



CARGOTEC - SMARTER CARGO FLOW FOR A BETTER EVERYDAY

Our cargo handling solutions and services make global trade smarter, better and more sustainable. As the leading players in ports, on roads and at sea, our business areas Kalmar, Hiab and MacGregor have a unique position to optimise global cargo flows and create sustainable customer value. We want to lead the industry transformation and turn cargo handling into an intelligent and sustainable business.

Cargotec's reporting for the year 2017 consists of the Annual review 2017 and the Financial review 2017. This document, the Annual review 2017 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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A YEAR OF CHANGE AND DEVELOPMENT

Mika Vehviläinen

CEO, Cargotec

2017 was as a year of changes in our industry. We saw large-scale consolidation, as shipping lines formed alliances and reorganised cargo handling routes. The shipping market was still recovering from severe overcapacity. The on-road load handling market was strong both in the US and in Europe.

The industry has long been very fragmented and inefficient, but cost pressures are forcing companies to look for ways to reduce costs and improve efficiency. These industry disruptions are a great opportunity for Cargotec, as we want to shape the industry and bring it to the next level in intelligent operations.

Cargotec has numerous strengths that support our leading position in the industry transformation. We operate in all the key parts of the cargo handling value chain, be it ports, ships or on the road, and we can offer holistic solutions to optimise and improve cargo flows. We are at the forefront of developing new approaches for the whole industry and create sustainable customer value.

Speed in strategy execution

Strategy implementation, driven by our three must-win battles – digitalisation, services and leadership – progressed well. We took major steps forward with our digitalisation efforts. A number of new digital products were introduced during the year and our software business developed well.

Our target is to enable connectivity in all our new equipment by the end of 2018. With connected equipment, we offer our customers better service during the lifecycle of their solutions. We can provide remote monitoring and troubleshooting for our products as well as for systems that we deliver, for example, for automated ports. Our offering also includes software solutions that are systems of systems, like our recently commercialised XVELA, a cloud-based platform that will add transparency, efficiency and profitability to the network of ocean carriers, terminal operators and logistics providers.

We have an ambitious approach to development and to delivering our promise to be the leader in intelligent cargo handling in 2020. In

addition to our product and system level digitalisation initiatives, we launched several projects in 2017 that focus on utilising robotics and artificial intelligence both internally and in our commercial offering. We also ran a programme to accelerate the commercialisation of emerging business concepts together with our customers.

In services we took decisive steps to improve and expand our offering as a lifecycle partner to our customers. At Kalmar, the main service business developed well, although the project-based services faced some challenges. Hiab introduced new service concepts which increased its service sales by four percent. MacGregor services suffered from weak market conditions, especially in the offshore business. We will continue to focus our development efforts on services as a cornerstone for future growth. Together with software business, it already accounts for one third of our total sales.

Our leadership development serves as an enabler for our transformation as a company. New ways of working and constant changes in our operating environment require a different set of leadership skills than before. We have now focused on this area for three years, and measure our leaders' behaviour and effectiveness on a regular basis. This has clearly improved our working climate as well as employee satisfaction and performance.

Business areas face differing market situations

In terms of orders received, the strong development at Hiab continued, while the orders received declined at Kalmar and MacGregor. However, MacGregor's orders grew during the second half of the year. At Kalmar, the development in the project business did not meet our expectations.

The demand for Kalmar's equipment and services continued at last year's level, although customers are still carefully evaluating their investment decisions. Interest in Kalmar's efficiency-boosting port automation solutions continued to be high. The strong consolidation of shipping companies continued and created market uncertainty.



Good construction activity in the United States and Europe supported the demand for Hiab's load handling equipment. The demand for Hiab's services improved from last year.

In MacGregor's market, the merchant ship contracting improved during 2017, but was still at a very low level. Contracting in the offshore sector declined compared to the previous year. The risk for order postponements and cancellations is still high. The service demand declined in the offshore sector, but improved slightly in the merchant ship sector.

The world economy grew in 2017, which was reflected on the increase in the container throughput. Several megatrends will increase the demand for our offering in the coming years (more about megatrends on pages 10–11).

Working together makes us smarter and better

Cargotec operates in more than 100 countries. The outcomes of our work are the products, solutions and services delivered by our business areas that create added efficiency, safety and environmental value to our customers, and to the society at large.

We see many opportunities to improve the performance of the cargo handling value chain. To this end, we strive to enable smarter cargo flows to create a better everyday by making global trade smarter, safer and more eco-efficient. We work towards this goal together with our customers and other industry players. We are proceeding well towards our target to be the leader in intelligent cargo handling.

I want to thank our shareholders and customers for their trust and our employees for their hard work and dedication.

”The outcomes of our work create efficiency, safety and environmental value to our customers, and to the society at large.”

CARGOTEC IN BRIEF

SALES, MEUR

3,280

SERVICES AND SOFTWARE, % OF SALES

31%

OPERATING PROFIT, MEUR

226.7

KALMAR

Kalmar offers cargo handling equipment and automated terminal solutions, software and services that are used in ports, terminals, distribution centres and various industries.

49%

Share of total sales

37%

Services and software, share of Kalmar's sales

HIAB

Hiab is the global market leader in on-road load handling solutions with customers operating in the land transport and delivery industries.

33%

Share of total sales

22%

Services, share of Hiab's sales

MACGREGOR

MacGregor provides engineering solutions and services for marine cargo and offshore load handling.

18%

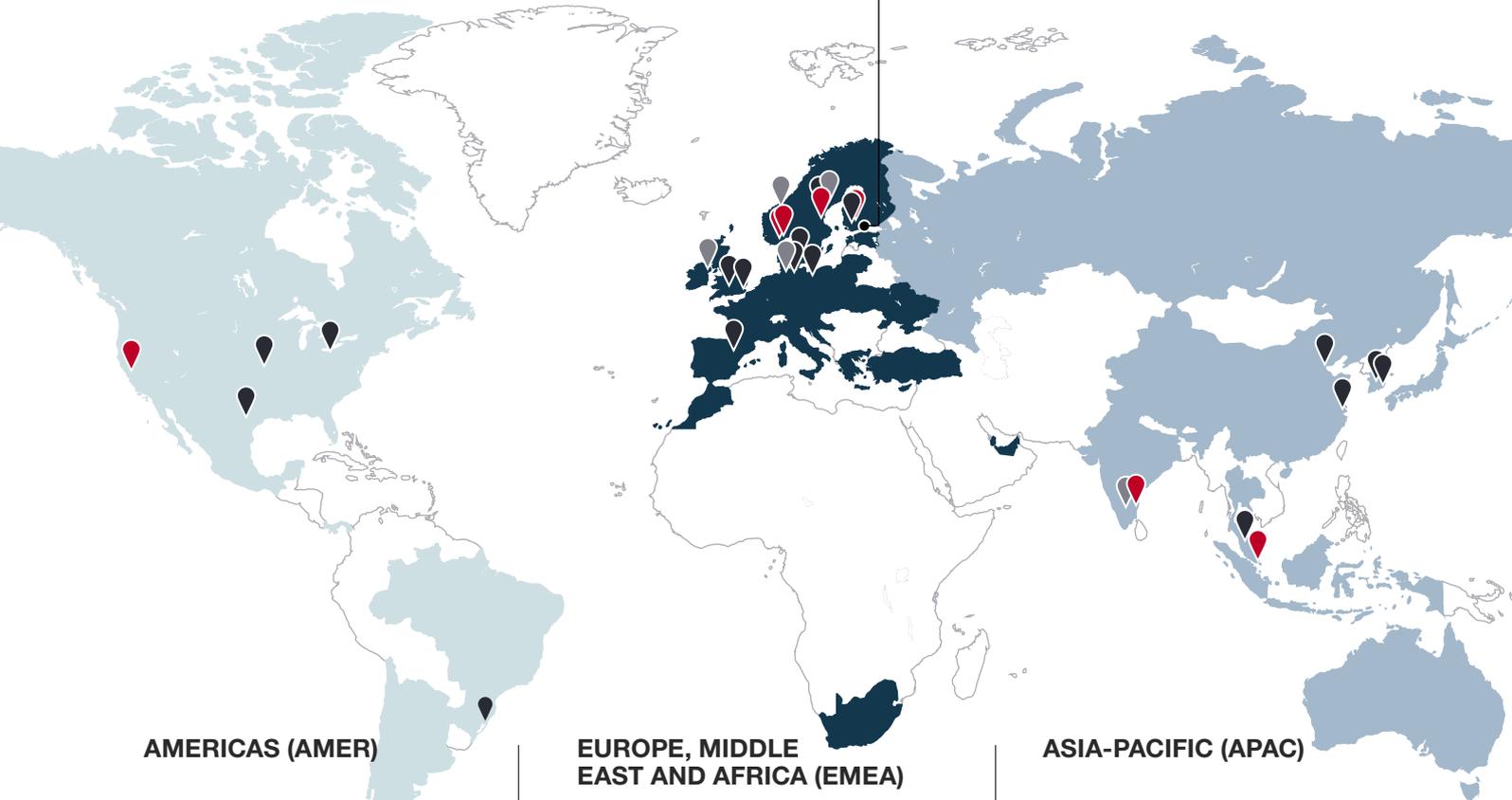
Share of total sales

33%

Services, share of MacGregor's sales

Headquarters in Helsinki, Finland. Cargotec's class B shares are quoted on the Nasdaq Helsinki Large Cap list.

-  Production
-  R&D
-  Production and R&D
-   Sales and services



AMERICAS (AMER)

Production countries:
United States, Brazil

Number of personnel: 1,644

Share of sales



EUROPE, MIDDLE EAST AND AFRICA (EMEA)

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

Number of personnel: 7,205

Share of sales



ASIA-PACIFIC (APAC)

Production countries: China, India,
Malaysia, South Korea

Number of personnel: 2,402

Share of sales

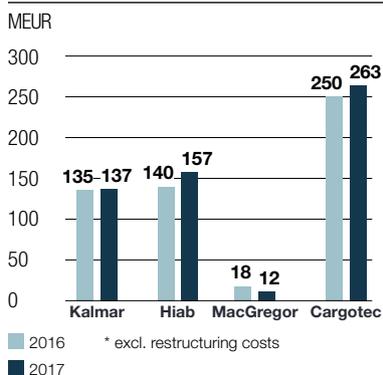


PROFITABILITY IMPROVEMENT CONTINUED

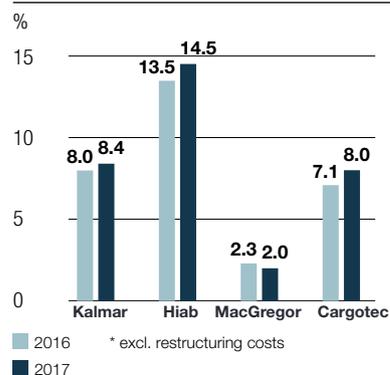
Cargotec's operating profit excluding restructuring costs continued its positive development from 2016, reaching a new record level.

Net sales decreased by seven percent. The operating profit margin continued to improve, and gearing was well within our target of below 50 percent. Cash flow was burdened by lower advance payments and higher working capital needs in certain areas at Kalmar and Hiab.

