



## Equity based Long-Term Incentive Program

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# Introduction – Total Remuneration

## Major Components

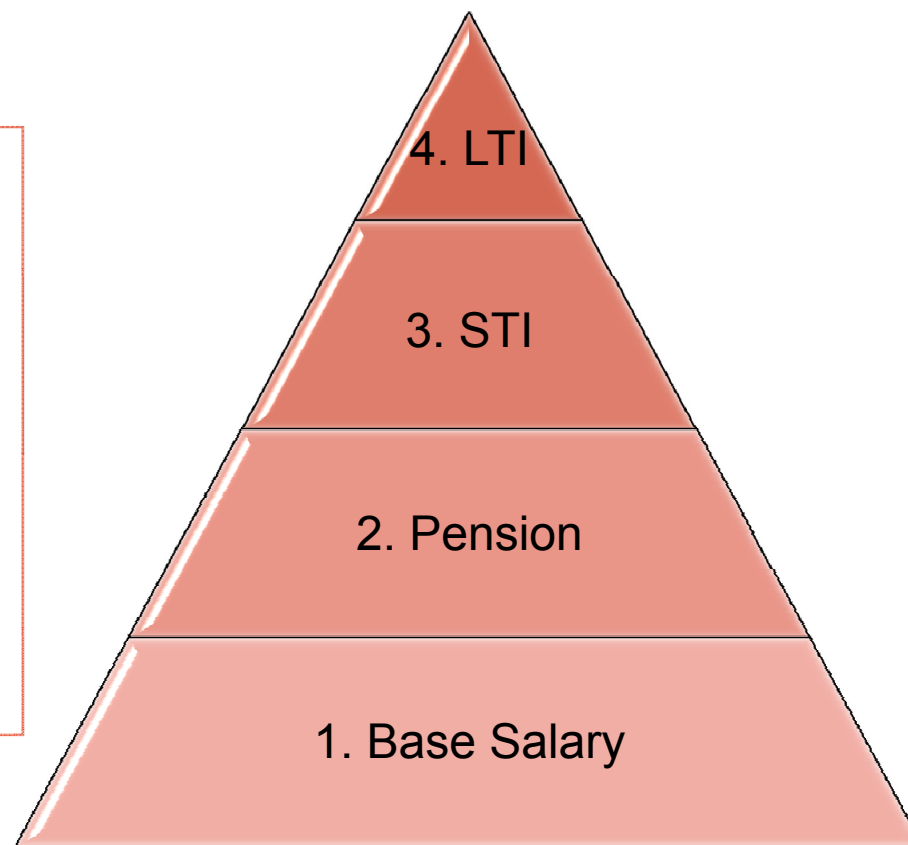
# Total Remuneration – Four major components

## A. Fixed Remuneration

- 1) Base Salary
- 2) Pension

## B. Performance based Remuneration

- 3) Annual Non-Equity Incentives (Short Term Incentive - STI)
- 4) Equity based Incentives (Long Term Incentive - LTI)



# Cavotec's Remuneration Philosophy

Performance based remuneration shall provide the following opportunities:

- **Base Salary (Base)**
  - Targeted level up to 120% of the competitive market's median.
  - The competitive market defined as general industry in the country of residence
- **Annual Non-equity Cash Compensation (STI)**
  - Results at or above expected performance shall provide incentive award opportunities equal to 15 – 25% of base salary at expected performance. Aggregate funding. Incentives are currently distributed as percent of base salary as the award is linked to individual salary and company performance
- **Equity based Incentives (LTI)**
  - The incentive award opportunity shall be aligned with shareholder value growth. The expected value at grant is typically at maximum 25 – 30+ percent of Total Direct Compensation (Base+STI+LTI = TDC). Cavotec's grant value may be lower given that Cavotec's base salary level is targeted at above the competitive market's median.  
  
