



# REMUNERATION POLICY

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# Introduction

## Purpose and scope

Konecranes is a global company with a global management team. The ability to attract, retain and drive the performance of the management team is one key factor for Konecranes competitiveness, long-term financial success and shareholder value. This remuneration policy has been designed to formalize the Konecranes remuneration strategy and to meet the requirements of the Corporate Governance Code 2020 issued by the Securities Market Association. The requirements of the 2017 EU Shareholders Right Directive as well as Chapter 4, section 3 a and Chapter 6, section 14 a and 20 A of the Finnish Limited Liability Act have been considered while designing the policy. In case of any conflict between this policy and the applicable legislation, the law shall prevail. This policy has been prepared by the Konecranes HR Committee and approved by the Board of Directors. The Policy's validity will be reviewed by the Board of Directors every 4 years, at minimum.

The Konecranes remuneration policy targets the CEO, Deputy CEO and Board remuneration, and wider workforce compensation principles have been considered for the design. The Company's approach to determining and reviewing the remuneration of the CEO and Deputy CEO uses a similar approach as for the employees' remuneration, although the CEO's and Deputy CEO's role and responsibilities affect the amount of compensation. When defining the compensation, Board of Directors considers the average compensation in the company in addition to the market compensation for CEO's and Deputy CEO's role.

Details regarding the remuneration and incentives as well as the contract terms of the CEO and Board can be found on the company website and the remuneration report according to the Finnish Corporate Governance Code.

## Remuneration principles

### **Principles for the remuneration of the wider workforce which guide the remuneration of the governing bodies**

- Remuneration is linked to performance and achievements in all organizational levels to promote high performance and commitment to business targets.
- Konecranes provides an attractive, total remuneration, which reflects the requirements of the position, individual responsibilities as well as needed skills, experience and knowledge.
- Harmonized and structured processes as well as written policies ensure equal and fair treatment and governance of our rewards processes. Following those principles ensures also pay equity.

Konecranes positions itself to the employer market based on the geographical locations and the employee groups. For management, we benchmark ourselves with international industrial companies, however reflecting geographical home base of the management. Regular compensation analysis and benchmarks based on the Konecranes job architecture and grades are conducted to identify needed adjustments and actions.

#### **Principles for the remuneration of the CEO / Deputy CEO**

- The principles listed in the previous section guided the design of the CEO's / Deputy CEO's remuneration. To ensure competitiveness Konecranes benchmarks itself regularly with large Finnish international companies and large international industrial companies.
- The Konecranes **HR Committee** ensures that those principles are followed and prepares the needed proposals for the board.

## Key changes adopted when formalizing the policy

This policy formalizes 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. Certain rules already defined in separate policies have been summarized and repeated to support shareholders understanding and evaluation.

As the remuneration policy will be presented during the 2020 AGM for the first time, no shareholder statements have been considered for designing the policy. The policy is effective as of 2020 and subsequent years and will be presented to the 2020 Annual General Meeting. Shareholders feedback will be considered for future policy revisions.

# Remuneration governance

All Konecranes remuneration related decisions are made by the 'one above' principle. In other words, the remuneration of an employee is prepared and decided by the Line-Manager and must always be approved by the manager's superior. Konecranes made the decision to have a **Human Resources Committee** instead of a Remuneration Committee to have wider topics reviewed in preparing Board decisions. Members of the committee have different, relevant experience and competency to ensure consistency and rightfulness of the decisions.

This remuneration policy contains practices regarding the remuneration of the Board of Directors, the CEO and Deputy CEO. Any new policy or major changes in this policy will be prepared by the HR Committee and will be approved by the Board of Directors prior to the presentation at the Annual General Meeting.

## **Governance of CEO / Deputy CEO compensation**

The Konecranes HR Committee reviews annually the CEO's and Deputy CEO's performance and prepares the proposal for the CEO's and Deputy CEO's total remuneration. This separation of duties together with the design of the policies and the audit committee mitigates the risk of conflicts of interests.

