

Corporate Governance report 2012



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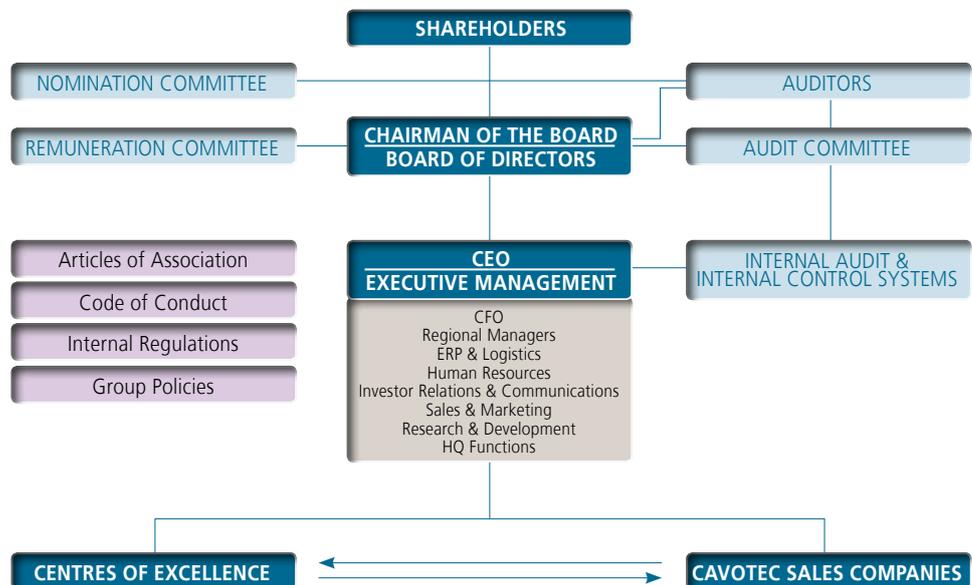
Since Cavotec is a Swiss Company listed on NASDAQ OMX Stockholm, the corporate governance of Cavotec is based on Swiss and Swedish rules and regulations, such as the Swiss Code of Obligations (the "CO") and the Swedish Code of Corporate Governance (Sw. Svensk kod för bolagsstyrning) (the "Code").

The Swedish code of corporate governance

The Code applies to all Swedish companies with shares listed on a regulated market in Sweden and shall be fully applied at the first annual shareholders' meeting held during the year following market listing. The Company, although being a Swiss company, has decided to apply the Code, but need not obey all rules in the Code but has options for selecting alternative solutions which it may deem to better suit to its circumstances provided that any non-compliances and the alternative solution are described and the reasons explained in the corporate governance report.

The Company has applied the Code from the time the shares have been listed on NASDAQ OMX Stockholm. However, since it is a Swiss company subject to Swiss rules and regulations are some deviations from the Code. Deviations that the Company is already aware of have as far as possible be explained in the Prospectus or otherwise in the Company's corporate governance report which has been drawn up for the first time for the 2011 financial year.

Cavotec Corporate Governance structure



Shareholders' meeting

General

The shareholders' rights to resolve on company matters are exercised at the shareholders' meeting. An ordinary shareholders' meeting is to be held yearly within six months following the close of the business year. It is called by the Board of Directors or, if necessary, by the auditors. Extraordinary shareholders' meetings may be called by the Board of Directors, the liquidators or the auditors as often as necessary to safeguard the interests of the Company. Shareholders' meetings are held at the domicile of the Company or at such other place as the Board of Directors shall determine. Since the Company is listed in Stockholm, the Board of Directors has the ambition to as far as possible and as long as in compliance with Swiss rules and regulations and if no public deed issue by a Swiss notary is needed, to hold shareholders' meetings in Sweden. The shareholders' meetings, deviating from the Code, will be held in English and information and material will be available in English only. This is in accordance with an exemption granted by the Swedish Financial Supervisory Authority. The minutes from shareholders' meetings will be published on the Company's website.

