

# Konecranes Plc

Remuneration Statement  
(December 2016)

## REMUNERATION STATEMENT 2016

### PRINCIPLES APPLIED TO REMUNERATION SCHEMES

All Konecranes remuneration schemes are designed to promote high performance and emphasize focus and commitment to business targets. Remuneration schemes promote competitiveness and the long-term financial success of the Company and contribute to the favorable development of shareholder value.

The Konecranes Group has a variable element (i.e. incentive plan) included in its reward structure. The usage of variable element is defined based on global and local market needs, and may differ between locations as a result. The size of this variable component varies according to a person's position in the organization. Typically, these variable components are based on the financial results of the Group and/or the unit in question, as well as personal achievements. These remuneration schemes are drawn up in writing and numerical evaluation is used whenever possible.

#### Decision-making process

The AGM adopts resolutions and decides the remuneration of the Board of Directors and the Board's Committees annually. The Nomination and Compensation Committee reviews the President and CEO's performance. Based on the review and other relevant facts, the Board determines the total remuneration package of the President and CEO.

The Nomination and Compensation Committee also evaluates and prepares for Board's decision on the remuneration packages of GXB members who report directly to the President and CEO. The remuneration packages for SM members who are not part of GXB are decided on by the President and CEO.

All Konecranes remuneration issues are decided by the 'one above' principle, i.e. a manager's superior must always confirm the remuneration of an employee.

### REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board members is resolved by the AGM. Fees payable to the Board members as confirmed by the latest AGM are shown in the table below. In case the term of office of a Board member ends before the closing of the next AGM, he or she is entitled to the prorated amount of the annual remuneration calculated on the basis of his or her actual term in office.

#### **Fees payable to the Board of Directors**

	Annual fee 2016 EUR
Chairman of the Board	105,000.00
Vice Chairman	67,000.00
Board member	42,000.00
Fee per Board Committee meeting	1,500.00
Chairman of the Audit Committee per AC meeting	3,000.00

Board members are also reimbursed for their travel expenses.

50 percent of annual remuneration is paid in Konecranes shares purchased on the market on behalf of Board members. Remuneration may also be paid by transferring treasury shares based on the authorization given to the Board of Directors by the General Meeting. In the event that payment in shares cannot be carried out due to reasons related to either the Company or a Board member, annual remuneration shall be paid entirely in cash. In 2016, annual remuneration was paid entirely in cash.

The remuneration is 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 bulletin for each year.

The EGM decided that all members of the Board of Directors are additionally remunerated for attending meetings of the Board of Directors during the period from Konecranes Annual General Meeting held on March 23, 2016 until the closing of the Acquisition (or the next AGM of Konecranes, unless the Acquisition has been closed prior to that). The compensation to be paid to each member of the Board of Directors shall be EUR 1,500 for each meeting the relevant member of the Board of Directors attended.

The members of the negotiation team are paid the following additional one-time compensation: EUR 60,000 to each of Stig Gustavson, Bertel Langenskiöld and Christoph Vitzthum; and EUR 30,000 to Svante Adde.

The accrued compensation per attended Board of Directors' meeting and the one-time compensation payable to the members of the Board of Directors is paid in cash. Christoph Vitzthum, the Chairman of the Board of Directors, has informed Konecranes that he will forgo his one-time compensation.

#### **Total compensation paid to the Board of Directors in 2016\***

	Annual fee and additional one-time compensation Cash EUR	Committee and Board meetings EUR	Total EUR
Christoph Vitzthum, Chairman of the Board	78,750	33,000	111,750
Stig Gustavson, Vice Chairman of the Board	110,250	30,000	140,250
Svante Adde, Board member	61,500	42,000	103,500
Ole Johansson, Board member	31,500	30,000	61,500
Matti Kavetvu	-	3,000	3,000
Janina Kugel, Board member	1,826	-	1,826
Bertel Langenskiöld, Board member	91,500	33,000	124,500
Ulf Liljedahl, Board member	1,826	1,500	3,326
Malin Persson, Board member	31,500	31,500	63,000
<b>Total</b>	<b>408,652</b>	<b>204,000</b>	<b>612,652</b>

There were no loans issued by the Company to the CEO as of the end of December 2016.