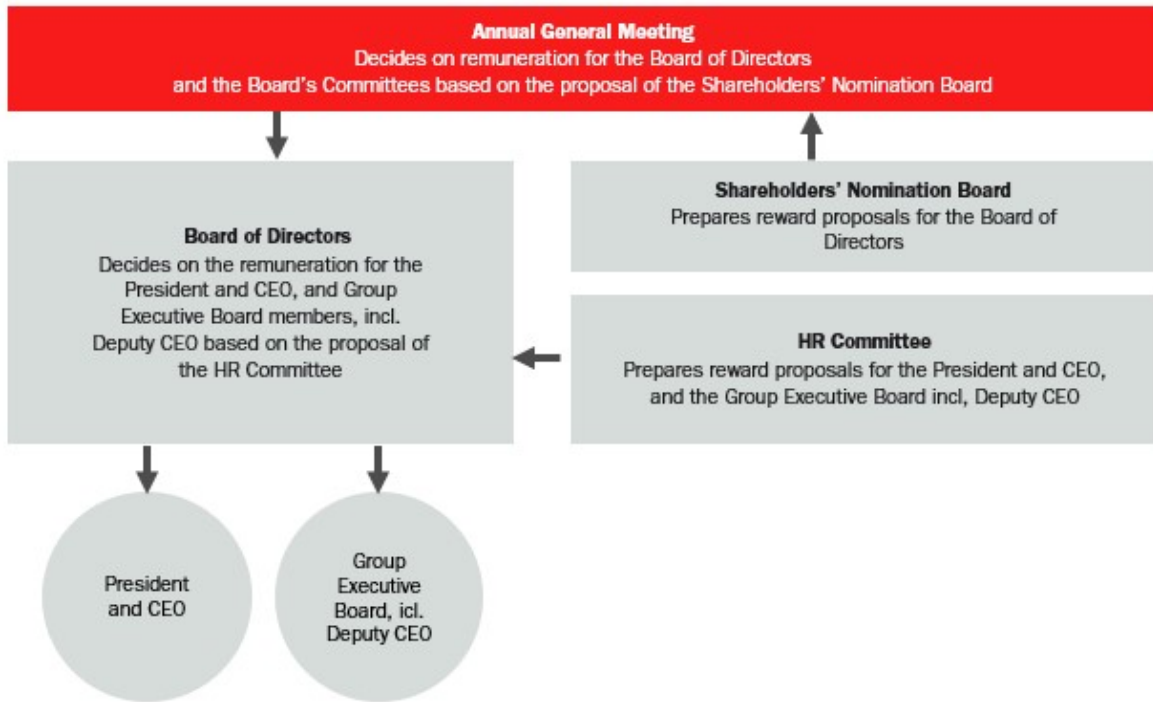
External benchmarks with peer companies operating in a similar global industry based on the job grades and advisers are used to support the proposal preparation and the performance review. The Human Resources Committee's evaluates and proposes the short-term incentive targets, their achievement and long-term incentive grants for the CEO and Deputy CEO. Based on the HR Committee's proposal the Board decides about the total remuneration elements of the CEO and Deputy CEO, such as the base salary, pensions and max. earning opportunities in the short-term and long-term incentive plan. 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. Relevant policies will be reviewed periodically by the Human Resources Committee and adjustments will be proposed to the Board.

## **Governance of board remuneration**

The Shareholders' Nomination Board prepares proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors. The Annual General Meeting decides on the remuneration of the Board of Directors and the Board's Committees annually.

## **Governance of share-based compensation**

The Annual General Meeting grants the Board authorization to use shares for remuneration purposes.



# Remuneration of Board of Directors

This section sets out the policy for remuneration of the members of the Board of Directors ("The Board").

Shareholders' Nomination Board aims to ensure that the Board of Directors of the Company shall have sufficient expertise, knowledge of and competence in the Company's field of business, technology and industry. Collectively the Board of Directors should have combined experience in different markets, geographies and important topics like digitalization and corporate responsibility. The Board of Directors Remuneration should be designed to support this goal.

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 Annual General Meeting is ultimately responsible for deciding on issues regarding Board remuneration. The Annual General Meeting resolves annually on the fees to be paid to the members of the Board of Directors for one term of office at a time.

Annual Fee	
<b>Purpose</b>	Align the interests of directors with those of shareholders through payment of the Board remuneration in the form of shares and cash.
<b>Operation</b>	<ul style="list-style-type: none"> <li>• Annual fees are paid partly in Konecranes shares and partly in cash. The cash portion of the remuneration is meant to cover withholding tax.</li> <li>• If payments 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.</li> <li>• Fees may vary based on position, workload and responsibility, i.e. the compensation for the chairperson and vice chairperson are higher than the rest of the board.</li> <li>• The employee representatives of the Board of Directors is not entitled for any fee for board membership.</li> </ul>
Committee Attendance Fee	
<b>Purpose</b>	To provide a complementary fee to reflect any additional time commitment or duties
<b>Operation</b>	<ul style="list-style-type: none"> <li>• Board members may also be members of certain Board Committees and receive an additional attendance fee for the membership.</li> <li>• Attendance fees are paid in cash.</li> <li>• Each member will receive an attendance fee per Committee meeting attended.</li> <li>• Fees may vary based on position, workload and responsibility.</li> </ul>

## Travel Reimbursement

Board members will be reimbursed for necessary travel according to the Konecranes travel policy.

