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AR16
ANNUAL REVIEW 2016



Smarter cargo flow for a better everyday



Cargotec's reporting for the year 2016 consists of the Annual review 2016 and the Financial review 2016. This document, the Annual review 2016 with a sustainability section, is based on the integrated reporting principles. It includes a selection of financial information and other material information with a target to describe Cargotec's value creation process and portray the significance we give to sustainability issues as part of our business. The financial review (published separately) includes the Board of Directors' report, the financial statements, the auditors' report, the corporate governance statement and the remuneration statement.

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STRATEGY EXECUTION PROGRESSED

2016 was a good year for Cargotec: operating profit excluding restructuring costs was the highest in Cargotec's history, operating profit margin continued to improve and we had a strong cash flow.

Hiab in particular had a very good year. It successfully launched a number of new product innovations and outgrew its competitors. Profitability improved also in Kalmar. We made significant investments in the software business, among other things, to enable future growth. Considering MacGregor's challenging market conditions, the year was satisfactory and new measures to ensure profitability were implemented quickly.

Focus on strategy implementation

Cargotec's strategic focus areas are digitalisation, services business and leadership excellence. We made noticeable progress in all three areas.

To promote digitalisation, we established the Cargotec IoT¹ Cloud platform as a solid foundation for our digital solutions. The first products to utilise the platform have now been launched. The number of products we connect to analytics platforms is strongly increasing.

The Navis software business is one of our key enablers of future growth. We supplemented its offering through the acquisition of the INTERSCHALT software company, which provides products for stowage planning, equipment management and vessel monitoring. Key players in the shipping and harbour industry started testing our XVELA collaboration platform for the performance optimisation of terminals and vessels. During the year, we invested over EUR 90 million in product development.

We have significant growth potential in the services business. In 2016, Hiab's services business developed favourably and Kalmar's performance improved towards the end of the year. MacGregor suffered from weak market conditions, which was reflected also on the services business development.

I am very satisfied with our progress in developing our leadership. We have engaged over 200 key leaders already, and an intensive people leader development continues in 2017, through which we aim to establish a more uniform performance-based leadership culture at Cargotec.

Market situation varied by business area

The demand for Kalmar's equipment was satisfactory in ports, industry and logistics. The difficult market situation of sea freight is leading to an intense shipping line consolidation and cooperative arrangements. On the other hand, ship-owner amalgamations place an increasing pricing pressure on port operators. Due to the uncertainty, many port investments have been postponed. However, we believe they will be realised in the future, as the significant increase in container ship sizes, new traffic flows as well as the efficiency, security, and environmental benefits of port automation create additional demand for port services.

The demand for Hiab's products was strong in 2016, mainly thanks to the continuing active construction market in the US and the reviving market in Europe.

Due to overcapacity, the marine cargo handling market is still challenging. This has put MacGregor in one of its most difficult positions in history. Freight pricing was at a record low level in 2016, and the low price of oil slowed

¹ Internet of things

”We want to be the forerunner and bring new thinking to the industry.”

investments in offshore markets. For these reasons, the amount of orders for new freight carriers collapsed and offshore investments decreased sharply during the year. This weakened the demand for MacGregor’s equipment and services.

World trade grew at a slower rate in 2016 than in the previous year. However, we believe that most of the megatrends will increase demand in the coming years. Key megatrends for our businesses are urbanisation, the new middle-class consumers entering the markets in developing countries, and the increasing stringency of safety and environmental regulations related to logistics.

Shaping the industry

We serve the logistics industry with various solutions, equipment and services. We see opportunities in digitalisation to further develop the level of smartness in equipment and ecosystems. As a market leader, we are in a good position to develop the entire industry. Our goal is to increase our operational profitability and cash flow and to reduce gearing.

We want to be the forerunner and bring new thinking to the industry. This means groundbreaking new equipment, services and product development, and also taking the lead in developing the principles of our industry.

In our own actions in 2016, we paid particular attention to ethics, compliance and good business practices.



Through responsible operations we shape the whole industry, but first we will put our own practices into an exemplary shape to create a safe and fair working culture. We value transparency and its growing role in the digital society. We want to be an attractive investment proposition for our shareholders and a sought-after partner for our stakeholders.

I want to thank our shareholders for the trust they have shown towards our company, our customers for their valued cooperation, and our employees for their fruitful work contribution.

Mika Vehviläinen
CEO, Cargotec

CARGOTEC IN BRIEF

HANDLING CARGO SMARTLY AND EFFECTIVELY

Cargotec provides advanced technologies and solutions for intelligent cargo handling.

CARGOTEC

IN 2016

Sales, EUR million

3,514

Number of personnel

11,184

KALMAR

Kalmar's offering comprises industry shaping, sustainable cargo handling equipment and automated terminal solutions, software and services. These are used in ports, terminals, distribution centres and various industries.

Share of total sales

48%

Services, % of
Kalmar's sales

26%

HIAB

Hiab is the global market leader in on-road load handling solutions. Its customers operate in on-land transport and delivery where Hiab's products and services help customers run their businesses efficiently and safely.

Share of total sales

30%

Services, % of
Hiab's sales

22%

MACGREGOR

MacGregor's engineering solutions and services for marine cargo and offshore load handling are designed to perform with the sea. MacGregor aims to make the sea more accessible, safe and reliable for its customers.

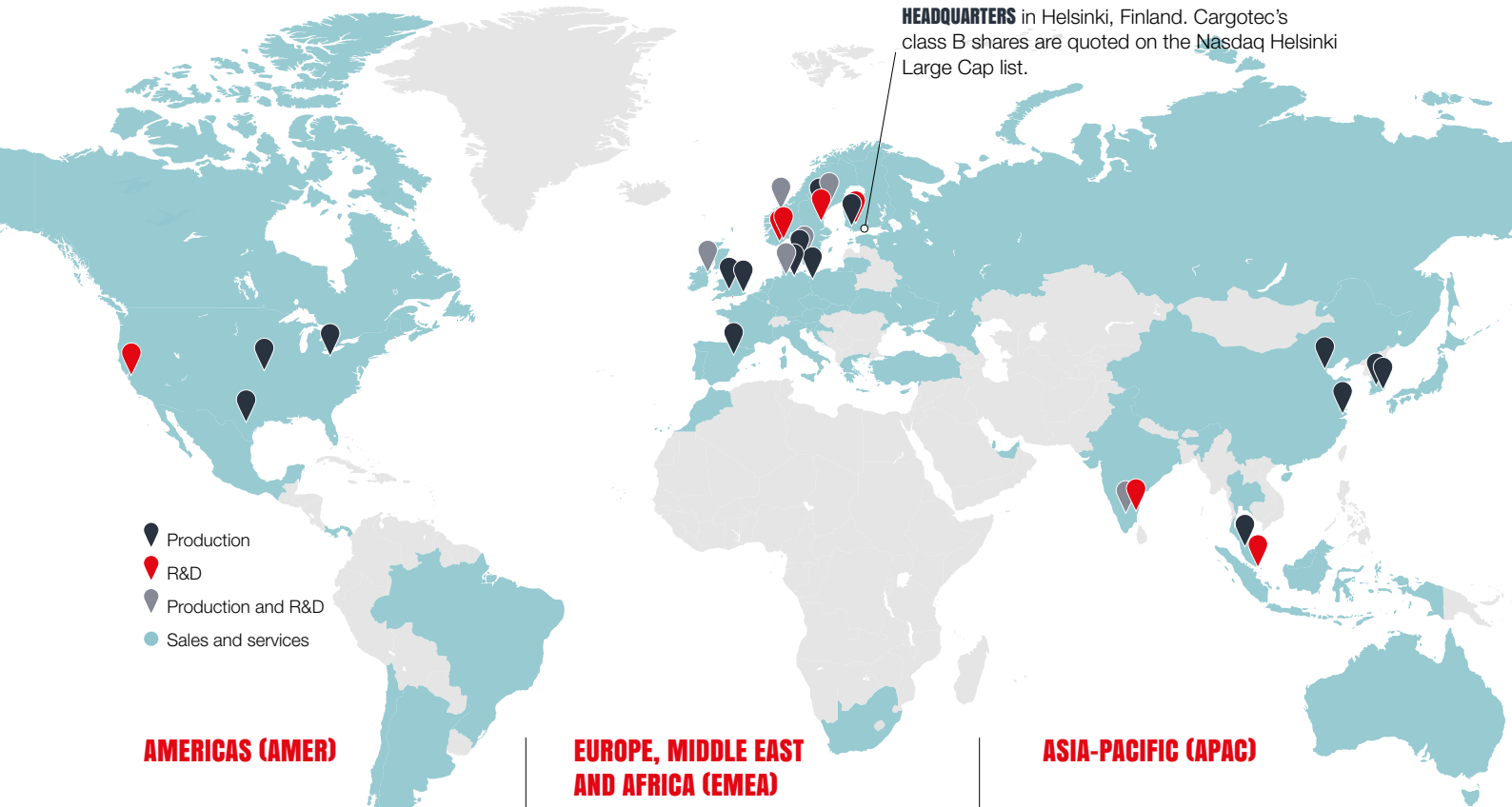
Share of total sales

22%

Services, % of
MacGregor's sales

26%

Our unique sales and services network serves our customers around the globe and ensures their continuous operations.

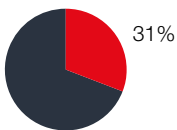


AMERICAS (AMER)

● **Production countries:**
United States

Number of personnel: 1,612

Sales by geographical area
Share of sales

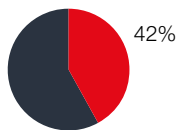


EUROPE, MIDDLE EAST AND AFRICA (EMEA)

● **Production countries:**
Finland, Germany, Ireland, Norway, Poland, Spain, Sweden, United Kingdom

Number of personnel: 6,929

Sales by geographical area
Share of sales

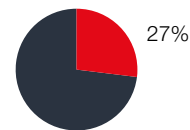


ASIA-PACIFIC (APAC)

● **Production countries:**
China, India, Malaysia, South Korea

Number of personnel: 2,643

Sales by geographical area
Share of sales



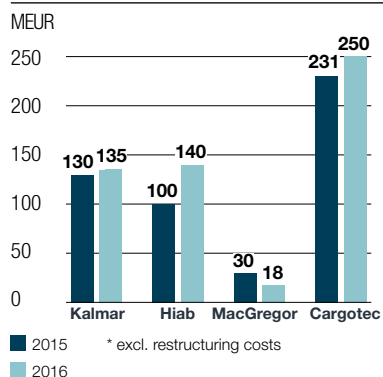
KEY FIGURES

PROFITABILITY CONTINUED TO IMPROVE

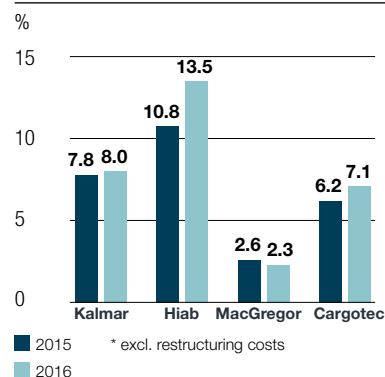
Cargotec's profitability developed favourably in 2016.

The operating profit excluding restructuring costs was the highest in Cargotec's history owing to the solid development in Hiab and Kalmar. Net sales declined by six percent as the market environment in MacGregor remained challenging. The operating profit margin continued to improve, we had a strong cash flow, and gearing was well within our target of below 50 percent.

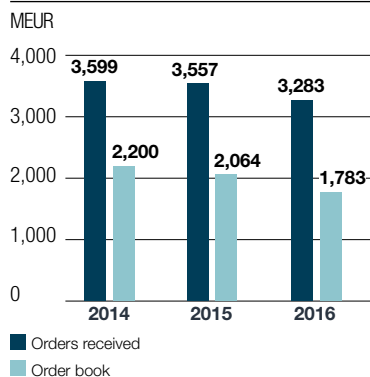
OPERATING PROFIT BY BUSINESS AREA*



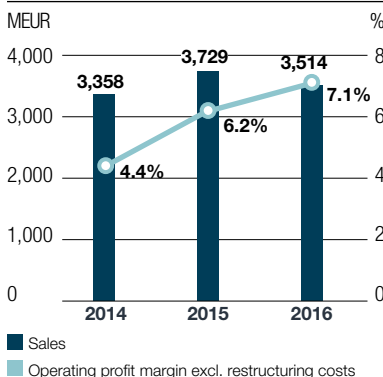
OPERATING PROFIT MARGIN BY BUSINESS AREA*