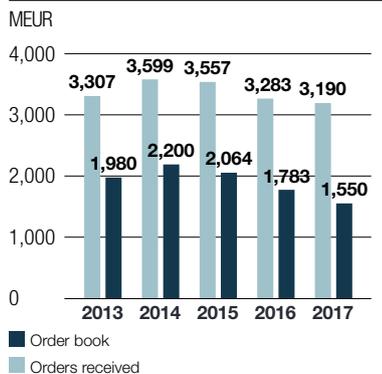
OPERATING PROFIT* BY BUSINESS AREA



OPERATING PROFIT MARGIN* BY BUSINESS AREA



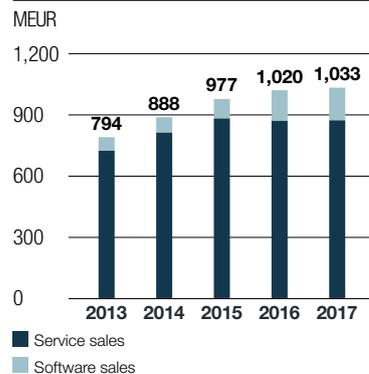
ORDERS RECEIVED AND ORDER BOOK



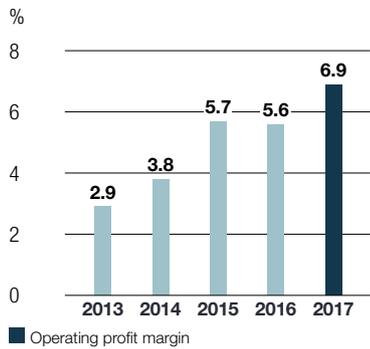
SALES AND OPERATING PROFIT MARGIN*



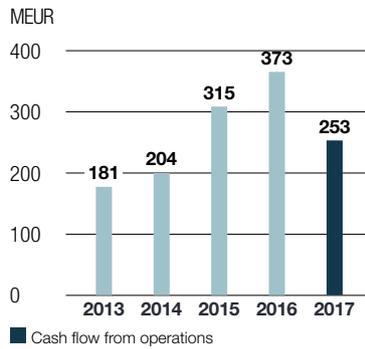
SERVICE AND SOFTWARE SALES



OPERATING PROFIT MARGIN



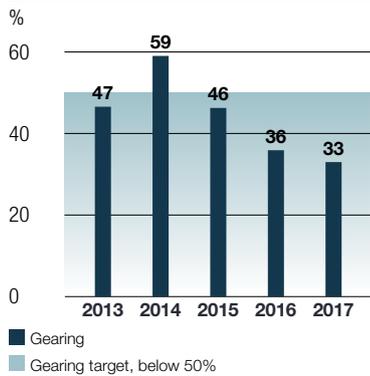
CASH FLOW FROM OPERATIONS



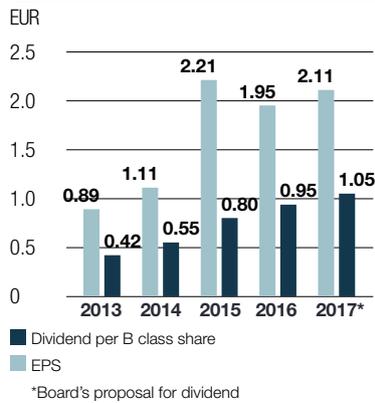
RETURN ON CAPITAL EMPLOYED



GEARING



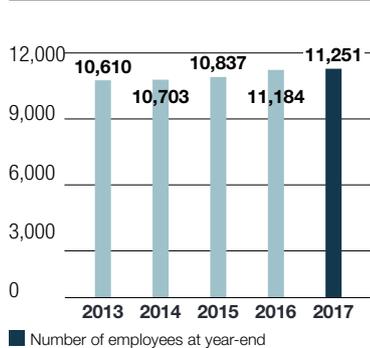
EARNINGS PER SHARE (EPS) AND DIVIDEND



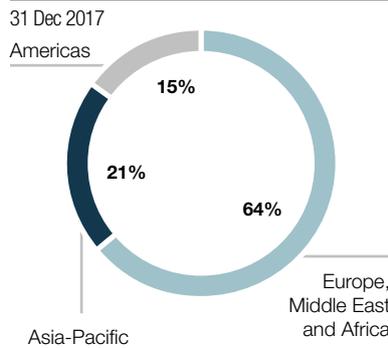
DIVIDEND/EPS, CLASS B SHARE



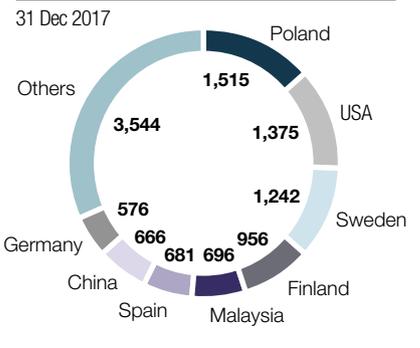
NUMBER OF EMPLOYEES AT YEAR-END



PERSONNEL BY GEOGRAPHICAL AREA



PERSONNEL BY COUNTRY

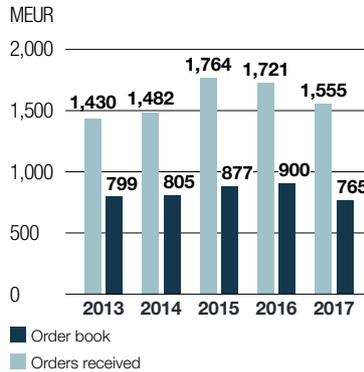


KALMAR

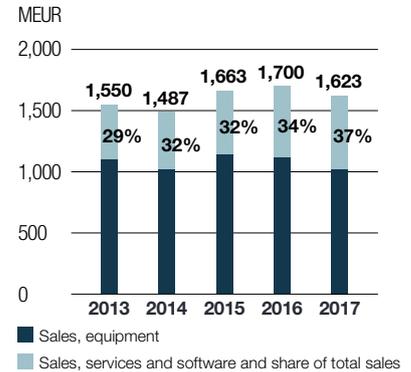
OPERATING PROFIT*



ORDERS RECEIVED AND ORDER BOOK



SALES

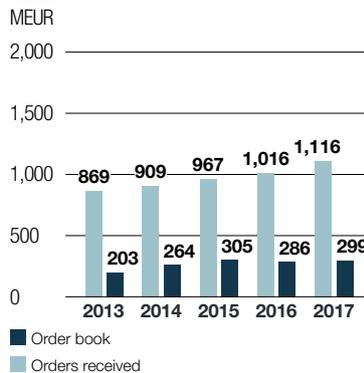


HIAB

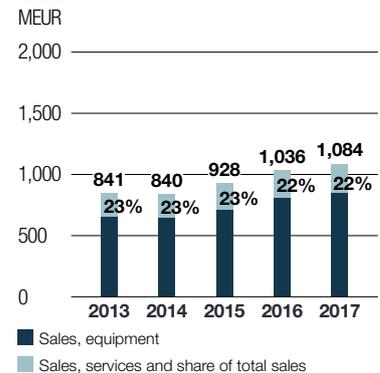
OPERATING PROFIT*



ORDERS RECEIVED AND ORDER BOOK



SALES

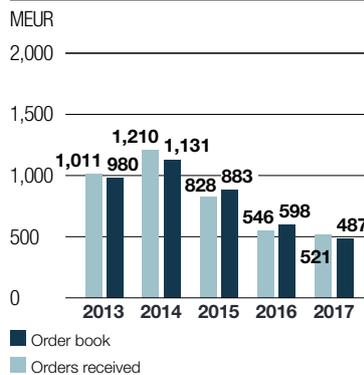


MACGREGOR

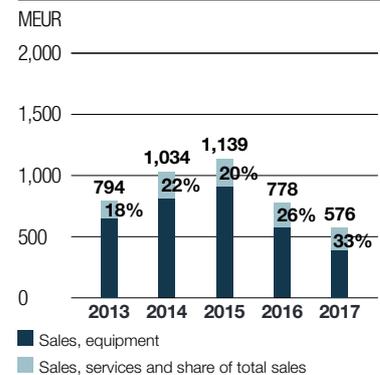
OPERATING PROFIT*



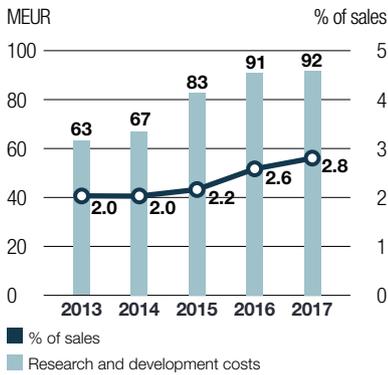
ORDERS RECEIVED AND ORDER BOOK



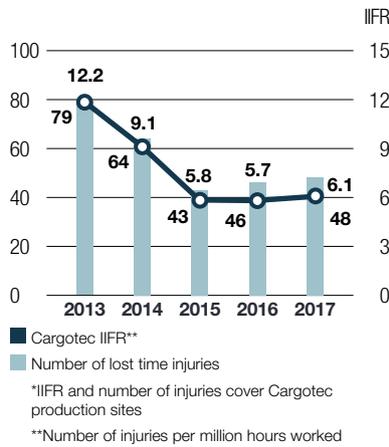
SALES



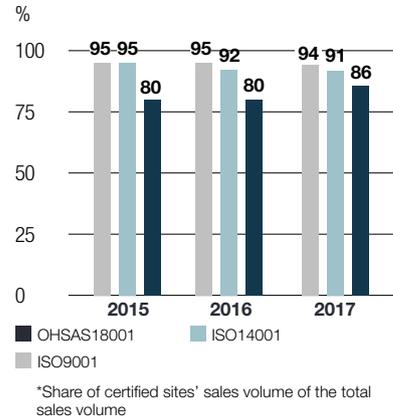
RESEARCH AND DEVELOPMENT COSTS



INDUSTRIAL INJURY FREQUENCY RATE*



CERTIFICATION COVERAGE*



Offering for eco-efficiency:

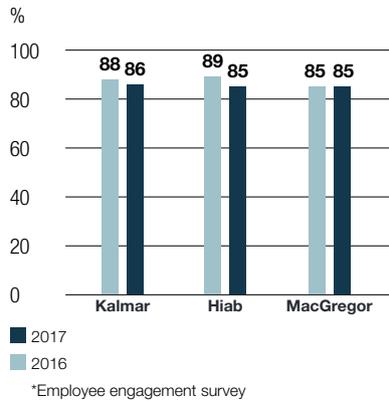
2017
19%

of sales

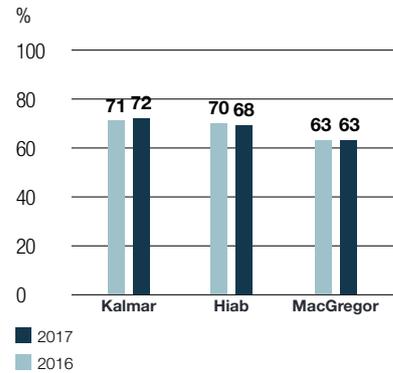
2016
20%

of sales (company estimate)

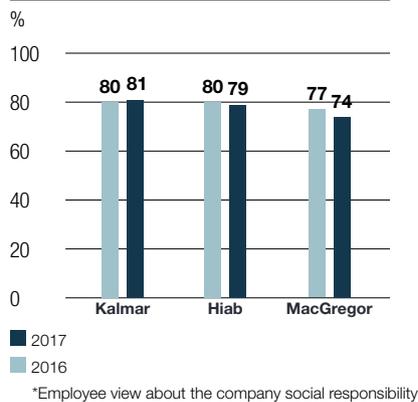
COMPASS* COMPLETION RATE



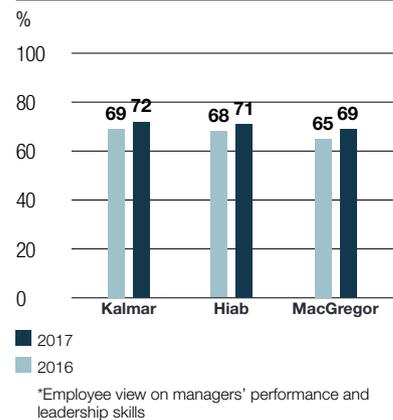
EMPLOYEE ENGAGEMENT INDEX



SOCIAL RESPONSIBILITY INDEX*



LEADERSHIP INDEX*



MEGATRENDS DRIVE OUR GROWTH

Long-term macro-economic and societal development trends impact and change the world around us. Our strategy is supported by several concurrent megatrends, and we can selectively adapt our business model to weight shifts between them.

Urbanisation

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

Customer need

Construction increases and cities become more crowded. Transportation in and out of cities becomes more efficient and is done within tighter spaces.

Solutions need to be quiet, safe and low in emission levels.

Our answer

Our solutions are used in urban locations and surrounding areas.

Owing to their advanced design and electrification, Hiab's solutions, for example, are ideal for urban locations.

Population growth

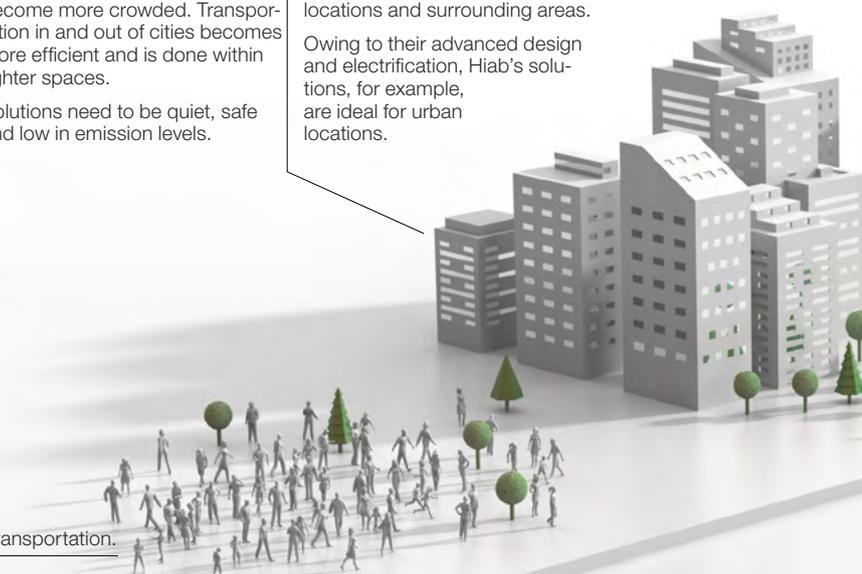
Population growth increases demand for energy, materials and transportation.

Customer need

As population grows, societies demand more raw materials, energy and end products. These need to be moved efficiently and sustainably.

Our answer

To meet such demands, we provide efficient load handling solutions for maritime, railroad and on-road transportation.



GDP growth per capita

Gross domestic growth per capita is the main driver of the increase in world trade and consumption.

Customer need

The increase in GDP per capita creates more consumption power for the growing population.

Demands to reduce the environmental burden of world trade are also increasing.

Our answer

Our business areas are present throughout the growing cargo delivery chain.

GDP growth drives world trade and creates more need to transport goods, creating opportunities for our advanced and sustainable products, solutions and services.

Digitalisation

In the coming decades, digital solutions provide ways to improve production efficiency, service delivery and sustainability.

Customer need

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

Our answer

We provide industry transforming digital solutions in the areas of software, automation and intelligent products. We have invested heavily in digital solutions, especially within services, where digitalisation provides a clear growth opportunity for our business.

Energy demand

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

Customer need

Customers in the energy sector look for more efficient and reliable solutions for oil and gas field development, energy production and transportation.

The need for renewable energy production and the importance of renewable energy sources increase.

Offshore energy production, both traditional and renewable, continues to increase.

Our answer

Our solutions are used in alternative forms of energy production, such as offshore wind.

Traditional oil and gas energy field development and production provides growth possibilities for solutions like, for example, MacGregor offshore technologies.

Environmental awareness

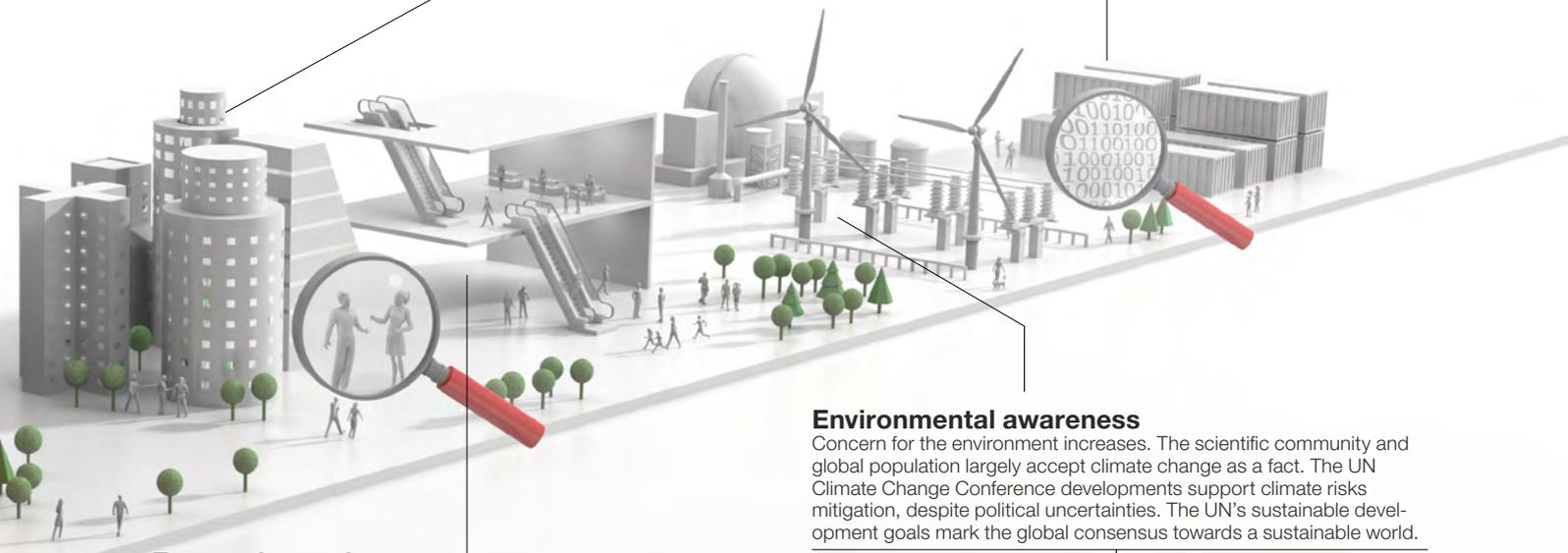
Concern for the environment increases. The scientific community and global population largely accept climate change as a fact. The UN Climate Change Conference developments support climate risks mitigation, despite political uncertainties. The UN's sustainable development goals mark the global consensus 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.

Our answer

Our products and solutions that contribute to eco-efficiency during the usage phase have been identified and collected into an eco-efficiency portfolio. It includes, among others, digital and automation solutions as well as electric and hybrid offerings that can reduce the environmental burden. The share of eco-efficient products and solutions is estimated to grow, giving us a competitive advantage.



TOWARDS GLOBAL INDUSTRY LEADERSHIP

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

Cargotec's must-win battles — Build a 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 Cargotec's must-win battles, while also having their own specific focus areas.