\* Due to change in payout schedules, this includes only part of the annual remuneration 2016. The rest will be paid in 2017.

#### **REMUNERATION OF THE PRESIDENT AND CEO**

The Nomination and Compensation Committee reviews the President and CEO's performance. Based on this review and other relevant facts, the Board determines the total compensation package paid to the President and CEO.

The compensation package includes a base salary, fringe benefits, a pension scheme, performance-related annual variable pay and a long-term, performance-related share plan. The monthly salary of the President and CEO is EUR 35,000.00 excluding benefits (car, mobile phone).

The President and CEO's annual variable pay is based on the financial performance of the company and is, at maximum, 60 percent of the President and CEO's annual base salary. Additionally, the Board of Directors can, but is not required to, set certain strategic targets that can trigger an additional incentive, which can be a maximum of 50 percent of the President and CEO's annual base salary. For the period September 2015–December 2016, 50 percent of the maximum bonus is guaranteed pro rata to the time of employment.

The President and CEO is entitled to participate in the Company's long-term incentive program. According to the initial allocation, the maximum reward for the discretionary period 2014–2016 is 48,000 shares (gross), the maximum reward for the discretionary period 2015–2017 is 48,000 shares (gross) and the maximum reward for the discretionary period 2016–2018 is 48,000 shares (gross).

The pension scheme for the President and CEO sets his retirement age at 63, and the defined contribution at 30.5 percent of his annual salary, excluding performance-based compensation (annual or long-term incentives).

### **Compensation paid to the President and CEO** **Salary, variable pay, and other benefits**

	2016	From Nov. 1, 2015	Until Sep. 5, 2015
1. Salary and benefits	467,071 EUR	73,760	427,596 EUR
2. Annual variable pay	143,500 EUR	-	216,000 EUR
3. Share rights allocated (PSP)	144,000	96,000	0
4. Shares owned (# of shares Dec. 31)	16	0	218,476
5. Retirement age	63 years	63 years	63 years
6. Target pension level	Defined contribution plan	Defined contribution plan	Defined contribution plan
7. Period of notice	6 months	6 months	6 months
8. Severance payment (in addition to notice period compensation)	18 months' salary and fringe benefits	18 months' salary and fringe benefits	18 months' salary and fringe benefits

There were no loans issued by the Company to the CEO as of the end of December 2016.

### **REMUNERATION OF GROUP MANAGEMENT (GROUP EXECUTIVE BOARD)**

The Nomination and Compensation Committee evaluates and prepares for Board's decision on the remuneration packages of Group Executive Board members who report directly to the President and CEO. Remuneration packages for SM members who are not part of GXB are confirmed by the President and CEO. Compensation packages normally include basic salary, fringe benefits (typically company car and mobile phone), contribution-based pension schemes, performance-related annual variable pay and a long-term performance-related share plan.

Incentive schemes are always based on written contracts. Incentive criteria may vary, but are usually based on the Group's five key performance areas: safety, customer, people, growth, and profitability. Annual variable pay is related to the individual's performance and to Group performance and/or the performance of unit that he/she belongs to. Numerical performance criteria are used rather than personal assessments, whenever possible. The annual variable pay percentage is based on the individual's responsibilities and is at maximum 50 percent of individual's annual base salary.

The Finnish members of the GXB participate in a defined contribution-based 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 GXB members have life insurance and disability insurances. Non-Finnish members of the GXB participate in a defined contribution pension plan and have local insurance cover.

**Remuneration to the Management**  
**Group Executive Board, excluding the President and CEO**

	2016	2015
1. Salary and benefits	2,047,242.60 EUR	1,587,656.95 EUR
2. Annual variable pay	498,009.59 EUR	237,015.66 EUR
3. Option rights owned (# of options Dec. 31)	-	15,000
4. Share rights allocated (PSP)	318,000	324,000
5. Shares owned (# of shares Dec. 31)	170,921	144,517

There were no loans issued by the Company to the GXB members as of the end of December 2016.

**PERFORMANCE SHARE PLAN 2012**

At the beginning of 2012, Konecranes launched a new long-term incentive plan for key employees and discontinued the use of stock option plans.

