

**KONECRANES®**

**REMUNERATION  
STATEMENT 2019**



# REMUNERATION STATEMENT 2019

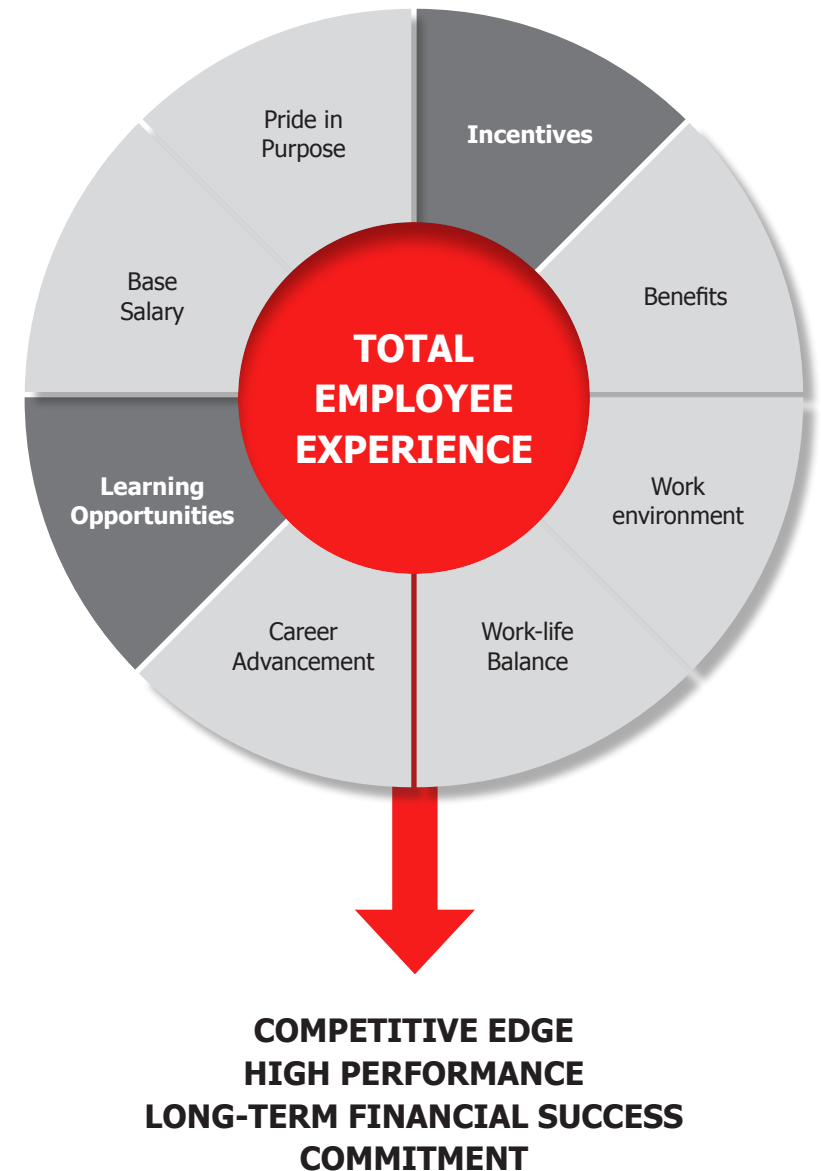
## REMUNERATION PRINCIPLES

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.

Konecranes positions itself to the employer market based on the geographical locations of the employees and the employee groups. We are prepared to make additional investments in employer markets where Konecranes' employer brand is less distinguished and where fewer career opportunities exist inside the company. Also, we are prepared to invest more in fast-developing markets, such as countries with high inflation. The definition of market varies between employee groups.

For operatives and staff, Konecranes predominantly uses local benchmark companies. As for management, we benchmark ourselves with international companies based on management's geographical location.