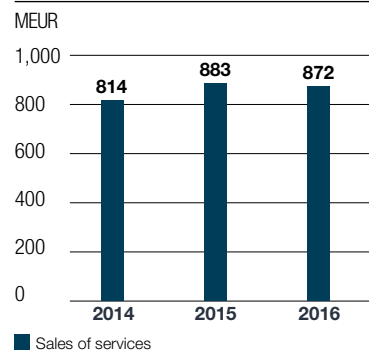
ORDERS RECEIVED AND ORDER BOOK



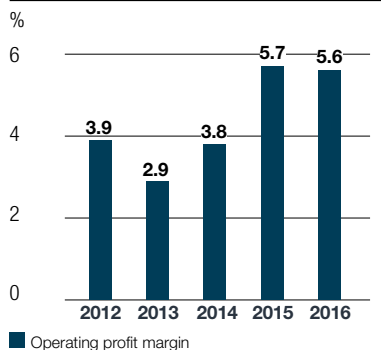
SALES AND OPERATING PROFIT MARGIN



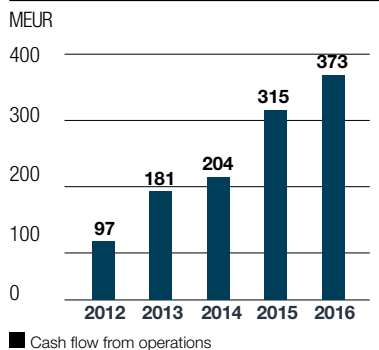
SALES OF SERVICES



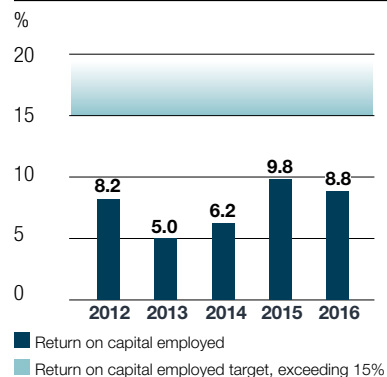
OPERATING PROFIT MARGIN



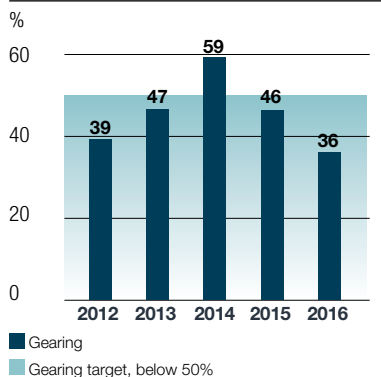
CASH FLOW FROM OPERATIONS



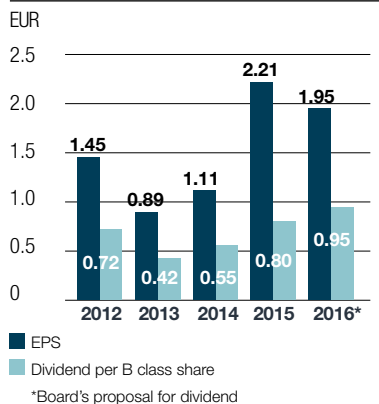
RETURN ON CAPITAL EMPLOYED



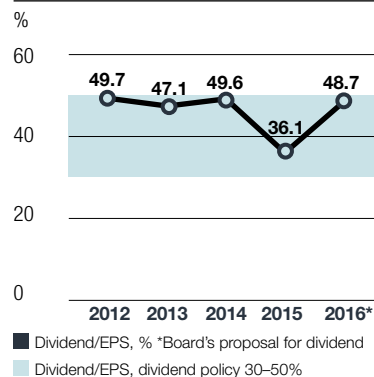
GEARING



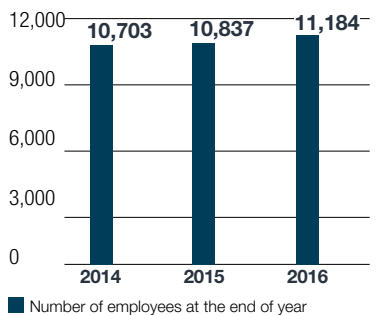
EARNINGS PER SHARE (EPS) AND DIVIDEND



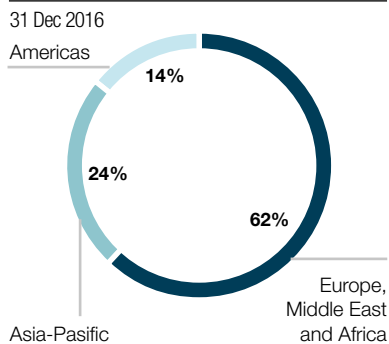
DIVIDEND/EPS, CLASS B SHARE



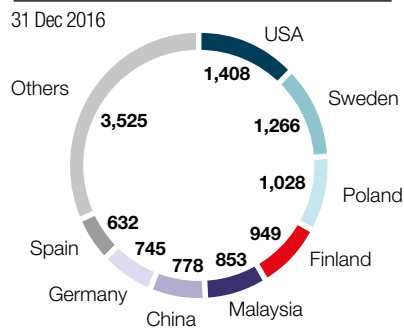
NUMBER OF EMPLOYEES AT THE END OF YEAR



PERSONNEL BY GEOGRAPHICAL AREA

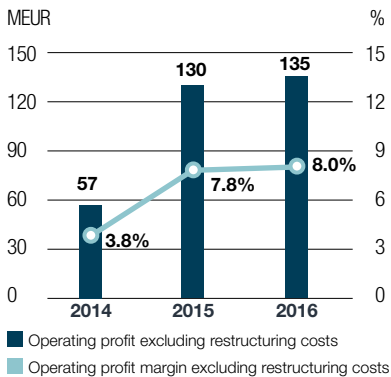


PERSONNEL BY COUNTRIES

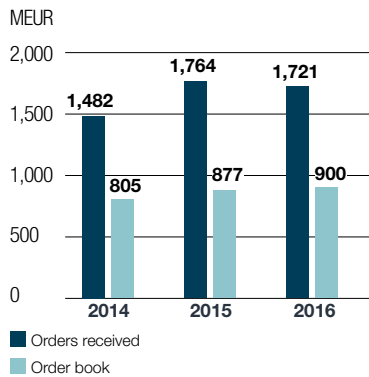


KALMAR

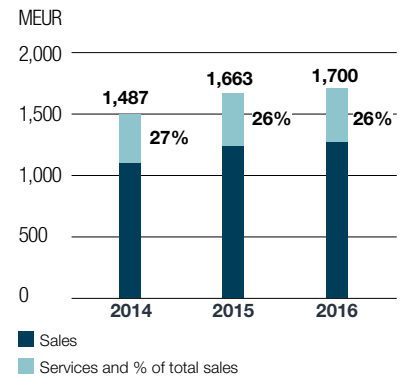
OPERATING PROFIT



ORDERS RECEIVED AND ORDER BOOK

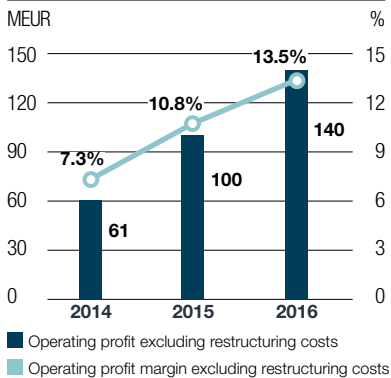


SALES

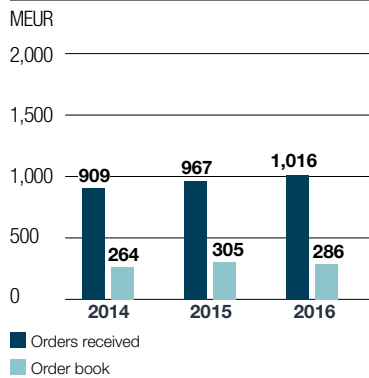


HIAB

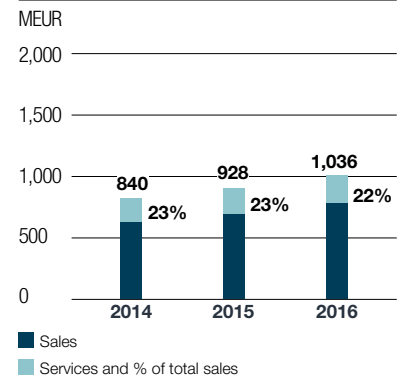
OPERATING PROFIT



ORDERS RECEIVED AND ORDER BOOK

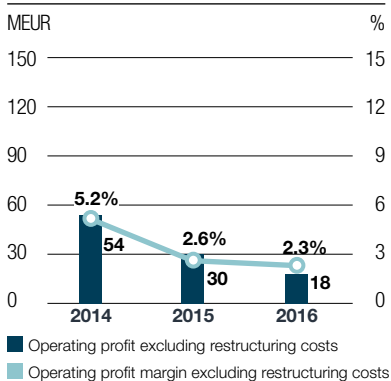


SALES

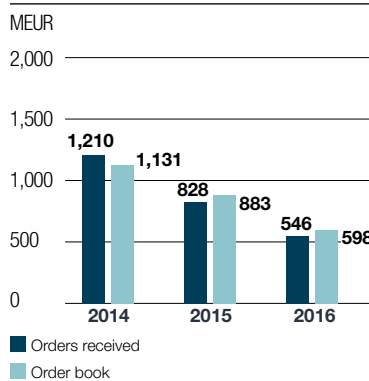


MACGREGOR

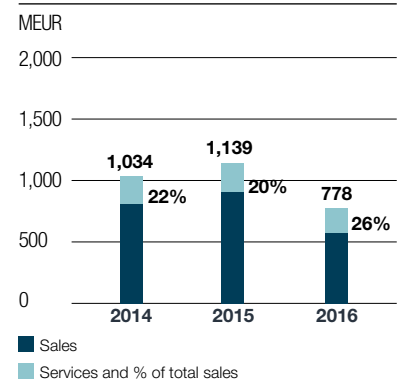
OPERATING PROFIT



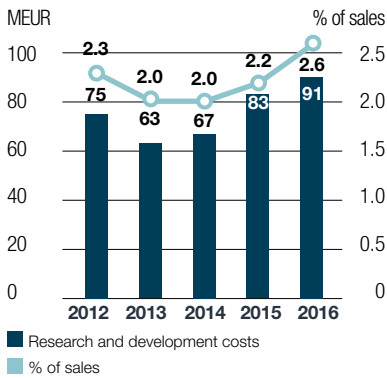
ORDERS RECEIVED AND ORDER BOOK



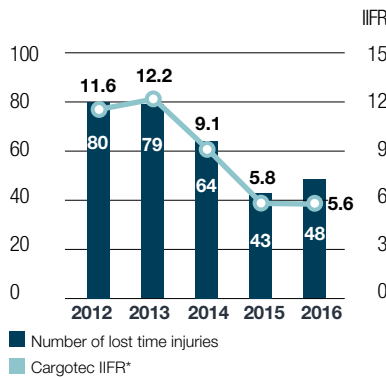
SALES



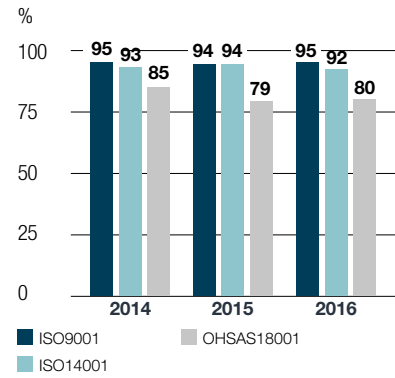
RESEARCH AND DEVELOPMENT COSTS



INDUSTRIAL INJURY FREQUENCY RATE*

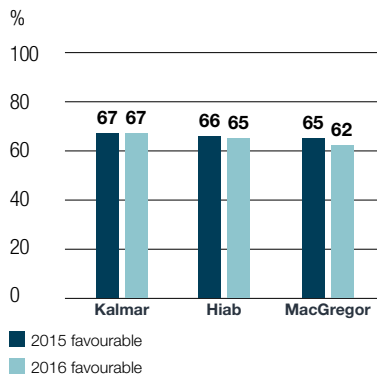


CERTIFICATION COVERAGE*

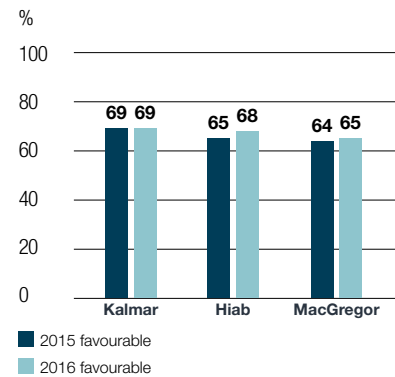


In 2016, we concentrated on safety issues at our production sites.

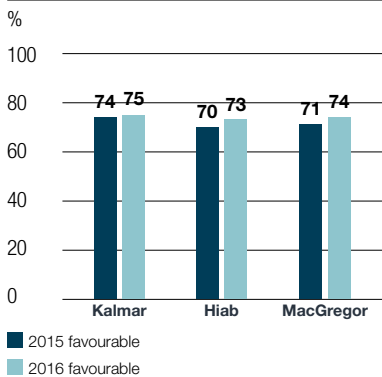
WORK SATISFACTION



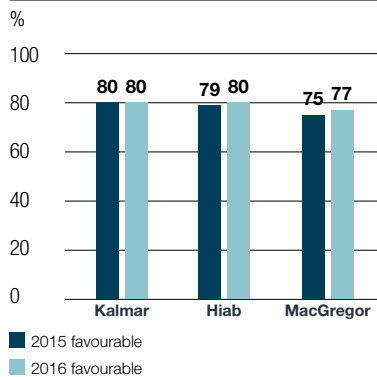
LEADERSHIP PERFORMANCE*



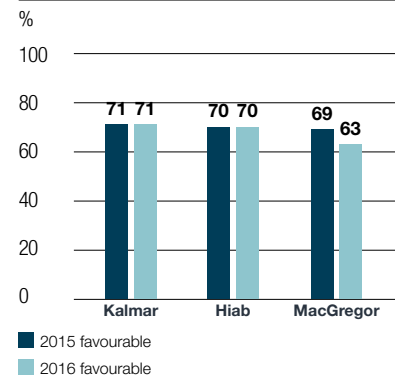
QUALITY OF WORK*



EQUALITY PERCEPTION*



EMPLOYEE ENGAGEMENT INDEX*



* Team sets clear performance standards for quality.

* All employees are treated equally and with respect.

* Combination of perceptions with a positive behaviour impact.

MEGATRENDS DRIVE OUR GROWTH

Long-term macro-economic and societal development trends impact and change the world around us. Several concurrent megatrends support our strategy, and we can adapt our business model to weight shifts between megatrends.

Population growth

Population growth increases demand for energy, materials and transportation.

Customer need

The number of people continues to grow, and societies need more raw materials, energy and end-products. These need to be moved efficiently and sustainably.

Cargotec's answer

Cargotec provides load handling solutions for maritime, railroad and on-road transportation needs. More transportation is needed as the number of people increases. This creates growth for load handling.

Urbanisation

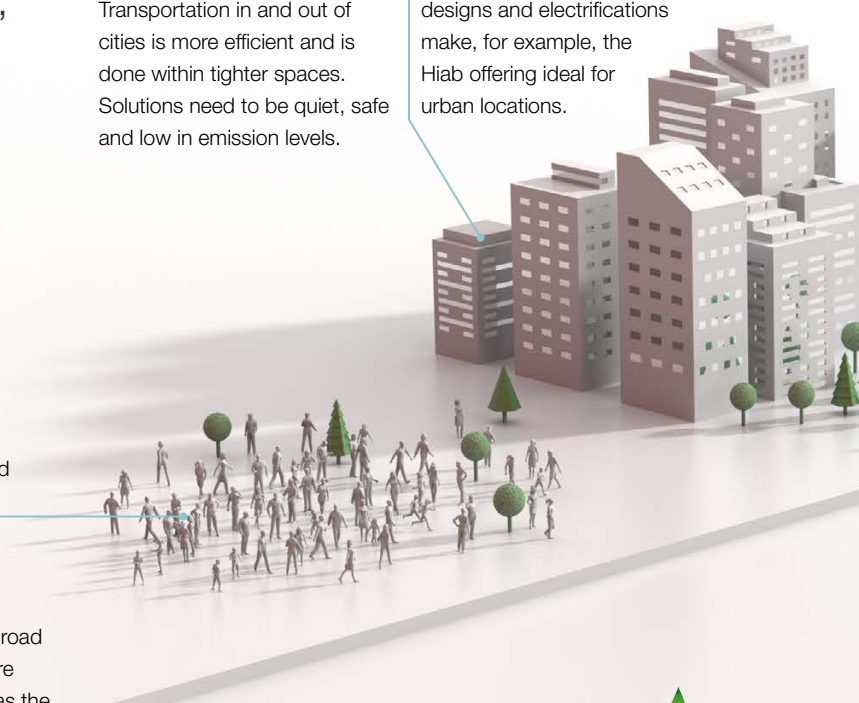
By 2025, 60% of the world's population will live in cities.

Customer need

Construction increases and cities become more crowded as urbanisation accelerates. Transportation in and out of cities is more efficient and is done within tighter spaces. Solutions need to be quiet, safe and low in emission levels.

Cargotec's answer

Cargotec's solutions are used in urban locations and areas surrounding them. Advanced designs and electrifications make, for example, the Hiab offering ideal for urban locations.



GDP* growth per capita

GDP growth per capita is the main driver for increased world trade and consumption.

Customer need

Increase in GDP per capita creates more consumption power for the growing population. Demands to reduce the environmental burden of the growing world trade increase.

*GDP: Gross domestic product

Cargotec's answer

Cargotec's business areas are present throughout the growing cargo delivery chain. GDP growth drives world trade and creates more need to transport goods, creating opportunities to our advanced and sustainable products, solutions and services.

Digitalisation

The increased efficiency of production and service delivery and the subsequent improvement in sustainability in the coming decades will largely be based on digital solutions.

Customer need

Customers want to optimise their operations with intelligent cargo handling solutions, look for safety and appreciate fuel efficiency and sustainability in their operations.

Cargotec's answer

Cargotec provides various digital solutions in the areas of software, automation and intelligent products. Digitalisation provides a clear growth opportunity for service business.

Energy demand

The estimated annual 1–2% increase in energy demand creates a need to further explore, produce and transport energy from various sources.

Customer need

Customers look for more efficient and reliable equipment for oil drilling, energy production and transportation. Offshore energy production continues to increase. The need for renewable energy production and the importance of renewable energy sources increase.

Cargotec's answer

Traditional energy production prevails and provides growth possibilities for Cargotec's solutions. The intensifying trend to find alternate ways to produce energy creates new potential for Cargotec.

Environmental awareness

Concern for the environment increases. The scientific community and global population largely accept climate change as a fact. The Paris 2015 UN Climate Change Conference supports climate risks mitigation. The UN's sustainable development goals mark the global consensus towards a sustainable world.

Customer need

Legislation, public opinion, customers and their customers require ports, terminals and surrounding cities to be quieter, safer, more energy efficient and produce less emissions.

Cargotec's answer

Cargotec offers digitalisation and automation solutions that can reduce the environmental burden. This is the case also with the electric and hybrid offering. The share of these is estimated to grow in the future, giving Cargotec a competitive advantage.

STRATEGY

OUR PATH TO GLOBAL INDUSTRY LEADER

Cargotec's strategy aims to secure profitable growth by focusing on services, digitalisation and people leadership.

Cargotec's must-win battles — Build world-class services offering, Lead digitalisation, Build world-class leadership — form the core of the company's strategy. With the must-win battles, we aim to become the global leader in intelligent cargo handling. The must-win battles drive our ambition to create safer and more sustainable products, services and solutions. Our business areas Kalmar, Hiab and MacGregor share these must-win battles, each also having their own specific focus areas.