Right to attend shareholders' meetings

All shareholders who are registered directly in Euroclear Sweden's and SIX Switzerland's share registers on 27th April 2012 and who notify the Company of their intention to attend the shareholders' meeting at the latest by the date specified in the convening letter shall be entitled to attend the shareholders' meeting and vote according to the number of shares they hold. Shareholders may attend shareholders' meetings in person or through a proxy. Shareholders may usually register for shareholders' meetings in several different ways, which are described in the meeting convening letter.

Notice of shareholders' meetings and shareholder initiatives

Notice of a shareholders' meeting is given by means of a publication in the Swiss Commercial Gazette or by letter to the shareholders of record as well as through a press release. Between the day of the publication or the mailing of the notice and the day of the meeting there must be a time period of not less than 20 calendar days. The notice of the shareholders' meeting must indicate the agenda and the motions. The notice will also be published on the Company's website.

Stating the purpose of the meeting and the agenda to be submitted, one or more shareholders representing at least ten per cent of the share capital may request the Board of Directors, in writing to call an extraordinary shareholders' meeting. In such case, the Board of Directors must call a shareholders' meeting within two weeks.

Nomination Process

The process for the nomination of Board members for Cavotec has been revised in 2011 in relation to the move from the NZX in New Zealand to NASDAQ OMX Stockholm in Sweden. The objective has been to apply the Swedish Corporate Governance Code, while still respect the Swiss laws and regulations applicable to a Swiss company. The ultimate goal has been to adopt a Nomination Process that is open and transparent to all our shareholders and stakeholders.

Following this process and criteria the Chair of the Board of Directors, Stefan Widegren, started already March 2011 a close dialog with major shareholders, the Board and our legal and financial advisers in Sweden and Switzerland in order to propose a new Corporate Governance Structure for Cavotec SA. The initial proposal for the composition of the Nomination Committee and the Board of Directors of the company were made public in the Prospectus of October 14th, 2011.

The Nomination Committee was appointed on October 6th, 2011 in accordance to the Articles of Association of the company. Please note, that while the Nomination Committee in a Swiss company is appointed by the Board of Directors, the composition of the Cavotec Nomination Committee will follow the recommendations of the Swedish Corporate Governance Code.

The appointed Nomination Committee members are:

Jack Groesbeek, Chairman of the Committee and shareholder
Lars Hellman, Founder shareholder
Stefan Widegren, Chairman of Cavotec SA and Founder shareholder

The Committee members represent some 23% of all votes in the company. A way of contact with the Nomination Committee has been established through the company website www.cavotec.com.

In December 2011 the Committee began preparing a proposal for the Board of Directors to be submitted to the Annual General Meeting 2012. In line with the formal evaluation process adopted by the committee, the Chairman with the assistance of the Nomination Committee members, initiated the yearly evaluation of the work performed by the Board was undertaken, while also performing a renewed assessment of the current requirements of the representation and competence in the Board. These requirements were compared with the expertise currently available within the Board.

On January 30th, 2012 the Nomination Committee met in Lugano in order to discuss various proposals with major shareholders (representing more than 55% of the votes) and the CEO, Ottonel Popesco. Furthermore Stefan Widegren visited New Zealand in mid March in order to meet-up with investors, shareholders and NZ Board members, and among other topics also discuss the proposals for the future composition of the Board of Directors. After having received the support and approval by the Board for its final proposal on March 29th, 2012, the Nomination Committee met on April 2nd to define and explain its final proposal as follows:

According to Art. 13 of the Articles of Association the directors are elected each year to hold office until the following annual shareholders' meeting. Directors may be reelected.

It is proposed the Annual General Meeting to be chaired by Stefan Widegren, while the President of the Annual General Meeting will be Fabio Cannavale, who will be present in Lugano.

Fabio Cannavale, Leena Essén, Nicola Gerber, Christer Granskog, Lakshmi C. Khanna, Erik Lautmann, Joe Pope, Ottonel Popesco and Stefan Widegren stand for re-election.