## THE DECISION-MAKING PROCESS

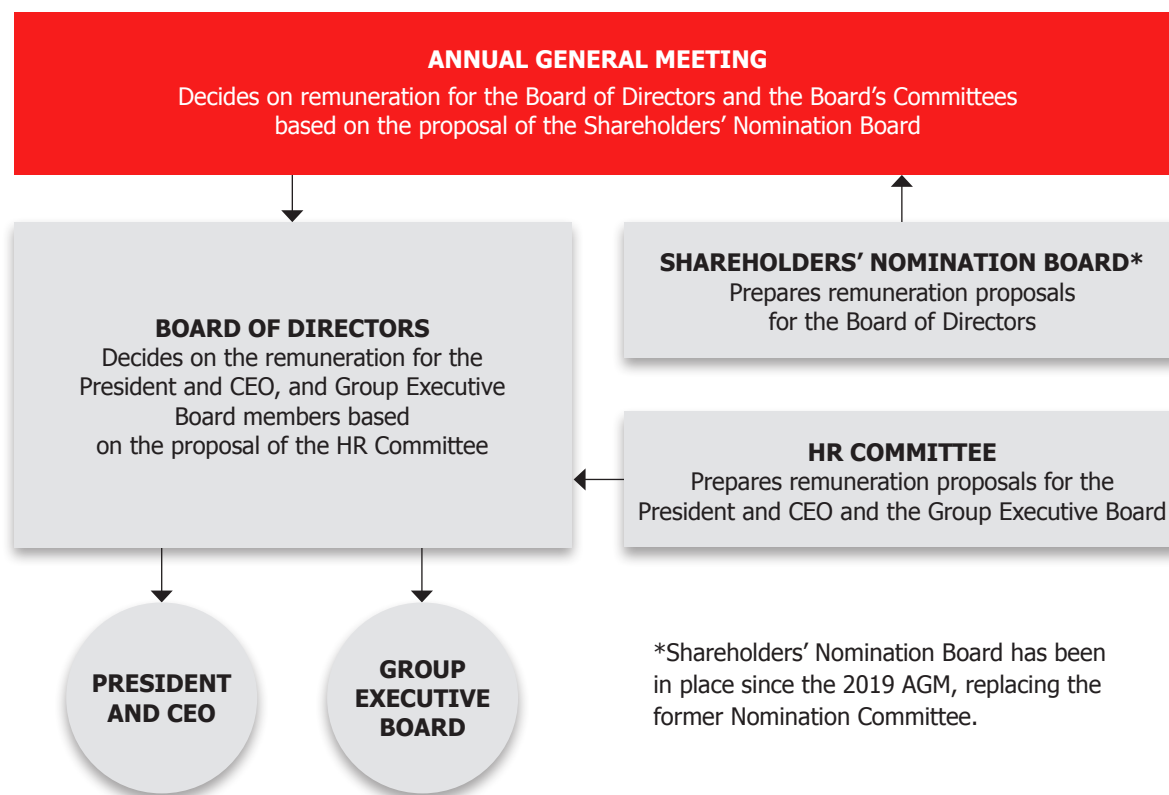
All Konecranes remuneration-related decisions are made by the 'one above' principle. In other words, the remuneration of an employee must always be accepted by his/her manager's superior. The decision-making process is depicted in the chart below.

### Remuneration of the Board of Directors

The Annual General Meeting decides on the remuneration of the Board of Directors and the Board's Committees annually. The decision proposals are prepared by the Shareholders' Nomination Board as of 2020. In 2019 the proposal was prepared by the Board's Nomination Committee.

### Remuneration of the President and CEO / Interim CEO

The Human Resources Committee reviews the CEO's and Interim CEO's performance and prepares the proposal for the total remuneration elements. External market data from peer companies operating in a similar global industry and advisers are used to support the proposal preparation and the performance review. Based on the Human Resources Committee's evaluation, market benchmarking and other relevant facts, the Board determines the total remuneration elements for the President and CEO. This approach ensures that there is no conflict of interest and the plan details for the upcoming year support the achievement of the group's strategic targets without encouraging unnecessary or excessive risk.



\*Shareholders' Nomination Board has been in place since the 2019 AGM, replacing the former Nomination Committee.

### Remuneration of the Group Executive Board and Senior Management

The Board evaluates and decides on the total remuneration of the Group Executive Board members and other executives reporting directly to the President and CEO.