KALMAR

Kalmar's strategy focuses on profitable growth with the target of becoming the number one automation and container handling solution provider in its industry. To make this happen, Kalmar aims to win in automation and grow in software. Additionally, it wants to sustain its

global leadership in mobile equipment and excel in spare parts. Kalmar's key enablers to achieve these goals are digitalisation, operational excellence and people: a winning attitude and a culture of trust among Kalmar employees will enable the realisation of the strategy.



Hiab is determined to grow its market position. The growth strategy focuses on being closer to customers and dealers; gaining customers' insight and a deeper understanding of their operations will help develop products and solutions that customers really need to run their businesses efficiently and safely. Another key area is to develop leadership and personnel to support strategy implementation through development initiatives. Optimising the way of working to improve quality and efficiency means working more effectively and faster by collaborating and using new tools and focusing on actions improving quality. Hiab also aims to shape the future by innovating new business models and extending its offering to new digital solutions and intelligent services.



MacGregor shapes the offshore and marine industries by offering world-leading engineering solutions and services with a strong brand portfolio. During the strategy period it will drive a transition from a leading equipment provider to a true value-creating services and solutions expert to achieve an even stronger leading position in the offshore and marine industries. Digitalisation and portfolio innovation and shiptype solution development will help to differentiate and further strengthen MacGregor's leading position in the industry. MacGregor develops its operations to guarantee profitability through the cycle. This will be achieved by placing further emphasis on effectiveness and competitiveness. MacGregor will focus on its operations in Asia to win in its biggest market. Excellence in services will allow MacGregor's customers to focus on their core business, being assured that their investments will yield a return over the equipment lifetime.

STEPS TOWARDS LEADERSHIP

Cargotec's current strategy plan covers the years 2015–2018. During the period we aim to reach leadership in services. By 2020, our target is to become the global leader in intelligent cargo handling with 40% of our sales coming from services and software.

Must-win battles

2016 targets

Build world-class services offering

Cargotec's business areas have significant growth potential in services. The overall goal is to achieve best-in-class industry standards both operationally and financially with high safety standards and systematic consideration of environmental impacts.



Develop service businesses to increase sales and profitability. Increase the service cash flow. Implement the EHS concept for all service organisations within the business areas.



Lead digitalisation

Digitalisation enables new business concepts and models, adds value to Cargotec's products, enhances its service businesses and drives internal and external process development. It also enables accurate monitoring and optimal solution performance, which helps minimise environmental impacts.



Create value from data by connecting new equipment for continuous monitoring and data collection. Create new digital business services. Initiate the digital culture transformation.



Build world-class leadership

Leadership excellence drives Cargotec's performance and allows it to attract and retain the best available talent. It also enables and accelerates strategy implementation and success in target achievement. Leadership excellence supports compliance and commitment to sustainability.



Introduce the new Cargotec leadership profile and carry out the first leadership trainings for the top 200 leaders. Improve the Performance and Development Plan (PDP) completion rate and quality compared to 2015. Hold sustainability reviews on various management levels.



FINANCIAL TARGETS

GROUP TARGETS

- 15% return on capital employed (ROCE pre-tax) over the cycle
- Gearing below 50%
- Dividend 30–50% of earnings per share

BUSINESS AREA TARGETS

- 10% operating profit margin (EBIT) over the cycle
- Grow faster than the market

SUSTAINABILITY TARGETS

- Sustainability in manufacturing-based operations
- Sustainability in service operations
- Sustainability demands for third parties
- Offering excellence in eco-efficient systems

These targets reflect Cargotec's growth strategy and expected high return on the planned investments.

2016 outcomes

The service business did not reach the set targets in all business areas. The services job structure was in place and implemented throughout Cargotec, and the service skills training portfolio and roadmap is in place in the business areas. The monitoring of service-related injuries was initiated. The EHS concept development target as a whole was not achieved; however, good progress was made especially in MacGregor.

The amount of connected equipment did not fully meet our target, but the overall goal is within reach. New digital business services were created through the Cargotec IoT Cloud platform. The Navis software business offering was supplemented with the acquired INTERSCHALT software company. Strategic digital resourcing was strengthened and recruitments to the strong programmer group continued. Capabilities to deliver digital services at a wide scale are in a ramp-up phase. The move towards a more collaborative work culture is underway.

The leadership profile was taken into use and the first wave of leadership training carried out. The personal development plan completion rate and the employee engagement survey quality surpassed targets. A dedicated organisation was formed to support the business in ethics and compliance issues. Sustainability has been raised to Cargotec's Extended Executive Board and business area Management Team meetings as a regular item. Managers are instructed to emphasise safety issues to their teams.

2018 targets

Increase service result. Create new digital service business and earnings models. Develop present offering. Improve on service operations 2017 IIFR targets as set by business areas.

Expand the digital customer offering and create new data-driven business models. Utilise digitalisation internally to optimise processes and externally to proactively avoid downtime in customer operations and environmental inefficiencies. Develop present offering by increasing digital capabilities. Enable connectivity in all new equipment.

All managers are part of a continuous improvement process, and leadership trainings are a permanent company practice. All processes support the leadership performance, and performance and development plan completion as well as employee engagement survey quality rates continue to improve. Commitments to sustainability is evident on all operative levels.

VALUE CREATION MODEL

Cargotec creates value for its customers, shareholders, other stakeholders, employees and to the society. The company aims to secure profitable growth by focusing on services, digitalisation and people leadership.

Input

1. Financial capital

Total equity and debt amounted to 3,736 million euros. Gearing was 36 percent.

2. Human capital

At the end of 2016, Cargotec had 11,184 employees.

3. Innovations

Cargotec expenditure on research and product development in 2016 was over 90 million euros, representing 2.6 percent of sales. Compared to 2013, our R&D investments have increased by 43 percent.

4. Digitalisation knowledge

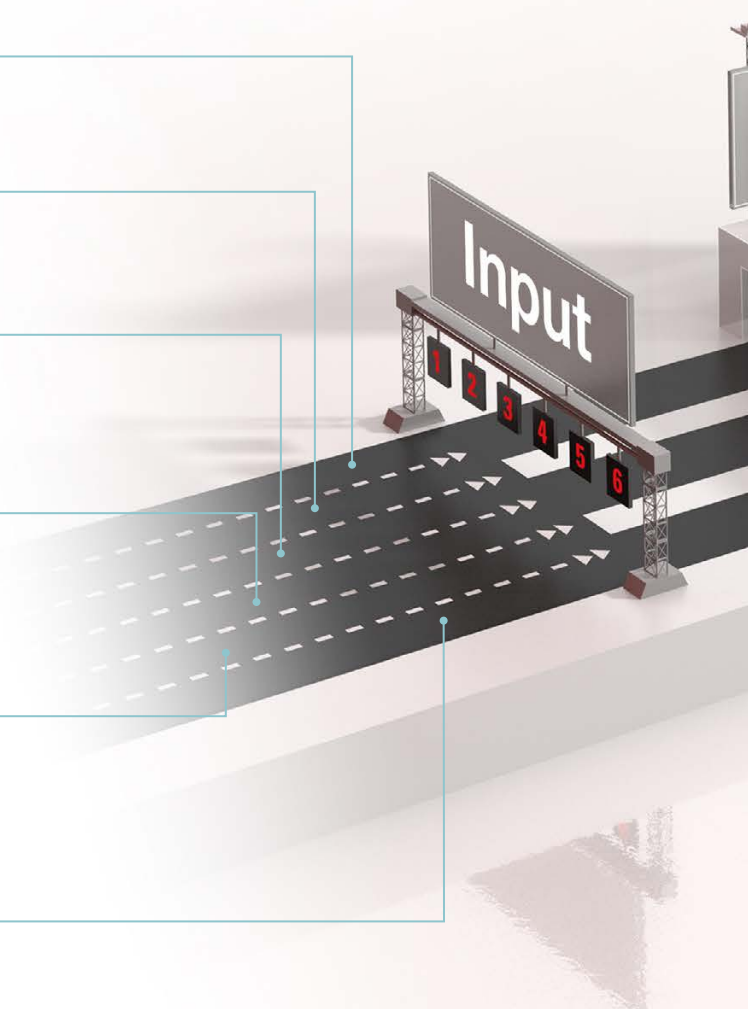
Cargotec embraced and supported the external digital expert community with collaborative actions, such as hackathons, and digital cooperation with customers increased. Strategic digital competence was increased through hiring and training.

5. Stakeholder contributions

Cargotec's stakeholders include customers, personnel, investors, partners, suppliers, authorities, research and educational institutions, as well as media. We have less than hundred strategic suppliers.

6. Natural resources

Total energy consumption was 399.5 terajoule, which equals 111,000 MWh.

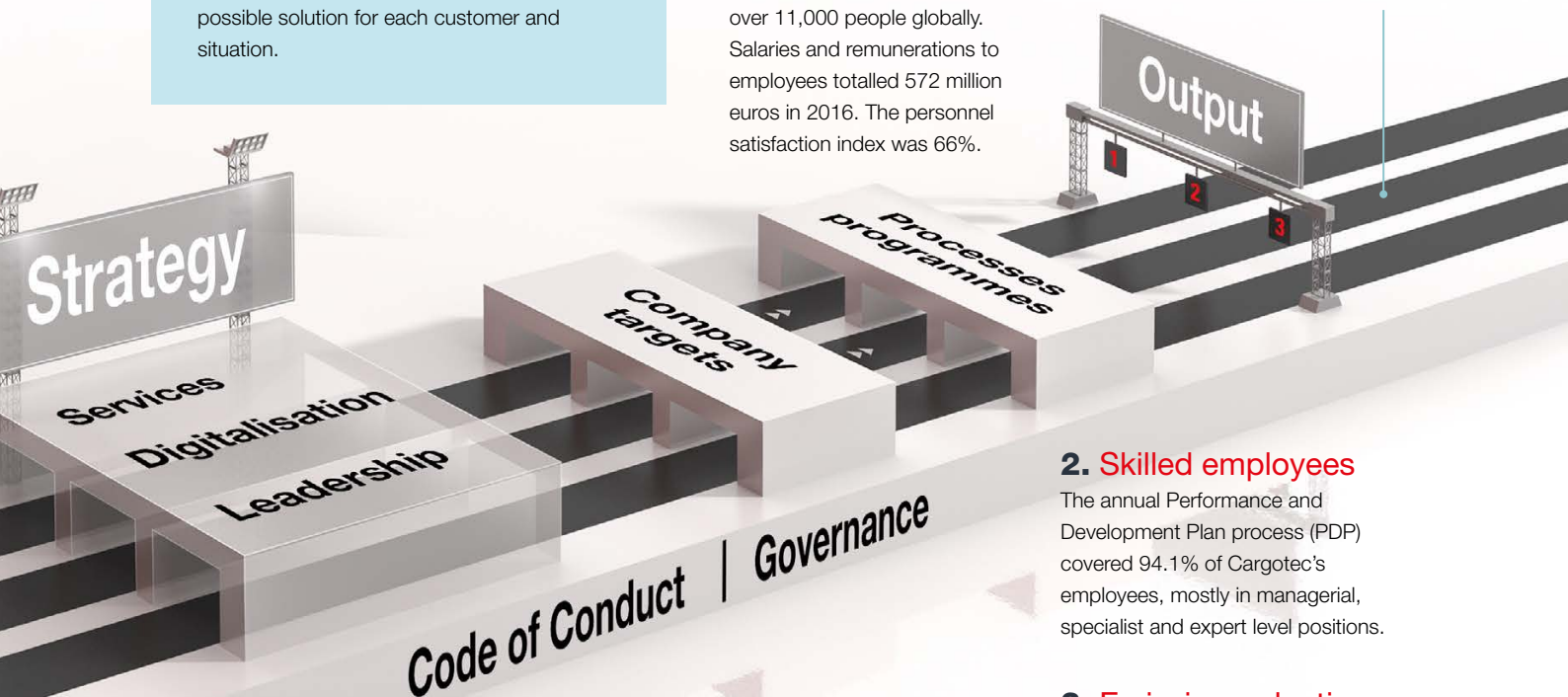


Business model

Cargotec's business model is based on an asset-light and assembly-only production footprint, supply chain expertise, leadership excellence and teamwork. Its business areas serve their customers with world-class products, solutions and services. These stretch seamlessly to provide the best possible solution for each customer and situation.

Outcome

Cargotec provides its customers with safe, quiet and clean products and optimised cargo flow solutions. Cargotec's business areas collect customer feedback regularly. Each business area's 2016 customer satisfaction index is presented in their respective sections on pages 22–37. Cargotec's financial target is to reach 15 percent return on capital employed, and it aims to provide a 30–50% of earnings per share dividend to its shareholders. Cargotec's income taxes in 2016 totalled almost 44 million euros. The company employs over 11,000 people globally. Salaries and remunerations to employees totalled 572 million euros in 2016. The personnel satisfaction index was 66%.



Processes, programmes

The Code of Conduct and governance are the backbones of our actions, defining a common way of working and guiding ethical compliance. Common processes and programmes support the achievement of our targets. Our internal programmes cover cost-efficiency, quality, environment, health and safety management, ethics and compliance, people management and customer orientation, among others.

Output

1. Products, services, solutions, software

Cargotec's business areas Kalmar, Hiab and MacGregor offer cargo handling solutions, services and products for customers in ports, terminals and distribution centres, in on-road and railroad transportation and in marine cargo handling, vessel operations, offshore loading, crude/liquid natural gas transfer and in offshore mooring. Business area product development focuses on clean and digitalised technologies. Our sales in 2016 was 3,514 million euros.

2. Skilled employees

The annual Performance and Development Plan process (PDP) covered 94.1% of Cargotec's employees, mostly in managerial, specialist and expert level positions.

3. Emission reductions

With Cargotec's hybrid, electric and other fuel-efficient products, customers can reduce their emissions. For example, certain Kalmar's products sold in 2008–2016 can enable fuel reductions in a range of 8 million oil barrels during their operational lifetime. This equals over 3 million CO₂ equivalent tons.

Read more about the business areas on pages 22–37 and about sustainability on pages 38–61.

CULTURAL TRANSFORMATION TAKES US INTO THE LEAD

Cargotec's transformation journey aims to take the company into a market leading position in intelligent cargo handling. The Human Resources (HR) function supports the transformation with leadership development and top-of-the-line HR business platforms.

Leadership excellence is one of the must-win battles in our strategy. World-class leadership builds a unique culture by creating a positive and high-performing climate in our teams throughout the company. It is people who can drive our strategy into reality, and they need skilled and inspiring leaders to accomplish that task. Leadership is therefore one of the main building blocks on our way to the leading position.

After a thorough analysis of our leaders in 2015, the new Cargotec leadership profile was taken into use in 2016. The new profile highlights the positive aspects of how our leaders act to support our people. The main characteristics of the leadership profile are

- **Lead with purpose:** Leaders give their teams a meaningful direction as everyone deserves tangible reasons to exist and function in their work.
- **Empower for performance:** Success comes from building on the strengths of one another. People take responsibility and realise top-level results.
- **Collaborate to win:** Boundaries between teams and people are lowered for greater goals. Together we achieve more.

To build leadership excellence, an extensive leadership development programme, LEAD, was launched during the first quarter of 2016. In LEAD's first wave, over 200 top leaders took part in the programme across the globe. Training highlighted the importance of self-understanding:

every leader must understand the impact of his or her behaviour on the performance of their teams. Already during 2016, this awareness boost enabled our leaders to design new and more effective ways of leading people and interacting with them. In 2017, leadership training will continue with a second wave consisting of another 800 supervisors.


High-level people management with first rate systems

The core enabler of our HR work is ZONE, our online Human Resources Information System. ZONE collects

all personnel information in a single interface and makes it possible to use harmonised people policies, processes and tools across the company. ZONE is a transparent tool that helps us ensure the high quality of our personnel management methods. In 2016, ZONE also became the main platform for planning and analysing our personnel-related activities such as travel, bonus programmes and holidays, ensuring a fair treatment of our employees globally.

The Performance and Development Plan (PDP) and Compass Employee Engagement survey are our main personnel processes. PDP is our primary leadership

We build leadership skills, develop the human resources business platform and work to win in services and digitalisation.