The purpose of the Performance Share Plan (PSP) is to motivate key personnel to contribute to the long-term success of the Company and to create shareholder value and joint sense of common ownership among managers.

The Board decides annually the allocation of shares to key personnel under a proposal made by the President and CEO. In allocating shares to the President and CEO, the Board acts independently.

**Discretionary period 2013 – 2015**

The 2013 plan had one criterion: cumulative EPS 2013–2015. In the beginning of 2016, the criteria for the plan period was not met and no rewards were paid.

**Discretionary period 2014 – 2016**

The 2014 plan has one criterion: cumulative EPS 2014–2016. Earned shares will be paid out by the end of April, 2017. In the 2014–2016 plan, if maximum performance level is achieved, the President and CEO will be eligible for 48,000 shares and the other members of the GXB a total for 120,000 shares (gross).

The members of the GXB, including the President and CEO, have an obligation to continue owning at least 50 percent of the shares they earn annually through the PSP until they own Company shares with a value equal to their annual salary including benefits.

**PERFORMANCE SHARE PLAN 2015**

As of the beginning of 2015, Konecranes launched a new long-term incentive plan for key employees. The aim is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company, to commit the key employees to the Company, and to offer them a competitive reward plan based on shareholding in the Company. The Board of Directors shall determine the amount of the maximum reward for each key employee belonging to the target group for the discretionary period.

**Discretionary period 2015–2017**

The 2015 plan has one criterion: cumulative EPS 2015–2017 excluding restructuring costs. Earned shares will be paid out in the first quarter of 2018. In the 2015–2017 plan, if maximum performance level is achieved, the President and CEO will be eligible for 48,000 shares and the other members of the GXB a total of 120,000 shares (gross).

The members of the GXB, including the President and CEO, have an obligation to continue owning at least

50 percent of the shares they earn annually through the PSP until they own Company shares with a value equal to their annual salary including benefits.

### PERFORMANCE SHARE PLAN 2016

In June 2016, Konecranes launched a new long-term incentive plan 2016 for the key employees of the Konecranes Group. The plan continues the incentive and commitment program for the Konecranes Group key employees. The aim is to combine the objectives of the shareholders and ensure retention during integration planning of Acquisition MHPS and to increase the value of the Company.

#### Discretionary period 2016–2018

The 2016 plan has two criteria: EBITDA for 2016 and time base. The plan consists of one discretionary period, calendar year 2016. Any reward from the plan will be paid out after the end of the discretionary period, by the end of August 2017. However, the paid shares may not be sold, transferred, pledged, or otherwise exposed during a restriction period established for the shares. The restriction period will begin from the reward payment and end on December 31, 2018.

The members of the GXB, including the President and CEO, have an obligation to continue owning at least 50 percent of the shares they earn annually through the PSP until they own Company shares with a value equal to their annual salary including benefits.

### STOCK OPTION PLANS

In the past, the Company had stock option plans for its key employees, including top and middle management, and employees in certain expert positions. All these plans were adopted by the relevant General Meetings. The Board has decided to discontinue the use of these plans until further notice. The subscription period for Stock Options 2009C, ended on April 30, 2016.

### EMPLOYEE SHARE SAVINGS PLAN

Konecranes launched an Employee Share Savings Plan on July 1, 2012 for all employees except those in countries where the plan could not be offered for legal or administrative reasons. Participants saved a monthly sum of up to 5 percent of their gross salary, which was 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. First matching shares, all together 18,580 were delivered to 1,205 participants in February 2016.

New plan periods began on July 1, 2013, July 1, 2014, July 1, 2015, and September 1, 2016. The plan also covers top management. Participation is voluntary for all concerned.

#### Summary of Employee Share Savings Plan

Plan period	Savings period	Amount of participants*	Amount of shares acquired	Timing of matching share delivery	Expected matching shares to be delivered*
2013–2014	July 1, 2013–June 30, 2014	1,338	84,377	Feb 2017	42,189
2014–2015	July 1, 2014–June 30, 2015	1,286	77,085	Feb 2018	38,543
2015–2016	July 1, 2015–June 30, 2016	1,345	100,660	Feb 2019	50,330
2016–2017	September 1, 2016–June 30, 2017	1,259	5,733	Feb 2020	2,867

\* by the end of Q4 2016