

Cramo Group Remuneration Statement 2016

7 February
2017



CRAMO'S DECISION-MAKING ORDER AND MAIN PRINCIPLES RELATED TO REMUNERATION

The remuneration at Cramo Group is based on the Company's remuneration principles, including compensation and benefit practices. Decisions related to the remuneration take into account Cramo's strategy, must-win battles and financial targets. In order to ensure that remuneration is in line with Cramo's financial performance, remuneration principles are based on predetermined and measurable performance and result criteria.

This remuneration statement is prepared in accordance with the Finnish Corporate Governance Code 2015.

Decision-making order related to remuneration

According to good corporate governance principles, the decisions on the remuneration shall be made by the body that appoints the individual(s) in question. In line with the principle, Cramo's Annual General Meeting of the Shareholders decides on the remuneration of the Board of Directors. The decision is made based on a proposal of the Shareholder's Nomination Committee.

Further, the Board of Directors decides on the matter pertaining to the remuneration of the Company's President and CEO, as well as the Group Management Team members. The Board decisions are based on the Remuneration Committee's proposal. The Remuneration Committee prepares issues pertaining to the fixed salaries and short-term incentives of the President and CEO and the Group Management Team members.

Furthermore, regarding the President and CEO, the Remuneration Committee prepares a proposal regarding the employment terms, total remuneration package and the compensation paid upon in an event of contract termination.

It is also the responsibility of the Remuneration Committee to prepare a proposal regarding all matters pertaining to the long-term incentive schemes of the Company.

Main principles of remuneration

Board of Directors

The remuneration of the Board of Directors consists of the annual remuneration approved by the Annual General Meeting. It has been decided, that 50 per cent of the annual remuneration is paid in shares of Cramo Plc, purchased in the market on behalf of the Board members, and 50 per cent is paid in cash. The remuneration may also be paid by transferring the Company's own shares based on the authorisation given to the Board of Directors by the General Meeting of Shareholders. In the event a purchase of shares cannot be carried out for reasons related either to the Company or a Board member, the annual remuneration shall be paid entirely in cash.

A member of the Board of Directors may not trade in the Company's financial instruments, if the Board of Directors has not given permission for the trade.

In addition, a separate compensation can be paid for each committee meeting for each participating committee member. The Chairman of the Audit Committee receives an additional annual compensation.

The Board's members are not in an employment or a service relationship with the company and therefore not covered by the Company's long-term incentive schemes, bonus scheme or pension schemes.

Remuneration and Service Contract of the President and CEO

Cramo's President and CEO has a written service contract which is approved by the Board of Directors. In addition to the fixed annual base salary, the compensation paid to the President and CEO includes a profit-based incentive tied to the

Group's financial targets and/or personal targets as set by the Board. In 2016, the maximum bonus paid to the President and CEO was 70 per cent of base salary. The President and CEO's remuneration also includes fringe benefits such as an accommodation, a commute, a company car and a telephone. As a member of the Group Management team, the President and CEO participates in Cramo's short-term incentive schemes as of 2016, One Cramo Share Plan as of 2015 and the share-based incentive plan as of 2016.

Based on his service contract the retirement age for the President and CEO is 65 years. In addition to the statutory pension system, the President and CEO participates in a voluntary, defined contribution pension plan.

The notice period for the President and CEO's service contract is six months, during which time he receives a full salary. In case the contract is terminated by the employer, there is a severance payment of 12 months' salary.

Group management and key personnel

The aim of a well-designed remuneration scheme is to attract and engage talented employees to the Company and to promote the Company's financial success. Therefore, the Company applies a competitive policy related to salaries. In addition to fixed salaries, Cramo offers a short and long-term incentive schemes for management and its key personnel.

Management remuneration is based on an individual compensation package that is in compliance with local regulations and includes all taxable fringe benefits. The compensation package is divided into three components: fixed annual salary, short-term incentives and long-term incentives.