More information about the PDP is available on page 60 in the GRI section.

CASE

Next G Programme shapes the way we work together

As the ways of working are changing, we are embracing this transformation with our Next G Programme. It constitutes the biggest training programme in Cargotec's history: about 9,000 employees will be trained in the new, more collaborative and sharing-oriented working methods with face-to-face trainings, webinars, videos and online self-directed learning initiatives. The first implications of the programme were seen in November, when the first Google office and collaboration tools were taken into use.



CASE

LEAD trains leaders to localise the strategy and put it into action

LEAD training is a 3-day boot camp where Cargotec leaders are put through different types of exercises with a target of learning about themselves as leaders, and to train leaders to communicate the company's direction and actions in a way that is meaningful and appealing to the team.

process that connects strategy to individual development plans and targets of our employees. It is a systematic and regular process for our personnel's performance and career development review, during which the principles of our Code of Conduct are also regularly being discussed. Through PDP, employees participate in and contribute to organisational improvement. In 2016, the PDP completion rate was 94.1% (2015: 91%).

The annual Compass Employee Engagement survey provides valuable information on our employees' feelings and thoughts about their work. The Compass 2016 survey had an 88% (2015: 86%) participation rate. According to the results, we have progressed in the areas of leadership, performance and development of our people. Overall satisfaction and commitment to the company remained our core strengths. Additionally, goals and expectations were now perceived as clearer than before, and cross-boundary flexible teamwork was at a high level. On the other hand, the results showed that we need to put more effort into creating an understanding of individual actions and targets and the company strategy, and that uncertainties in the market environment are causing concerns about the future outlook for our businesses.

Special attention to services, digitalisation and new collaboration tools

Services was a key focus area in each business area's HR work in 2016. Specific HR resources were assigned to accelerate the progress in services. The actions taken by business area HRs included the planning and implementation of service skills development portfolios and roadmaps, updating the services performance management and services target settings, initiation of service excellence training and sales excellence programmes and audit of commissions and payments related to service sales.

We welcome passionate talents to join our group of professionals.

In 2016, we continued our strategic recruitments to secure the needed digitalisation expertise at both corporate and business area level. Additionally, training programmes were developed to cover the needed digitalisation skills. To speed up the innovation processes, co-creation sessions – hackathons – were arranged in Kalmar and in MacGregor. Hackathons also created valuable connections with external development communities.

Our future way of working will be experimental, agile, mobile and co-creative. Collaborative work over organisational boundaries is encouraged and supported. In 2016, we started to take into use Google tools, which is an example of how we as a company want to work and learn faster than before.

CASE

Compass leads to actions

At MacGregor, planning processes and actions were launched in 2016 as a result of the Compass survey 2015. Actions were agreed in teams and groups to highlight the collaborative work culture and create commitment. When the need to boost customer value and daily customer focus came up in the Compass results, one team agreed to review customer feedback regularly and put at least one process improvement per quarter into action.



BUSINESS AREAS



BUSINESS AREAS

MAIN BUSINESS EVENTS

HIAB launched an easy-to-use mobile application which customers can use to locate their closest authorised service point in Hiab's service network in more than 100 countries.

MACGREGOR confirmed an order to deliver extensive equipment packages for two liquefied natural gas-powered bulkers. The ice-class vessels are pioneers on the market and designed to set new standards in efficiency and environmental performance. They are the first vessels to be built according to new classification society rules introduced in January 2016.

At the Bauma exhibition in Munich, **HIAB** introduced the groundbreaking camera-based HiVision™ control system for forestry cranes. HiVision™ enables the crane operator to see the working area and operate the crane from the truck cabin using virtual reality goggles.

January

February

March

April

May

June

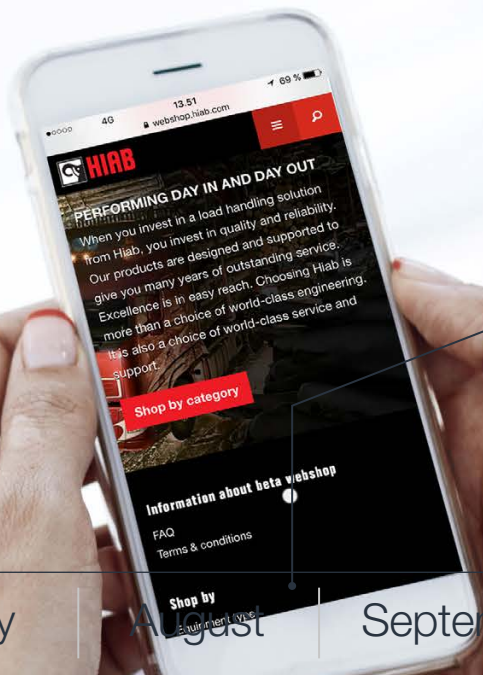
KALMAR and **MACGREGOR** strengthened their software and service solutions competence with the Cargotec acquisition of INTERSCHALT maritime systems AG, the leading maritime software company and related service provider. The acquisition is an excellent strategic fit to Kalmar's Navis and XVELA offerings, and it brings new service business for MacGregor.

KALMAR hybrid shuttle carriers set a new industry benchmark in fuel consumption and emissions. Actual fuel efficiency information on Kalmar carriers in operation at Virginia International Gateway (VIG) show that the average fuel consumption has been as much as 40% less than in traditional diesel driveline shuttle carriers.

KALMAR CargoHack event brought together about 100 digital experts from around the world to solve challenges that terminals are facing today. Customer value and business model characterised the winning team's idea to use visualisation in a terminal environment.

HIAB received an order for 250 HIAB loader cranes from Ashok Leylan, one of India's major truck manufacturers.

KALMAR won a breakthrough order for supplying 18 all-electric automated guided vehicles (AGVs) to PSA Singapore. The order is part of PSA's strategic investment in automation technologies to maintain its premier status as the world's leading transshipment hub.



July

August

September

October

November

December

Q3

Q4

HIAB launched a complete renewal of its mid-range loader cranes, designed for easy installation and extra payload.

MACGREGOR introduced the 3D Motion Compensator (3DMC), a flexible retrofit device, which enhances the load-handling precision of an offshore crane even in challenging sea conditions.

MacGregor also organised its first hackathon "Hack the Sea" in Germany. The event brought together over 70 participants to develop concepts that will help reduce unnecessary waste in the maritime industry.

The Polar Research Institute of China chose **MACGREGOR** offshore cranes and a Triplex handling system for its new polar research vessel.

MACGREGOR signed a joint venture contract with China State Shipbuilding Corporation's subsidiary Nanjing Luzhou Machine Co Ltd and acquired majority shares of Flintstone Technology Ltd. The strategic partnership in China strengthens MacGregor's market position and local connections there, while the Flintstone acquisition further supports its technology offering in offshore solutions.

HIAB extended the warranty on all MULTILIFT demountables to two years. Earlier, in September, Hiab extended the standard warranty on all HIAB loader cranes.

KALMAR received an order for 23 straddle carriers from South Africa.



KALMAR

SETTING THE PACE FOR INDUSTRY CHANGE

Strategy

We focus on achieving profitable growth. Our target is to become the number one automation and container handling solution provider in our industry.

Customers

Our customers are ports and terminals globally as well as distribution centres and heavy industry mainly in Europe and in the United States. We collaborate closely with our customers and our customer satisfaction level is good with the Net Promoter Score at 27 (2015: 23).



Kalmar offers industry shaping, more sustainable cargo handling equipment and automated terminal solutions, software and services. Our customers come from ports and terminals and from logistics and industrial segments around the world.

Our mission is to help our customers improve their productivity. We are the forerunner in terminal automation and energy-efficient cargo handling, shaping the industry towards safe, fully automated ports with minimised CO₂ emissions.

Global container handling volumes, larger vessel sizes and automation are our main business drivers, as well as demands to improve safety, sustainability and efficiency in our customers' operations.

What makes us unique

We push ourselves to shape the industry through terminal automation and software solutions. We set the industry standards towards a safer, more profitable, efficient and sustainable business.

Key demand factors

Container throughput and demand for sustainable solutions are key business drivers. We expect terminal automation to enable significant reductions in CO₂ emissions and vast improvements in safety. Information sharing between ports and shipping lines also offers high business potential.

Steps in the right direction

In 2016, our focus was on strategy execution. Our strategic must-win battles are winning in automation, growing in software, sustaining global leadership in mobile equipment and excelling in spare parts.

In terminal automation, our strategy execution proceeded at a slower pace than anticipated. Many customers postponed their investment decisions and waited for more favourable market conditions. In general, customers' interest in terminal automation solutions grew around the world but the lack of large-scale greenfield (completely new) automation projects affected our order intake.

Industry megatrends still point in our favour and, together with Navis, we have a strong foothold in automated terminals globally. This can be seen particularly in those projects where customers are upgrading their existing operations to automation.

Mobile equipment sales were solid, and the market demand for our offering remained steady especially in EMEA. Overcapacity in APAC affected our business.

Services has been identified as a focus area for us. During the year, we have initiated several internal measures

to improve our services offering and to speed up our growth in services sales.

R&D: investing in software competence and co-creation

We made significant investments in advancing our software competence. Our aim is to optimise the information flow in terminals as well as between ports and shipping lines.

The market reacted positively to product launches such as Kalmar FastCharge™ with hybrid technology, which increases productivity with over 90% utility rate, decreases noise and has zero emissions at point of use; Kalmar Insight for terminal performance analysis, and a new range of empty container handlers that offer customers the best lifetime value currently available on the market with better performance, less downtime and lower running costs.

During the year, we hosted our first Terminal Automation Summits in Australia and the United States to share knowledge on port automation, arranged our first hackathon in Finland and started collaboration with Linnaeus University in Sweden.

Our mission is to help our customers improve their productivity.

Offering

We offer straddle and shuttle carriers, yard cranes, ship-to-shore cranes, reachstackers, empty container handlers, terminal tractors and forklift trucks. Our services include technical support, crane upgrades, parts and training. Navis terminal operating systems, cloud-based vessel stowage collaboration platform XVELA, Bromma spreaders and Siwertell bulk handling systems are part of Kalmar.

Sustainability

Our solutions help customers reduce fuel consumption and emissions, optimise cargo flows and cut overall operational costs as well as improve safety and equipment availability.

Fine-tuning our operations

The integration of Navis and the maritime software company INTERSCHALT proceeded as planned in 2016, and customers have reacted positively to the combined offering of Navis' XVELA cloud-based collaboration platform for maritime industry and the acquired stowage planning software.

A Project Management Office was set up to monitor and speed up the service development within the business area.

We decided to consolidate our forklift truck assembly operations to Poland and establish a Business, Innovation and Technology Centre in Southern Sweden.

Kalmar FastCharge™ helps cut down emissions

Kalmar FastCharge™ solution eliminates the need for spare batteries or lengthy recharging periods. The technology is familiar from electric buses, and in 2016 it was introduced to the hybrid straddle and shuttle carrier product portfolio. FastCharge™ makes the emission-cutting electric powered solution accessible for more terminals.

FastCharge™ uses a machine's idle time for charging. The typical charging time is 30–180 seconds. The solution gives customers faster turnaround times, increased productivity with +90% utility rate, less noise and zero emissions during use.

CASE



CASE

More solar power for Kalmar's test field in Tampere

Kalmar participates in a solar power project in Finland to provide renewable, emission free electricity for its facilities in Tampere. Kalmar has committed to purchasing all solar power produced from a dedicated solar plant, which the supplier designs, installs and maintains. The 360 kW plant's solar panels will cover over 2,100 square meters. Installation is scheduled to begin in early 2017, and the plant will produce solar energy for up to 35 years. The produced solar energy is expected to cover the entire electricity consumption of our test operations at the site.



HIAB

STRATEGY IN ACTION DURING A FIRST-RATE YEAR



Strategy

Our goal is to be the Number One partner in global on-road load handling, inspiring and shaping the industry. We aim to reach our strategic targets by being closer to our customers and dealers, developing our leadership and our people, optimising our way of working to improve quality and efficiency, and innovating by shaping business models.

Customers

Our customers come from all industries, ranging from small entrepreneurs to single truck owners, rental companies, truck manufacturers, transportation companies, fleet operators, municipalities, large national organisations and governments. Our customer satisfaction index, 85 percent, was the same as last year.



Hiab is the global market leader in on-road load handling solutions. Our customers operate in on-land transport and delivery where our products and services help them run their businesses efficiently.

Hiab's mission is to keep everyday life moving by unlocking the full potential of load handling in our customers' businesses. Our versatile services ensure the safe functioning of equipment throughout long life cycles.

Our supply chain is modern, and we focus on lean operations. We select our suppliers using a transparent screening process, with a strong focus on ethics and compliance.

Shared strategy and great products make for a good year

Our goal is to grow regardless of the market situation. In 2016, strategy implementation and new product

What makes us unique

We care about our customers, our people and the future. We aim to continue to inspire and shape the industry in the pioneering spirit that drove our founders forward over 70 years ago. Safety, usability and energy-efficiency drive our customer-focused product and solution development.

Key demand factors

Our business fluctuates based on truck sales and construction activity. Sentiments in the distribution, warehousing and forest businesses also affect demand. Truck owners increasingly focus on health, safety and environmental issues, which is expected to have a positive effect on our business.

HIAB

innovations helped us achieve that target, along with strong sales. Our success outperformed the competition, indicating that we can achieve that goal in the future as well.

Sales in Europe, particularly in Sweden, the Benelux countries and France, was good. Business picked up also in Spain and Portugal. Our US organisation made good progress with loader cranes and truck mounted forklifts, and our joint venture in China supports our aim to gain more market share there. We continued to win large government contracts in India, and won several significant orders from key customers in the UK, France and the US.

R&D investments pay off

Our development in 2016 shows that significant investments in R&D can lead to highly profitable business. We completed the investment in the Test and Innovation Centre in Hudiksvall, Sweden, and have already been able to cut the time-to-market by one third in loader cranes.

Recent innovations help our customers work more efficiently: camera-based HiVision™ control system for forestry cranes uses virtual reality goggles, Crane Tip Control (CTC) revolutionises loader crane usability, and HIAB FRAMEWORKS™ provides the customer with a pre-manufactured, ready-to-install subframe that matches the chosen truck.

Over the year, we introduced a record number of new or revamped products in all our product lines. New products now comprise approximately 40 percent of our offering. In loader cranes and demountables we extended the standard warranty to two years.

We invest in digitalisation and intelligent services by enhancing our offering to new solutions. We are currently running several connectivity projects with customers.

Shared goals support efficient business

In 2016, we worked hard to build a shared understanding and commitment to our goals. For example, we arranged strategy dialogues with President Roland Sundén personally meeting personnel around the globe. The process has had a positive impact on our operations, and the way our people now work is aligned with our shared goals.

During the year, we succeeded in raising work safety levels worldwide. Our production sites reached this year's Hiab industrial injury frequency rate (IIFR) target level 4. Three units in Korea, Finland and the UK reached IIFR zero levels. We also continued internal development work by focusing on leadership skills. In services, we strengthened our offering by launching two new service concepts globally, improved our on-time-delivery in spare parts and launched a new spare parts webshop.

Looking forward to a good future

Our business outlook is positive. We are focusing our development activities on connectivity, services, local presence, customer needs and leadership. In 2017 we will continue to accelerate our progress in gaining market share and plan to expand into new markets. By 2018 our aim is to have all our new products connected through cloud.

Offering

Our offering includes HIAB loader cranes, JONSERED recycling and forestry cranes, LOGLIFT forestry cranes, MOFFETT truck mounted forklifts, MULTILIFT demountables, ZEPRO, DEL and WALTCO tail lifts, as well as services and spare parts.

Sustainability

We are committed to safe and compliant operations. Improving safety and durability as well as reducing noise and emission levels are key targets in our product development. We have strict energy-efficiency and safety targets in our operations and we assess sustainability in our supply chain.



CASE

HiVision™ control system moves forestry crane operation to the truck cabin

HiVision™ camera-based 3D vision technology allows the crane operator to get a broader view of the working area and remotely operate the forestry crane from the safety of the truck cabin with virtual reality goggles. HiVision™ is a next generation solution and a practical example of our position as the forerunner in digitalisation.