## Other terms

- The members of the Board do not participate in Konecranes' incentive schemes and do not receive performance-based remuneration; nor do they have a pension scheme arranged by Konecranes, with the exception of the employee representative of the Board.
- The Board members will not receive any other financial benefits for their Board or committee membership in addition to the fees.
- Annual review of the Board of Directors' fees by the Shareholders' Nomination Board is conducted against relevant Finnish and international industrial companies. The Nomination Board may propose additional elements of Board remuneration to the AGM, e.g. in order to take into account evolving market practices or extraordinary corporate arrangements.
- The fees are proposed to be set at a level that is market aligned and reflects qualifications and competences required in view of Konecranes' size, internationality and complexity, the responsibilities and time commitment the Board members are expected to discharge for their obligations as Board members.
- The suggestion of said levels will be presented to the Annual General Meeting by the Shareholders' Nomination Board.
- In case the term of the 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.



# Remuneration of the CEO and Deputy CEO

This section sets out the policy for remuneration of the CEO and Deputy CEO.

## Remuneration components

The compensation packages of the Konecranes 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. The latest remuneration details can be found at the webpages.

Base Salary	
<b>Purpose</b>	To provide a fixed remuneration which reflects the nature of the role and the business, the performance and contribution as well as external market trends.
<b>Operation</b>	<ul style="list-style-type: none"> <li>• The base salary of the Konecranes CEO and Deputy CEO reflects the performance and individual job responsibilities, experience, skills and knowledge.</li> <li>• The Annual Salary Review Process also applies to the CEO and Deputy CEO and is completed by the Board of Directors after the evaluation and proposal by the HR Committee. Industry practices, market trends and average salary increases in Konecranes are considered when reviewing the salary. For this purpose, Konecranes regularly participates market benchmarks.</li> <li>• Increases for the CEO and Deputy CEO will normally be aligned with the increases for the wider workforce. Increases beyond those granted to the wider workforce may be awarded in certain circumstances such as where there is a change in responsibility or experience, progression in the role, or a significant increase in the scale of the role, size, value or complexity of the Konecranes Group.</li> </ul>
Benefits and Pension	
<b>Purpose</b>	To provide additional fixed compensation in line with the company's practices in the prevailing market.
<b>Operation</b>	<ul style="list-style-type: none"> <li>• Konecranes benefits are determined on a country level. This ensures that they deliver the desired outcome and meet the needs of the local workforce. The CEO's and Deputy CEO's benefits will mostly follow employment country practices which may include car benefits or pension schemes.</li> <li>• Additional fringe benefits are provided to the CEO / Deputy CEO of Konecranes. Those could be a company car and a phone benefit.</li> <li>• Other benefits like housing benefit, might be offered, when (Deputy) CEO has multiple working/home countries if considered appropriate and agreed in the CEO service agreement.</li> <li>• The CEO / Deputy CEO will normally participate in the statutory pension scheme of the relevant country. In addition to statutory pensions, Konecranes provides supplementary contribution-based pension benefits to the CEO / Deputy CEO (Defined Contribution Plan). The retirement age will be defined according to applicable country legislation or may be defined in the CEO service contract.</li> </ul>

