	3,000

Board members are also reimbursed for their travel expenses.

## Total remuneration paid to the Board of Directors during 2020

Member	EUR Cash portion as part of Total Annual Remuneration	Nr of shares as part of Total Annual Remuneration	EUR value of shares as part of Total Annual Remuneration *)	EUR Committee Meetings	Total EUR
<b>Chairman</b>					
Christoph Vitzthum	80,552	2,193	59,448	13,500	153,500
<b>Other Board Members</b>					
Janina Kugel	40,291	1,096	29,709	19,500	89,500
Niko Morkkila	31,511	808	20,989	9,000	61,500
Päivi Rekonen	40,291	1,096	29,709	18,000	88,000
Per Vegard Nerseth	40,291	1,096	29,709	13,500	83,500
Ulf Lijjedahl	40,291	1,096	29,709	36,000	106,000
<b>Other Board Members</b>	<b>192,676</b>	<b>5,192</b>	<b>139,824</b>	<b>96,000</b>	<b>428,500</b>
<b>Board Members until June 11, 2020</b>					
Anders Nielsen	8,780	288	8,720	9,000	26,500
Bertel Langenskiöld	8,780	288	8,720	7,500	25,000
Ole Johansson	12,526	412	12,474	9,000	34,000
<b>Board Members until June 11, 2020</b>	<b>30,086</b>	<b>988</b>	<b>29,914</b>	<b>25,500</b>	<b>85,500</b>
<b>Total Board Compensation</b>	<b>303,315</b>	<b>8,373</b>	<b>229,185</b>	<b>135,000</b>	<b>667,500</b>

Due to the payment cycle, Board remuneration during 2020 includes the Board of Directors' partial remuneration decided by AGM 2019 from January 1, 2020 until AGM 2020, and from AGM 2020 until December 31, 2020 the partial remuneration decided by AGM 2020.

\*) share value based on the purchase date.  
Purchase date 21.02.2020, purchase price € 30,2771  
Purchase date 29.10.2020, purchase price € 25,9764

## Board meeting attendance 2020

Member	Board meetings attended	Audit Committee meetings attended	HR Committee meetings attended
<b>Chairman</b>			
Christoph Vitzthum	29/29	–	10/10
<b>Other Board Members</b>			
Janina Kugel	28/29	–	10/10
Janne Martin	19/20	–	–
Niko Makkila	19/20	7/7	–
Päivi Rekonen	28/29	10/10	–
Per Vegard Nerseth	29/29	2/3	7/7
Ulf Liljedahl	29/29	10/10	–
<b>Board Members until June 11, 2020</b>			
Anders Nielsen	9/9	–	3/3
Bertel Langenskiöld	9/9	–	3/3
Ole Johansson	9/9	3/3	–

## Remuneration of the President and CEO

The salaries, fringe benefits and short-term incentives paid to the President and CEO amount to EUR 698,677 and for the Deputy CEO and Interim CEO to EUR 420,096.

Konecranes conducted annual target setting and achievement review for 2020 to facilitate business success. The 2020 Group / Business Area adjusted EBITA (%) and Orders Growth (%) were used as main criteria for Group and Business Area management.

## Remuneration of the President and CEO

	2020 Rob Smith	2020 Teo Ottola	2020 Panu Routila	2019 Panu Routila **)	2019 Teo Ottola
	President and CEO	Deputy CEO (Interim CEO, from Oct 7, 2019 until Jan 31, 2020)	Former President and CEO	President and CEO	Deputy CEO (Interim CEO, from Oct 7, 2019 until Jan 31, 2020)
Salaries and fringe benefits	698,677	299,781		515,976	307,109
Short-term incentives paid (based on previous year performance)		120,315	125,422	330,225	99,848
Performance share rights allocated (# of share rights) *)	122,922	57,889			62,000
Shareholding in Konecranes Plc (# of shares)		43,244			35,324
Expense of statutory/voluntary pension plans	211,815	72,524		349,552	70,341
Benefits related to termination of employment			632,880	364,690	

\*) Number of 2020 restricted share rights are included and reported as net share amounts. In addition, a cash part is included in the reward.

\*\*\*) Panu Routila was not acting as CEO at December 31, 2019, thus shares and share rights in his possession have not been reported.

### Long-term Incentives

The long-term incentives awarded in the recent years are shown in the table below.

#### Long-term incentives

Performance Share Plan (year)	PSP 2017	PSP 2018	PSP 2019	PSP 2020
Performance period	2017–2019	2018–2020	2019–2021	2020–2022
Measure	Adjusted Cumulative EPS	Adjusted Cumulative EPS	Adjusted Cumulative EPS and Sales Growth CAGR %	Adjusted EPS for years 2020 and 2021 *
Performance share rights allocated (# of share rights)	825,955	670,433	633,667	596,500
Grant date share value, EUR/Share	38.45	32.91	32.16	22.60
Total share value, based on the grant date value, EUR	31,757,970	22,063,950	20,378,731	13,480,900
Total gross shares delivered	542,492	N/A	N/A	N/A
<b>Gross shares delivered</b>				
Panu Routila, former President and CEO	31,680	N/A	N/A	N/A
Rob Smith, President and CEO since February 1, 2020	N/A	N/A	N/A	N/A
Teo Ottola, Deputy CEO (Interim CEO from October 7, 2019 until January 31, 2020)	15,840	N/A	N/A	N/A

\* PSP 2020 has three separate measurement periods and separate targets for 2020, 2021 and 2022. Measure for year 2020 and 2021 is adjusted EPS.

Konecranes Employee Share Savings Plan (ESSP) is offered to all employees including the management, except in countries where it is not possible due to legal or administrative reasons.

#### Summary of Employee Share Savings Plan

Employee Share Savings Plan (year)	ESSP 2016	ESSP 2017	ESSP 2018	ESSP 2019	ESSP 2020
Savings period	September 1, 2016–June 30, 2017	July 1, 2017–June 30, 2018	July 1, 2018–June 30, 2019	July 1, 2019–June 30, 2020	October 1, 2020–June 30, 2021
Amount of participants*	1,008	1,761	1,751	1,997	2,440
Amount of shares acquired	42,960	93,764	114,924	165,837	(On-going)
Delivered or expected matching shares to be delivered*	21,480	45,788	56,082	80,290	N/A
Share price by delivery date or by the end of December 2020 (for non-vested plans), EUR/share	27.44	28.78	28.78	28.78	28.78
Value of the delivered or expected matching shares **)	589,411	1,317,779	1,614,040	2,310,746	N/A

\*) By the end of December 2020

\*\*\*) Share value by delivery date or by the end of December 2020 (for non-vested plans)

The new Restricted Share Unit Plan (RSU) 2020 is intended to function as a bridge plan for the transition period before the closing of the contemplated Merger of Konecranes and Cargotec and forming the Future Company in the Merger.

Restricted Share Unit Plan (year)	RSU 2020
Transfer restriction and lock-up period	12-month lock-up period after the Merger completion
Total net shares allocated (# of share rights)	119,246
<b>Net shares allocated</b>	
Rob Smith, President and CEO since February 1, 2020	12,922
Teo Ottola, Deputy CEO (Interim CEO from October 7, 2019 until January 31, 2020)	3,889