The system was introduced in April and opened for sales in October. It received the KWF-Vision Award (“Oscars of the forestry industry”), with the jury stating: *‘The safety and comfort are remarkable and complemented by a precise control system and good visibility.’*

Hudiksvall Test and Innovation Centre

Hiab's Test and Innovation Centre in Hudiksvall, Sweden was completed in June. The centre increases Hiab's ability to test, validate and verify materials, components and products. It also adds to our connectivity and digitalisation competence and drives innovative solutions in this area.

The centre has accelerated product development by starting the process with desktop environment simulations, followed by a rigorously controlled engineering process and field testing. The time-to-market has already been cut by one third for some products. Collaboration with external partners is also a success factor.

CASE



CASE

Health and safety – key priority in Dundalk

Hiab's truck mounted forklifts multi-assembly unit in Dundalk, Ireland took health and safety (H&S) to new levels by making H&S targets tangible and personal to each employee. Instead of merely hanging up signs announcing *‘Safety is everyone's responsibility’*, it was ensured that everyone had specific information about what they personally can do to make the workplace safer.

Now, every Dundalk employee has a personal H&S target, every operation has an H&S stamp and addresses a clear H&S concern. When strategy is discussed with employees, it is always divided into two focus areas: business and H&S.





MACGREGOR

NAVIGATING VOLATILE CONDITIONS

Strategy

We shape the offshore and marine industries with unparalleled engineering solutions and services with a strong brand portfolio. We are driving our transition from a leading equipment provider to a true value-creating services and solutions expert to reach an even stronger leading position in the offshore and marine industries.

Customers

Shipbuilders, owners and operators can optimise the lifetime profitability, safety, reliability and environmental sustainability of their operations by working in close cooperation with us. In 2016, the customer satisfaction among ship owners was 74% (2015: 84%), while with shipyards it was 87% (2015: 75%).



MacGregor's engineering solutions and services for marine cargo and offshore load handling are designed to perform with the sea. We aim to make the sea more accessible, safe and reliable for our customers.

We collaborate closely with shipbuilders, ship owners and operators to optimise the lifetime profitability, safety, reliability and environmental sustainability of their operations. Our mission is to serve our customers globally with solutions and services that generate the most value for their businesses.

Defending market share with an asset-light strategy

In 2016, overcapacity and reduced investments shadowed the global shipping market, while the low price of oil kept investments at an exceptionally low level in the offshore industry.

What makes us unique

Our company, products and services are all designed to perform with the sea. We are committed to optimise the lifetime profitability, safety, reliability and environmental sustainability of our customers' operations.

Key demand factors

The world's seaborne trade and ship building drive demand for our solutions and services in merchant shipping. Global offshore exploration and production spending are strongly linked to energy price development which drives demand for our offering to this segment.

MACGREGOR

During the year, we focused on adding value for our customers and defended our market share by streamlining organisation and adjusting cost structure to reduced volumes, which ensured our continued efficiency. Our asset-light strategy allows us to scale our operations rapidly to meet market demands.

Discovering new demand

Despite the difficult market situation, we maintained our profitability and won a number of projects in both offshore and merchant marine. We strengthened our Asian operations, and in China, we signed a joint venture agreement with a subsidiary of China State Shipbuilding Corporation, which we expect to strengthen our market position and local connections in China.

In both offshore and shipping markets, when demand declines among larger players, it typically starts to pick up in niche market segments, which still provide a reasonable profit. The roro-market was positive in 2016, especially in Japan, and global demand for fishery and research vessels increased. We were active in these markets and were able to gain a good share from the available deals.

Renewable energy production provides a new alternative market for us. For example, the world's first floating windmill farm is equipped with our Pusnes mooring connection technology.

Advance digitalisation, reduce industry waste

There is a great deal of unnecessary waste in the maritime industry, e.g. inefficiencies, outdated practices, damage to cargo and dangerous working conditions. As the leading player in maritime cargo flow, mooring and load handling markets, we take our role seriously, calling for cooperation to drive the industry transformation.

In 2016, we placed special attention on digitalisation. The acquisition of maritime software and service provider

Interschalt in January strengthened our capabilities in this area. We also introduced new initiatives for co-creation, such as our first hackathon, 'Hack the Sea' in November, where digital talents innovated potential ways of reducing maritime industry waste.

The next horizon

Large scale demand is not probable in the near future in merchant shipping or offshore industries. However, our offering provides value to a wide range of customers, and we never focus solely on one segment. Our investments into digitalisation and lifecycle services also promise to provide further value to the market.

Our brands are MacGregor, Hatlapa, Porsgrunn, Pusnes and Triplex.

Offering

We offer world-leading engineering solutions and services for handling marine cargoes, vessel operations, offshore loads, crude/liquefied natural gas (LNG) transfer and offshore mooring, and lifetime support, maintenance and service solutions. For onshore customers we offer Woodfield systems.

Sustainability

We are committed to reducing inefficiency and waste within the industry with our solutions and services. With our 'So much potential, let's not waste it' initiative, we encourage our customers and other industry stakeholders to participate in co-creation for a safe and sustainable future.



CASE

Cargo Boost creates new opportunities for existing vessels

Our Cargo Boost service improves the cargo carrying efficiency and earning potential of existing container vessels. We utilise a vessel's cargo mix data, operating profiles, and route-specific data to find the best fit for the vessels' cargo proles and earning opportunities. A cargo boost's scope varies from calculations and loading manual updates to an updated cargo system design and hardware and related trainings.

In 2016, we delivered a cargo system upgrade for eight container ships, helping them adapt to changing markets with additional payload capacity and operational flexibility.

Fibre-rope retrofit expands operational window

We introduced a fibre-rope retrofit option, with which a crane's original steel wire rope can be replaced with a synthetic fibre rope. It weighs virtually nothing in water, so a crane's lifting capacity is not limited by water depth.

With a fibre rope, smaller cranes and vessels can be used for more assignments, allowing owners to bid their vessels on a wider range of contracts. The retrofit's modular design allows factory system testing and rapid installation. Fibre rope can be spliced to replace damaged sections or increase length. It also does not require lubrication, which eliminates a pollution source.

CASE



CASE

'Hack the sea' for safety, efficiency and the environment

In November 2016, we organised an open innovation hackathon 'Hack the Sea' in Germany about opportunities to reduce maritime industry waste. In the hackathon, ten teams worked with safety on vessels, fleet efficiency and other vessel sustainability themes.

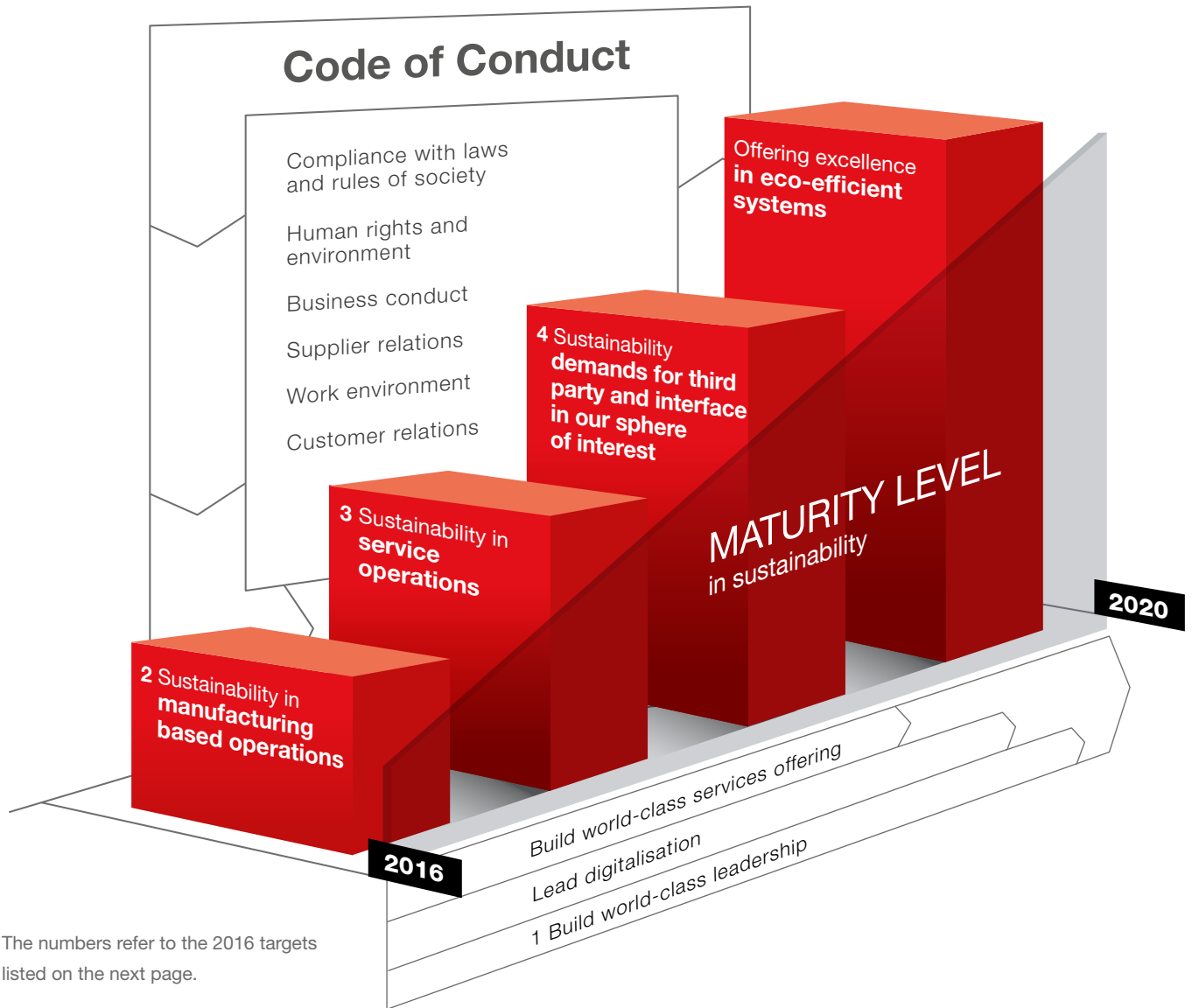
Hackathon participants (individuals, start-ups, SMEs and university teams) created several concepts that have potential to become part of our development and technology roadmaps. The winner was Team Cybercom with a concept for rapid application development for both customers and MacGregor.

RESPONSIBLE BUSINESS





BUILDING A SUSTAINABLE BUSINESS



The numbers refer to the 2016 targets listed on the next page.

Cargotec is connected to industries that cover the majority of world GDP and emissions. As sustainable development has become a globally agreed norm, we understand that world trade and our customers' businesses are changing, and that Cargotec may therefore have an opportunity to set the standard for sustainability in its industry.

Every fourth container in the world is moved with Cargotec equipment. As a technological leader, we can shape the way goods and materials are transported globally. We take this responsibility seriously. In automated terminals, our software solutions help optimise the terminal efficiency. Our global leadership in this market supports our ambition to enable more sustainable cargo handling.

There are many ways for us to influence the ecosystem around us. Our R&D aims to develop clean, safe and sustainable technologies, and our business areas encourage their respective industries to move towards a sustainable future. For example:

- Kalmar has initiated industry-level product sustainability standards creation within the Port Equipment Manufacturers' association. The initiative is presently moving forward.
- Hiab actively pools resources with stakeholders to share and promote knowledge about sustainable industrial productivity, for example, within the iLoad research project and at the Innovation and Test Centre in Hudiksvall, Sweden.
- MacGregor advocates increased efficiency in the maritime industry with its 'So much potential' initiative. The initiative also promotes emissions reductions and fuel efficiency.

Progressing according to our targets

Our sustainability roadmap and targets support our strategy. In 2016, our sustainability work concentrated on achieving further compliance with general sustainability norms by ensuring that we have the necessary basics in place.

2016 sustainability targets

- 1. Permanent sustainability reviews to be included in management reviews**
- 2. Achieve industrial injury frequency rate (IIFR) 5 at manufacturing sites, plan concrete IIFR targets for all service sites**
- 3. Service Environment, Health and Safety (EHS) concept implemented to ensure that all Cargotec maintenance personnel have received the renewed environmental and safety training**
- 4. Supplier sustainability risk analyses conducted and audit plan developed further by the third quarter of 2016**

We now have regular sustainability reviews held at our Board of Directors, Executive Board and all of our business areas' management teams. We succeeded in bringing our industrial injury frequency rate (IIFR) rate down in many of the production sites, and approximately 40% of them even

SUSTAINABILITY

achieved IIFR zero levels. Concerning the IIFR targets, we have set them for all service sites and have also advanced as planned in our targets for developing supplier evaluations.

Regarding the service EHS concept setup, we made considerable progress with service safety at MacGregor. At Kalmar and Hiab, the set targets were not met and the work continues in 2017.

Safety continues to be our key focus area in 2017, along with increased communication, sustainability training and supply chain sustainability management development.

2017 sustainability targets

1. **Achieve industrial injury frequency rate (IIFR) 5 in production sites (2016: 5.58) and service IIFR targets as set by business areas**
2. **Assess all new suppliers and half of strategic suppliers against new Cargotec supplier requirements by the end of the year**
3. **Increase transparency in internal and external sustainability communication**

Sustainability governance

Sustainability is on the Board of Director's agenda at Cargotec, and the Board reviews sustainability on an annual basis. The Extended Executive Board conducts bi-annual sustainability reviews and approves corporate level sustainability targets. Cargotec's Senior Vice President, Communications is responsible for sustainability issues within the Extended Executive Board.

To ensure that targets match business area operations, the management teams of Kalmar, Hiab and MacGregor hold a sustainability review at least bi-annually for their respective business areas, reviewing and approving possible adjustment needs of the corporate level sustainability targets.

Operationally, sustainability is managed both at a corporate and a business area level over organisational boundaries. Key responsible organisations are units working with strategy, quality, R&D, sourcing, EHS (environment, health and safety), corporate audit, HR and legal issues.

The corporate level sustainability targets are proposed, reported on and monitored by Cargotec's Corporate Responsibility function, and each business area has its own function responsible for coordinating its sustainability work.

Sustainability targets are implemented and monitored in both shared and separate processes jointly by business areas and the Corporate Responsibility function. In general, results and anomalies are reported to the Extended Executive Board. Certain sustainability perspectives, when relevant, are also presented separately as parts of other projects. Sustainability issues are always brought forward separately if the need arises.

In 2017, Cargotec mandates Cargotec Sustainability Council to align and agree actions taken on corporate and business area level related to development, implementation and follow-up of sustainability targets and policies. The Sustainability Council consists of Corporate Responsibility function (SVP Communications and Director CR), as well as

corporate strategy and business area management team members responsible on sustainability issues.

Policies and management approach

The main goals and principles of our sustainability work are defined by Cargotec's Code of Conduct and other related policies. The Code of Conduct defines our way of working. It describes the basic principles of ethical integrity together with our Anti-Corruption Policy, which categorically prohibits transgression of any kind in our actions. Cargotec Code of Conduct can be reviewed at www.cargotec.com.

Social responsibility principles are defined in more detail in our Employment Policy and in other related HR policies. The implementation of HR policies is monitored primarily through our human resource information system ZONE, which has been in use globally since January 2015. With ZONE, we get better visibility of our workforce, enabling us to assess the implementation rate of certain HR policies and processes. To ensure that our social responsibility principles are understood everywhere at Cargotec, the Code of Conduct review is also included in Cargotec's Performance and Development Plan discussions.

Cargotec's EHS policy determines the principles relating to environmental and safety management. The EHS policy is implemented within the integrated management systems, including processes described in the EHS and Quality management standards ISO9001, ISO14001 and OHSAS18001. The coverage of externally certificated systems of Cargotec production sites based on volume are ISO9001: 95%, ISO14001: 92% and OHSAS18001: 80%.

EHS policy is also integrated into each business area's R&D processes to ensure that environmental, health and safety aspects are understood in product development to a reasonable level within each individual product type.