2016 Leader in cargo handling equipment

2018 Service leadership

Customers need solutions for Better efficiency Sustainability Safety

We will win by

Building a world-class service offering

Leading in cargo flow digitalisation



Kalmar focuses on achieving profitable growth and aims to become the number one automation and container handling solution provider. It invests continuously in automation and software businesses to strengthen its leading position. Growing in services and sustaining leadership in mobile equipment are other focus areas. Digitalisation, operational excellence and people are key enablers to achieve these goals.



HIAB

Hiab's goal is to be the number one partner in global on-road load handling, inspiring and shaping the industry. Hiab aims to reach its strategic targets by being closer to its customers and dealers, developing its leadership and people, optimising its way of working to improve quality and efficiency, and innovating with new business models.

MACGREGOR

MacGregor wants to transform itself from a leading equipment provider to a true value-creating services and solutions expert in offshore and marine industries. It realises this by developing its strong brand portfolio, unparalleled engineering solutions and services.

STEPS TOWARDS LEADERSHIP

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

Must-win battles

2017 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 with a specific emphasis on spare parts and service agreements. Increase the service cash flow. Implement the Environment, Health and Safety (EHS) concept for all service organisations within 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 impact.



Create value from data by connecting new equipment for continuous monitoring and data collection. Accelerate the creation of new digital offerings and solutions based on both external (customer) and internal data. Boost the world-class service offering with digital solutions. Continue 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.



Continue the leadership programme from 2016 by cascading it to further leadership levels and by sustaining it on previous levels. Develop the talent process to secure successors in case of critical-position personnel changes. Improve the Performance and Development Plan (PDP) completion rate and quality compared to 2016. Continue sustainability reviews on specified management levels.



Financial targets

- Grow faster than the market
- Operating profit margin 10 percent in 3–5 years
- Service and software sales 40 percent of net sales, minimum EUR 1.5 billion in 3–5 years
- Increasing dividend in the range of 30–50 percent of EPS, dividend to be paid twice a year*
- 15 percent ROCE in 3–5 years
- Gearing below 50 percent

*Proposal to be made for the Annual General Meeting 2018

2017 outcomes

Service business grew during the year, with Kalmar's spare parts and Hiab's maintenance and installation being the outperformers. Overall progress was, however, not as good as expected. First connectivity-based service products were successfully piloted and commercialised. A centralised monitoring system for accidents at service sites was developed, and global security programmes were launched in all business areas. >

Important steps were taken in the commercialisation of our digital collaboration platform XVELA. Digital solutions like Kalmar InSight and Hiab HiConnect™ were introduced to the market. First robotics solutions were developed, and a specific company programme brought about new digital and service business offerings. The amount of connected equipment did not fully meet our target, but the overall goal is within reach. The move to a more collaborative work culture was completed as Google tools were taken into use in the whole company. >

Almost 1,300 leaders participated in leadership training programmes at all targeted organisation levels. Follow-up programmes started as planned to track and secure leadership progress, and the talent process exceeded its goals. The targeted personal development plan completion rate was achieved, while in the employee engagement survey, the PDP quality did not reach expectations. A dedicated organisation was formed to support the business in ethics and compliance issues. Sustainability reviews continued at specified management levels. >

2018 targets

Increase service result. Create new digital service business and earnings models. Develop the current offering. Improve service operations' 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 the current offering by increasing digital capabilities. Enable connectivity in all new equipment.

All managers are part of a continuous leadership and team effectiveness improvement process, and a continuous development and measurement of company leadership is an ordinary practice. All processes support improvement in leadership performance, PDP completion and employee engagement survey quality rates. Commitment to sustainability is evident at all operative levels.

VALUE CREATION MODEL

Cargotec's business model is based on an asset-light and assembly-only production footprint and supply chain expertise. 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 3,557 million euros.
Gearing was 33.0 percent.

2. Human capital

At the end of 2017, Cargotec had 11,251 employees.

3. Innovations

Cargotec's expenditure on research and product development in 2017 was 92 million euros, representing 2.8 percent of sales. Compared to 2013, our R&D investments have increased by 46 percent.

4. Digitalisation knowledge

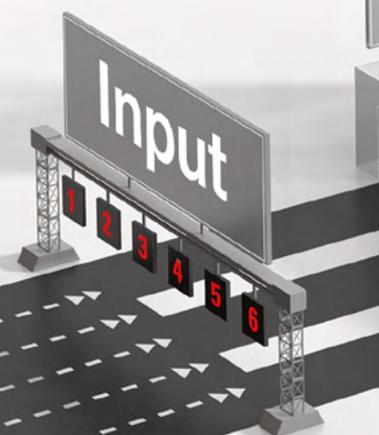
Cargotec embraced and supported the external digital expert community with collaborative actions, such as hackathons, and digital cooperation with customers increased. Strategic digital competence was increased through hiring and training.

5. Stakeholder contributions

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

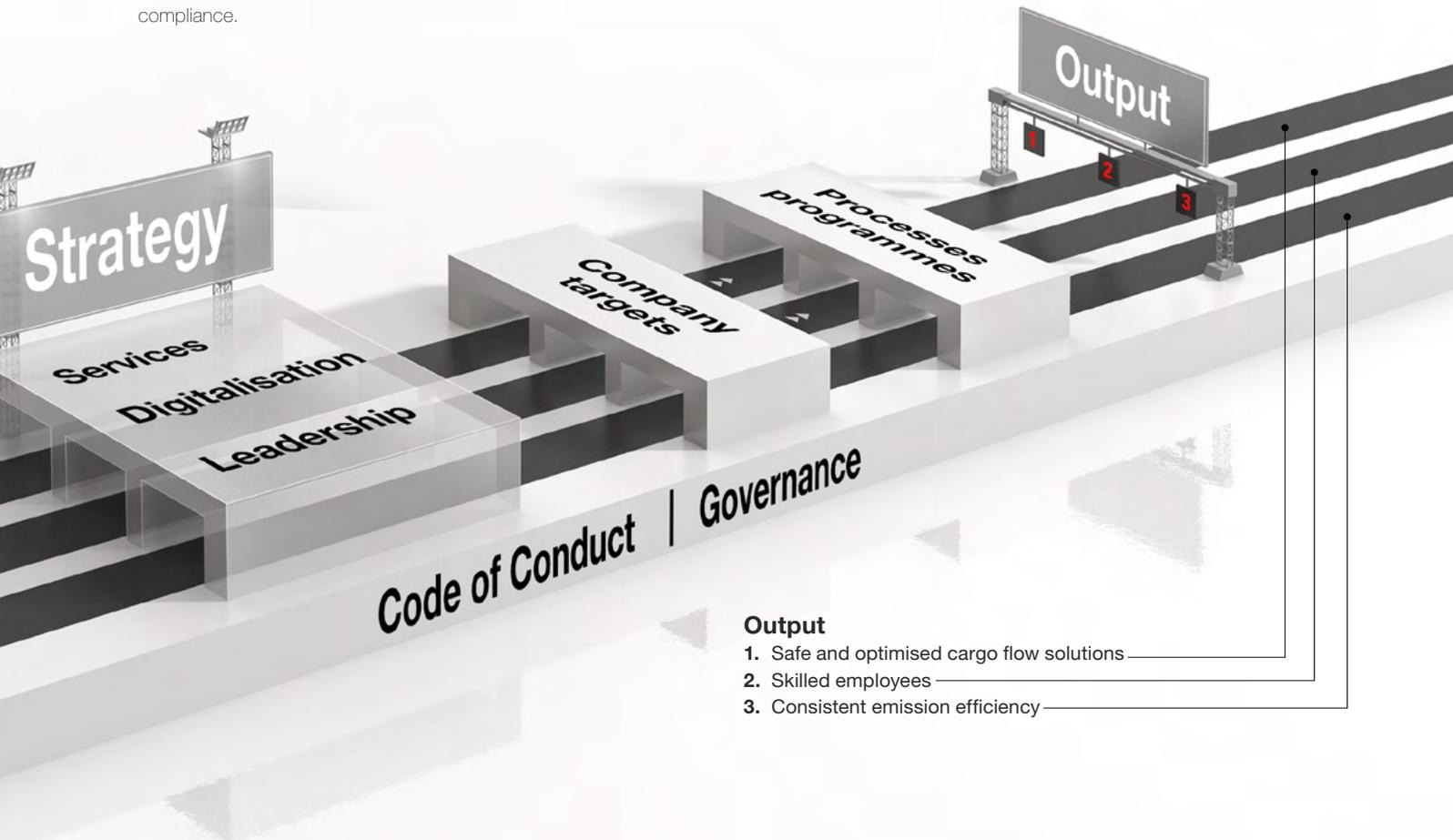
6. Natural resources

Cargotec's total energy consumption was 351.0 terajoule, which equals 97,500 MWh.



Processes, programmes

Cargotec utilises common group-wide applications, tools and platforms to increase quality and scale benefits. Our Code of Conduct and the principles of good governance form the backbone of our actions, defining a common way of working and guiding ethical compliance.



Code of Conduct | Governance

Output

1. Safe and optimised cargo flow solutions
2. Skilled employees
3. Consistent emission efficiency

Outcome

1. Cargotec's income taxes in 2017 totalled almost EUR 58 million. Our sales in 2017 were EUR 3,280 million. The dividend proposal for 2017 totalled EUR 67.6* million. For more information, see the GRI table G4-EC1 "Direct economic value generated and distributed" on page 52.
2. Customer value: Cargotec's business areas regularly collect customer feedback. Each business area's 2017 customer satisfaction index is presented in its respective section on pages 26–37.

3. Emission reductions through Cargotec's hybrid, electric and other fuel-efficient products and solutions.
4. Personnel value: Cargotec employs over 11,000 people globally. Salaries and remunerations to employees totalled 570 million euros in 2017. The work satisfaction index was 77%.

*Dividends in 2017 are based on Board of Directors' proposal. Actual dividends are confirmed in the Annual General Meeting 2018.

HR SUPPORTS CARGOTEC'S STRATEGIC TRANSFORMATION

Cargotec is on a transformation journey towards a market leading position in intelligent cargo handling. As steps towards this goal, we have defined three must-win battles: leadership excellence, building a world-class services offering and leading digitalisation. Cargotec Human Resources (HR) supports the transformation in all of these areas.

Thanks to ZONE, our online Human Resources Information System, we have access to harmonised HR policies, processes and tools across the entire company.

In 2017, we announced plans to consolidate our support services under Cargotec Business Services (CBS), operating out of Sofia, Bulgaria. For HR, the consolidation is expected to bring better service, efficiency and cost benefits.

Leadership excellence transforms strategy into reality

To reach our strategic goals, we need motivated, engaged and high-performing employees. We also need to attract and retain the best available talent. It is our people who can transform our strategy into reality, and to accomplish that task, they need skilled and inspiring leaders. Leadership is therefore one of the main building blocks on our way to leading position in intelligent cargo handling.

Our leadership is built on three main characteristics: Lead with purpose, Empower for performance and Collaborate to win. To build leadership excellence, an extensive leadership development programme, LEAD, was launched during the first quarter of 2016. Since then some 350 leaders have participated in the programme. The LEAD training highlights the importance of self-awareness through a causality model: every leader needs to understand both the

breadth and depth of one's leadership behaviours as well as the impact of these behaviours on the performance of their teams. This awareness has enabled our leaders to design new and more effective ways of leading people and interacting with them.

To further accelerate and amplify our leadership excellence aspirations, a new programme, GROW, was introduced in 2017 to offer leadership training for the next wave of leaders. By the end of 2017, some 1,000 managers had participated in GROW workshops.

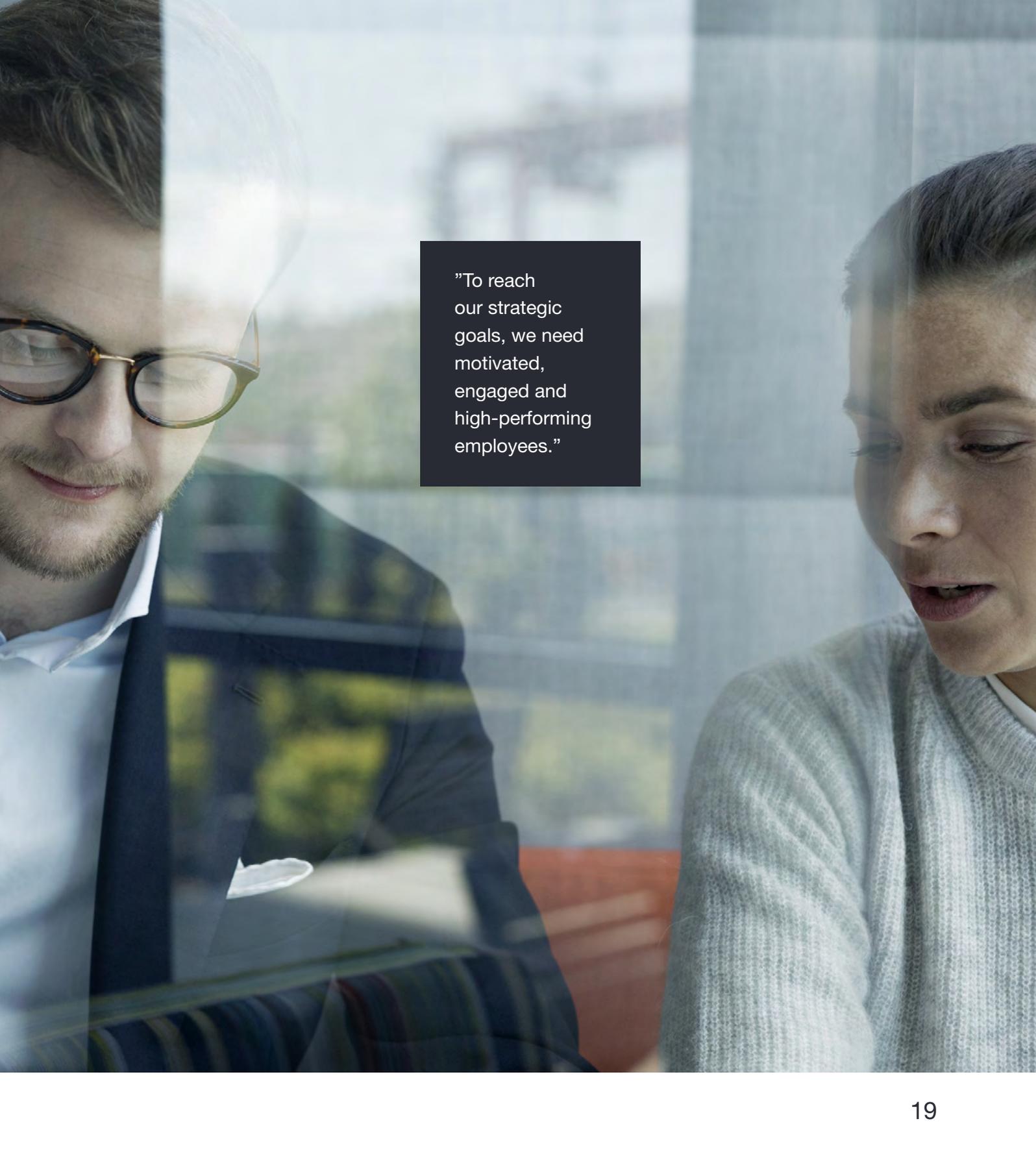
The feedback from LEAD and GROW programme participants has been excellent. People have appreciated the possibility to focus on understanding their personal leadership behaviours and on the impact these behaviours have, as well as on figuring out pragmatic ways for increasing one's leadership impact. Most of all, leaders and teams now work together to improve their work climates, supported with a fact-based method to continuously measure progress.

