

Remuneration Committee statement 2017



Frankfurt am Main, Germany

The Remuneration Committee's Statement Regarding, and Evaluation of, the Remuneration and Remuneration Guidelines for Senior Executives in the Cavotec Group and the Board of Directors of Cavotec SA

Remuneration Guidelines for Senior Executives in the Cavotec Group

The remuneration committee of the Board of Directors of Cavotec SA (the "**Remuneration Committee**") consists of Erik Lautmann, chairman, Helena Thrap-Olsen and Patrik Tigerschiöld and is, inter alia, responsible for advising the Board on the remuneration of its members and in discharging the Board of Directors responsibilities in relation to the remuneration for senior executives. As Chairman of Cavotec SA, Stefan Widegren is invited to Remuneration Committee meetings.

The remuneration programme for senior executives in the Cavotec group (the "**Group**") consists of four components: base salary; annual non-equity cash compensation ("**STIP**"); equity based incentives ("**LTIP**"); and pension benefits. The four components can be divided into fixed and performance based; the base salary and the pension benefits are fixed, and the STIP and LTIP are performance based. Qualified international remuneration consultants have been consulted when the remuneration system was designed in order to ascertain that the remuneration system is competitive and in line with remuneration systems that exist in comparable companies.

The base salary for a senior executive of the Group is targeted at up to 120 per cent of the competitive market's median – where the competitive market is defined as general industry in the country of residence. The base salary is revised once a year. The average yearly increase is historically below 5 per cent, but depends on the country of employment (where the inflation rate is an important factor for determining the increase). The base salary can also be adjusted in the case of a change of position or relocation. There is a contingency plan that can be implemented in the case of worldwide economic recession or worldwide financial crisis whereby salaries can be voluntarily reduced by up to 10 per cent or increases can be halted. In fact, following the economical unrest in late 2008, the measures of the contingency plan were implemented and salaries were reduced by 10 per cent for nine months of 2009 and salary increases were halted. These measures were withdrawn in 2010.

The STIP is a cash bonus that provides incentives for senior executives by providing them with a bonus based on Group profit before taxation. From 2012 and onwards EBIT has been used as the profit measure for the purpose of calculating the STIP, prior to 2012 EBT was used. The expected amount of the STIP each year is 10 to 35 per cent of the base salary. When the STIP is distributed, it is calculated as a percentage of the base salary for each senior executive.

The LTIP is a long-term incentive plan that is aimed at creating a managing shareholder culture by allowing selected key employees of the Group to become shareholders of Cavotec SA. The incentive from the LTIP is expected to be a maximum of 25-30 per cent of the total direct compensation ("**TDC**")⁽¹⁾. The incentive from the LTIP as a portion of TDC shall be higher for more senior executives as it is expected the more senior the executives are, the more they influence the Group's result.

The pension benefits are based on defined contributions that are determined based on the mandatory pension plans of the country of employment and other local conditions. In certain selected cases an extra pension benefit equal to 10 to 15 per cent of the base salary can be agreed with key managers as an extra compensation. This extra compensation can be revised on a yearly basis.

⁽¹⁾ Total direct compensation = base salary + STIP + LTIP

The Remuneration Committee's Evaluation of the Remuneration Guidelines

The Remuneration Committee has monitored and evaluated the application of the remuneration guidelines set forth above, the programme for variable remuneration for the senior executives and the remuneration structure and levels in the Group. Based on the evaluation, the Remuneration Committee considers that the guidelines, programme, structures and levels fulfil their objectives and are serving their purposes well.

Remuneration of the Board of Directors

The Remuneration Committee is responsible for advising the Board of Directors on the remuneration of its members. During 2015, the Remuneration Committee has, together with qualified international remuneration consultants, reviewed the remuneration of the Board of Directors. The purpose of the review was to ensure that the remuneration is competitive and in line with the remuneration of Boards of Directors in comparable companies.

The Remuneration Committee considers that the remuneration and the remuneration levels for the Board of Directors fulfil their objectives and are serving their purpose well.

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Erik Lautmann

Chairman, Remuneration Committee

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