Supply chain management consists of Cargotec Sourcing Council, including Cargotec's CEO and business area presidents. Each of the three business areas have supply management teams that report directly to the

business area in order to better support the needs of the business. There is a high level of collaboration between the business areas' Supply chain management teams to gain synergies across the entire corporation. These collaboration areas include, for example, supplier development and sustainability. All new suppliers are audited on the basis of Cargotec's supplier criteria prior to acceptance. The Cargotec and business area supplier criteria are built to ensure that our suppliers conduct their business in compliance with international human rights and environmental laws. From the

supplier assessment checklist, 20 percent of the questions are related to environmental, labor, ethics and compliance as well as health and safety issues. In 2017, target is to increase internal sustainability assessment trainings via partnerships.

The Board of Directors reviews sustainability issues annually. Cargotec's Extended Executive Board reviews these issues bi-annually at minimum.

SUSTAINABILITY ACCOUNTING PRINCIPLES AND REPORTING BOUNDARY

Aspect boundaries within the organisation

Cargotec's sustainability information presented in the GRI index and related materials covers the entire company whereas the following indicators are reported only from 20 Cargotec sites; 19 production sites and one Technology and Competence centre:

G4-EN3; G4-EN5; G4-EN7; G4-EN8; G4-EN15; G4-EN16; G4-EN18; G4-EN21; G4-EN23; G4-LA5 and G4-LA6.

Compared to reporting periods 2014 and 2015, some changes were made into the reporting boundary during 2016. Three production sites from India, UK and Norway have now been added, meaning that all Cargotec production sites are now covered by the report. In addition, our Technology and Competence centre in Tampere, Finland was added to the boundary, reflecting our strategic direction and the growing role of automation in the cargo handling industry.

The historical data of the newly added reporting sites from 2014–2015 is not available except for the Tampere site. Tampere's historical data regarding environmental performance indicators has been retroactively added to 2014 and 2015 aggregated corporate figures. The base year was set as 2014 in 2016 due to significant changes in the reporting boundary.

According to the Cargotec sustainability accounting principles, new production sites (sites acquired or rebuilt) should start to report their environmental and safety-related figures after a reasonable period of time of EHS management practice implementation. Generally this is completed after one full operational year. If production on a site is closed during a year, the site's figures are consolidated until the end of that year. The transfer of production from Lidhult site in Sweden to Stargard, Poland will be finalised in 2017. Lidhult will continue to be covered by the external sustainability reporting in 2016.

Aspect boundaries outside the organisation

Cargotec GRI index and related materials describe company policies and management processes related to certain material aspects outside of the Cargotec group companies. These include information about our supplier management and our approach to other third party interaction. Those indicators are G4-24, G4-25, G4-26, G4-27, G4-EN32; G4-LA14; G4-HR4; G4-HR5; G4-HR6 and G4-HR10.

Accounting methodology, conversion factors, discrepancies

Economic indicators

Economic responsibility data presented in this review are based on Cargotec Corporation's audited consolidated financial statements. They are collected through Cargotec's

group reporting system and prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. Cargotec's accounting principles for the consolidated accounts are available in note 2 to the consolidated financial statements.

G4-EC1 Direct economic value generated and distributed is calculated as follows:

- 1) Sales include revenues from goods and services sold to customers during the financial year, deducting sales taxes and discounts.
- 2) Purchases include the cost of goods and services purchased from suppliers during the financial year.
- 3) Wages and benefits include wages, salaries and bonuses paid and/or accrued to Cargotec employees during the financial year as well as fringe benefits, pension costs and social costs of employment for the financial year.
- 4) Creditors' share of value added is presented as interest paid.
- 5) The distribution of value added to the public sector includes income taxes. No deferred taxes are included in this figure.
- 6) The distribution of value added to shareholders is the total dividend which Cargotec's Board of Directors proposes for distribution to shareholders from the parent company's distributable funds.
- 7) Donations include contributions to non-profit organisations.

Environmental indicators

Unit conversions used in environmental, health and safety data consolidation are based on the International System of Units (SI). G4-EN3 Energy consumption and G4-EN8 Water consumption are based on invoices or continuous measurements. G4-EN15 and G4-EN16 Greenhouse gas emissions are calculated based on direct and indirect energy consumption at the 20 sites within the reporting boundary. Energy consumed by supplier or rental operations on Cargotec sites are also included in the total figures when invoicing is not carried out separately. Energy intensity figures under G4-EN5 are a relation of gross

energy consumption and sales by sites within the reporting boundary.

The disclosed GHG emissions include greenhouse gases generated by direct and indirect energy consumption within the organisation. Gross GHG emissions are presented as CO₂ equivalent tonnes. The source of CO₂ emission factors for direct energy consumption (GHG Scope 1) between 2014–2016 is World Resources Institute's "GHG Protocol tool for stationary combustion" version 4.1 (2015). Emission factors for indirect energy consumption (GHG Scope 2) are three year average factors from the Internal Energy Agency's publication "CO₂ Emissions from Fuel Combustion" (2014, 2015, 2016). Scope 2 factors are updated every year after new version has been published.

G4-EN21 Other emissions to air include emissions which are monitored due to the requirement of local authorities. Air emissions are locally regulated and their monitoring and quantification are based on site-specific methods. GHG emission intensity figures under G4-EN18 are a relation of gross GHG emissions and sales by sites within the reporting boundary.

Personnel information

Personnel-related information unit is head count. The number of Cargotec employees by business area, presented under G4-10, is derived from Cargotec's legacy HR system with the principles defined in the Financial review 2016. Other HR-related data is based on data from Cargotec's online human resources information system. Unless otherwise stated, HR figures include permanent and temporary employees and supervised workers.

GRI INDEX

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GENERAL STANDARD DISCLOSURES

STRATEGY AND ANALYSIS

G4-1	STATEMENT FROM THE CEO p. 2-3 CEO review	
G4-2	DESCRIPTION OF KEY IMPACTS, RISKS, AND OPPORTUNITIES p. 10-11 Megatrends drive our growth p. 12-13 Our path to global industry leader p. 16-17 Value creation model	

ORGANISATIONAL PROFILE

G4-3	NAME OF THE ORGANISATION Cargotec Corporation	
G4-4	PRIMARY BRANDS, PRODUCTS AND SERVICES p. 4-5 Handling cargo smartly and effectively p. 22-37 Business areas	
G4-5	HEADQUARTER LOCATION Helsinki, Finland	
G4-6	COUNTRIES OF OPERATION p. 4-5 Handling cargo smartly and effectively	
G4-7	NATURE OF OWNERSHIP AND LEGAL FORM p. 4-5 Handling cargo smartly and effectively Financial review 2016, p.111-116 Corporate governance statement 2016	
G4-8	MARKETS SERVED p. 4-5 Handling cargo smartly and effectively p. 22-37 Business areas	
G4-9	SCALE OF THE ORGANISATION p. 4-5 Handling cargo smartly and effectively p. 6-7 Profitability continued to improve	

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G4-10

EMPLOYEE DATA

6

Cargotec employees	2016	2015	2014
Kalmar	5,702	5,328	5,219
Hiab	2,997	2,757	2,572
MacGregor	2,256	2,543	2,737
Corporate administration and support functions	230	209	176
Total	11,184	10,837	10,703

Total workforce by employee relationship and gender	Female	
	%	%
Share of own employees in the total workforce	95	18
of which permanent contracts	87	18
of which temporary contracts	13	20
Share of supervised workers in the total workforce	5	17

Permanent employees by employment type and gender	%
Share of permanent full-time employees	98
of which female	17
Share of permanent part-time employees	2
of which female	62

Total workforce by region and gender	%
AMER (Americas)	14
of which female	20
APAC (Asia-Pacific)	24
of which female	19
EMEA (Europe, Middle East and Africa)	62
of which female	18
Total workforce	100
of which female	18

G4-11

COLLECTIVE BARGAINING AGREEMENTS

3

Collective bargaining agreements are applied on a country-specific basis. Information on the bargaining agreement coverage is available in Finland and Sweden, where payroll system is integrated into HR systems. Excluding the executive management, 100 percent of our employees in Finland and Sweden are covered by local bargaining agreements. Statistics are not available for operations in other locations.

GRI CONTENT

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G4-12	<p>THE ORGANISATION'S SUPPLY CHAIN</p> <p>p. 43 Building a sustainable business: Policies and management approach</p> <p>Cargotec appreciates long-term and localised suppliers throughout each business area. We choose our suppliers with care and on the basis of objective factors such as quality, reliability, delivery and price. Compliance with laws and regulations as well as respect for international human rights are required of each supplier.</p> <p>In Kalmar, the total number of direct suppliers was around 1,200 at the end of 2016. Kalmar spend was broken down geographically as follows: 33 percent of purchases were from the Americas, 21 percent from Scandinavia, 19 percent from APAC, 12 percent from Eastern Europe and 15 percent from Western Europe. The share of Eastern European and Chinese partners will continue to increase. The top 50 suppliers represented 60 percent of the spend, and the top 100 suppliers represented 75 percent of the spend. Kalmar runs enhanced Supplier Relationship Management programmes with a few selected strategic partners to generate competitive advantages, business benefits and customer values for both Kalmar and the suppliers.</p> <p>Hiab had a total of just over 800 direct suppliers at the end of 2016, of which 30–35 were preferred suppliers. Focusing on these preferred suppliers enables continuous development of the supply chain management. Hiab also runs extended Supplier Relationship Management programmes together with a few selected suppliers. In 2016, the top 50 suppliers covered 65 percent and the top 100 suppliers 80 percent of the supply volume. The major share of Hiab suppliers was from Europe (83%), while the share of Eastern Europe suppliers is increasing due to the strong focus on the factory in Stargard, Poland. The rest of the suppliers were from America (13%) and Asia (4%).</p> <p>MacGregor has a history of more than 20 years of collaboration with particular suppliers. Due to the uncertain market situation and an increasing focus on preferred suppliers, the number of direct suppliers decreased from 900 at the end of 2015 to close to 700 at the end of 2016. The top 50 suppliers covered 67 percent and the top 100 suppliers 80 percent of the supply volume. Approximately 55 percent of the supplier volume was from Asia and 45 percent from EMEA.</p>	
G4-13	<p>SIGNIFICANT CHANGES IN THE ORGANISATION'S SUPPLY CHAIN DURING THE REPORTING PERIOD</p> <p>p. 22–37 Business areas Financial review 2016, p. 4–11 Board of Directors' report</p>	
G4-14	<p>PRECAUTIONARY APPROACH</p> <p>Cargotec's Environmental, Health and Safety policy defines the precautionary approach as the basic objective of Cargotec EHS work. In addition, Cargotec has signed the UN Global Compact initiative, which highlights the precautionary approach principle.</p>	7
G4-15	<p>EXTERNAL CHARTERS, PRINCIPLES AND INITIATIVES</p> <ul style="list-style-type: none"> • Baltic Sea Action Group Clinton Global Initiative: Commitment to reduce fuel consumption • ICC Business Charter for Sustainable development • ILO Declaration on Fundamental Principles and Rights at Work • OECD Guidelines for multinational enterprises • UN Declaration of Human Rights • UN Global Compact <p>All initiatives are voluntary and multi-stakeholder in nature.</p>	
G4-16	<p>MEMBERSHIPS IN ASSOCIATIONS</p> <ul style="list-style-type: none"> • Baltic Sea Action Group (BSAG) • Center of Maritime Technologies (CMT) • Finnish Industrial Internet Forum (FIIF) • Finnish Metals and Engineering Competence Cluster (FIMECC) • German Engineering Federation (VDMA): Marine Equipment and Systems • Global Compact Nordic Network • International Chamber of Commerce ICC Finland • Norwegian Offshore & Drilling Engineering (NODE) • Port Equipment Manufacturers Association (PEMA) 	

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	<p>LIST OF ENTITIES IN THE CONSOLIDATED FINANCIAL STATEMENT</p> <p>Financial review 2016, p. 19–28: Note 1. Accounting principles for the consolidated financial statements</p>																					
G4-18	<p>DEFINING THE REPORT CONTENT AND ASPECT BOUNDARIES</p> <p>p. 44–45 Sustainability accounting principles and reporting boundary</p> <p>Cargotec aims to report on sustainability issues in a manner that meets the needs of our customers, investors and other stakeholders. This review describes our work and sustainability focus areas, also taking into consideration the communication needs towards external stakeholders. Our strategy defines our sustainability approach and reporting principles.</p> <p>The reported material indicators are based on our internal KPIs, measurements, processes and policy statements. To ensure that the review is comparable with other companies and fulfils requests by external stakeholders, our current sustainability reporting framework has been influenced by peer and competitor benchmarking, as well as day-to-day work that involves analysing investor and customer requests. Our sustainability reporting has also been influenced by requests arising from Cargotec’s commitment to the UN Global Compact and other key international commitments and organisations relating to sustainability.</p> <p>From 2010 onwards, Cargotec’s sustainability reporting content has been approved by senior executive management representatives or the Executive Board. The reporting content of this 2016 review has been assessed by executive management representatives to evaluate its alignment with our strategy and sustainability targets, and to ensure that we report matters that are both internal priorities and of interest to our stakeholders. Although no major requirements were received from external stakeholders regarding the reporting content, we made some adjustments to further prioritise the material issues and ease comparisons in later reporting.</p>																					
G4-19	<p>MATERIAL ASPECTS IDENTIFIED</p> <p>p. 44–45 Sustainability accounting principles and reporting boundary</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Sub-category</th> <th>Material aspects identified</th> </tr> </thead> <tbody> <tr> <td>Economic</td> <td></td> <td>Economic performance</td> </tr> <tr> <td>Environmental</td> <td></td> <td>Energy, Water, Emissions, Effluents and waste, Supplier environmental assessment, Environmental grievance mechanisms</td> </tr> <tr> <td>Social</td> <td>Labour practices and decent work</td> <td>Employment, Labour/management relations, Occupational health and safety, Training and education, Diversity and equal opportunity, Supplier assessment for labour practices, Labour practices grievance mechanisms</td> </tr> <tr> <td>Social</td> <td>Human rights</td> <td>Freedom of association and collective bargaining, Child labour, Forced or compulsory labour, Supplier human rights assessment, Human rights grievance mechanism</td> </tr> <tr> <td>Social</td> <td>Society</td> <td>Anti-corruption, Supplier assessment for impacts on society, Grievance mechanisms for impacts on society</td> </tr> <tr> <td>Social</td> <td>Product responsibility</td> <td>Customer health and safety, Product and service labeling</td> </tr> </tbody> </table>	Category	Sub-category	Material aspects identified	Economic		Economic performance	Environmental		Energy, Water, Emissions, Effluents and waste, Supplier environmental assessment, Environmental grievance mechanisms	Social	Labour practices and decent work	Employment, Labour/management relations, Occupational health and safety, Training and education, Diversity and equal opportunity, Supplier assessment for labour practices, Labour practices grievance mechanisms	Social	Human rights	Freedom of association and collective bargaining, Child labour, Forced or compulsory labour, Supplier human rights assessment, Human rights grievance mechanism	Social	Society	Anti-corruption, Supplier assessment for impacts on society, Grievance mechanisms for impacts on society	Social	Product responsibility	Customer health and safety, Product and service labeling
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G4-20	<p>ASPECT BOUNDARY WITHIN THE ORGANISATION</p> <p>p. 44–45 Sustainability accounting principles and reporting boundary</p>																					
G4-21	<p>ASPECT BOUNDARY OUTSIDE THE ORGANISATION</p> <p>p. 44–45 Sustainability accounting principles and reporting boundary</p>																					
G4-22	<p>THE EFFECT OF RESTATEMENTS OF INFORMATION PROVIDED IN PREVIOUS REPORTS</p> <p>p. 44–45 Sustainability accounting principles and reporting boundary</p>																					

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G4-23	SIGNIFICANT CHANGES FROM PREVIOUS REPORTING PERIODS IN THE SCOPE AND ASPECT BOUNDARIES p. 44–45 Sustainability accounting principles and reporting boundary
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STAKEHOLDER ENGAGEMENT