## Short Term Incentives

<b>Purpose</b>	To provide a performance-based, variable remuneration tied to the achievement of key business and financial targets. The target period for the Short-Term Incentive plan is one year.															
<b>Operation</b>	<ul style="list-style-type: none"> <li>The Konecranes Group remuneration structure includes two short-term incentive plans. The general short-term incentive plan available for wide groups of employees and the Senior Management incentive plan which is applicable to the CEO and Deputy CEO. Konecranes short-term incentives are designed to support the Company's financial success and the commitment to achieve set targets on a semi-annual or annual basis, depending on the year. By setting demanding target our incentive plan supports the long-term success of the company and the achievement of our overall targets.</li> <li>Incentive criteria may vary but are usually based on the Konecranes Group's key performance areas. The actual annual targets for the CEO and Deputy CEO are decided by the board for the upcoming year considering strategic business priorities. Typical performance indicators may be financial, operational or strategic.</li> <li>The amount of the max. incentive opportunity (= max. award) for the CEO / Deputy CEO are defined in the Service Agreement and approved by the Board of Directors. Latest percentages can be found in the webpages.</li> <li>The actual pay-out is based on the achievement of the agreed targets and encourages for exceeding normal, good performance, whereas:</li> </ul>															
	<ul style="list-style-type: none"> <li>There will be no payment if the minimum threshold / target low is not achieved.</li> <li>The achievement of the minimum threshold gives 12,5% of the maximum award.</li> <li>The achievement at target gives 50% of the maximum award.</li> <li>The achievement at target high results in the maximum.</li> <li>The CEO's and Deputy CEO's annual incentive is based on the comparison of financial performance of the Company and the expectations set out by the Board of Directors for the applicable year. The actual payout amount is approved by the board of directors based on the HR Committee's evaluation and proposal prior to the payment.</li> </ul>	<table border="1"> <thead> <tr> <th colspan="2">Performance Multiplier (2 decimals)</th> </tr> <tr> <th colspan="2">Senior Management Incentive Plan</th> </tr> </thead> <tbody> <tr> <td>Target low</td> <td>12,50 %</td> </tr> <tr> <td>Target</td> <td>50,00 %</td> </tr> <tr> <td>Target high</td> <td>100,00 %</td> </tr> </tbody> </table> <table border="1"> <tr> <td><b>Award Payout</b></td> <td><b>=</b></td> <td><b>Maximum Award</b></td> <td><b>*</b></td> <td><b>Performance Multiplier</b></td> </tr> </table>	Performance Multiplier (2 decimals)		Senior Management Incentive Plan		Target low	12,50 %	Target	50,00 %	Target high	100,00 %	<b>Award Payout</b>	<b>=</b>	<b>Maximum Award</b>	<b>*</b>
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## Long-Term Incentives

<b>Purpose</b>	A Performance Share Plan (PSP) is offered to the CEO and Deputy CEO to link a significant portion of the compensation to the long-term financial performance of Konecranes. 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).	
<b>Operation</b>	<ul style="list-style-type: none"> <li>The aim of the Konecranes long-term incentive plan 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 for achieving set targets.</li> <li>Konecranes provides a rolling Performance Share Plan with a three- year performance period, after which the plan participants may earn rewards according to the realization of the criteria for the period.</li> <li>For each share plan period a maximum reward is defined. For practical reasons part of the earned share reward is paid in cash to ensure that the participants can pay the necessary taxes for the reward. The</li> </ul>	

actual reward payment is based on the performance of the Company against the pre-set criteria – if a threshold level for the criteria is not met, rewards will not be awarded. The Performance Criteria for the relevant year will be agreed and approved by the Board of Directors, historical details can be found at the webpages.

- Konecranes long-term incentive plans include ownership obligations that pose restrictions to named plan participants selling shares paid as reward. The CEO and Deputy CEO have a shareholding requirement tied to the share-based incentive plans. Restrictions on selling shares earned through the plans are defined in the incentive plans and executive contracts.

Performance Share Plan	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
PSP Year 1				•			
PSP Year 2					•		
PSP Year 3						•	
PSP Year 4							•

Share delivery •

- 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 CEO / Deputy CEO.

Employee Share Savings Plan	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
ESSP Year 1						•			
ESSP Year 2						•			
ESSP Year 3							•		
ESSP Year 4								•	
ESSP Year 5									•