## 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 Konecranes Annual General Meeting resolves the remuneration of the Board members. In case the term of office of a Board member ends before the closing of the next Annual General Meeting, he or she is entitled to the prorated amount of the annual remuneration calculated based on his or her actual term in office.

50% of annual remuneration is paid in Konecranes shares purchased on the market at a price determined in public trading on behalf of the Board members to align the interest of the Directors with those of shareholders. The remuneration shares are purchased in accordance with a trading plan prepared by the Company. The Company pays 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 reasons related to either the Company or a Board member, annual remuneration will be paid entirely in cash. The remuneration is normally paid in four equal instalments, each instalment being purchased or transferred within the two-week period following each of the Company's interim report announcements and the Company's financial statements release for each year.

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. 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. They do not participate in Konecranes' incentive programs or have a pension scheme arranged by Konecranes.

### Remuneration of the Management and Employees

#### Salaries

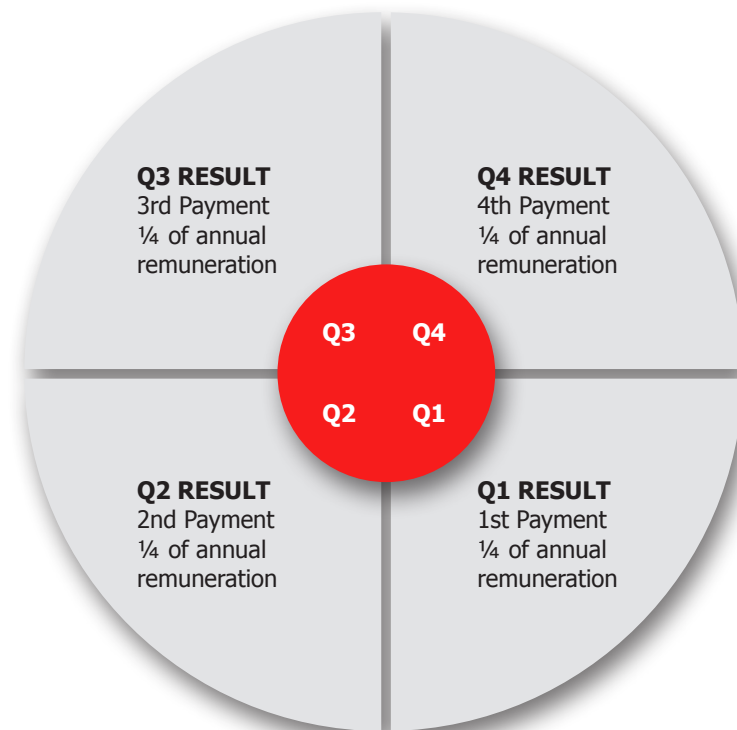
The base salaries and fringe benefits of the Konecranes President and CEO and Group Executive Board members reflect the performance and individual job responsibilities, experience, skills and knowledge.

Konecranes' salaries are defined according to the relevant local market in each country. In terms of base salary, Konecranes aims to be globally at the median of the chosen markets. Base salaries vary between countries and employee groups.

At Konecranes, managers evaluate their employees' salaries annually against the Konecranes Rewards Principles, ensuring that possible salary increases

are allocated effectively to individual employees based on their performance and contribution. The Annual Salary Review Process also applies to Group Executive Board members and senior management who report directly to the CEO and is completed by the Board of Directors.

Industry practices, market trends and average salary increases in Konecranes are considered when reviewing the salary. For this purpose, Konecranes





regularly participates in market benchmarks. Increases for the CEO and Deputy CEO will normally be aligned with the increases for the wider workforce.

## Incentives

### Short-term Incentives

The Konecranes Group remuneration structure includes an incentive plan. Konecranes' short-term incentives are designed to support the Company's financial success and the employees' commitment to achieve set targets on a semi-annual or annual basis, depending on the year. Participants, in addition to senior management, are decided locally based on the market practice.

Konecranes' incentives are typically based on the financial results of the Konecranes Group, business area, business unit and/or a smaller unit, and the employee's personal performance in comparison to set targets.