G4-24	LIST OF STAKEHOLDER GROUPS ENGAGED Cargotec's main stakeholders are its customers, personnel and investors. Other stakeholder groups include suppliers, authorities, research and educational institutions, local communities and media.
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G4-25	IDENTIFICATION AND SELECTION OF STAKEHOLDERS p. 22–37 Business areas p.18–21 Cultural transformation takes us into the lead We uphold an open and transparent dialogue with our various stakeholder groups, actively responding to information requests and queries and pro-actively providing information online, in print, and through various forms of direct communication. Our ongoing dialogue and collaboration with different stakeholders enable us to identify opportunities to create value for our customers and shareholders and provide input for setting our sustainability targets. Integrity, fairness, confidentiality and compliance with stock exchange rules guide all our communications.
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G4-26	APPROACH TO STAKEHOLDERS ENGAGEMENT Examples of Cargotec's stakeholder interaction <table border="1"> <tr> <td>Customers</td> <td>Our business areas gather customer feedback regularly and engage in active dialogue with customers through direct meetings, marketing, extranet, newsletters and social media, for example. See results of customers satisfaction surveys on business area sections from pages 26, 30 and 34.</td> </tr> <tr> <td>Personnel</td> <td>Our Human Resources Information System ZONE and our intranet's People Portal section serve as a platform for distributing people processes. We periodically conduct structured surveys with our employees, such as our employee satisfaction survey Compass, and arrange co-operational group meetings, target and performance discussions as well as personnel info and team meetings. 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G4-27	<p>RESPONSE TO KEY TOPICS AND CONCERNS RAISED</p> <p>Our interaction with employees builds a foundation for both innovations and a committed workforce. We receive highly valuable feedback from our employees. Structured methods of gathering employee feedback include our employee engagement survey Compass. In 2016, Compass received an 88% response rate (2015: 86%). Among other things, the 2016 Compass results show that leadership performance, quality of work and equality as perceived by employees has increased slightly from the previous year (see also p. 9 and p. 21). Additionally, goals and expectations were perceived as clearer than before. On the other hand, the results also showed that we need to increase our efforts in creating understanding of individual actions and targets and the company strategy. It was also evident that uncertainties in the market environment are causing concerns about the future outlook of our businesses.</p>	
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REPORT PROFILE

G4-28	<p>REPORTING PERIOD</p> <p>1 January 2016–31 December 2016</p>	
G4-29	<p>DATE OF THE MOST RECENT PREVIOUS REPORT</p> <p>Cargotec Sustainability Review 2015, 17 March 2015</p>	
G4-30	<p>REPORTING CYCLE</p> <p>Annual</p>	
G4-31	<p>CONTACT POINT FOR QUESTIONS</p> <p>communications(at)cargotec.com</p>	
G4-32	<p>GRI CONTENT INDEX</p> <p>This review has been prepared in accordance with the G4 sustainability reporting guidelines defined by the global reporting initiative GRI. The review corresponds to the core option in the G4 reporting guidelines. See the Independent limited assurance report on p. 62–64. The external assurance covers selected indicators under the specific standard disclosures.</p>	
G4-33	<p>EXTERNAL ASSURANCE</p> <p>p. 62–64 Independent limited assurance report</p>	

GOVERNANCE

G4-34	<p>GOVERNANCE</p> <p>p. 40–43 Building a sustainable business Financial review 2016, p.111–116 Corporate governance statement 2016</p>	
G4-35	<p>THE PROCESS FOR DELEGATING AUTHORITY FOR SUSTAINABLE TOPICS</p> <p>p. 40–43 Building a sustainable business</p>	
G4-36	<p>EXECUTIVE-LEVEL POSITIONS WITH RESPONSIBILITY FOR SUSTAINABILITY TOPICS</p> <p>p. 40–43 Building a sustainable business</p>	

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ETHICS AND INTEGRITY

G4-56	VALUES, PRINCIPLES, STANDARDS AND NORMS OF BEHAVIOUR p. 40–43 Building a sustainable business	10
G4-57	MECHANISMS FOR SEEKING ADVICE ON ETHICAL AND LAWFUL BEHAVIOUR AND MATTERS RELATED TO ORGANISATIONAL INTEGRITY During the year we have intensified our ethics and compliance efforts. We have established an ethics and compliance organisation that supports the business with proactive advice and trainings as well as conducts internal investigations. At the end of 2016 we launched our improved internal investigation process and a new instruction for Speak-Up grievance mechanism. In addition, we implemented an externally hosted speak-up line to enable anonymous and confidential raising of concerns.	10
G4-58	MECHANISM FOR REPORTING CONCERNS ABOUT UNETHICAL OR UNLAWFUL BEHAVIOUR, AND MATTERS RELATED TO ORGANISATIONAL INTEGRITY See G4-57	10

DISCLOSURES ON MANAGEMENT APPROACH

G4-DMA	p. 10–18 Company p. 22–37 Business areas p. 40–43 Building a sustainable business	
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ECONOMIC

ECONOMIC PERFORMANCE

G4-EC1	DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED																																													
	<table border="1"> <thead> <tr> <th>Economic value generated and distributed, MEUR</th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Economic value generated</td> <td>3,514</td> <td>3,729</td> <td>3,358</td> </tr> <tr> <td>Sales</td> <td>3,514</td> <td>3,729</td> <td>3,358</td> </tr> <tr> <td>Economic value distributed</td> <td>3,347</td> <td>3,549</td> <td>3,229</td> </tr> <tr> <td>Purchases</td> <td>2,496</td> <td>2,732</td> <td>2,488</td> </tr> <tr> <td>Wages and benefits</td> <td>717</td> <td>680</td> <td>636</td> </tr> <tr> <td>Interest expenses</td> <td>22</td> <td>21</td> <td>33</td> </tr> <tr> <td>Income taxes</td> <td>52</td> <td>63</td> <td>37</td> </tr> <tr> <td>Dividends*</td> <td>61*</td> <td>52</td> <td>35</td> </tr> <tr> <td>Donations**</td> <td>-</td> <td>1</td> <td>-</td> </tr> <tr> <td>Economic value retained</td> <td>167</td> <td>181</td> <td>128</td> </tr> </tbody> </table>	Economic value generated and distributed, MEUR	2016	2015	2014	Economic value generated	3,514	3,729	3,358	Sales	3,514	3,729	3,358	Economic value distributed	3,347	3,549	3,229	Purchases	2,496	2,732	2,488	Wages and benefits	717	680	636	Interest expenses	22	21	33	Income taxes	52	63	37	Dividends*	61*	52	35	Donations**	-	1	-	Economic value retained	167	181	128	
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G4-EC3	COVERAGE OF THE ORGANISATION'S DEFINED BENEFIT PLAN OBLIGATIONS Financial review 2016, p. 67–70 Note 27. Post-employment benefits																																													

ENVIRONMENTAL

ENERGY

G4-EN3 ENERGY CONSUMPTION WITHIN THE ORGANISATION 8

Energy consumption, TJ	2016	2015	2014
Direct energy consumption	160.7	142.5	144.1
Non-renewable sources	160.2	142.0	144.1
Diesel	33.7	30.3	26.7
Gasoline and kerosene	1.7	0.4	1.8
Light fuel oil	10.4	9.1	7.7
Liquified petroleum gas	15.3	15.0	15.1
Natural gas	99.2	87.1	92.9
Renewable sources	0.5	0.5	0.1
Wood pellets	0.5	0.4	0.0
Solar energy	0.1	0.1	0.1
Indirect energy consumption	238.7	206.7	247.1
Electricity	178.1	153.3	178.9
District heat	60.7	53.5	68.2
Total energy consumption	399.5	349.2	391.3

In 2016, consumption of both direct and indirect energy increased compared to 2015. The total increase was 14 percent from 2015's level and is mostly due to increased production volumes on some of the sites and extending the corporate reporting scope: 2016 data covers 20 sites, whereas year 2015 covers 17 and 2014 18 sites.

G4-EN5 ENERGY INTENSITY 8

Energy intensity	2016	2015	2014
Energy intensity index	81	77	100

Energy intensity index is based on the ratio of total energy consumption and sales by sites included to the reporting boundary. The base year is 2014, where index value is 100. Energy intensity increased 5 percent compared to 2015 but decreased 19 percent from the base year 2014.

GRI CONTENT

REFERENCE AND OMISSIONS

UNGC
principle

G4-EN7	<p>REDUCTION IN ENERGY REQUIREMENTS OF PRODUCTS AND SERVICES</p> <p>p. 22–37 Business areas p. 16–17 Value creation model</p> <p>There is currently no industrial standard for evaluating the environmental impacts of any of the Cargotec products or services. The Cargotec product range is wide, which increases the difficulty in having one evaluation methodology or same parameters to evaluate all products or services. Therefore, business areas have developed evaluation methodologies and related parameters for individual products and/or services, when required by customers, regulation or other market development need. We do not publish calculation methodologies or detailed information about the technical achievements due to business confidentiality.</p> <p>Products listed under this indicator are those that have been launched or standardised during the 2016 reporting period. Please refer to cargotec.com, kalmarglobal.com, hiab.com and macgregor.com for more information about our eco-efficient offering.</p> <p>Kalmar New generation empty container handler series DCG were launched in November 2016 for Europe. The generation has potential for 5–15 percent higher productivity, 10–20 percent lower fuel consumption and 10–20 percent lower exhaust emissions compared to the previous DCF generation. Calculations are based on simulation.</p> <p>MacGregor MacGregor variable frequency drives have been standardised and are now being applied in cranes, winches and hatch covers. Energy consumption of the equipment is reduced about 15 percent compared to electro-hydraulic option. Calculations are based on simulation.</p>	8, 9
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WATER

G4-EN8	<p>TOTAL WATER WITHDRAWAL BY SOURCE</p> <table border="1"> <thead> <tr> <th>Water consumption, m³</th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Municipal water supplies</td> <td>114,500</td> <td>95,800</td> <td>93,400</td> </tr> </tbody> </table> <p>Sites are connected to public drainage systems and one site has its own well. No process water is used on Cargotec production sites.</p>	Water consumption, m ³	2016	2015	2014	Municipal water supplies	114,500	95,800	93,400	7, 8
Water consumption, m ³	2016	2015	2014							
Municipal water supplies	114,500	95,800	93,400							

EMISSIONS

G4-EN15	<p>DIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 1)</p>	7, 8																
G4-EN16	<p>ENERGY INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 2)</p> <table border="1"> <thead> <tr> <th>GHG emissions, tCO₂e</th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Direct GHG emissions (Scope 1)</td> <td>10,000</td> <td>9,000</td> <td>8,800</td> </tr> <tr> <td>Indirect GHG emissions (Scope 2)</td> <td>26,300</td> <td>25,400</td> <td>24,600</td> </tr> <tr> <td>Total</td> <td>36,300</td> <td>34,400</td> <td>33,400</td> </tr> </tbody> </table> <p>Total GHG emissions increased by 5 percent compared to 2015, but GHG emissions intensity decreased by 3 percent as the sales volumes increased more than the emissions did (see G4-EN18). There were also more sites included to 2016 figures compared to previous years.</p> <p>Scope 1 emissions also include emissions from testing, which belong partly to Scope 3 as there is always some diesel left in the customer's tank after the testing process.</p>	GHG emissions, tCO ₂ e	2016	2015	2014	Direct GHG emissions (Scope 1)	10,000	9,000	8,800	Indirect GHG emissions (Scope 2)	26,300	25,400	24,600	Total	36,300	34,400	33,400	7, 8
GHG emissions, tCO ₂ e	2016	2015	2014															
Direct GHG emissions (Scope 1)	10,000	9,000	8,800															
Indirect GHG emissions (Scope 2)	26,300	25,400	24,600															
Total	36,300	34,400	33,400															
G4-EN18	<p>GREENHOUSE GAS (GHG) EMISSIONS INTENSITY</p> <table border="1"> <thead> <tr> <th>GHG emissions intensity</th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>GHG emissions intensity index</td> <td>86</td> <td>89</td> <td>100</td> </tr> </tbody> </table> <p>GHG emissions intensity index is based on the ratio of the sum of Scope 1 and Scope 2 emissions and sales by sites included to the reporting scope. The reference year is 2014, where index value is 100. In 2016 emissions intensity decreased 3 percent from 2015 and 14 percent from 2014's level.</p>	GHG emissions intensity	2016	2015	2014	GHG emissions intensity index	86	89	100	8								
GHG emissions intensity	2016	2015	2014															
GHG emissions intensity index	86	89	100															

GRI CONTENT

REFERENCE AND OMISSIONS

UNGC
principle

G4-EN21 NOX, SOX AND OTHER SIGNIFICANT AIR EMISSIONS 7, 8

Weight of emissions, t	2016	2015	2014
Nitrogen oxides (NO _x)	2.2	2.0	2.7
Particulate matter (PM)	2.1	1.3	0.1
Sulphur oxides (SO _x)	0.3	0.2	0.3
Volatile organic compounds (VOC)	65.7	54.6	51.4

EFFLUENTS AND WASTE

G4-EN23 TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD 8

Weight of waste, t	2016	2015	2014
Hazardous waste for disposal	600	500	700
Non-hazardous waste for disposal	1,500	1,200	1,200
Reusable or recycled waste	8,400	7,400	5,700
Total waste	10,500	9,200	7,500

Approximately 80 percent of the total waste is recycled, and 40–50 percent of the waste is metal and aluminium which can be sold and reused.

G4-EN24 TOTAL NUMBER AND VOLUME OF SIGNIFICANT SPILLS

No significant spills have occurred during the reporting period.

PRODUCTS AND SERVICES

G4-EN27 EXTENT OF IMPACT MITIGATION OF ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES 7, 8, 9

Following products, product components or initiatives introduced during 2016 mitigate or decrease the environmental impacts of products and services.

Kalmar

- Electric powered FastCharge™ straddle and shuttle carriers launched in 2016 are completely free of exhaust emissions and also reduce noise emissions compared to conventional diesel technology. See also Kalmar section's page 29.
- The lead battery of Kalmar Light Electrical Forklifts can now be replaced with a Li-Ion battery, thus reducing environmental burden
- Kalmar announced in November 2016 that it will start cooperation with SSAB in Sweden to develop a hydrogen-powered medium-range forklift truck. The aim is to find a more sustainable solution for our customer SSAB and help them to contribute in diminishing carbon dioxide emissions at the site.

MacGregor

- MacGregor initiated a discussion about tackling inefficiency and waste within the offshore and marine industries under the theme of "So much potential, let's not waste it". MacGregor is committed to embarking on numerous in-house projects, but at the same time invites its stakeholders to co-create a more sustainable future.

SUPPLIER ENVIRONMENTAL ASSESSMENT

G4-EN32	PERCENTAGE OF NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL CRITERIA	8
<p>Cargotec's supplier criteria include elements to audit the compliance of the supplier regarding the management of labour practices, human rights, anti-corruption and the environment. 20 percent of the questions in the supplier assessment checklist are related to these topics. The supplier criteria were renewed in 2015 to further emphasise the importance of these aspects. In 2016, 90 percent of new suppliers were audited against the labour practice criteria, 90 percent against the human rights criteria and 90 percent against the environmental management criteria.</p>		

ENVIRONMENTAL GRIEVANCE MECHANISMS

G4-EN34	NUMBER OF GRIEVANCES ABOUT ENVIRONMENTAL IMPACTS FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS	8
<p>During 2016, 27 relevant Code of Conduct cases were received by the ethics and compliance team. Investigation was started for 25 of these cases and 17 cases were resolved during the year. Additionally during the year, 24 cases from previous years were resolved. Cases registered in 2016 were related to impacts on society and labour practices. No grievances related to environment or human rights were filed in 2016.</p>		
<p>As part of the investigation process, the ethics and compliance team agree with relevant management on remedial actions such as improved policies, trainings and disciplinary actions. For example, during 2016 a new instruction on gift and hospitality was launched, and 690 persons in the APAC region participated in face-to-face training workshops on ethics and compliance.</p>		

SOCIAL

EMPLOYMENT

G4-LA1

TOTAL NUMBER AND RATES OF NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER BY AGE GROUP, GENDER AND REGION

6

Rate of new employee hires and employee turnover	Number	%
New employee hires	972	10
Employee turnover	1,168	12
Voluntary turnover	619	6

New employee hires by gender, age group and region	Number of employees	of total %	New hire rate %
New employee hires by gender			
Male	783	81	10
Female	189	19	11
New employee hires by age group			
Under 30 years old	274	28	23
30–50 years old	584	60	10
Over 50 years old	114	12	4
New employee hires by region			
AMER	246	25	16
APAC	278	29	13
EMEA	448	46	7

Employee turnover by gender, age group and region, %	Number of employees	% of total	Turnover rate %
Employee turnover by gender			
Male	947	81	12
Female	221	19	13
Employee turnover by age group			
Under 30 years	257	22	22
30–50 years old	613	52	10
Over 50 years	298	26	11
Employee turnover by region			
AMER	316	27	20
APAC	305	26	14
EMEA	547	47	9

Information about new hires and employee turnover include only permanent employees.