Special attention to services

One of our strategic focus points is service business. To support its development, service has been one of the main focus areas of our business areas' HR work.

To ensure alignment and synergy with regards to service business-related HR issues, a cross-business area HR team was established in 2017. A need to define service sales growth key drivers and supporting incentive mechanisms thereof were among the development needs that the group discovered during the year.

Actions taken in 2017 continued from previous year with, for example, service skills development and various training and sales programmes.

A man with glasses and a beard, wearing a dark suit jacket over a light blue shirt, is looking down at a laptop screen. A woman with dark hair, wearing a light grey sweater, is also looking at the screen. They are in an office environment with large windows in the background showing a cityscape.

"To reach our strategic goals, we need motivated, engaged and high-performing employees."

Innovation, training and recruitments speed up digitalisation

Our future way of working will be experimental, agile, mobile and co-creative. Collaborative work over organisational boundaries is encouraged and supported.

To secure the needed digitalisation expertise at both corporate and business area levels, we continued our strategic recruitments in 2017. To this end, we are utilising a rigorous, fact-based people assessment approach not only to ensure a good job-person fit, but also to allow our candidates to accelerate their personal development and, in case of managers, leadership impact, once on board. Additionally, our training programmes were developed to cover the needed digitalisation skills.

First-rate systems support personnel processes and career development planning

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 HR policies, processes and tools across the company. ZONE is a transparent tool that helps us to ensure a better quality of HR data and personnel management methods. ZONE is also the main platform for planning and analysing our personnel-related activities, such as an annual performance management process, people and organisational development needs, both external and internal recruitment, salary and incentives, including bonus programmes, and ensuring a fair and equal treatment of our employees globally. By leveraging ZONE in all our recruitment efforts, we expect to significantly improve our internal job rotation to build up engagement and drive down costs.

Our performance management is based on the Performance and Development Plan (PDP) concept and process. PDP is our primary leadership process that connects strategy to individual development plans and the targets set for our employees. It is a systematic and regular process used in our personnel performance and career development review, during which the principles of our Code of Conduct are also regularly discussed. Through PDP, employees participate in and contribute to organisational improvement. In 2017, the PDP completion rate was 93 (2016: 94) percent.

The annual Compass employee engagement survey provides valuable information on our employees' work-related feelings and thoughts. The Compass 2017 survey had a participation rate of 86 (2016: 88) percent. According to the results, our people take pride in the work they do and evaluate both our team collaboration and team performance positively. The biggest increase was seen in the customer mindset related question concerning the use of customer feedback to improve work processes. This is an especially pleasing

result as it indicates progress in our strategic pursuit to offer world-class services.

Despite the positive feedback, we have also identified improvement areas. The results show that we need to concentrate on being clear enough when communicating direction and on creating confidence for the future. Further investments in development and training are also needed to ensure the necessary skills and motivation to take us to a top position in the intelligent cargo handling industry.

Global incentive frameworks designed

During 2017, we designed new sales and production incentive frameworks globally to ensure that all our incentive programmes are relevant and aligned with the strategy and market. The new incentive frameworks further enhance alignment with business targets and support our business performance. All our incentive programmes reinforce our high-performing culture and the pay-for-performance philosophy.

Cargotec Business Services established to harmonise processes

To harmonise global processes across functions, business units and regions, we announced plans to consolidate our support services under Cargotec Business Services (CBS) in 2017. The CBS, operating out of Sofia, Bulgaria, was launched in October with a pilot to serve Finance, HR, IM and Indirect procurement services in Finland. The target for CBS is to be a valuable business partner and allow business areas to fully focus on achieving their must-win battles. We expect the establishment of CBS to significantly reduce the time spent by our HR and managers in carrying out administrative tasks. This would improve the quality of tactical and strategic business HR advice while also reducing costs.

HR-related GRI content is available from pages 57–59.



CASE

Top team workshops across Cargotec

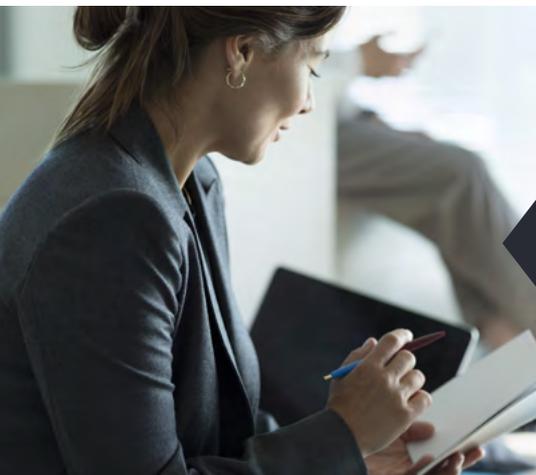
Senior leadership teams have a significant impact on the performance of the business the teams are steering. Most of the LEAD population are leading top teams (i.e. teams of managers) and hence it is critical we allocate appropriate resources for making sure both the leader and the team are high-performing. To this end, we paid special focus on some 10 teams identified on the basis of our leadership data as significant opportunities for growth and impact, and facilitated rigorous intervention in support of the teams. We also trained a group of internal experts to increase our ability to deliver more such interventions in 2018. Through this, we are seeing remarkable growth in the effectiveness of these teams.

Compass leads to actions

Based on the results of the Compass Employee Engagement survey, the managers in each business area organise feedback sessions and draw action plans with their teams. The progress of 1–3 key action points is followed throughout the year.

As an example, Kalmar's action points in 2017 focused on strategy communication and execution follow-up. The actions were divided into three areas: Continue strategy communication, Improve communications through the line and Enhance winning spirit at Kalmar. In each of these areas, concrete results were achieved.

CASE



CASE

Hiab's mentoring programme enables personal growth on the job

Since 2016, Hiab has carried out a mentoring programme as part of its human resources development. During the programme, mentoring pairs have shared and gained knowledge and skills, and new ways of thinking have been learned by both.

The programme continues with a new set-up in 2018. During its course, it has accelerated the career development of the mentees, while, for the mentors, it has given new ways of thinking and developed their coaching skills.

BUSINESS AREAS





MAIN BUSINESS EVENTS

KALMAR secured orders for a total of 708 terminal tractors in the Americas region during the annual Dealer Meeting.

MACGREGOR 3D Motion compensator won an offshore industry innovation award.

KALMAR won an order of six RTGs from Ports America Chesapeake in Baltimore, USA.

MACGREGOR and ESL Shipping agreed to jointly develop and test an autonomous discharging feature on bulk handling cranes.

MACGREGOR acquired software rights to increase the efficiency of RoRo operations.

KALMAR received a repeat order of sixteen hybrid shuttle carriers including an option for further 40 units from the Port of Virginia in the US.

January

February

March

April

May

June

HIAB delivered the first LOGLIFT forestry crane equipped with the camera-based HiVision™ control system to a customer in Sweden.

MACGREGOR opened a new virtual reality training facility in Norway.

KALMAR won an order for ship-to-shore (STS) cranes from Rotterdam Short Sea Terminal B.V. in the Netherlands. This will be the first STS delivery from the Rainbow-Cargotec Industries joint venture in China.

KALMAR and Dublin Ferryport Terminals entered into a groundbreaking cooperation in RTG automation with an order for the Kalmar AutoRTG System.

MACGREGOR participated in developing unmanned/autonomous traffic in the Baltic Sea.

HIAB secured an order for over 600 HIAB loader cranes from Tata Motors, India. The trucks and cranes will be used by The Indian Armed Forces. The order established Hiab as the leading loader crane supplier in India.

MACGREGOR received an order for project management, engineering and supply of a complete mooring and rise system to Excelebrate Energy.

MACGREGOR won hatch cover and crane contracts for five Chinese bulk carriers.

MACGREGOR signed a frame agreement with Teekay covering services for their 115 vessels.

MACGREGOR signed an order for linkspans to Calais, France.

HIAB acquired the loader crane business of Argos Guindastes Indústria e Comércio Ltda, one of Brazil's leading loader crane manufacturers. With the acquisition, Hiab made a strong entrance to the Brazilian market and established a solid foundation for its business in the whole region.

HIAB organised its first fully open innovation challenge "CargoHack3 - Time for Elevation". The innovation challenge explored new ideas and opportunities for digitalisation and connectivity in load handling. Three teams were selected to continue their development cooperation with Hiab.

MACGREGOR announced orders from MSC Mediterranean Shipping Company to optimise the container carrying capabilities onboard their 31 container ships.

KALMAR and EUROGATE signed an agreement to supply an automated straddle carrier system for Container Terminal Wilhemshaven in Germany.

MACGREGOR signed an agreement to acquire Rapp Marine Group to strengthen its offering for the fishery and research vessel segment.

July

August

September

October

November

December

KALMAR and Navis enabled International Container Terminal Services, Inc to complete the world's first fully automated terminal in Melbourne ahead of schedule.

KALMAR launched two new solutions: Kalmar Key, the industry's first automation platform with open interfaces, and an automation-ready rail-mounted gantry (RMG) crane, for intermodal and container terminals.

HIAB presented the Hiab HiConnect™ platform that adds connectivity to Hiab's load handling equipment. HiConnect™ enables customers to receive real-time information of their equipment's operation and condition, thereby optimising performance and helping avoid unnecessary downtime.

KALMAR launched a fully electric medium-range forklift that will help customers reduce the environmental impact of their operations. Kalmar is the first leading manufacturer to offer electric forklifts in this capacity range.

MACGREGOR opened a new head office in Singapore.

MACGREGOR received an order from Summit LNG Terminal for the project management, engineering and supply of a complete subsea mooring and riser system.

KALMAR signed an agreement with Noatum Container Terminal Bilbao for delivering two rail-mounted gantry cranes (RMGs) for intermodal operation.

KALMAR introduced new Essential range of reachstackers, empty container handlers and forklifts and the TL2 terminal tractor in Asia-Pacific.

FOCUS ON SERVICE DEVELOPMENT

50t

Strategy

We focus on achieving profitable growth and aim to become the number one automation and container handling solution provider. We invest continuously in automation and software businesses to strengthen our leading position. Growing in services and sustaining leadership in mobile equipment are other focus areas. Digitalisation, operational excellence and our people are our key enablers to achieve these goals.

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 24 (2016: 27).



Kalmar business area offers cargo handling solutions and services to ports, terminals, distribution centres and heavy industry. We are the industry forerunner in terminal automation and eco-efficient container handling with our innovative solutions and global service network. Bromma, Navis, Siwertell and XVELA brands are also part of Kalmar.

Our mission is to help our customers improve their productivity. Our strategic goal is to become the number one automation and container handling solution provider in our industry. The megatrends are supporting the execution of our strategy, and in 2017, we continued our efforts to win in automation, grow in software, sustain global leadership in mobile equipment and excel in services.

What makes us unique

We shape the industry with our world-class equipment, port terminal automation and software solutions, and services. Our offering sets the industry standards in safety, profitability, efficiency and sustainability.

Key demand factors

The growth of global container handling volumes, the continuing consolidation of the maritime shipping industry, the increasing size of vessels and the tightening requirements for sustainability and safety are the key drivers for our business.

Services as the key priority

In 2017, our main focus was on service development. We renewed our service organisation and took measures to refine our service culture. We also invested significantly in digitalisation and service sales capabilities. As a result of these actions, our service sales grew considerably from the previous year. Going forward, services will provide us the greatest medium-term growth opportunities.

As part of our digitalisation efforts, we continued to develop our offering and tools to improve the productivity and performance of our customers. This offering includes, e.g., the Kalmar Insight terminal real-time performance analysis platform, the Kalmar MyParts e-commerce and the XVELA cloud-based collaboration platform for ocean carriers and terminal operators. Our aim is to help customers utilise a large variety of data sources to improve the efficiency and safety of their container handling operations. To enable that, our target is to connect all new equipment to the Kalmar Cloud by the end of 2018. At the end of 2017, the number of connected units was over 3,000.

Leading the discussion on terminal automation standardisation

During 2017, we hosted several industry events, such as the Navis World, the Explore Automation event, Port Equipment Manufacturing Association's autumn meeting, and Kalmar Automation Summits, and raised discussion on industry standardisation in terminal automation. In our view, the lack of global commercial standards is holding back the entire container shipping industry. Our value proposition is to simultaneously push standardisation and openness to the port terminal industry. In our model, we do not see other companies as competitors but as potential partners.

As an important opening, we launched Kalmar Key, the industry's first automation platform with open interfaces enabling the development of completely new ecosystems around terminal automation. Other important launches included the Kalmar Rail Mounted Gantry (RMG) crane, a fully electric mid-range forklift truck and the Kalmar Essential range for mobile equipment.

Global container throughput continued to grow

The number of containers handled at ports globally is estimated to have grown 3–4 percent compared to the previous year. Interest in our automation solutions continued on a high level, but customers were still careful with their investment decisions. Their cautiousness is mainly caused by the ongoing consolidation process that is reshaping the whole industry. The orders received in terminal automation did not meet our expectations.

We reached an important milestone by delivering the first Kalmar OneTerminal integrated port automation solution to Victoria International Container Terminal at the Port of Melbourne, Australia, in 2017. Bringing together the Kalmar and Navis software systems, equipment and services for a smooth deployment, Kalmar OneTerminal helped our customer to complete the world's first fully automated container terminal on budget and ahead of schedule.

In December we signed an agreement to acquire the Inver Engineering port services business in Australia. The investment supports our strategic aim to grow in services while strengthening and broadening our service capabilities throughout the Pacific.

The consolidation of the port terminal industry will continue also in the future, and as a result, the importance and market share of the biggest terminal operators continues to grow. To cater to the needs of the large global terminal operators, we will continue to strengthen our account management capabilities and provide a one-stop shop where services, software and equipment under the Kalmar, Navis and Bromma brands are brought together seamlessly.

Offering

We provide ship-to-shore and yard cranes, straddle and shuttle carriers, reachstackers, empty container handlers, terminal tractors, forklift trucks and automated guided vehicles, maintenance contracts, technical support, parts, as well as training and crane upgrades. The Kalmar terminal logistics system, Navis terminal operating systems, the XVELA stowage platform, Bromma spreaders and the Siwertell bulk handling solutions are also part of Kalmar.

Sustainability

Our solutions and services help customers reduce fuel consumption and emissions, optimise cargo flows, cut costs and improve operational safety, equipment availability and lifetime. We drive towards a high-performing safety culture.



CASE

Kalmar Key – the industry's first automation platform with open interfaces

The development of terminal automation has been held back by the lack of global commercial standards for the process. Most terminal automation systems have been based on the extensive integration of a number of unique subsystems and solutions. Kalmar wants to speed up the transformation of the industry by offering its customers the Kalmar Key automation platform to be utilised in their development work. Kalmar Key provides a common system architecture for building an end-to-end, customised automation platform using Kalmar Terminal Logistics System (TLS) as a basis.