Incentive criteria may vary but are usually based on the Konecranes Group's five key performance areas: safety, customer, people, growth and profitability. Currently, a minimum of 50% of all employees' targets shall be based on financial performance. As for executives, such as business area/unit management or service region/sub-region management, 70–100% of the annual incentive is typically based on financial performance.

The amount of the incentive opportunity is defined by the employee's position in the organization and the geographical location. The actual pay-out is based on the achievement of the agreed targets and encourages exceeding normal, good performance.

The local and global market needs guide the use of incentives in each geographical location, separately.

Konecranes' incentive schemes are always based on written documentation. Quantitative performance criteria are used rather than qualitative assessments, whenever possible.

President and CEO Panu Routila's annual incentive was based on the comparison of financial performance of the Company and the expectations set out by the Board of Directors for the applicable year considering strategic business priorities. Typical targets were EBITA%, Sales Growth or Orders. The maximum incentive opportunity for the President and CEO was 85% of the annual base salary. The Interim CEO's maximum incentive was 50% of the annual base salary.

The Group Executive Board members' annual variable pay is based on the Group's financial performance and on business area performance, if applicable for the person, and on the individual's performance against predefined targets. The annual variable pay percentage is based on individual responsibilities and is at maximum 50 to 75% of the individual annual base salary (2/3 of the maximum being the target level).

### Long-term Incentives

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).

Konecranes offered a rolling plan with three active Performance Share Plans in 2019. Konecranes' Performance Share Plans have a three-year performance period, during which the plan participants may earn rewards according to the realization of the criteria set in the beginning of the performance period and approved by the Board of Directors. In 2017, the Board of Directors issued an additional Performance Share Plan for the CEO with a five-year performance period.

Each Performance Share Plan period defines a maximum remuneration in shares. For practical reasons, part of the earned share remuneration is paid in cash to ensure that the participants can pay the necessary taxes for the share-based-compensation. The actual remuneration payment is based on the performance of the Company against the predefined criteria – if a threshold level for the criteria is not met, long-term incentives will not be paid.

Konecranes' long-term incentive plans include ownership obligations that pose restrictions to named plan participants selling shares received as remuneration. The members of the Konecranes Group Executive Board, including the Interim CEO, have an obligation to continue to own at least 50% of the shares earned annually through the Performance Share Plan until their ownership of the Company shares equals their annual salary.

The CEO of the Company has the obligation to own 100% of the net shares until the CEO holds shares equal to the annual base salary, and thereafter, 50%

of the Net Shares until the CEO holds shares at least worth 150% of the annual salary.

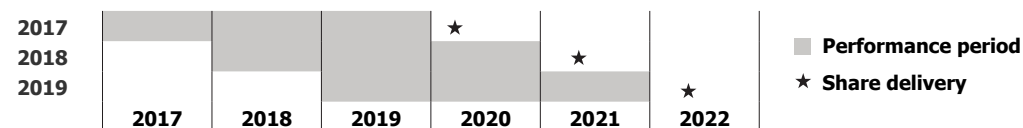
The Board shall have the right to cancel any short-term and long-term incentive reward, fully or partly, if the Group's financial statements have to be amended and those amendments affect the amount of the reward; if the Plan's performance criteria and Performance Requirement have been manipulated; or in case of any action against the business interest of the Company, or against criminal or employment related law, or against the ethical guidance of the Company, or any other unethical action, as resolved by the Board in each case.

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% 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.

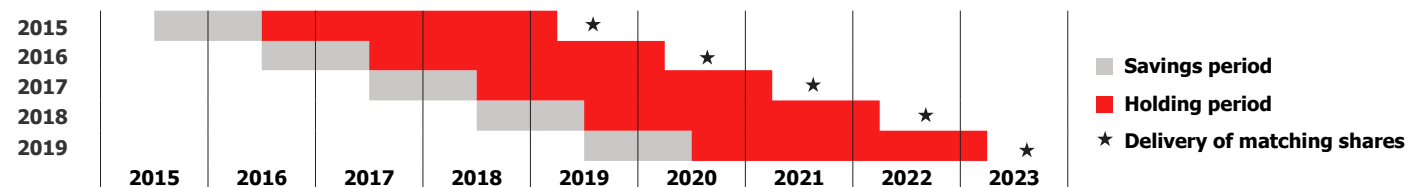
### Pensions

The Finnish statutory pension system covers Finnish Konecranes Group Executive Board 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 Interim CEO.

