

# Konecranes Plc

Remuneration Statement  
(January 2015)

## REMUNERATION STATEMENT 2014

### 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 objective is that all Konecranes employees should have a variable component based on their performance as a part of their overall remuneration. 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 and personal achievements. Remuneration schemes are drawn up in writing and numerical evaluation is used whenever possible.

All remuneration schemes are designed to meet both global and local needs, and may differ between locations as a result.

### DECISION-MAKING PROCESS

The Annual General Meeting 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 decision the remuneration packages of Group Executive Board members who report directly to the President and CEO. The remuneration packages for other Senior Management Team members 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 following table.

<b>Fees payable to the Board of Directors</b>	<b>Annual fee 2014EUR</b>
Chairman of the Board	105,000.00
Vice Chairman	67,000.00
Board member	42,000.00
Fee per a 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.

<b>Total Compensation paid to the Board of Directors in 2014</b>					
	Annual Fee Cash EUR	Shares EUR	Shares #	Committee meetings EUR	TOTAL EUR
Gustavson Stig, Chairman of the Board	52 500.05	52 499.95	2281	3 000.00	108 000.00
Adde Svante, Board member	21 009.23	20 990.77	912	12 000.00	54 000.00
Järvinen Tapani, Board member	21 009.23	20 990.77	912	6 000.00	48 000.00
Kavetvuori Matti, Board member	21 009.23	20 990.77	912	3 000.00	45 000.00
Kopola Nina, Board member	21 009.23	20 990.77	912	3 000.00	45 000.00
Langenskiöld Bertel Board member	21 009.23	20 990.77	912	3 000.00	45 000.00
Persson Malin, Board member	21 009.23	20 990.77	912	6 000.00	48 000.00
Silvennoinen Mikael, Board member	21 009.23	20 990.77	912	6 000.00	48 000.00
<b>TOTAL</b>	<b>199 564.66</b>	<b>199 435.34</b>	<b>8665</b>	<b>42 000.00</b>	<b>441 000.00</b>

#### 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 base salary, fringe benefits, a pension scheme, performance-related annual variable pay and a long term performance related share plan. The President and CEO's annual variable pay is based on Group Profitability and Growth 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.

The pension scheme for the President and CEO sets his retirement age at 63 and the defined contribution at 18.6 % of his annual salary, excluding performance based compensation (annual or long-term incentives).

The annual salary and benefits paid to the President and CEO in 2014 and 2013 are shown in the following table.

<b>Compensation paid to the President and CEO</b>		
<b>Salary, variable pay and other benefits</b>		
	<b>2014</b>	<b>2013</b>
1. Salary and benefits	517,607 EUR	506,036 EUR
2. Benefits abroad	78,464 EUR	150,005 EUR
3. Annual variable pay	200,000 EUR	120,000 EUR
4. Variable pay related to time abroad	270,000 EUR	
5. Option rights owned (# of options 31 Dec.)	45,000	80,000
6. Share rights allocated (PSP)	115,200	67,200
7. Shares owned (# of shares 31 Dec.)	216,497	225,520
8. Retirement age	63 years	63 years
9. Target pension level	Defined contribution plan	Defined contribution plan
10. Period of notice	6 months	6 months
11. Severance payment (in addition to notice period compensation)	18 months salary and fringe benefits	18 months salary and fringe benefits

The temporary relocation to Singapore of the President and CEO has ended. As of June 14<sup>th</sup>, 2014 the monthly salary of the President and CEO is EUR 40,000.00 excluding benefits (car, housing and mobile phone).

There were no loans issued by the Company to the **CEO** at the end of December 2014.

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

The Nomination and Compensation Committee evaluates and prepares for Board decision the remuneration packages of Group Executive Board members who report directly to the President and CEO. Remuneration packages for other Senior Management Team members 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 **Group Executive Board (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.

<b>Remuneration to the Management</b>		
<b>Group Executive Board, excluding the President and CEO</b>		
	<b>2014</b>	<b>2013</b>
1. Salary and benefits	1,393,095.11 EUR	1,283,773.08 EUR
2. Annual variable pay	204,128.38	246,130.80 EUR
3. Option rights owned (# of options 31 Dec.)	84,000	141,500
4. Share rights allocated (PSP)	249,600	163,200
5. Shares owned (# of shares 31 Dec.)	128,156	170,786

There were no loans issued by the Company to the **Group Executive Board** at the end of December 2014.

#### **PERFORMANCE SHARE PLAN 2012 -2014**

As of 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. It is also intended to create a joint sense of common ownership among managers, which is seen as valuable for a company like Konecranes with operations covering many countries, cultures, and customer industries.

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 2012 – 2014**

The 2012 Plan has one criterion for fiscal year 2012 performance and one for 2012 – 2014 performance. Earned shares are paid by the end of April, 2015. In the 2012 – 2014 Plan, if maximum performance level is achieved in both criteria, the President and CEO will be eligible for 48,000 shares and the Extended Management Team (EMT) in total for 240,000 shares (the maximums are gross numbers).

#### **Discretionary period 2013 – 2015**

The 2013 Plan has one criterion: cumulative EPS 2013 – 2015. Earned shares are paid out by the end of April, 2016. In the 2013 – 2015 Plan, if maximum performance level is achieved, the President and CEO will be eligible for 48,000 shares and the other members of the Group Executive Board (GXB) in total for 90,000 shares (the maximums are gross numbers).

The members of the Group Executive Board, including the President and CEO, have an obligation to continue owning at least 50 % of the shares they earn annually through the Performance Share Plan until they own Company shares with a value equal to their annual salary including benefits.

### **Discretionary period 2014 – 2016**

The 2014 Plan has one criterion: cumulative EPS 2014 – 2016. Earned shares are 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 Group Executive Board (GXB) in total for 114,000 shares (the maximums are gross numbers).

The members of the Group Executive Board, including the President and CEO, have an obligation to continue owning at least 50 % of the shares they earn annually through the Performance Share Plan until they own Company shares with a value equal to their annual salary including benefits.

### **STOCK OPTION PLANS**

In the past, the Company has 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.

Konecranes Plc's remaining outstanding stock option plans are Option Series 2009B and 2009C.

The subscription periods for these plans are:

- Stock Option 2009B: 1 April 2013 – 30 April 2015
- Stock Option 2009C: 1 April 2014 – 30 April 2016

The terms and conditions of Konecranes stock option plans and number of unsubscribed stock options, based on outstanding stock option plans and number of employees concerned, can be consulted at the Company's website at [www.konecranes.com](http://www.konecranes.com) > Investors > Share information > Stock option plans.

As of the end of 2014, approximately 180 employees were part of the Group's stock option plans. More information on stock options can be found in Konecranes Annual Report.

### **EMPLOYEE SHARE SAVINGS PLAN**

Konecranes launched a 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. A new Plan period was started on July 1, 2013 and July 1, 2014.

The Plan also covers top managements and the President and CEO. Participation is voluntary for all concerned.

#### **Plan period 2012-2013**

Participants saved a monthly sum up to 5 % of their gross salary, which was used to buy Konecranes shares from the market on behalf of participants. Savings were made from July 1, 2012 to June 30, 2013. If participants are still in possession of these shares on February 15, 2016, they will receive one matching share for every two initially purchased.

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