Important steps in the commercialisation of XVELA

XVELA is a cloud-based collaboration platform for terminal operators, ocean carriers and operational partners, enabling them to better communicate, coordinate and synchronise their operations. In 2017, we announced the first commercial orders of XVELA. As the industry's only cloud-based collaboration platform, XVELA has the potential to significantly improve the transparency, efficiency and profitability of the whole industry.

CASE



CASE



Kalmar MyParts e-commerce platform launched

Kalmar's new e-commerce platform Kalmar MyParts was launched in 2017. At year-end, there were approximately 500,000 items available to help customers find and order the right spare parts quickly and easily. After the roll-out phase, the MyParts platform will be available for all of Kalmar's customers globally. Kalmar MyParts will help customers improve their equipment uptime by providing a consistent stock and speedy delivery of genuine spare parts.

PIONEER IN INTELLIGENT LOAD HANDLING

– SHAPING THE INDUSTRY

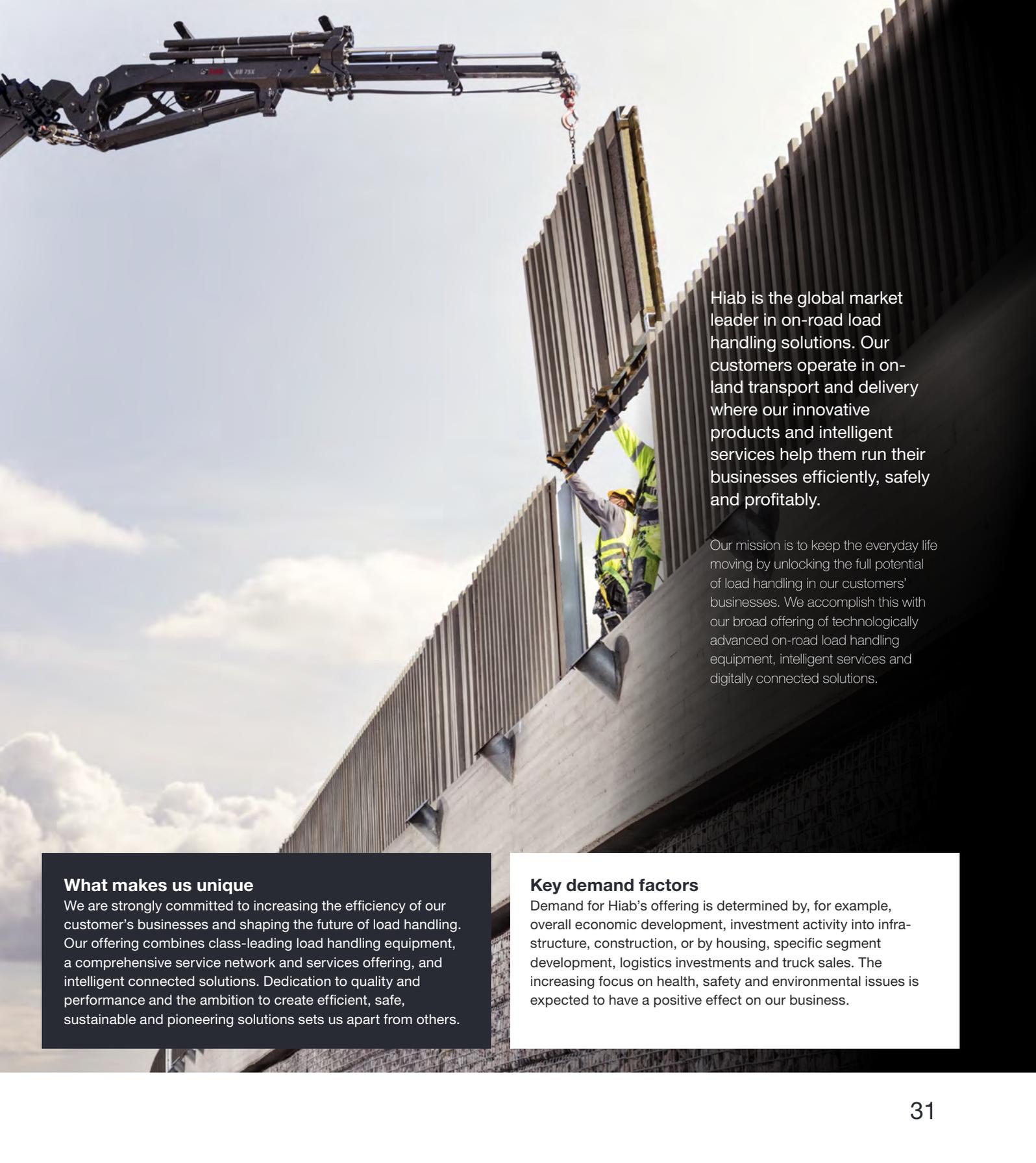


Strategy

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 with new business models.

Customers

Our customers come from a broad range of industries and segments, for which our load handling solutions create value. We serve customers that range from single truck and small fleet owners to international fleet operators, across private and public sectors. In 2017, our customer satisfaction index was 85 (2016: 85) percent.



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

Our mission is to keep the everyday life moving by unlocking the full potential of load handling in our customers' businesses. We accomplish this with our broad offering of technologically advanced on-road load handling equipment, intelligent services and digitally connected solutions.

What makes us unique

We are strongly committed to increasing the efficiency of our customer's businesses and shaping the future of load handling. Our offering combines class-leading load handling equipment, a comprehensive service network and services offering, and intelligent connected solutions. Dedication to quality and performance and the ambition to create efficient, safe, sustainable and pioneering solutions sets us apart from others.

Key demand factors

Demand for Hiab's offering is determined by, for example, overall economic development, investment activity into infrastructure, construction, or by housing, specific segment development, logistics investments and truck sales. The increasing focus on health, safety and environmental issues is expected to have a positive effect on our business.

Strong performance continued

Economic growth and recovery in selected markets created positive growth fundamentals for Hiab in 2017. The favourable economic climate contributed to our strong performance in all our markets and product lines.

We continued to invest heavily on new technologies and service solutions, particularly by further accelerating the development of our digital and connectivity offering. We also focused on making our operating model more effective by implementing several route-to-market changes and developing our front-line processes and tools.

A year of significant headways

The year 2017 was productive for us in many ways. We strengthened our equipment and service leadership positions by bringing a large number of new products and services to the market. We also expanded our business geographically.

An important milestone took place this year, when the first forestry cranes equipped with the camera-based HiVision™ control system were delivered to our customers in global markets. During 2017, the solution was sold to ten countries, and by the end of the year it was available on five LOGLIFT and JONSERED forestry crane models.

In the past two years we have launched a new range of heavy cranes and renewed the entire offering of our medium range cranes. Both have been extremely well received on the market. We have also been reinforcing our market leadership in truck mounted forklifts by expanding into new applications.

In October, we took a strategically important step by acquiring Argos Guindastes Indústria e Comércio Ltda, a leading manufacturer of loader cranes in Brazil. The acquisition supports our ambition to reach a leading position in the industry by making a strong entrance to the Brazilian market, and creates a solid foundation for our future business growth in the wider area.

Portfolio renewals drive profitable growth

In 2017, we continued the renewal of our product portfolio, introduced market leading innovative features and pioneered with connected solutions driven by our New Business Solutions organisation.

We are expanding our service offering to better capture the lifecycle value of our equipment. To accomplish this, we are transforming our service business from classic spare parts provision into predictive and preventive service. The main elements of our new service approach are the ProCare™ service agreements, launched in 2016, and the new HiConnect™ platform that adds connectivity to our load handling equipment.

As part of our strong commitment to sustainability, we have developed, in partnership with the Dutch electric vehicle manufacturer EMOSS, the world's first fully electric-powered MULTILIFT Futura skiploader. As it operates silently and with no CO₂ or nitrogen oxide emissions, this skiploader is ideal for businesses involved in urban deliveries or out-of-hours operations. Other sustainability-driving Hiab innovations include, for example, MOFFETT E-series and an electric power take-off system for cranes.

Customer orientation points the way

Going forward, we focus on further developing our customer centric approach. We aim for a better understanding of our share of the whole value chain and strive to adapt our offering to our customers' needs. We continue to develop our service offering, widen our connected solutions to cover all our new products and broaden the selection of our webshop from spare parts to also cover some of our simpler products.

Offering

Our offering includes HIAB loader cranes, JONSERED forestry and recycling cranes, LOGLIFT forestry cranes, MOFFETT truck mounted forklifts, MULTILIFT demountables, and ZEPRO, DEL and WALTCO tail lifts. Our ProCare™ service, HiVision™ crane control system and HiConnect™ platform are prime examples of Hiab's intelligent services and connected solutions.

Sustainability

We are committed to safe and compliant operations and regular supply chain sustainability assessments. In development we emphasise continuous improvements in quality, durability and safety. Our eco-efficient, silent and emission-free solutions help our customers enhance their operations in urban nighttime deliveries, for example.



CASE

Travis Perkins expects significant benefits from Hiab HiConnect™

In September, we launched our new connected service offering, HiConnect™. By adding connectivity to load handling equipment, it enables fleet owners to receive real-time information of their Hiab equipment's operation and condition, optimise the performance of their equipment and avoid unnecessary downtime.

“With HiConnect™ we are looking to improve safety, transparency and utilisation of our fleet. The platform offers the potential to help us decrease downtime,” says Graham Bellman, Group Fleet Director, Travis Perkins.

The deliveries of forestry cranes equipped with HiVision™ started

During 2017 Hiab delivered forestry cranes equipped with HiVision™ camera-based 3D vision technology to customers in ten countries. The positive feedback proves that HiVision™ is not only progressive but also efficient, safe and comfortable way to operate the crane from the truck's cabin. Moreover, HiVision™ is appreciated also by educational institutes like Savo Consortium for Education, which uses this award-winning system to educate and train a new generation of talent and inspiring them for the future of load handling.

CASE



CASE



Flying start for the Hiab webshop

In 2016, we launched a new state-of-the-art webshop for ordering original Hiab spare parts. The roll-out of the webshop continued to close to 40 countries globally by the year-end, growing our web sales tremendously. The webshop will eventually transform into a full-service portal, offering not only spare parts but also different types of services.

SUCCESSFULLY DEFENDING PROFITABILITY

Strategy

We want to transform ourselves from a leading equipment provider to a true value-creating services and solutions expert in offshore and marine industries. We realise this by developing our strong brand portfolio and unparalleled engineering solutions and services.

Customers

Our customers are shipbuilders, owners and operators, whom we serve in maritime and offshore segments with our solutions and services.



MacGregor offers leading cargo handling, load handling, crude/LNG transfer and mooring solutions as well as services for the offshore and marine industries. We aim to make the sea more accessible, safe and reliable for our customers.

We collaborate closely with shipbuilders, ship owners and operators to address their needs with tailored solutions and 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.

What makes us unique

Our solutions are designed to perform with the sea. We understand the industry landscape and our customers' needs. Our proven track record and innovative solutions ensure our integrity to lead and shape the offshore and marine industries.

Key demand factors

The world's seaborne trade and shipbuilding 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.

Demand improving but still weak

In 2017, the global shipping market was still recovering from over-capacity. Investment activity was slowly reviving, but remained at a very low level. In the offshore industry, investments were still at the bottom level despite the slightly higher price of oil.

During the year, we actively managed our cost structure to match the sluggish demand and defended our margins in the highly competitive market. Despite the difficult market situation, we maintained our profitability and won a number of projects in both offshore and merchant marine.

In 2017 we acquired the rights for a software to optimise port calls and increase the efficiency of RoRo vessel operations.

Asia as the main growth market – head office opened in Singapore

In October, we opened our new head office in Singapore. Asia is a global shipbuilding hub and it is therefore very important for us to have a strong presence in the region. As one of the maritime hubs of the world, Singapore was a natural choice for us.

We will, however, also maintain a strong presence in Europe, where many of our customers as well as the majority of our employees and competence centres are located, and continue to serve our customers globally with an extensive network in more than 30 countries.

Numerous R&D collaborations

We want to continuously improve the performance of our customers' operations, and are actively participating in several collaborative initiatives to develop new, innovative products and capabilities to that end.

One of these is the development of autonomous shipping. The steps we have already taken in the transformation journey towards autonomous vessels include greater equipment connectivity and the development of autonomous cargo cranes. We are one of the global companies that founded the One Sea co-creation ecosystem in 2016 to jointly develop the world's first system of autonomous ships. We also joined other collaboration initiatives in 2017 to advance autonomous operations.

Another interesting development area is the use of virtual reality (VR) in training and service support. In 2017, we opened a new facility in Norway specialising in advanced VR training to improve the safety, efficiency and cost-effective deployment of our equipment. We also started a joint research project with the Technical University in Hamburg to develop an augmented reality-based system to support maintenance and service activities on ships.

Well positioned for the future

Over the past years, we have demonstrated our ability to scale our operations down to adjust to the contracting market demand. Our asset-light business model also allows us to rapidly scale up when necessary. We are, therefore, well positioned to benefit from market recovery.

To capture growth opportunities, we are actively looking for new application areas for our technology. One of these is renewable energy production where we are already operating in offshore wind farming. Other potential new sources for growth are, for example, ocean renewable energy, marine and seabed mining, marine biotechnology and fishing. Our agreement to acquire Rapp Marine Group (RMG) in December strengthens our offering for the fishery and research vessel segment.

Offering

We offer engineering solutions and lifetime maintenance and service solutions for merchant cargo and passenger vessels, the offshore oil and gas and renewable energy sector, fishing, research and marine-resource vessels, naval operations and logistics vessels as well as ports and terminals. Our brand portfolio includes MacGregor, Hatlapa, Porsgrunn, Pusnes, Triplex and Flintstone.

Sustainability

We support sustainable development by providing our customers with eco-efficient solutions and services that help them optimise cargo and load handling flows and port turnaround times, improve safety, extend the service life of equipment, reduce environmental impact and cut emissions. Our cargo boost services, for example, can reduce emissions per transported cargo unit.

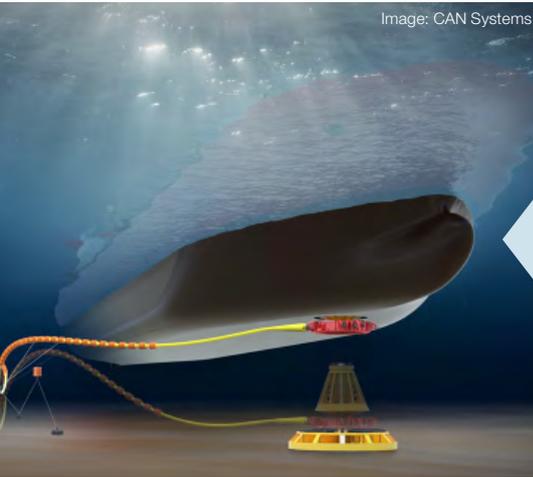
Image: CAN Systems

CASE

Floating LNG terminals offshore Bangladesh

MacGregor received two orders for the fabrication, engineering and project management of complete subsea mooring and riser systems for floating storage and regasification units (FSRU). The first order was from Excelerate Energy, and the second order from Summit LNG Terminal.

With these orders, our solutions are supporting the development of Bangladesh's power-supply infrastructure. For us, these orders are a natural step in our strategy to expand to the floating storage and regasification unit market with the combined strength of MacGregor and Flintstone.