#### Performance Share Plan



#### Employee Share Savings Plan



The pension scheme for the President and CEO sets his defined contribution at 20% of his annual salary, excluding performance-based compensation (annual or long-term incentives). The contribution level for the Interim CEO has been set at 1% of the annual salary.

The Finnish members of the Group Executive Board participate in a defined group pension insurance scheme, which can be withdrawn from at the age of 60. However, the retirement age is set according to the Finnish Employees Pensions Act (TyEL). The Finnish Group Executive Board members have life insurance and disability insurances. The non-Finnish members participate in a contribution-based pension plan (Defined Contribution Plan) and have local insurance coverage.

## Remuneration of the President and CEO and Group Executive Board

|                                  | <b>President and CEO<br/>(until October 6, 2019)</b>  | <b>Interim CEO<br/>(as of October 7, 2019)<br/>(Deputy CEO until<br/>6. October 2019)</b>   | <b>Group Executive Board</b>  |
|----------------------------------|---|---|---|
| <b>Base salary</b>               | Fixed salary with fringe benefits   | Fixed salary with fringe benefits   | Fixed salary with fringe benefits   |
| <b>Short-term incentives</b>     | Based on financial performance. Max. 85% of annual base salary  | Max. 50% of annual base salary  | Based on individual performance and Group/Business area performance. Max. 50–75% of individual's base salary  |
| <b>Long-term incentives</b>      | Paid according to Performance Share Plans   | Paid according to Performance Share Plans   | Paid according to Performance Share Plans   |
| <b>Pensions</b>                  | Finnish Statutory pension<br>Defined contribution plan at 20% of annual base salary   | Finnish Statutory pension<br>1% of annual base salary   | Finnish members <ul style="list-style-type: none"> <li>• Statutory pension</li> <li>• Contribution-based group pension insurance scheme</li> <li>• Life insurance and disability insurances</li> </ul> Non-Finnish members <ul style="list-style-type: none"> <li>• Defined contribution pension plan</li> <li>• Local insurance cover</li> </ul> |
| <b>Shareholding requirements</b> | Performance Share Plan 2017 or Performance Share Plan 2017–2021 for the CEO <ul style="list-style-type: none"> <li>• Must hold until he/she owns shares worth EUR 750,000 in total</li> </ul> Previous plans <ul style="list-style-type: none"> <li>• Must hold min. 50% of any net shares given based on reward plans, until the value of shareholding equals annual salary</li> </ul> | Must hold min. 50% of any net shares given based on reward plans <ul style="list-style-type: none"> <li>• Until the value of shareholding equals annual salary; and</li> <li>• Membership in the Group Executive Board continues</li> </ul> | Must hold min. 50% of any net shares given based on reward plans <ul style="list-style-type: none"> <li>• Until the value of shareholding equals annual salary; and</li> <li>• Membership in the Group Executive Board continues</li> </ul>   |

**Terms of Employment for President and CEO (until October 6, 2019)**

- Period of notice for either party: 6 months
- Severance pay: equals to 12 months' salary and fringe benefits, in addition to the notice period compensation
- Retirement age: 63 years
- Total remuneration:
- Monthly salary: EUR 50,000 excluding benefits
- Fringe benefits: car, mobile phone
- Contribution-based pension: 20% of annual base salary
- Short-term incentive: maximum 85% of annual base salary
- Long-term incentive: paid according to Performance Share Plans

**Terms of Employment for the Interim CEO (as of October 7, 2019) (Deputy CEO)**

- 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
- Short-term incentive maximum: 50% of the annual base salary
- Long-term incentives: paid according to the Performance Share Plans

## ANNUAL REMUNERATION REPORT 2019

This part presents the remuneration paid and payable to Board of Directors, Konecranes President and CEO, and Group Executive Board in 2019.