The Nomination Committee proposes therefore that Fabio Cannavale, Leena Essén, Nicola Gerber, Christer Granskog, Lakshmi C. Khanna, Erik Lautmann, Joe Pope, Ottonel Popesco and Stefan Widegren be re-elected as Directors for a further one-year term of office expiring at our annual general meeting to be held in 2013.

The Nomination Committee furthermore proposes to nominate Stefan Widegren as Chairman of the Board of Directors.

With respect to the requirements in the Swedish Corporate Governance Code (the Code) that a majority of the directors elected by the shareholders' meeting are to be independent of the company and its executive management and that at least two of this majority also are to be independent in relation to the company's major shareholders, the Nomination Committee has carried out the following assessment:

Christer Granskog, Lakshmi Khanna, Erik Lautmann, Nicola Gerber, Joe Pope and Fabio Cannavale are all independent of the company and its executive management.

Christer Granskog, Lakshmi Khanna, Erik Lautmann, Joe Pope and Nicola Gerber are all also independent in relation to the company's major shareholders.

The Nomination Committee therefore concludes that all requirements of director independence as set out in the Code are met.

Finally, the Nomination Committee proposes that PricewaterhouseCoopers SA, Lugano, Switzerland be re-elected as Cavotec's independent auditor for business year 2012.

Shareholders representing more than 55% of the votes support the nomination of the Nomination Committee.

In the Notice of Meeting for the Annual General Meeting 2012, the Committee will present its proposal regarding number of Board members, names of the proposed Board members, and the Chair of the Board. The Committee will also submit its proposal for remuneration to the Chair and other Board members not employed in the company, as well as the committee work.

External auditor

At the Annual General Meeting 2012 the Nomination Committee will also propose to appoint PricewaterhouseCoopers SA, Lugano, as the independent auditor of the company until the Annual General Meeting 2013. Daniel Ketterer is the auditor in charge. He took over this function for the business year 2011.

The Board of Directors

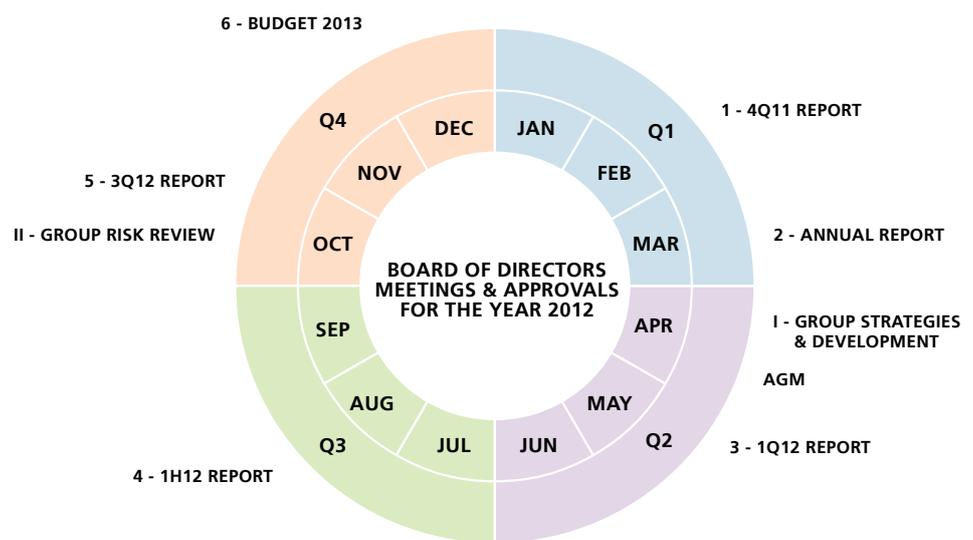
The composition of the Board of Directors is set out in section "Board of Directors" and the members of the Board are elected for the period until the end of the next annual shareholders' meeting. The Board of Directors constitutes itself, but the Chairman of the Board of Directors is elected by the shareholders' meeting as set out in the Articles of Association. The members of the Nomination Committee, the Remuneration Committee and the Audit Committee, as well as the respective Chairmen, are elected from and by the Board members, as further described below in relation to the description of each committee. The Board of Directors has a Company Secretary that has the duties and competencies set out by Swiss law. Furthermore, the Secretary assists the Board, the Chairman and the Committees, to co-ordinate and fulfill their duties and assignments in accordance with the Board of Directors Internal Regulations (comparable to rules of procedures and adopted by the Board of Directors).