The rate of new employee hires in the total workforce is the number of new hires divided by the number of all permanent employees at the end of 2016. New hire rates within employee breakdown categories are calculated by dividing the new hires within the category by the total number of permanent employees within the breakdown category. For example new hire rate for female employees is the number of new female hires divided by the number of all permanent female employees at the end of 2016. Turnover rates are calculated on similar basis as new hire rates.

GRI CONTENT

REFERENCE AND OMISSIONS

UNGC principle

LABOR/MANAGEMENT RELATIONS

G4-LA4	<p>MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES, INCLUDING WHETHER THESE ARE SPECIFIED IN COLLECTIVE AGREEMENTS</p> <p>The minimum notice periods regarding operational changes are defined by national legislation and local collective bargaining agreements. Cargotec operates in various countries and complies with local legislation.</p>	3,6
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OCCUPATIONAL HEALTH AND SAFETY

G4-LA5	<p>PERCENTAGE OF TOTAL WORKFORCE REPRESENTED IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES THAT HELP MONITOR AND ADVISE ON OCCUPATIONAL HEALTH AND SAFETY PROGRAMS</p> <p>98 percent of the employees are represented in occupational health and safety committees. Employees working at a particular site have representation in their respective committee.</p>	3,6
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G4-LA6	<p>TYPE OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, TOTAL NUMBER OF WORK-RELATED FATALITIES, BY REGION AND BY GENDER</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #2c3e50; color: white;"> <th style="text-align: left;">Number of injuries by type</th> <th style="text-align: right;">2016</th> <th style="text-align: right;">2015</th> <th style="text-align: right;">2014</th> </tr> </thead> <tbody> <tr><td>Back</td><td style="text-align: right;">6</td><td style="text-align: right;">5</td><td style="text-align: right;">9</td></tr> <tr><td>Eyes</td><td style="text-align: right;">0</td><td style="text-align: right;">3</td><td style="text-align: right;">1</td></tr> <tr><td>Feet</td><td style="text-align: right;">6</td><td style="text-align: right;">0</td><td style="text-align: right;">6</td></tr> <tr><td>Hands</td><td style="text-align: right;">19</td><td style="text-align: right;">20</td><td style="text-align: right;">27</td></tr> <tr><td>Head</td><td style="text-align: right;">3</td><td style="text-align: right;">5</td><td style="text-align: right;">4</td></tr> <tr><td>Legs</td><td style="text-align: right;">9</td><td style="text-align: right;">9</td><td style="text-align: right;">11</td></tr> <tr><td>Multiple parts of the body</td><td style="text-align: right;">2</td><td style="text-align: right;">1</td><td style="text-align: right;">0</td></tr> <tr><td>Neck</td><td style="text-align: right;">0</td><td style="text-align: right;">0</td><td style="text-align: right;">1</td></tr> <tr><td>Thorax</td><td style="text-align: right;">3</td><td style="text-align: right;">0</td><td style="text-align: right;">5</td></tr> <tr style="font-weight: bold;"> <td>Total number of injuries</td> <td style="text-align: right;">48</td> <td style="text-align: right;">43</td> <td style="text-align: right;">64</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #2c3e50; color: white;"> <th style="text-align: left;">Number of injuries by region</th> <th style="text-align: right;">2016</th> <th style="text-align: right;">2015</th> <th style="text-align: right;">2014</th> </tr> </thead> <tbody> <tr><td>AMER</td><td style="text-align: right;">7</td><td style="text-align: right;">10</td><td style="text-align: right;">13</td></tr> <tr><td>APAC</td><td style="text-align: right;">7</td><td style="text-align: right;">7</td><td style="text-align: right;">14</td></tr> <tr><td>EMEA</td><td style="text-align: right;">34</td><td style="text-align: right;">26</td><td style="text-align: right;">37</td></tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #2c3e50; color: white;"> <th style="text-align: left;">Rate of injury</th> <th style="text-align: right;">2016</th> <th style="text-align: right;">2015</th> <th style="text-align: right;">2014</th> </tr> </thead> <tbody> <tr> <td>Industrial Injury Frequency Rate (IIFR)*</td> <td style="text-align: right;">5.58</td> <td style="text-align: right;">5.76</td> <td style="text-align: right;">9.11</td> </tr> </tbody> </table> <p>* IIFR is the number of injuries per million hours worked. Injuries include incidents that lead to an absence of at least one day or shift. No work-related fatalities have occurred during reporting period of 2014–2016.</p>	Number of injuries by type	2016	2015	2014	Back	6	5	9	Eyes	0	3	1	Feet	6	0	6	Hands	19	20	27	Head	3	5	4	Legs	9	9	11	Multiple parts of the body	2	1	0	Neck	0	0	1	Thorax	3	0	5	Total number of injuries	48	43	64	Number of injuries by region	2016	2015	2014	AMER	7	10	13	APAC	7	7	14	EMEA	34	26	37	Rate of injury	2016	2015	2014	Industrial Injury Frequency Rate (IIFR)*	5.58	5.76	9.11	3,6
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TRAINING AND EDUCATION

G4-LA11	<p>PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS, BY GENDER AND BY EMPLOYEE CATEGORY</p> <p>p. 18–21 Personnel</p>	6
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DIVERSITY AND EQUAL OPPORTUNITY

G4-LA12 **COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES PER EMPLOYEE CATEGORY ACCORDING TO GENDER, AGE GROUP, MINORITY GROUP MEMBERSHIP, AND OTHER INDICATORS OF DIVERSITY** **6**

Composition of governance bodies by gender and age group, %	Board of Directors	Extended Executive Board
Male	87	73
Female	13	27
Under 30 years old	0	0
30–50 years old	0	36
Over 50 years old	100	64

See also G4–10 for the composition of total workforce.

SUPPLIER ASSESSMENT FOR LABOR PRACTICES

G4-LA14 **PERCENTAGE OF NEW SUPPLIERS THAT WERE SCREENED USING LABOR PRACTICES CRITERIA**

See G4-EN32.

LABOR PRACTICES GRIEVANCE MECHANISMS

G4-LA16 **NUMBER OF GRIEVANCES ABOUT LABOR PRACTICES FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS**

See G4-EN34.

HUMAN RIGHTS

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

G4-HR4 **OPERATIONS AND SUPPLIERS IDENTIFIED IN WHICH THE RIGHT TO EXERCISE FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE VIOLATED OR AT SIGNIFICANT RISK, AND MEASURES TAKEN TO SUPPORT THESE RIGHTS** **3, 6**

Cargotec's Code of Conduct and related policies state that Cargotec is committed to respecting international human rights and request the same from its suppliers and agents. Freedom of association, abolition of child labour and forced or compulsory labour are basic principles to comply with. Cargotec has not identified significant risks related to these principles in its own operations, nor in the supplier operations.

Cargotec conducted a supplier sustainability risk analyses during 2016. Human rights were included into the risk analyses as one perspective. The risk for violation of international human rights is increased in our supply chain in certain countries. As a measure to mitigate the risk and emphasise the request to support human rights, Cargotec has set a clear target for supplier audits and audit development for 2017; please see the sustainability targets on page 42. Additionally, we have started a project to identify any needs to update our existing supplier requirements or to have more trainings to our sourcing employees regarding human rights assessments.

CHILD LABOR

G4-HR5 **OPERATIONS AND SUPPLIERS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR INCIDENTS OF CHILD LABOR, AND MEASURES TAKEN TO CONTRIBUTE TO THE EFFECTIVE ABOLITION OF CHILD LABOR** **5**

See G4-HR4

GRI CONTENT

REFERENCE AND OMISSIONS

UNGC
principle

FORCED OF COMPULSORY LABOR		
G4-HR6	OPERATIONS AND SUPPLIERS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR INCIDENTS OF FORCED OR COMPULSORY LABOR, AND MEASURES TO CONTRIBUTE TO THE ELIMINATION OF ALL FORMS OF FORCED OR COMPULSORY LABOR	4
	See G4-HR4	
SUPPLIER HUMAN RIGHTS ASSESSMENT		
G4-HR10	PERCENTAGE OF NEW SUPPLIER THAT WERE SCREENED USING HUMAN RIGHTS CRITERIA	2
	See G4-EN32	
HUMAN RIGHTS GRIEVANCE MECHANISMS		
G4-HR12	NUMBER OF GRIEVANCES ABOUT HUMAN RIGHTS IMPACTS FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS	1
	See G4-EN34. No grievances related to human rights were filed in 2016.	
SOCIETY		
ANTI-CORRUPTION		
G4-SO3	TOTAL NUMBER AND PERCENTAGE OF OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION AND THE SIGNIFICANT RISKS IDENTIFIED	10
	Cargotec initiated a risk assessment of corruption risks in 2013 covering the operations of Cargotec. Most of the identified risks were related to interaction with third parties. There have been numerous initiatives and trainings for key organisations after the risk assessment to prevent the risks. As an example, a new agent appointment process was defined. The process includes several actions ensuring the prospective agent's compliance with the anti-corruption legislation. Training sessions on the new process were arranged for employees working with agency management.	
G4-SO4	COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES	10
	Cargotec's Code of Conduct, Anti Corruption Policy and related processes were discussed by the Cargotec Board of Directors before the Board approved the documents. Cargotec's Code of Conduct and the Anti-Corruption Policy have been communicated to all Cargotec employees via several channels. Both policies are available on the Cargotec intranet. The Code of Conduct is part of new employees' initiation. The Code of Conduct e-learning course was launched in 2014 and the participation rate within the target group achieved a 90 percent level. The target group includes employees with an individual company email address and access to the intranet. The e-learning tool covers all sub-sections of the Code of Conduct but lays particular emphasis on anti-corruption. The course will be updated regularly, after which the participation rate will be re-evaluated. The next update of the course will be implemented during 2017.	
	The Code of Conduct and participation in the e-learning of each employee is also revised in the personal development plan (PDP) discussion. As of 2013, trainings on anti-corruption have been organised for business area management teams on several levels, and for the corporate Executive Board. Cargotec's Code of Conduct is also communicated to agents and suppliers and it is available on Cargotec's website.	
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY		
G4-SO9	PERCENTAGE OF NEW SUPPLIERS THAT WERE SCREENED USING CRITERIA FOR IMPACTS ON SOCIETY	
	See G4-EN32	

GRI CONTENT

REFERENCE AND OMISSIONS

UNGC
principle

GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY

G4-SO11	NUMBER OF GRIEVANCES ABOUT IMPACTS ON SOCIETY FILED, ADDRESSED, AND RESOLVED THROUGH GRIEVANCE MECHANISMS	
	See G4-EN34	

PRODUCT RESPONSIBILITY

CUSTOMER HEALTH AND SAFETY

G4-PR1	PERCENTAGE OF SIGNIFICANT PRODUCT AND SERVICE CATEGORIES FOR WHICH HEALTH AND SAFETY IMPACTS ARE ASSESSED FOR IMPROVEMENT	
	<p>100%.</p> <p>Customer health and safety is the top priority in Cargotec's offering. Health and safety impacts are evaluated in all product categories. The scope of health and safety impact evaluation depends on the product type, usage, customer demands and existing regulative requirements. The EU Machinery directive and related standards guide the evaluation when applicable. Outside the EU, local regulations and requests are followed.</p> <p>Products are tested carefully before being delivered to customers. Delivery processes that need special logistic solutions are assessed separately for possible risks to health and safety. The usage of products is tested carefully before delivery to customers and/or when the final assembly at customer's facilities is carried out. Possible hazardous materials used in the components of the equipment are controlled with appropriate safety management practices and safety data sheets. Production is always planned taking into account the special features of produced product safety.</p>	

PRODUCT AND SERVICE LABELING

G4-PR5	RESULTS OF SURVEYS MEASURING CUSTOMER SATISFACTION	
	<p>p. 26 Kalmar</p> <p>p. 30 Hiab</p> <p>p. 34 MacGregor</p>	

INDEPENDENT LIMITED ASSURANCE REPORT

to the Management of Cargotec Corporation

Scope of Engagement

Cargotec Corporation (“Cargotec”) commissioned DNV GL Business Assurance Finland OY/AB (“DNV GL”) to conduct a limited assurance engagement over Selected Information presented in the Sustainability section (pages 44–63) of Cargotec’s Annual Review 2016 (the “Report”) for the reporting period 1st January to 31st December 2016.

Selected Information

The scope and boundary of our work is restricted to the key sustainability performance indicators and metrics included within the Report (the “Selected Information”), listed below:

- G4-EN3 Energy consumption within the organization (TJ)
- G4-EN5 Energy intensity (%)
- G4-EN7 Reduction of energy requirements of products and services (%)
- G4-EN8 Water consumption (m³)
- G4-EN15 Direct greenhouse gas emissions (scope 1) (tCO₂e)
- G4-EN16 Indirect greenhouse gas emissions (scope 2) (tCO₂e)
- G4-EN18 Greenhouse gas emissions intensity (%)
- G4-EN21 Air emissions (t)
- G4-EN23 Waste (t)
- G4-EN24 Significant spills (number of)
- G4-EN32, G4-LA14 and G4-HR10 New suppliers screened using environmental, labour practices and human rights criteria (%)
- G4-LA6 Number and rate of injuries

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used Global Reporting Initiative’s sustainability reporting guidelines (4.0) and Cargotec’s sustainability accounting principles, (the “Criteria”, see page 44–45).

We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on Cargotec’s website for the current reporting period.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria.

This conclusion relates only to the Selected Information, and is to be read in the context of this Assurance Report, in particular the inherent limitations explained below.

Standard and level of assurance

We performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ (revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan

and perform the assurance engagement to obtain limited assurance.

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less detailed than those undertaken during a reasonable assurance engagement, so the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so that the risk of this conclusion being in error is reduced, but not reduced completely.

Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information; our work included, but was not restricted to:

- Assessing the appropriateness of the Criteria for the Selected Information;
- Conducting interviews with Cargotec's management to obtain an understanding of the data management systems and processes used to generate, aggregate and report the Selected Information;
- Site visits to review process and systems for preparing site level data consolidated at Head Office at:
 - HIAB Moffett Engineering in Dundalk, Ireland;
 - Kalmar Technology and Competence Centre in Tampere, Finland; and
 - MacGregor ODM in Tianjin, China.DNV GL were free to choose the sites on the basis of materiality and type of sites visited in previous assurance engagements;

- Reviewing data at source and following this through to consolidated group data;
- Reviewing whether the evidence, measurements, and scope of the Selected Information is prepared in accordance with the Criteria; and
- Reviewing the Report and narrative accompanying the Selected Information in the Report with regard to the Criteria.

Inherent limitations

Our assurance relies on the premise that the data and information provided by Cargotec to us as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. Energy use data utilized in Green House Gas (GHG) emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Report.

Our competence, independence and quality control

DNV GL established policies and procedures are designed to ensure that DNV GL, its personnel and – where applicable – others are subject to independence requirements (including personnel of other entities of DNV GL) maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals, whose members have not been involved in the development of any of the Criteria. Our multi-disciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

Responsibilities of the Management of Cargotec and DNV GL

The Management of Cargotec have sole responsibility for:

- Preparing and presenting the Selected information in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to Cargotec in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

**For and on behalf of DNV GL Business Assurance Finland OY/AB
Espoo, Finland**

14th February 2017

Mikael Niskala

Lead Auditor
DNV GL – Business Assurance

Gareth Manning

Principal Consultant and Reviewer
DNV GL – Business Assurance

*DNV GL Business Assurance Finland OY/AB is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance.
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