### Remuneration of the Board of Directors

Fees payable to the Board members as confirmed by the latest Annual General Meeting on March 28, 2019 and the total compensation paid in 2019 are shown in the tables below.

#### Fees payable to the Board of Directors

| Annual fee 2019                                | 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 Committee per AC meeting | 3,000     |

Board members are also reimbursed for their travel expenses.

### Total remuneration paid to the Board of Directors during 2019

Due to the payment cycle, Board remuneration during 2019 includes the Board of Directors' partial remuneration from January 1, 2019 until AGM 2019 (1/4 instalment and committee meeting fees), and from AGM 2019 until December 31, 2019 the partial remuneration (3/4 instalment and committee meeting fees) that was decided by AGM 2019.

#### Total remuneration paid to the Board of Directors during 2019

| Member                          | EUR Cash portion as part of Total Annual Remuneration | Number 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              | 87,519  | 1,942   | 52,481   | 9,000                  | 149,000        |
| <b>Vice Chairman</b>            |   |   |  |                        |                |
| Ole Johansson                   | 62,518  | 1,387   | 37,482   | 21,000                 | 121,000        |
| <b>Other Board Members</b>      |   |   |  |                        |                |
| Anders Nielsen                  | 43,760  | 971   | 26,240   | 1,500                  | 71,500         |
| Bertel Langenskiöld             | 43,760  | 971   | 26,240   | 7,500                  | 77,500         |
| Janina Kugel                    | 43,760  | 971   | 26,240   | 6,000                  | 76,000         |
| Päivi Rekonen                   | 43,760  | 971   | 26,240   | 18,000                 | 88,000         |
| Per Vegard Nersteth             | 43,760  | 971   | 26,240   | 16,500                 | 86,500         |
| Ulf Liljedahl                   | 43,760  | 971   | 26,240   | 40,500                 | 110,500        |
| <b>Total Board Compensation</b> | <b>412,596</b>  | <b>9,155</b>  | <b>247,404</b>   | <b>120,000</b>         | <b>780,000</b> |

\*) share value based on the purchase date.

Purchase date 26.7.2019, purchase price € 27.8563

Purchase date 28.10.2019, purchase price € 25.5000



**Board meeting attendance 2019**

| Member                     | Board meetings attended | Audit Committee meetings attended | HR Committee meetings attended | Nomination Committee meetings attended |
|----------------------------|-------------------------|-----------------------------------|--------------------------------|--|
| <b>Chairman</b>            |                         |                                   |                                |  |
| Christoph Vitzthum         | 13(13)                  | (–)                               | 6(6)                           | 1(1)                                   |
| <b>Vice Chairman</b>       |                         |                                   |                                |  |
| Ole Johansson              | 11(13)                  | 15(15)                            | (–)                            | 1(1)                                   |
| <b>Other Board Members</b> |                         |                                   |                                |  |
| Anders Nielsen             | 13(13)                  | (–)                               | 4(4)                           | (–)                                    |
| Bertel Langenskiöld        | 13(13)                  | (–)                               | 6(6)                           | (–)                                    |
| Janina Kugel               | 13(13)                  | (–)                               | 6(6)                           | (–)                                    |
| Päivi Rekonen              | 13(13)                  | 14(15)                            | (–)                            | (–)                                    |
| Per Vegard Nerseth         | 13(13)                  | 14(14)                            | (–)                            | (–)                                    |
| Ulf Liljedahl              | 13(13)                  | 15(15)                            | (–)                            | 1(1)                                   |

**Remuneration of the President and CEO and Group Executive Board members**

The remuneration of the Konecranes Group Executive Management in 2019 is shown in the table below. The salaries, fringe benefits and short-term incentives paid to the President and CEO and the Group Executive Board amount to a total of EUR 5,005,557.

Konecranes conducted an annual target setting and achievement review for 2019 to facilitate business success.

The 2019 Group/Business Area adjusted EBITA and Orders were used as the main criteria for Group and BA management.