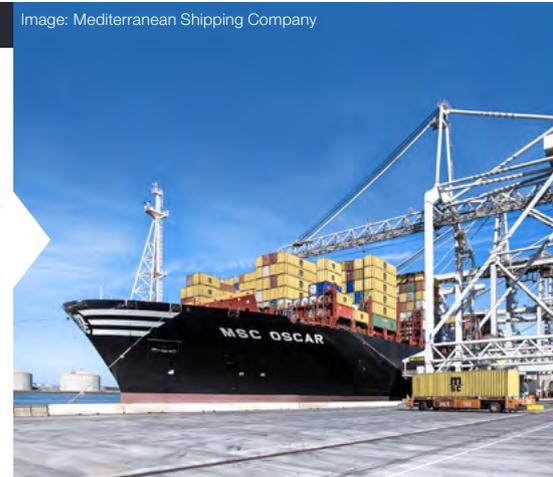
CASE

Image: Mediterranean Shipping Company

Mediterranean Shipping Company (MSC) trusts MacGregor expertise

During the second half of the year, MacGregor received orders to optimise the container carrying capabilities of 31 MSC vessels from six different ship series. With a fleet of 490 container vessels, privately owned MSC is a world leader in global container shipping. The ordered work is designed to optimise the ships' cargo system productivity and earning potential. The deliveries are planned for completion towards the end of 2018.

"MacGregor's expertise in cargo systems and its continuous development of new innovations is highly appreciated. Its solutions greatly improve our ability to compete in the current business environment," says Giuseppe Gargiulo, Head of Department, New Building, Dry Dock and Conversions, MSC.



CASE

Proven expertise secured a French floating linkspan order

MacGregor signed a contract with Bouygues Travaux Publics, one of the world's largest civil engineering construction companies, to design, fabricate and install three linkspan facilities in France.

The linkspans will serve traffic in Calais, one of the most frequently visited RoRo hubs in the world. Each floating linkspan will be constructed from 1,500 tonnes of structural steel. Our proven expertise in delivering large and sophisticated linkspan projects was one of the key reasons when securing the order.



SUSTAINABILITY





PROCEEDING WITH SUSTAINABLE BUSINESS

Cargotec offering for eco-efficiency

System efficiency

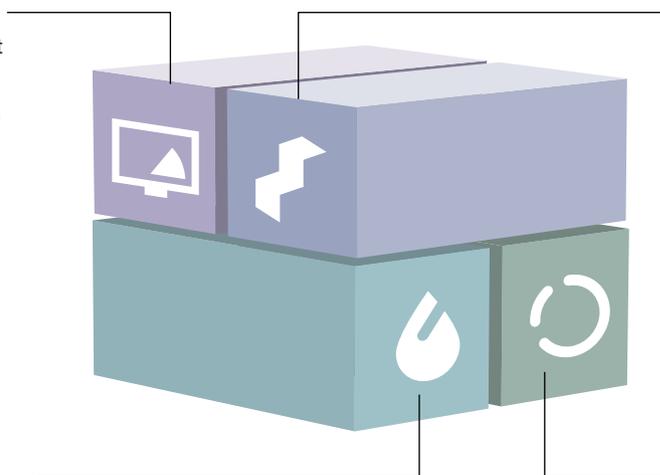
Visibility to identify inefficient use of resources and fuel

Software and cargo stowage design system

Emission efficiency

Technology to enable fuel- and emission-efficient offering

Products with features to decrease fuel usage and avoidance of maritime hydraulic oil emissions



Efficiency for environmental industries

Offering to support the operations in environmental industries

Resource efficiency

Service enabling the extended usage of products or new applications

Product conversions and modernisations

Cargotec is connected to industries that cover the majority of the world GDP. On the other hand, they also produce the most part of global 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.

To demonstrate our capability to change the industry, we launched the Offering for eco-efficiency concept in March 2017. The offering consists of solutions that can enhance the customer's sustainability either with cleaner technologies, software solutions or services supporting circular economy. Each solution within the eco-efficiency offering needs to pass clear criteria, and the whole offering was audited externally during 2017. The offering represented 19 percent of total Cargotec sales in 2017. Read more at www.cargotec.com > Sustainability > Offering for eco-efficiency

2017 sustainability targets

1. Achieve an industrial injury frequency rate (IIFR*) of 5.0 at production sites and service IIFR targets as set by the business areas
2. Assess all new suppliers and half of the existing strategic suppliers against the new Cargotec supplier requirements by the end of the year
3. Increase transparency in internal and external sustainability communication

*Number of injuries per million hours worked

2018 sustainability targets

1. IIFR 4.0 in production sites
2. 100 percent of Swedish and Finnish sites to use all their electricity from renewable energy sources
3. Conduct a renewed human rights risk assessment on Cargotec operations
4. 100 percent of strategic suppliers taken into the sustainability self-assessment tool process; the Supplier Code of Conduct process finalised with suppliers that cover 80 percent of the direct sourcing spend

2017 results

The industrial injury frequency rate (IIFR) trend was increasing; on 31 December 2017 the rate was 6.1 (2016: 5.7). Suppliers were assessed as targeted. In addition, the Supplier Code of Conduct was created and sent to all strategic suppliers. Communication around Cargotec sustainability actions was improved with updated webpages, proactive investor meetings and with the Offering for eco-efficiency concept.

Sustainability roadmap took effect in many areas during 2017

In 2017, our sustainability work concentrated on ensuring more qualified processes and tools to follow and manage our sustainability actions. We also identified and demonstrated business possibilities that arise from changing customer requests based on the need to increase eco-efficiency.

During the period, we launched our Offering for eco-efficiency and focused on developing proper processes to identify and develop related solutions. We emphasise transparency in our sustainability communication and have introduced more sustainability themes in, for example, our quarterly reports, investor meetings and on our website.

In 2017, we aimed at decreasing the industrial injury frequency rate (IIFR) at production sites, but unfortunately were not able to realise this. The work continues to reach this target. Regarding the health and safety development at services, we made considerable progress in all business areas. We launched global mandatory safety trainings as well as global incident management processes and tools to ensure a more efficient safety management.

In our sourcing functions, we concentrated on upgrading our supplier sustainability management programme to a high-quality level, and we also created and published a specific Supplier Code of

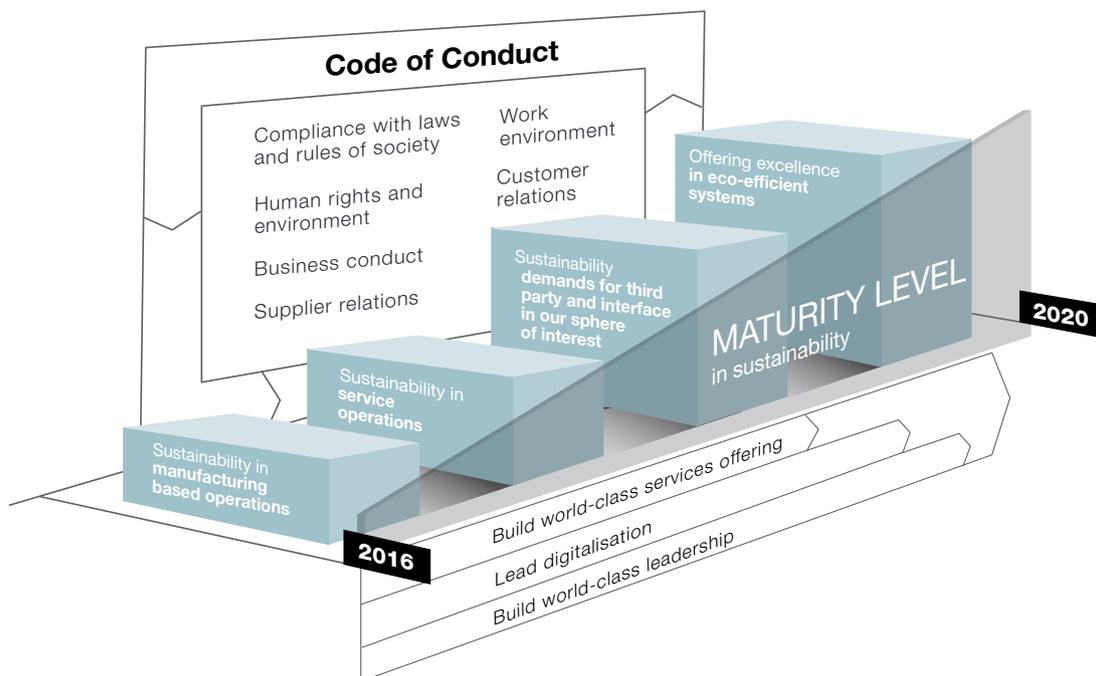
Conduct documentation. By the end of 2017, all strategic suppliers had received this documentation.

Sustainability governance

Sustainability is on the agenda of the Cargotec Board of Directors, and the Board reviews sustainability at least 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 the targets match the business areas' operations, the management teams of Kalmar, Hiab and MacGregor hold sustainability reviews for their respective business areas at least bi-annually, reviewing and approving the need, if any, to make adjustments to the corporate level sustainability targets.

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



The corporate level sustainability targets are proposed, reported 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 the 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.

The Cargotec Sustainability Council aligns and agrees actions taken on the corporate and business area level related to the development, implementation and follow-up of sustainability targets and policies. The Sustainability Council consists of the Corporate Responsibility function (SVP Communications and Director CR), VP Ethics and Compliance, and the corporate strategy and business area management team members responsible for 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. The Cargotec Code of Conduct can be reviewed at www.cargotec.com > Sustainability > Ethics and compliance.

Our 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 workforce visibility, 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 of 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 certified systems of Cargotec production sites based on volume are ISO9001: 94 percent, ISO14001: 91 percent and OHSAS18001: 86 percent. The EHS policy is also integrated into each business area's R&D processes to ensure that environmental, health and safety aspects

are understood to a reasonable level within each individual product type in product development.

Our supply chain management consists of the Cargotec Sourcing Council, which includes Cargotec's CEO and the business area presidents. The council reviews the development of our sourcing sustainability in its annual meetings. 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. The business area supply chain management teams collaborate closely in, for example,

supplier development and sustainability areas to gain synergies across the entire corporation.

The Cargotec and business area supplier criteria aim to ensure that our suppliers conduct their business in compliance with international human rights and environmental laws. 20 percent of the questions on the supplier assessment checklist are related to environmental, labour, ethics, compliance and health and safety issues. 79 percent of the new suppliers were audited against these supplier criteria prior to acceptance in 2017. New suppliers also receive the sustainability self-assessment tool.

Policies and processes supporting sustainability promote UN sustainable development goals

Own operations

CODE OF CONDUCT

Recurring training to all employees (face-to-face or e-learning)

SpeakUp Line – a confidential and anonymous reporting channel

Process for internal investigations, disciplinary and remedy actions

Management oversight – monthly Code of Conduct panel

ENVIRONMENT

- Offering for eco-efficiency
- Solar energy-driven inland port test field
- ISO14001 coverage
- Environmental KPI monitoring
- Environmental policies

LABOUR ISSUES

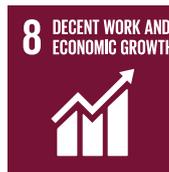
- OHSAS18001 coverage
- Transparent recruitment and employee management process
- Employee surveys with social responsibility and engagement index
- Global management trainings to improve team climates
- Work councils
- Labour issues covered in related e-learning and trainings

HUMAN RIGHTS

- Clear non-discrimination, recruitment, safety and remuneration policies with follow-up tools
- Work councils
- Human rights included in related trainings

ANTI-CORRUPTION

- Anti-corruption compliance programme with risk assessments and site visits as well as policies on anti-corruption, gift and hospitality, and engaging agents
- Trainings and workshops
- Compliance monitoring and internal controls



Within the sphere of interest

CODE OF CONDUCT

Same principles for employees and third party representatives acting on behalf of the company

Supplier Code of Conduct

Recurring training to all employees (face-to-face or e-learning)

SpeakUp Line available for external stakeholders

ENVIRONMENT

- University and technology centre partnerships about clean technology issues
- Third party risk assessment and requirements
- Supplier criteria, monitoring and audits

LABOUR ISSUES

- Third party assessment and requirements
- Supplier criteria, monitoring and audits around labour management practices and safety

HUMAN RIGHTS

- Renewed supplier criteria, monitoring and audits with emphasis on human rights

ANTI-CORRUPTION

- Third party risk assessments and due diligence
- Targeted actions such as supplier anti-corruption letters and training
- TRACE International membership



SUSTAINABILITY ACCOUNTING PRINCIPLES

Aspect boundaries within the organisation

Cargotec's sustainability information presented in the GRI index and related materials covers the entire group whereas the following indicators are reported from 19 Cargotec sites (17 production sites and two technology and competence centres): G4-EN3, G4-EN5, G4-EN8, G4-EN15, G4-EN16, G4-EN18, G4-EN21, G4-EN23, G4-LA5 and G4-LA6.

The following changes were made in the reporting boundary during 2015–2017: In 2016, four sites were added to the reporting boundary (Technology and Competence centre in Tampere, Finland, and production sites in India, the United Kingdom and Norway). Tampere environmental figures were retroactively added to the 2015 figures but historical data from other new sites was not available. In 2017, two MacGregor production sites in the United Kingdom and Germany were sold and thus removed from the reporting boundary. A Technology and Competence centre in Sweden was added to the reporting boundary and its historical data was added to 2015–2016 total figures retroactively.

According to Cargotec's sustainability accounting principles, newly acquired or built production sites should start to report their environmental and safety figures after a reasonable period of time after the implementation of the EHS management practice. This, in most cases, is completed after one full operational year.

Aspect boundaries outside the organisation

Cargotec GRI index and related materials describe company policies and management processes related to certain material aspects outside of 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, potential 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 1 to the consolidated financial statements, Accounting principles for 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. 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 ratio of gross energy consumption and sales by sites within the reporting boundary.

G4-EN15 and G4-EN16 Greenhouse gas emissions (GHG) are calculated based on direct and indirect energy consumption reported from the sites within the reporting boundary. Gross GHG emissions are presented as CO₂ equivalent tonnes. The source of CO₂ emission factors for direct energy consumption (GHG Scope 1) between 2015–2016 is World Resources Institute's "GHG Protocol tool for stationary combustion" version 4.1 (2015). Direct emission factors for 2017 are from the GHG Protocol version 3. The reason for the change is that during the year we implemented a new reporting system which enables us to apply generally accepted emission factors directly in the system and thus reduces the risk for reporting errors in future periods. Emission factors for indirect greenhouse gas emissions (GHG Scope 2) are from the Internal Energy Agency's publication series "CO₂ Emissions from Fuel Combustion" (2015, 2016, 2017). Scope 2 factors are updated every year after new version has been published. GHG emission intensity figures under G4-EN18 are a ratio of gross GHG emissions and sales by sites within the reporting boundary. The base year for the intensity calculations is 2014.

G4-EN21 includes 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. Waste data reported under G4-EN23 is based either on waste records received from waste contractors or estimations when there are no exact figures provided by the waste contractors.

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 2017. 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.

Potential data discrepancies

During 2017 we implemented a new reporting system for environmental, health and safety indicators. The new system will improve the reliability and transparency of the data and provide better management possibilities for sustainability topics in the future. However, there is always a small risk for discrepancies when transferring data from one system to another.