Expected value, as portion of TDC, shall be higher for senior managers assuming that senior management influence long term performance of the company to a higher degree
- **Pension benefits**
  - Defined contributions based on local market conditions

Proposal

# LONG-TERM INCENTIVE PLAN (LTIP)

# Objectives – Long-Term Incentive Plan (LTIP)

The objectives of Cavotec's Long-Term Incentive programme are to:

- Encourage senior executives to make a personal investment in Cavotec by acquiring shares in the open market
  - The personal investment shall be balanced
  - Investments are planned be offered annually
- Attract and retain executive talent
  - Participants are expected to influence Cavotec's value long-term
  - The Board may, based on recommendation from the CEO, grant additional LTIP-awards to employees with exceptional talent and potential on an annual basis
- Create continuous shareholder value growth during Cavotec's business cycle
- Offer competitive Total Remuneration based on maximum investment when performance objectives are reached or exceeded.

# Long-Term Incentive Compensation - Principles

## – two vehicles in combination

### 1. Co-Investment Shares

- Conditional/restricted grant – a personal net-of-tax investment required
- Vesting period three years
- Two choices of award payment:
  - (1) cash equivalent to the fair market value (FMV) of privately held Co-Investment Shares at Matching Date or
  - (2) enhanced award value in Matching Shares. Number of Matching Shares awarded are Co-Investment Shares privately held multiplied by approx. 1.11
- Final award value based on the share's FMV at Matching Date when vested
- The service based award is one Cavotec share for each Co-Investment Share held at Matching Date
- Dividend payable on personally acquired Co-Investment Shares only

### 2. Performance based Matching Bonus

- Conditional/restricted granted award value
- Vesting and performance period three years (Holding Period)
- Final level of award based on:
  - personal investment of co-investment shares,
  - corporate performance measured as EBIT margin, and
  - share price at the end of performance period
- Average revenue of €230.52M per year during the Holding Period is required (trigger)
- The maximum performance based award is four Cavotec shares for each Co-Investment Share held at Matching Date

# Plan Design – Main Features (1)

## Co-Investment plan with matching and performance based awards

### 1. Personal investment in Cavotec's shares

- a) The personal investment opportunity in Cavotec shares (Co-Investment Shares) is up to 10% of annual fixed base salary.
- b) Matching Bonus: Retention of key executive talent is made by matching the personal investment (Co-Investment Shares) conditional on employment after three years (conditional period). A Matching Bonus is awarded only if the Participant has not given notice to terminate employment before the vesting period's end. The vested Matching Bonus award value is calculated and paid. The participant have one choice of two payment alternatives:
  - 1. Matching Cash: Cavotec's share fair market share value at vesting multiplied by the number of Co-Investments Shares held. The award is paid in cash. The Matching Cash is paid subject to local tax withholding requirements and other statutory contributions, including social security, payable by Cavotec.
  - 2. Matching Shares: The award is paid in Cavotec Matching Shares using an enhanced matching award value to encourage Participants to accept shares as pay-out equity. The Matching Bonus award is equal to the fair market value of the Cavotec share at the Matching Date multiplied by approximately 1.11 ( $1/0.9 \approx 1.11$ ). The enhance award is subject to a shareholding requirement of a Blocking Period of 14 months after the Matching Date.
- c) The conditional period is also the performance period.



## Plan Design – Main Features (2)

### Co-Investment plan with matching and performance based awards

2. Restricted and Matching Shares are preliminary allocated at the beginning of the three year performance period.
  - Actual Matching Bonus value is contingent upon meeting service and performance objectives and fair market share value at the end of the Holding Period. The maximum award, including service and performance based awards, is up to four times the fair market share value at Matching Date multiplied with number of Co-Investment Shares held on the Matching Date, i.e. four times the number of shares acquired privately and held throughout the conditional period as a personal investment.
  - Average Revenue of EUR 230.52 during three financial years is a “trigger” for one performance based Matching Share to vest. The performance based Matching Shares may be worth up to three times the fair market value of the Cavotec share at the Matching Date provided that the Average Revenue exceeds EUR 230.52 during the Holding Performance Period and established EBIT margins are exceeded.
- Dividend is paid only on shares held as personal investment during the performance period.
- The Matching Bonus is not pensionable.
- A Matching Bonus, in cash or shares, is paid subject to local tax withholding requirements and other statutory contributions, including social security, payable by Cavotec.

## Illustration – Three LTIP plans

# Conditional grants of performance shares and awards