The Board of Directors is entrusted with the ultimate management of the Company, as well as with the supervision and control of the management. The Board of Directors is the ultimate executive body of the Company and shall determine the principles of the business strategy and policies. The Board of Directors shall exercise its function as required by law, the Articles of Association and the Board of Directors' Internal Regulations. The Board shall be authorised to pass resolutions on all matters that are not reserved to the general meeting of shareholders or to other executive bodies by applicable law, the Articles of Association or the Internal Regulations.

By Swiss law, the Board of Directors has the following non-transferable and inalienable duties:

- a) The determination of the strategy of the Company and the Group and the issuance of the necessary directives;
- b) The establishment of a framework of the organisation;
- c) The basic structuring of the accounting system, of a system of internal financial controls, and of the financial planning;
- d) The approval of the appointment (and suspension) of the officers entrusted with the management of the Company or with its representation;
- e) The supervision of management, in particular in relation to compliance with the law, the Articles and corporate regulations, charters and directives;
- f) Decisions on the business report consisting of the annual financial statements, the annual report, and consolidated financial statements including interim published reports and determination of the accounting standard;
- g) The preparation of the general meeting of shareholders of the Company and the implementation of its resolutions;
- h) Notification to the judge in case of a capital loss ("Unterbilanz") of the Company and in case of over indebtedness ("Überschuldung"; art. 725-725a CO).

Cavotec Board of Directors Work Calendar



By Swiss law, the Board of Directors also has the following non transferable competencies: Decisions in connection with capital increases pursuant to art. 651a, 652g, 653g CO (acknowledgement of capital increase) and art. 651 IV CO (increase of share capital in the case of authorised capital); decisions pursuant to art. 634a I CO (shares not fully paid in) and resolutions pursuant to the Swiss Merger Act.

The Board of Directors held five Board meetings in Cavotec MSL and seven Board meetings in Cavotec SA in 2011.

Board and Committee meetings in Cavotec MSL and Cavotec SA in 2011

	Board		Audit		Remuneration		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Fabio Cannavale	4* + 7	10						
Leena Essén	4* + 7	11	3* + 3	6				
Nicola Gerber	4* + 7	11						
Christer Granskog	4* + 7	11	3* + 3	6	1* + 2	3	1*	1
Jack Groesbeek	4*	4					1* + 1	2
Lars Hellman	4*	4					1	1
Lakshmi Khanna	4* + 7	11	3* + 3	6	2	2		
Erik Lautmann	4* + 7	11			1* + 2	3		
Joe Pope	4* + 7	11	3* + 3	6	1* + 2	3	1*	1
Ottonel Popesco	4* + 7	11						
Stefan Widegren	4* + 7	11					1	1

* Meetings held in Cavotec MSL

Board Committees

The Board of Directors currently has three Board committees, the Nomination Committee, the Audit Committee and the Remuneration Committee and the composition and tasks of the Committees are regulated in the Board of Directors' Internal Regulations. Below is a brief description of the Committees as per the current Internal Regulations (which are continuously reviewed and if deemed appropriate by the Board of Directors amended).

Nomination Committee

The Nomination Committee shall be a committee established by the Board of Directors of the Company. This is in line with Swiss law but will constitute a deviation from the Code that prescribes that the Nomination Committee shall be determined by the shareholders. To follow the rules that apply to Swiss companies the Board of Directors has decided that Nomination Committee shall be established by the Board of Directors. The composition of the Nomination Committee shall however be in line with the Code.