GRI INDEX

GRI content Reference and omissions 2017

GENERAL STANDARD DISCLOSURES

STRATEGY AND ANALYSIS

G4-1 STATEMENT FROM THE CEO

pp. 2–3 Statement from the CEO

G4-2 DESCRIPTION OF KEY IMPACTS, RISKS AND OPPORTUNITIES

pp. 10–11 Megatrends drive our growth
pp. 12–13 Towards global industry leadership
pp. 16–17 Value creation model

ORGANISATIONAL PROFILE

G4-3 NAME OF THE ORGANISATION

Cargotec Corporation

G4-4 PRIMARY BRANDS, PRODUCTS AND SERVICES

pp. 4–5 Cargotec in brief
pp. 22–37 Business areas

G4-5 HEADQUARTER LOCATION

Helsinki, Finland

G4-6 COUNTRIES OF OPERATION

pp. 4–5 Cargotec in brief

G4-7 NATURE OF OWNERSHIP AND LEGAL FORM

pp. 4–5 Cargotec in brief
Financial review 2017, pp. 111–116 Corporate governance statement 2017

G4-8 MARKETS SERVED

pp. 4–5 Cargotec in brief
pp. 22–37 Business areas

G4-9 SCALE OF THE ORGANISATION

pp. 4–5 Cargotec in brief
pp. 6–9 Key figures

GRI content

Reference and omissions 2017

G4-10 EMPLOYEE DATA

Cargotec employees	2017	2016	2015
Kalmar	5,819	5,702	5,328
Hiab	3,370	2,997	2,757
MacGregor	1,859	2,256	2,543
Corporate administration and support functions	203	230	209
Total	11,251	11,184	10,837
Total workforce by employee relationship and gender		%	Share of females %
Share of own employees in the total workforce		94	19
of which permanent contracts		87	18
of which temporary contracts		13	22
Share of supervised workers in the total workforce		6	28
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			63
Total workforce by region and gender			%
AMER			14
of which female			20
APAC			21
of which female			20
EMEA			65
of which female			19
Total workforce			100
of which female			19

G4-11 COLLECTIVE BARGAINING AGREEMENTS

Collective bargaining agreements are applied on a country-specific basis. Complete information on the bargaining agreement coverage is available in Finland, Sweden, Belgium, Italy, Spain and France. Excluding the executive management, 100 percent of our employees in these countries are covered by local bargaining agreements. No statistics are available from other locations.

GRI content

Reference and omissions 2017

G4-12 THE ORGANISATION'S SUPPLY CHAIN

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. During 2017 we launched a supplier sustainability program with which we further developed our screening processes on the area of sustainability.

In Kalmar, the total number of direct suppliers was around 1,100 at the end of 2017. Kalmar spend was broken down geographically as follows: 29 percent of purchases were from the Americas, 52 percent from Europe and Middle East, and 19 percent from APAC. In 2017, the top 50 suppliers represented 61 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.

Hiab had a total of 907 direct suppliers at the end of 2017, of which 38 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 2017, the top 50 suppliers covered 51 percent and the top 100 suppliers 83 percent of the supply volume. The major share of Hiab suppliers was from Europe (82%). The rest of the suppliers were from America (14%) and Asia (4%).

MacGregor has a history of more than 20 years of collaboration with particular suppliers. At the end of 2017, MacGregor had approximately 850 direct suppliers. The top 50 suppliers covered nearly 70 percent and the top 100 suppliers approximately 75 percent of the supply volume. Approximately 45 percent of the supplier volume was from Asia and 54.5 percent from EMEA and 0.5 percent from North America.

G4-13 SIGNIFICANT CHANGES IN THE ORGANISATION AND ITS SUPPLY CHAIN DURING THE REPORTING PERIOD

pp. 22–37 Business areas

Financial review 2017, pp. 4–13 Board of Directors' report

G4-14 PRECAUTIONARY APPROACH

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.

G4-15 EXTERNAL CHARTERS, PRINCIPLES AND INITIATIVES

- 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
- All initiatives are voluntary and multi-stakeholder in nature.

G4-16 MEMBERSHIPS IN ASSOCIATIONS

- The Association of Lorry Loader Manufacturers and Importers (ALLMI)
- Center of Maritime Technologies (CMT)
- Confederation of Finnish Industries
- Digital, Internet, Materials & Engineering Co-Creation (DIMECC)
- European Material Handling Federation (FEM)
- Finnish Industrial Internet Forum (FIIF)
- 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)
- Technology Industries of Finland
- TRACE International

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17 LIST OF ENTITIES IN THE CONSOLIDATED FINANCIAL STATEMENT

Financial review 2017 pp. 21–30 Note 1. Accounting principles for the consolidated financial statements

G4-18 DEFINING THE REPORT CONTENT AND ASPECT BOUNDARIES

pp. 40–43 Proceeding with sustainable business

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.

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.

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 2017 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.

G4-19 MATERIAL ASPECTS IDENTIFIED

pp. 44–45 Sustainability accounting principles

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
	Human rights	Freedom of association and collective bargaining, Child labour, Forced or compulsory labour, Supplier human rights assessment, Human rights grievance mechanisms
	Society	Anti-corruption, Supplier assessment for impacts on society, Grievance mechanisms for impacts on society
	Product responsibility	Customer health and safety, Product and service labeling

G4-20 ASPECT BOUNDARY WITHIN THE ORGANISATION

pp. 44–45 Sustainability accounting principles

G4-21 ASPECT BOUNDARY OUTSIDE THE ORGANISATION

pp. 44–45 Sustainability accounting principles

G4-22 THE EFFECT OF RESTATEMENTS OF INFORMATION PROVIDED IN PREVIOUS REPORTS

pp. 44–45 Sustainability accounting principles

G4-23 SIGNIFICANT CHANGES FROM PREVIOUS REPORTING PERIODS IN THE SCOPE AND ASPECT BOUNDARIES

pp. 44–45 Sustainability accounting principles

GRI content Reference and omissions 2017

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 the media.

G4-25 IDENTIFICATION AND SELECTION OF STAKEHOLDERS

pp. 22–37 Business areas

pp. 18–21 HR supports Cargotec's strategic transformation

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.

G4-26 APPROACH TO STAKEHOLDER ENGAGEMENT

s. 22–37 Business areas

Stakeholder group	Examples of stakeholder interaction
Customers	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.
Personnel	Our Human Resources Information System ZONE and the People Portal section on our intranet serve as platforms 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. See the results of Compass 2017 on page 20.
Investors	Cargotec's Investor Relations aims to ensure that all market participants have correct and sufficient information at all times to support a fair valuation of Cargotec's share. In addition to executing financial communication and proceeding investor requests, Investor Relations organised several events and meetings in 2017. Examples include the Capital Markets Day in London and roadshows in 15 countries. The AGM was held in Helsinki on 21 March 2017.
Local communities	Cargotec's sites are actively involved in local stakeholder engagement and goodwill. Traditionally, we engage in charity action especially during the holiday season. In 2017, our site in Stargard Poland organised a gift raising campaign for the local orphanage, and employees from the Helsinki HQ inspired Cargotec to support the Finnish childhood cancer organisation Sylva ry via the Team Rynkeby cycling team. In addition, Kalmar arranged an interactive donation campaign by inviting its stakeholders to load a virtual containership, with every additional virtual container increasing the donation sum paid to UNICEF. Also Hiab made a donation to UNICEF during the holiday season.
Authorities	With our own operations located in 45 countries, we engage with local authorities to ensure regulatory compliance in our operations.
Suppliers	We run extended supplier relationship management programmes with selected suppliers to create joint value for our own and our suppliers' business.
Research and education institutions	Cargotec frequently collaborates with universities and other research institutions over the world. For example, in 2017, MacGregor started a joined research project with the Hamburg University of Technology develop a solution for the maintenance and service of ships with augmented reality.
Media	Cargotec arranges press meetings in connection with trade events and result publications, among others. We issue dozens of press releases every year covering a wide array of topics. In 2017 we launched a new company web site at www.cargotec.com .

G4-27 RESPONSE TO KEY TOPICS AND CONCERNS RAISED

Our interaction with employees builds a foundation for both innovations and a committed workforce. Structured methods of gathering employee feedback include our employee engagement survey Compass. In 2017, Compass received a response rate of 86 (2016: 88) percent. According to the results, our people take pride in the work they do and evaluate both our team collaboration and team performance positively. The biggest increase was seen in the customer mindset related question concerning the use of customer feedback to improve work processes. Despite the positive feedback, we have also identified improvement areas. The results show that we need to concentrate on being clear enough when communicating direction and on creating confidence for the future. Further investments in development and training are also needed.

In 2017, we announced plans to consolidate our support services under Cargotec Business Services (CBS) to harmonise global processes across functions, business units and regions. The CBS, operating out of Sofia, Bulgaria, was launched in October with a pilot to serve Finance, HR, IM and Indirect procurement services in Finland. To support a smooth transition in the pilot country, we offered retention packages according to good practice, including extended notice periods and stay-on incentives as well as outplacement services to support re-employment in case of redundancy. Other possible solutions included internal transfers, early retirements, changes in work duties and reporting lines as well as the possibility for some positions to be relocated and job rotation for the remaining employees.

In November, we announced plans for a global rollout of the CBS concept with the long term goal to expand the service offering as well as apply new technologies like automation in processes. The future service model requires developing new skills and roles in various functions to facilitate effective collaboration. We plan to offer all employees training and change management support for the new way of working.

REPORT PROFILE**G4-28 REPORTING PERIOD**

1 January–31 December 2017

G4-29 DATE OF THE MOST RECENT PREVIOUS REPORT

Cargotec Annual Review 2016, 16 February 2017

G4-30 REPORTING CYCLE

Annual

G4-31 CONTACT POINT FOR QUESTIONS

communications@cargotec.com

G4-32 GRI CONTENT INDEX

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 pp. 62–64. The external assurance covers selected indicators under the specific standard disclosures.

G4-33 EXTERNAL ASSURANCE

pp. 62–64 Independent limited assurance report

GOVERNANCE**G4-34 GOVERNANCE**

pp. 40–43 Proceeding with sustainable business
Financial review 2017, pp. 111–116 Corporate governance statement 2017

G4-35 THE PROCESS FOR DELEGATING AUTHORITY FOR SUSTAINABLE TOPICS

pp. 40–43 Proceeding with sustainable business

G4-36 EXECUTIVE-LEVEL POSITIONS WITH RESPONSIBILITY FOR SUSTAINABILITY TOPICS

pp. 40–43 Proceeding with sustainable business

GRI content Reference and omissions 2017

ETHICS AND INTEGRITY

G4-56 VALUES, PRINCIPLES AND NORMS OF BEHAVIOUR

pp. 40–43 Proceeding with sustainable business

G4-57 MECHANISMS FOR SEEKING ADVICE ON ETHICAL AND LAWFUL BEHAVIOUR AND MATTERS RELATED TO ORGANISATIONAL INTEGRITY

pp. 40–43 Proceeding with sustainable business

Our Code of Conduct, the Cargotec Anti-Corruption policy, Gift and Hospitality Instruction, Instruction for Engaging Agents, as well as the Instruction for SpeakUp and Non-Retaliation guide our work against possible unethical or corrupt business practices. The practical implementation of these policies, and related instructions, is guided by Cargotec's Ethics and Compliance framework, which is based on the main principles to prevent, detect and respond to potential misconduct. The Ethics and Compliance organisation supports the business by providing proactive advice and trainings and by conducting internal investigations. In addition, we have implemented an externally hosted SpeakUp Line to enable anonymous and confidential reporting of concerns.

G4-58 MECHANISM FOR REPORTING CONCERNS ABOUT UNETHICAL OR UNLAWFUL BEHAVIOUR AND MATTERS RELATED TO ORGANISATIONAL INTEGRITY

pp. 40–43 Proceeding with sustainable business
See also G4-57

SPECIFIC STANDARD DISCLOSURES

DISCLOSURES ON MANAGEMENT APPROACH

G4-DMA DISCLOSURES ON MANAGEMENT APPROACH

pp. 10–21 Company
pp. 22–37 Business areas
pp. 40–43 Proceeding with sustainable business

ECONOMIC

ECONOMIC PERFORMANCE

G4-EC1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Economic value generated and distributed, MEUR	2017	2016	2015
Economic value generated	3,280	3,514	3,729
Sales	3,280	3,514	3,729
Economic value distributed	3,136	3,350	3,549
Purchases	2,249	2,495	2,732
Wages and benefits	715	717	680
Interest expenses	19	22	21
Income taxes	86	55	63
Dividends*	68	61	52
Donations**	-	-	1
Economic value retained	144	164	181

*Dividends in 2017 are based on the Board of Directors' proposal. Actual dividends are confirmed at the Annual General Meeting in March 2018.

**Donations are paid from the retained earnings according to the decision made at the Annual General Meeting.

G4-EC3 COVERAGE OF THE ORGANISATION'S DEFINED BENEFIT PLAN OBLIGATIONS

Financial review 2017, pp. 65–68 Note 26. Post-employment benefits

ENVIRONMENTAL**ENERGY****G4-EN3 ENERGY CONSUMPTION WITHIN THE ORGANISATION**

Energy consumption, TJ	2017	2016	2015
Direct energy consumption	131.3	156.4	142.7
Non-renewable sources	130.3	155.9	142.3
Diesel	39.8	34.9	30.6
Gasoline, kerosene, LFO, HFO	7.7	11.2	9.6
Liquified petroleum gas	15.8	15.3	15.0
Natural gas	67.0	94.5	87.1
Renewable sources	1.0	0.5	0.5
Wood pellets	0.5	0.5	0.4
Solar panels*	0.5	0.1	0.1
Indirect energy consumption	219.7	234.7	216.9
Electricity	154.8	170.9	160.9
District heat	64.9	63.8	56.0
Total energy consumption	351.0	391.1	359.7

Total energy consumption decreased by 10 percent compared to 2016. Reductions were achieved mostly by saving electricity and updating natural gas powered heating systems. Also the removal of two production sites from reporting boundary due to their divestment contributes to the decreasing trend.

*Solar energy covers the energy produced by solar panels installations on Cargotec sites. Our Tampere site has a test field which is mostly powered by solar panels.

G4-EN5 ENERGY INTENSITY

Energy intensity	2017	2016	2015
Energy intensity index	78	79	79

The energy intensity index is based on the ratio of total energy consumption and sales by sites included in the reporting boundary. The base year is 2014, where the index value is 100. In 2017, energy intensity decreased by two percent compared to 2016 and by 22 percent compared to the base year 2014. The intensity reductions from the base year have been achieved mostly by updating natural gas powered heating systems and decreasing electricity consumption e.g. by replacing light bulbs with LED lights. Also changes in the reporting boundary contribute to the decreasing trend.

GRI content

Reference and omissions 2017

G4-EN7 REDUCTION IN ENERGY REQUIREMENTS OF PRODUCTS AND SERVICES

pp. 22–37 Business areas

p. 40 Proceeding with sustainable business

In 2017, Cargotec launched the Offering for eco-efficiency concept, consisting of solutions that may enhance customers' sustainability with cleaner technologies, software solutions or services supporting circular economy. Our product range is wide, and there are currently no generally accepted industrial standards for evaluating the environmental impacts of our products or services. It is not possible to have one evaluation methodology or same parameters to evaluate all products or services, which is why we have developed evaluation methodologies and related parameters for individual products and 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.