Savings period ■ Holding period ■ Share delivery •

## Other Terms and Conditions

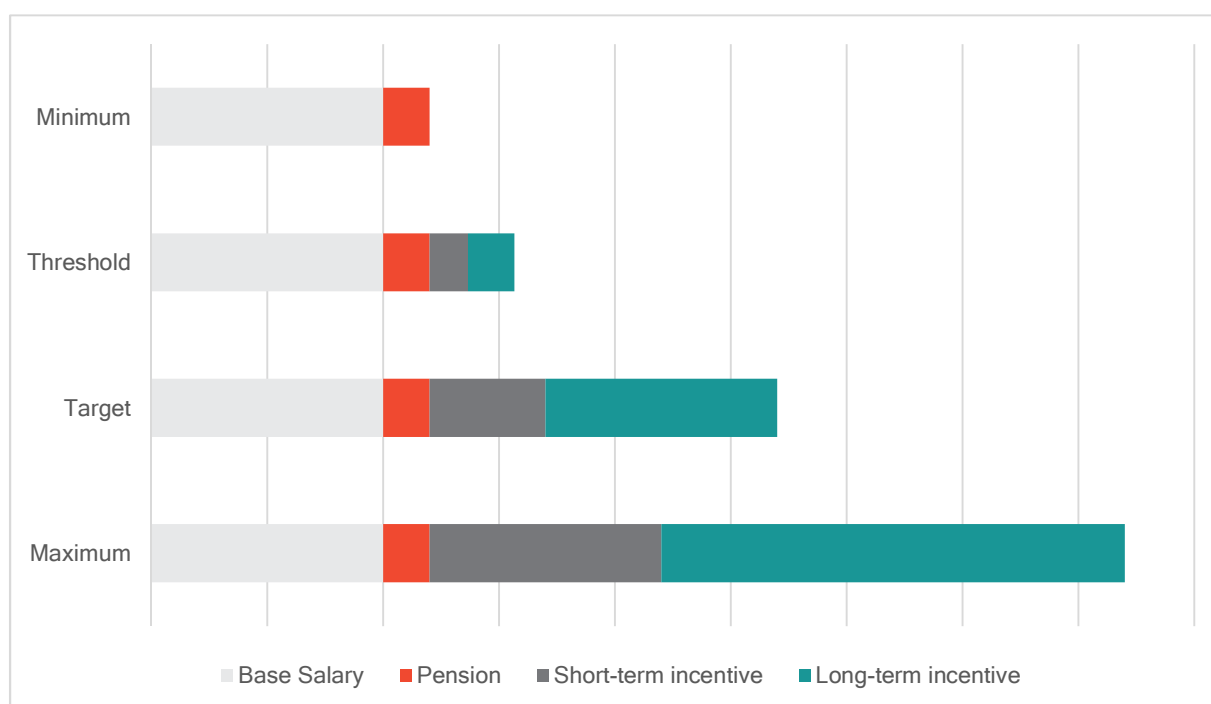
- The period of notice for the CEO / Deputy CEO is normally 6 months. Actual details are agreed in the CEO Service Agreement and made available on the company's webpages.
- In addition to the notice period compensation a severance pay is agreed in the CEO Service Contract. Actual details can be found on the company website.
- Malus and Clawbacks are applicable for the senior executives including CEO / Deputy CEO related to all variable pay programs

The Konecranes CEO / Deputy CEO remuneration elements aim to provide a competitive compensation and reward short-term as well as long-term performance through the remuneration mix. The short term-incentive plan is based on annual targets, the strategy implementation and the financial performance of the group. The Performance Share Plan is based on longer-term financial performance and shareholder value. Shareholding requirements supports the alignment of corporate and personal targets. Together those elements will positively serve the long-term interest of the company and its shareholders.

## Remuneration scenarios

The below illustration shows possible scenarios for the total remuneration of the CEO, describing the situation at grant date with a share price of 29 EUR. The graph is indicative as it is subject to salary adjustments and share price changes. In addition to the base salary there is a contribution to the Defined Contribution plan.

When not reaching the threshold there will be no Short-Term and Long-Term incentive payments. The possible maximum scenario requires exceptional performance and overachievement of all targets defined in the Short-Term and Long-Term incentive plan.



# Discretionary mandates

In exceptional circumstances, the Policy may be deviated from, in order to secure the long-term interests of the company. These circumstances may include situations like:

- Significant corporate arrangements
- CEO and Deputy CEO recruitment
- Taxation or other regulatory changes
- Other extraordinary events

Should a deviation need to take place, the HR Committee will prepare the manner and the Board will approve it. Should a deviation be needed regarding Board remuneration, the Plan General meeting or Extraordinary General Meeting will approve it. Any deviation will be reported in the Remuneration Report.

In addition, the Board of Directors has discretionary mandates regarding the incentive plans. In terms of the Konecranes's Short-Term and Long-Term incentive plans the board retains the flexibility to adjust plan details in case of events which cause the conditions to be no longer appropriate, e.g. in case of a change in control. Other events include e.g. restatement of financial statements or other manipulation. Incentive awards may be cancelled, postponed or reduced at the Board's discretion. Those deviations will be explained in the annual remuneration report. The HR committee retains furthermore the flexibility to define the relevant KPIs for its long-term and short-term incentive plans on an annual basis based on the strategic direction of the Konecranes group and propose those to the Board of Directors for approval.

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.

The remuneration policy will be applied when engaging e.g. a new CEO or an Interim-CEO. However, Konecranes cannot anticipate all conditions under which a new CEO will be engaged. In case of the recruitment of a CEO the board keeps the discretion to offer additional allowances as typically provided in the country of residence and in those circumstances. Additional elements that may be used to secure a successful recruitment are, for instance, participation in on-going incentive plans or other equity vehicles with a multi-year vesting period and a performance condition. Those elements will be described on the Konecranes webpages and in the annual remuneration report.

The remuneration policy will be reworked in case a deviation is not considered as temporary. The HR committee will propose the revised policy to the board for approval and it will be discussed during the upcoming annual general meeting.