**Remuneration of the President and CEO and Group Executive Board Members**

|  | 2019<br>Panu Routila | 2019<br>Teo Ottola                           | 2018<br>Panu Routila                          | 2019<br>GXB | 2018<br>GXB |
|--|----------------------|--|---|-------------|-------------|
|  | President<br>& CEO   | Interim CEO,<br>effective 7<br>October, 2019 | Other members of the<br>Group Executive Board |             |             |
| Salaries and fringe benefits *)                                  | 515,976              | 74,262                                       | 647,700                                       | 2,206,524   | 2,844,365   |
| Short-term incentives  | 330,225              | 0.0  | 330,000                                       | 765,000     | 471,649     |
| Performance share rights<br>allocated<br>(# of share rights) **) | 0.0                  | 62,000                                       | 200,000                                       | 280,000     | 258,000     |
| Shareholding in<br>Konecranes Plc<br>(# of shares) **)           | 0.0                  | 35,324                                       | 32,419  | 204,654     | 238,385     |
| Expense of statutory/voluntary<br>pension plans *)               | 349,552              | 13,018                                       | 259,653                                       | 386,310     | 303,879     |
| Benefits related to termination<br>of employment paid in 2019    | 364,690              |  |   |             |             |

\*) Teo Ottola was acting as interim CEO during 7.10.2019–31.12.2019 thus a portion of salaries and fringe benefits, and the expense of pension plans and shareholding in Konecranes Plc. on 31.12.2019 are reported separately from the GXB table.

\*\*) Panu Routila was not acting as CEO at 31.12.2019 thus shares and share rights are reported as 0.

## Long-term Incentives

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

| Long-term incentives<br>Performance Share Plan<br>(year)                      | PSP 2017                | PSP 2018                | PSP 2019  |
|---|-------------------------|-------------------------|---|
| Performance period  | 2017–2019               | 2018–2020               | 2019–2021                                       |
| Measure   | Adjusted Cumulative EPS | Adjusted Cumulative EPS | Adjusted Cumulative EPS and Sales Growth CAGR % |
| Performance share rights allocated (# of share rights)                        | 840,750                 | 667,350                 | 607,000   |
| Grant date share value, €/Share   | 38.45                   | 32.91                   | 31.09   |
| Total share value, based on the grant date value                              | €32,326,838             | €21,962,489             | €18,871,630                                     |
| Total gross shares delivered  | N/A                     | N/A                     | N/A   |
| Gross shares delivered  |                         |                         |   |
| Panu Routila, CEO   | N/A                     | N/A                     | N/A   |
| Teo Ottola, Interim CEO since 7 October 2019, deputy CEO until 6 October 2019 | N/A                     | N/A                     | N/A   |
| Other members of Group Executive Board, total                                 | N/A                     | N/A                     | N/A   |

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 Plans

| Employee Share Savings Plan (year)  | ESSP 2015                      | ESSP 2016                           | ESSP 2017                      | ESSP 2018                      | ESSP 2019                      |
|---|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Savings period  | July 1, 2015–<br>June 30, 2016 | September 1, 2016–<br>June 30, 2017 | July 1, 2017–<br>June 30, 2018 | July 1, 2018–<br>June 30, 2019 | July 1, 2019–<br>June 30, 2020 |
| Amount of participants*   | 1,168                          | 1,022                               | 1,860                          | 1,871                          | 2,099                          |
| Amount of shares acquired   | 90,684                         | 43,536                              | 95,924                         | 117,932                        | 35,296<br>(Ongoing)            |
| Delivered or expected matching shares to be delivered*                                      | 45,342                         | 21,768                              | 47,962                         | 58,966                         | 17,648<br>(Ongoing)            |
| Share price by delivery date or by the end of December 2019 (for non-vested plans), €/share | 30.90                          | 27.40                               | 27.40                          | 27.40                          | 27.40                          |
| Value of the delivered or expected matching shares**)                                       | 1,401,195                      | 596,443                             | 1,314,159                      | 1,615,668                      | 483,555                        |

\*) By the end of December 2019

\*\*) Share value by delivery date or by the end of December 2019 (for non-vested plans)