Cramo's executives participate in local pension systems for each operating country which provide for a retirement benefit based on years of service and earnings according to the prescribed statutory system.

In addition to the statutory pension system, the President and CEO and one of the Group Management team members participate in a voluntary pension system. The voluntary pension system is a defined contribution plan.

Short-term incentives – Cramo Bonus

Cramo's short-term incentive system is aimed at supporting the achievement of the Company's financial targets by enhancing a strong performance culture. The Group Management Team members and other key personnel of Operating Companies and the Group's key personnel are covered by a profit-based incentive scheme which is specific to the financial targets of the Group and/or Operating Company. In addition to this, Cramo countries have short-term incentive schemes, which cover typically almost the whole personnel of the Operating Company.

The Board of Directors approves annually the financial targets for the Group and Operating Companies, to the achievement of which the short-term incentives are tied. The Remuneration Committee assesses the achievement of set targets and prepares its suggestion for allocation of incentives for the Board's approval. Possible compensation is paid once a year after the end of the financial period in March.

Long-term incentives

In 2012 and 2015, the Board of Directors of Cramo Plc resolved on a share-based incentive plans for the Group Management team and key personnel which consisted of three discretionary periods, calendar years 2012, 2013 and 2014 and respectively calendar years 2015, 2016 and 2017. The possible reward on the basis of the entire Plan is at maximum 1,000,000 shares, including a cash proportion needed for taxes and tax-related costs. The rewards shall be paid to the key employees approximately two years after the confirmation of the reward, if his or her employment with a company has not been terminated. The Board of Directors of the Company will decide, on

the proposal of the Remuneration Committee, on the plan's performance criteria and on their targets at the beginning of each discretionary period.

Should shares be paid as reward on the basis of the incentive plan resolved in 2012 and 2015, the members of the Group management team must hold 50% of the shares paid on the basis of the plan, until the value of the share ownership in total corresponds to the employee's annual gross salary. The Board of Directors shall decide on other details concerning the execution of the Ownership Obligation.

One Cramo Share Plan for whole personnel

According to the remuneration principles of Cramo, it is important that as many as possible of Cramo's employees would also be shareholders in the Company. The target of One Cramo Share Plan is to encourage all Cramo Group's employees to become shareholders in the Company and to reward Cramo employees for their efforts in working towards the Company's goals. It also strengthens the tie between Cramo shareholders and employees. The One Cramo Share Plan was started in 2012 and 2016 was fifth year of operating the plan.

In 2016, the plan was offered in Cramo countries to approximately 2,500 Cramo employees. The maximum monthly saving is 5 per cent and the minimum is 2 per cent of each participant's monthly gross salary. The total amount of all savings from the Plan Period may not exceed EUR 4 million. The savings are automatically used to purchase Cramo shares for the participants at market price.

In return, each participant will receive one free matching share for every two acquired savings shares. Matching shares will be delivered to a participant if the participant holds the acquired shares from the plan period until the end of the designated holding period, regarding the current

plan until 15 May 2019, and if his or her employment with a company has not been terminated on the last day of the holding period on bad leaver terms.

An employee will participate in the plan for one year at a time. Shares will be acquired with the accrued savings at the market price quarterly, after the publication date of Cramo's interim results. Any dividends paid on purchased shares during the commencing plan period will automatically be reinvested into additional shares on the following purchase date. These shares will have an equal right to matching shares.

A total of about 540 Cramo employees have become shareholders in Cramo through the One Cramo Share Plan since its initiation. A number of matching shares delivered to employees participating the Plan was 12,565 shares in 2016. The current Plan Period begun on 1 October 2016 and will end on 30 September 2017.