The products listed under this GRI indicator are those that have been launched or standardised during the 2017 reporting period. These new products are not necessarily included in our Offering for eco-efficiency concept yet, because the fulfilment of the eco-efficiency criteria is checked by an independent external auditor to ensure the reliability of our eco-efficiency portfolio. More information about our eco-efficient offering can be found on page 40 of this Annual review or on our company websites at www.cargotec.com, www.kalmarglobal.com, www.hiab.com and www.macgregor.com. See also G4-EN27 for other products mitigating environmental impacts.

Kalmar

- The Kalmar Light Forklift range was updated from F series to G series. To help customers save costs and meet their environmental targets, the DCG50-90 range uses AGCO 44AWF Stage 4 engines to reduce fuel consumption by 15 percent and NO_x emissions by 89 percent when compared to Stage 3 engines. DCG forklifts can also be used in Kalmar's proprietary Eco mode, which provides 15 percent less fuel consumption when compared to normal operation mode. The new forklift also has improved productivity by 10 percent compared to the previous generation – meaning that operators will be able to perform 100 more lifts per week on average.

WATER

G4-EN8 TOTAL WATER WITHDRAWAL BY SOURCE

Water consumption, m ³	2017	2016	2015
Municipal water supplies	90,000	116,700	98,000

Sites are connected to public drainage systems. No process water is used at Cargotec production sites.

EMISSIONS

G4-EN15 DIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 1)**G4-EN16 ENERGY INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 2)**

Greenhouse gas emissions, tCO ₂ e	2017	2016	2015
Direct GHG emissions (Scope 1)	8,400	9,800	8,900
Indirect GHG emissions (Scope 2)	23,500	26,300	25,500
Total	31,900	36,000	34,400

In 2017, both Scope 1 and Scope 2 GHG emissions decreased compared to 2016. Scope 1 GHG emissions decreased by 14 percent and Scope 2 emissions by 11 percent. The reduction in total GHG emissions was 12 percent compared to 2016. The main contributors to the reductions achieved were savings in natural gas and electricity use at Cargotec sites as well as the decreasing trend in country-specific emission factors and changes in the reporting boundary.

G4-EN18 GREENHOUSE GAS (GHG) EMISSIONS INTENSITY

Greenhouse Gas (GHG) emissions intensity	2017	2016	2015
GHG emissions intensity index	83	86	88

The GHG emissions intensity is based on the ratio of total energy consumption and sales by sites included in the reporting boundary. The base year is 2014, where the index value is 100. In 2017, the GHG emissions intensity decreased by four percent compared to 2016 and by 18 percent compared to base year 2014. The intensity reductions are mostly accounted to savings in electricity and natural gas use, the decreasing carbon intensity of country-specific emission factors and changes in the reporting boundary.

GRI content

Reference and omissions 2017

G4-EN21 NO_x, SO_x AND OTHER SIGNIFICANT AIR EMISSIONS

Weight of emissions, t	2017	2016	2015
Nitrogen oxides (NO _x)	2.4	2.3	2.2
Particulate matter (PM)	0.9	2.0	1.3
Sulphur oxides (SO _x)	0.4	0.4	0.2
Volatile organic compounds (VOC)	70.9	66.1	54.7

EFFLUENTS AND WASTE

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

Weight of waste, t	2017	2016	2015
Hazardous waste	600	600	500
Non-hazardous waste	10,500	10,000	8,900
of which recycled	9,400	8,700	7,800
Total	11,100	10,700	9,400

Over 70 percent of the waste generated at Cargotec sites is metal, aluminum and wood waste, which have high recycling value

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

The following products, product components or services introduced during 2017 may decrease the environmental impacts of our products and services. A wider selection of products and services that help to mitigate environmental burden are presented in Cargotec's Offering for eco-efficiency concept (more information on page 40 or at cargotec.com/sustainability). Cargotec has an external audit process in place to guarantee the reliability and transparency of the eco-efficiency offering, and the efforts listed under this GRI indicator may not necessarily be included to the offering concept yet. The audit is conducted once in a year.

Hiab

- Hiab presented the world's first fully-electric powered skiploader concept vehicle. The electric MULTILIFT Futura was developed in partnership with EMOSS. The vehicle is silent and reduces local NO_x emissions by 100 percent compared to similar diese-powered vehicle, thus being ideal especially for urban environments and out-of-hours operations. It also helps customers to decrease their CO₂ emissions when compared to diesel powered skiploaders.
- Hiab launched a new service offering, HiConnect™, which adds connectivity to load handling equipment, thus enabling fleet owners to receive real-time information of their Hiab equipment's operation and condition, optimise the performance of their equipment and avoid unnecessary downtime.

MacGregor

- MacGregor opened a new facility in Norway specialising in advanced virtual reality training to improve the safety, efficiency and cost-effective deployment of our equipment.

Kalmar

- Kalmar launched a fully electric mid-range forklift truck. Compared to a diesel powered forklift truck, the electric truck decreases NO_x and other local air emissions by 100 percent. Also CO₂ emissions may potentially be decreased by as much as 100 percent. Kalmar is the first leading equipment manufacturer providing electric trucks in this capacity class.
- Kalmar launched a Rail Mounted Gantry (RMG) crane. The crane has an electric drive unit and sources power through either a cable reel or conductor bar, thus generating zero emissions at source. RMG cranes can be either manually, remotely or automatically operated. Manually operated cranes can also be retrofitted in the future to be remote controlled or automated when the customers' operations change.

GRI content

Reference and omissions 2017

SUPPLIER ENVIRONMENTAL ASSESSMENT

G4-EN32 PERCENTAGE OF NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL CRITERIA

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. In 2017, 79 percent of new direct material suppliers were audited against the labour practice, human rights and environmental management criteria.

ENVIRONMENTAL GRIEVANCE MECHANISMS

G4-EN34 NUMBER OF GRIEVANCES ABOUT ENVIRONMENTAL IMPACTS FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS

During 2017, 57 cases of potential misconduct were reported to the ethics and compliance team either through the anonymous SpeakUp Line or by direct reporting to the Ethics and Compliance organisation. During the year we saw an increasing trend in the cases reported directly by management which is a positive result arising from increased awareness and training campaigns.

Investigation was started for all cases reported during 2017, and 32 cases were resolved during the year. Additionally, 33 cases from previous years were resolved. A majority of the cases reported during 2017 were related to unethical business conduct, such as conflict of interest, fraud, corruption or policy violations. Other cases related to employee related issues, such as harassment, discrimination or labour rights. One reported case was related to suspected human rights violations by a third party. No grievances related to the environment were filed in 2017.

As part of the investigation process, the Ethics and Compliance team agrees with relevant management on remedial actions, such as improved policies, trainings and disciplinary actions. The final decision on disciplinary actions is made by the Code of Conduct panel which consists of the Extended Executive Board (EEB).

SOCIAL

EMPLOYMENT

G4-LA1 TOTAL NUMBER AND RATES OF NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER BY AGE GROUP, GENDER AND REGION

Rate of new employee hires and employee turnover	Number of employees	%
New employee hires	1,008	10
Employee turnover	1,330	14
Voluntary turnover	790	8

New employee hires by gender, age group and region	Number of employees	% of total	New hire rate %
By gender			
Male	800	79	10
Female	208	21	12
By age group			
Under 30 years old	273	27	25
30–50 years old	596	59	10
Over 50 years old	139	14	5
By region			
AMER	266	26	17
APAC	133	13	7
EMEA	609	60	10

Employee turnover by gender, age group and region	Number of employees	% of total	Turnover rate %
By gender			
Male	1,085	82	13
Female	245	18	14
By age group			
Under 30 years old	239	18	22
30–50 years old	735	55	12
Over 50 years old	356	27	13
By region			
AMER	336	25	21
APAC	343	26	17
EMEA	651	49	10

The information about new hires and employee turnover includes only permanent employees.

The rate of new employee hires is the number of new hires divided by the number of all permanent employees at the end of 2017. New hire rates within the 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, the 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 2017. Turnover rates are calculated on similar basis as new hire rates.

GRI content

Reference and omissions 2017

LABOR/MANAGEMENT RELATIONS

G4-LA4 MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES, INCLUDING WHETHER THESE ARE SPECIFIED IN COLLECTIVE AGREEMENTS

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.

OCCUPATIONAL HEALTH AND SAFETY

G4-LA5 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

100 percent of the employees have representation in occupational health and safety committees. Employees working at a particular site have representation in their respective committees.

G4-LA6 TYPE OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND TOTAL NUMBER OF WORK-RELATED FATALITIES, BY REGION AND BY GENDER

Number of injuries by type	2017	2016	2015
Back	6	6	5
Eyes	3	0	3
Feet	6	6	0
Hands	18	19	20
Head	3	3	5
Legs	11	9	9
Multiple parts or whole body	0	2	1
Neck	0	0	0
Thorax	2	3	0
Total number of lost time injuries	49	48	43

Number of lost time injuries by region	2017	2016	2015
AMER	3	7	13
APAC	4	7	14
EMEA	42	34	37

Rate of injury (IIFR)*	2017	2016	2015
Production sites	6.1	5.7	5.8
Production sites and Technology and Competence centres	5.7	5.4	5.6

* 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 the reporting period of 2015–2017.

TRAINING AND EDUCATION

G4-LA11 PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

p. 20 HR supports Cargotec's strategic transformation

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

Composition of governance bodies and employees by gender and age group, %	Board of Directors	Extended Executive Board	Employees
Male	70	73	81
Female	30	27	19
Under 30 years old	0	0	14
30–50 years old	10	36	61
Over 50 years old	90	64	25

SUPPLIER ASSESSMENT FOR LABOUR PRACTICES

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

See G4-EN32

LABOUR 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

Cargotec's Code of Conduct and related policies state that Cargotec is committed to respecting international human rights and requests the same from its suppliers and agents. Fully aligned with Cargotec's own Code of Conduct, Cargotec has a specific supplier Code of Conduct, which has been delivered to strategic suppliers during 2017. The process continues in 2018. Freedom of association, abolition of child labour and forced and compulsory labour are examples of the basic principles Cargotec demands from its suppliers.

Cargotec conducted a supplier sustainability risk analysis during 2016. Human rights were included in the risk analysis as one perspective. The risk for human rights violation is increased in our supply chain in certain countries. The supplier code of conduct process is part of Cargotec's supplier sustainability management program, with which Cargotec aims to mitigate any risks for breaching the international human rights. During 2018, one of Cargotec's sustainability targets is focusing on supplier sustainability. We aim to further screen the human rights and other sustainability risks in our supply chain with a sustainability self-assessment tool. Additionally, we will renew the human rights risk assessment of our operations during 2018. Please see Cargotec sustainability targets on page 41.

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

See G4-HR4

GRI content Reference and omissions 2017

FORCED OR COMPULSORY LABOUR

G4-HR6 OPERATIONS AND SUPPLIERS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR INCIDENTS OF FORCED OR COMPULSORY LABOUR, AND MEASURES TO CONTRIBUTE TO THE ELIMINATION OF ALL FORMS OF FORCED OR COMPULSORY LABOUR

See G4-HR4

SUPPLIER HUMAN RIGHTS ASSESSMENT

G4-HR10 PERCENTAGE OF NEW SUPPLIER THAT WERE SCREENED USING HUMAN RIGHTS CRITERIA

See G4-EN32

HUMAN RIGHTS GRIEVANCE MECHANISMS

G4-HR12 NUMBER OF GRIEVANCES ABOUT HUMAN RIGHTS IMPACTS FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS

See G4-EN34.

SOCIETY

ANTI-CORRUPTION

G4-SO3 TOTAL NUMBER AND PERCENTAGE OF OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION AND THE SIGNIFICANT RISKS IDENTIFIED

Cargotec does business on a global scale and our industry is exposed to compliance risks, for example with regard to doing business in remote locations, bidding for large projects for customers that are government-owned as well as the use of sales intermediaries in countries where we do not have our own sales offices. The Ethics and Compliance team conducts regular risk assessments, including site visits to ensure that adequate procedures are put in place to mitigate the risks. During the year the team visited sales operations in APAC, Africa, Eastern Europe and Russia.

G4-SO4 COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

The Cargotec Board of Directors receives an annual update from the Ethics and Compliance team. In addition, the Audit and Risk Committee of the Board receives periodic updates about anti-corruption activities and other Code of Conduct matters during the year. The Extended Executive Board has a monthly Code of Conduct panel where the topics are communicated and discussed.

The Code of Conduct is part of new employees' initiation, and participation in the Code of Conduct e-learning course is reviewed in the personal development plan (PDP) discussion. The Code of Conduct e-learning course was launched for the first time in 2014, and renewed in 2017. The renewed Code of Conduct e-learning course was completed by 6,793 employees (82%) during the year. The target group of the course includes employees with an individual company email address and access to the intranet and onsite training workshops were arranged for employees without an e-mail address or access to intranet. Face to face Anti-Bribery and Corruption training workshops were arranged with management team members in all Business Areas and support functions. A total 780 employees participated in these workshops. A global awareness campaign relating to the renewed Gift and Hospitality Instruction was arranged during the year.

All policies and procedures relating to the Code of Conduct and Anti-Bribery and Corruption are available on the Cargotec intranet. The Code of Conduct is available in 17 local languages and the Anti-Bribery and Corruption policy is available in 12 local languages.

GRI content

Reference and omissions 2017

SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

G4-SO9 PERCENTAGE OF NEW SUPPLIERS THAT WERE SCREENED USING CRITERIA FOR IMPACTS ON SOCIETY

See G4-EN32

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

100%.

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. 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. Product safety is always taken into account in production planning.

PRODUCT AND SERVICE LABELING

G4-PR5 RESULTS OF SURVEYS MEASURING CUSTOMER SATISFACTION

p. 26 Kalmar

p. 30 Hiab

INDEPENDENT LIMITED ASSURANCE REPORT

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 Non-financial Disclosures as a part of Review of Board of Directors (pages 8–10) and Sustainability section (pages 44–64) of Cargotec's Annual Review 2017 (the "Report") for the reporting period 1st January to 31st December 2017.

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:

- Sales of eco-efficiency product group (% of total net sales)
- Industrial injury frequency rate (IIFR)
- Compass Employee Engagement 2017 survey results:
 - Leadership index
 - Team climate index
 - Engagement index
 - Social responsibility index
- Cargotec Code of Conduct training completion (%)
- Number of Code of Conduct compliance cases
- G4-EN3 Energy consumption within the organisation (TJ)
- G4-EN5 Energy intensity (%)
- 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-LA6 Number of injuries by type and by region
- G4-EN32, G4-LA14 and G4-HR10 New suppliers screened using sustainability criteria (%)

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 of the Annual Review).

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
- One site visit and two video conferences to review process and systems for preparing site level data consolidated at Head Office. The site level review was conducted at:
 - Bromma (Malaysia) Sdn. Bhd., Malaysia
 - Hiab Cranes, S.L., Zaragoza, Spain
 - Kalmar Solutions LLC, Ottawa, Kansas, United States.
- DNV GL was 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 utilised 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

Sustainability

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**

2nd February 2018

Mikael Niskala
Lead Auditor
DNV GL – Business Assurance

Shaun Walden
Principal Consultant and Reviewer
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