The Nomination Committee shall ensure that the Company has a formal and transparent method for the nomination and appointment of Board members. The objectives of the Nomination Committee

are to regularly review and, when appropriate, recommend changes to the composition of the Board of Directors to ensure that the Company has, and maintains, the right composition of Board members to effectively govern and provide guidance to business, and identify and recommend to the Board of Directors individuals for nomination as members of the Board and its Committees (taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other Board members).

The current members of the Nomination Committee in Cavotec SA are Jack Groesbeek, Lars Hellman and Stefan Widegren. The Nomination Committee of Cavotec MSL met three times in 2010 and have met one time in 2011. At the date of this Annual Report the Nomination Committee of Cavotec SA has met twice in 2012.

Audit Committee

The objective of the Audit Committee is to assist the Board of Directors in discharging its responsibilities relative to financial reporting and regulatory compliance. Members of the Audit Committee shall comprise members of the Board appointed by the Board and in accordance with the Code. The members of the Audit Committee shall be not less than three, all of whom shall be Board members with a majority to be independent Board members. One member must have a financial or accounting background.

The current members of the Audit Committee in Cavotec SA are Lakshmi Khanna, Leena Essén, Christer Granskog and Joe Pope. Currently all the members are financially experienced and have relevant finance and/or auditing experience. One of them, namely Lakshmi Khanna, is a Chartered Accountant while Joe Pope is an accredited Fellow of the Institute of Directors. The Audit Committee of Cavotec MSL met five times in 2010 and have met three times in 2011, while the Audit Committee of Cavotec SA has met three times in 2011.

Remuneration Committee

The purpose of the Remuneration Committee is to regularly review, and recommend changes to Board members' remuneration to ensure that it is at an appropriate level, and effectively managed, to best advance the business objectives of Cavotec and assist the Board of Directors in the establishment of remuneration policies and practices for, and in discharging the Board of Directors responsibilities relative to remuneration setting and review of, the Company's CEO, other senior executives, and Board members. The compensation plans should reflect market conditions in the various countries where Cavotec is operating. During 2011, the Remuneration Committee of Cavotec MSL has carried out, with the support of the consulting firm MERCER, a complete position analysis of senior managers and linked the outcome to compensation database statistics for all markets.

The current members of the Remuneration Committee in Cavotec SA are Christer Granskog, Lakshmi Khanna, Erik Lautmann and Joe Pope. The Remuneration Committee of Cavotec MSL met three times in 2010 and has met one time in 2011, while the Remuneration Committee of Cavotec SA has met once.

Group Key Management

The composition of the Group Key Management is set out in the section "Executive Management Committee".

Cavotec's operational structure is reasonably flat in order to ensure that the Group's operations and decision-making processes are efficient and responsive. Strategic, Group-related operations are the responsibility of the CEO and CFO with the support of the Regional Managers and the Managing Directors. All material decisions within the day-to-day operations of the Company are taken by the CEO and CFO.

Due to the inherent international character of the Group, the Managing Directors of local Cavotec companies – who are close to their customers, suppliers and staff in their respective time zones, cultural environment and geographical area – take day-to-day operational decisions. Managing Directors report to Regional Managers, who in turn report to the CEO. Besides a few exceptions, both Regional Managers and Managing Directors live in the same country and region as they operate in. Often the Regional Manager is also a Managing Director of a major company within his or her region. The Chairman, the CEO and CFO are all working out of Cavotec's corporate office in Switzerland. Cavotec has also located to the corporate office its functions for Administration, Business Development, Corporate Communications, ERP & Logistics, Finance & Accounting, Human Resources, Information Technology, Investor Relations & PR, Patents & Trademarks, Sales & Marketing, Strategic Corporate Projects, Technical R&D, Treasury and other special advisory roles.

The Cavotec Executive Management Committee – EMC

The EMC is nominated by the CEO and currently consists of twelve members.

The EMC is made up of members from the Group's most experienced and knowledgeable management team. This includes top corporate staff, several Regional Managers and several Group Market Unit Managers.