REMUNERATION IN 2016

Remuneration of the Board of Directors

The remuneration of the Board of Directors consists of the annual remuneration approved by the General Meeting:

- Chairman of the Board: EUR 70,000
- Deputy Chairman of the Board: EUR 40,000
- Other Board members: EUR 35,000

It has been decided, that 50 per cent of the annual remuneration is paid in shares of Cramo Plc, purchased in the market on behalf of the Board members, and 50 per cent is paid in cash. The remuneration may also be paid by transferring the Company's own shares based on the authorisation given to the Board of Directors by the General Meeting of Shareholders. In the event a purchase of shares cannot be carried out for reasons

related either to the Company or a Board member, the annual remuneration shall be paid entirely in cash.

In addition, it was decided that all Board members are entitled to a compensation of EUR 1,000 per attended Board committee meeting and that the member of the Board elected in the position of Chairman of the Audit Committee would receive an additional compensation of EUR 5,000 per year.

No shares or share-related rights were granted to Board members as remuneration during the financial period, except those specified above.

In 2016, the Board of Directors met eleven times. The Audit Committee met eight times and the Remuneration Committee met four times during 2016.

The following table below outlines the remuneration received by Cramo's Board members in 2016 on a cash basis.

Board members	Board, shares	In Euros			Remuneration Committee	Total
		Board, Fee	Board, total	Audit Committee		
Helene Biström (Chairman)	-	70,000	70,000	-	4,000	74,000
Erkki Stenberg (Deputy Chairman)	19,984	20,016	40,000	7,000	1,000	48,000
Peter Nilsson	17,483	17,517	35,000	-	4,000	39,000
Joakim Rubin	17,483	22,517	40,000	8,000	-	48,000
Raimo Seppänen	17,483	17,517	35,000	-	4,000	39,000
Caroline Sundewall	-	35,000	35,000	8,000	-	43,000
Members of the Board from 31 march 2016						
Perttu Louhiluoto	17,483	17,517	35,000			35,000
Members of the Board until 30 march 2016						
Leif Boström				1,000		1,000
Eino Halonen				1,000		1,000
Total	89,916	200,084	290,000	25,000	13,000	328,000

Remuneration of the President and CEO, Group Management Team and Key Personnel

The short-term incentives, in 2016, were tied only to the financial targets and linked to the amount of Economic Profit. The Remuneration Committee assessed the achievement of set targets and prepared its suggestion for allocation of incentives for the Board's approval. For the financial year 2016, the maximum bonus level was set at 70 per cent of the employee's annual base salary. The annual short-term incentives will be paid in March 2017.

In 2016, the potential reward from the long-term incentive plan was decided to be based on Cramo Group's key figure Earnings per Share (EPS) and the potential reward to be paid partly in the Company's shares and partly in cash in spring 2019. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. No reward will be paid, if a key employee's employment or service ends before the reward payment.

According to the long-term incentive plan, the maximum reward amount, for the discretionary period of 2016, corresponded the value of 252,000 Cramo Plc shares (including also the proportion to be paid in cash). Realisation of the target set for the year 2016 was 88.00 per cent of maximum (56.25 per cent of maximum for 2015), which led to a final reward maximum of approximately 213,840 Cramo Plc shares for 2016 (189,563 Cramo Plc shares for 2015) including also the portion to be paid in cash.

In 2016, the expenses of the voluntary pension system were as follows: EUR 154,611 for the President and CEO and EUR 85,126 for the member of the Group management team, totalling EUR 239,737.

Due to the fact that the subscription period with Cramo's 2011 option scheme ended on 31 December 2015, there were no longer subscribed shares under the scheme in 2016.

The next table outlines the remuneration based on 2016 performance to President and CEO and Group Management team.

	EUR						
	Fixed annual base salary	Profit based incentives	Fringe benefits	Termination benefits	Share based payments	Post-employment benefits	Total
President and CEO	516,761	351,999	48,008		71,884	154,611	1,143,264
Group Management team	1,394,520	486,683	104,412	431,101	562,878	85,126	3,064,720
Total	1,911,281	838,683	152,420	431,101	634,762	239,737	4,207,984