The EMC advises on and supports the implementation of global strategies as defined by the CEO in specific areas. It advises the CEO on strategic management decisions and helps to implement such decisions according to each member's specific responsibilities or as directed by the CEO. The EMC also assists the CEO with the evaluation and implementation of company acquisitions.

The EMC discusses and defines strategies, policies, acquisitions, overall developments and administrative improvements. The Group Key Management implements recommendations made by the EMC. The CEO presents the most strategic recommendations to the Board of Directors for their consideration and decision. The CEO is responsible for the day-to-day running of the Group.

Once a Board decision is taken, the EMC assists the CEO to implement the same. EMC members also support the integration teams set up to oversee all new acquisitions.

Remuneration and incentive plans

Remuneration of the Board of Directors

The remuneration to the members of the Board of Directors in Cavotec SA, is, in deviation from the Code, resolved by the Board of Directors as set out in the Articles of Association. In addition, Board members may receive remuneration for consultancy services provided to the Company. None of the members of the Board of Directors are entitled to any benefits when resigning from the Board, in their capacity as Board members. However, Board members may be entitled to benefits according to employment or consultancy agreements that will continue even if the Board member would resign as Board member.

Board of Directors EUR	Board fees	Short-term employee benefits	Post- employment benefits	Consultancy	Total
Fabio Cannavale	26,273	-	-	-	26,273
Leena Essén	7,750	312,631	22,257	-	342,638
Nicola Gerber	26,273	-	-	-	26,273
Christer Granskog	36,273	-	-	-	36,273
Jack Groesbeek*	25,398	-	-	-	25,398
Lakshmi Khanna	38,500	-	-	75,000	113,500
Lars Hellman*	-	267,010	12,681	-	279,691
Erik Lautmann	33,773	-	-	33,750	67,523
Joe Pope	40,023	-	-	-	40,023
Ottonel Popesco (Chief Executive Officer)	-	581,733	64,112	-	645,845
Stefan Widegren (Chairman)	26,250	611,849	86,991	60,846	785,936
Total remuneration	260,510	1,773,223	186,041	169,596	2,389,371

* They were Board members of MSL Holdings until 30 September 2011.

Remuneration levels for Senior Executives

To ensure strong cohesion across the Group, some 15 years ago Cavotec introduced a system under which bonuses for Regional Managers, Managing Directors and other Senior Executives are determined by overall, consolidated Group results. This 'one-bottom-line' policy works well and has been instrumental to the Group becoming a genuinely global player. Cavotec is mindful that it is a mini-multinational. However, as Cavotec grows, the Regional Manager role is likely to evolve.

Incentive plan for senior executives

Cavotec's Board of Directors has reviewed current remuneration practices in order to retain and attract talented senior executives as well as aligning senior executives and shareholders interests. As a result of the review, the Board of Directors intends to recommend a share based long-term incentive plan with performance requirements to be introduced in 2012 (LTIP 2012). LTIP 2012 is planned to be proposed to Cavotec's Annual General Meeting in 2012 for shareholder approval.

Internal Control System (ICS)

The Company has not established a separate department for internal control. This task is performed by Audit Committee of the Board of Directors and the Board of Directors. Moreover, at Group level each Managing Director of a legal entity together with the legal and/or operational entity's finance department and the Director of Internal Audit – reporting to the Chairman – is responsible for ensuring that the necessary controls are performed along with adequate monitoring. Internal controls comprise the control of the Company's and Group's organisation, procedures and remedial measures. The object is to ensure reliable and correct financial reporting, and to ensure that the Company's and Group's financial reports are prepared in accordance with law and applicable accounting standards and that other requirements are complied with. The internal control system is also intended to monitor compliance with the Company's and Group's policies, principles and instructions. In addition, the control system monitors security for the Company assets and monitors that the Company's resources are exploited in a cost-effective and adequate manner. Internal control also involves following up on the implemented information and business system, and risk analysis.

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