

# Corporate Governance report 2018



London, United Kingdom

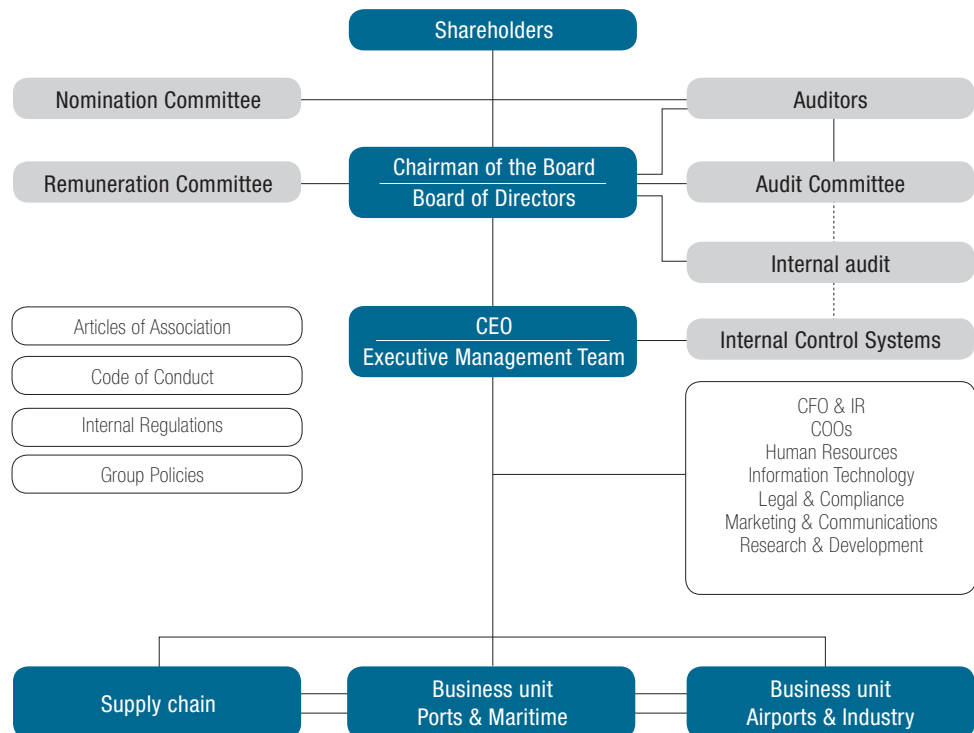
Since Cavotec is a Swiss Company listed on the NASDAQ OMX in Stockholm, the corporate governance of Cavotec is based on Swiss and Swedish rules and regulations, such as the Swiss Code of Obligations (the "CO") and the Swedish Code of Corporate Governance (Sw. Svensk kod för bolagsstyrning) (the "Code").

**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 follow all rules in the Code, but has options for selecting alternative solutions which it may deem to better suit 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 in October 2011. However, since it is a Swiss company subject to Swiss rules and regulations there are some deviations from the Code. Deviations that the Company is aware of have, as far as possible, been explained in the Company's corporate governance report.

**Cavotec Corporate Governance structure**





## Shareholders' meetings

### General

Shareholders' rights to resolve on company matters are exercised at shareholders' meetings. 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 issued 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 April 3, 2018 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 Notice of Meeting.

### 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 was revised in 2011 following the move from the NZX in New Zealand to NASDAQ OMX in Sweden. The objective has been to apply the Code, while still respecting 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 shareholders and stakeholders.

The Nomination Committee was appointed on March 27, 2017 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.

From March 28, 2017 the Nomination Committee members are Henrik Blomquist (representative for Bure Equity), Fabio Cannavale (representative for Nomina SA), Peter Brandel (representative for Management & Founder Shareholders) and Thomas Ehlin, replacing Per Colleen in September 2017 (representative for 4AP-fonden). As Chairman of Cavotec SA, Stefan Widegren will be invited to Nomination Committee meetings.

In October 2017 the Committee began preparing a proposal for the Board of Directors to be submitted to the Ordinary General Meeting. An evaluation of the work performed by the Board was completed in February 2018, a new evaluation is scheduled for 2019.

On January 18, 2018 the Nomination Committee had a meeting to discuss various proposals with major shareholders, (representing more than 40 per cent of the votes), and among other topics also discussed the proposals for the future composition of the Board of Directors. The Nomination Committee proposes that the Board of Directors shall comprise of six members.

After having received the support and approval by the Board on February 22, 2018 for its final proposal the Nomination Committee defined its final proposal as follows:

According to Art.13 of the current Articles of Association, as well as according to Art.3 of the Federal Ordinance on Excessive Compensation, the directors are elected each year to hold office until the following annual shareholders' meeting. Directors may be re-elected.

It is proposed that the Ordinary General Meeting in Lugano is to be chaired by Stefan Widegren.

Fabio Cannavale, Erik Lautmann, Heléne Mellquist, Helena Thrap-Olsen, and Patrik Tigerschiöld will stand for re-election, while Roberto Italia is proposed for election. Ottonel Popesco and Stefan Widegren will not stand for re-election.

The Nomination Committee proposes that Fabio Cannavale, Erik Lautmann, Heléne Mellquist, Helena Thrap-Olsen, and Patrik Tigerschiöld to be re-elected as Directors for a further one-year term of office expiring at the Ordinary General Meeting to be held in 2019.

The Nomination Committee proposes to elect Roberto Italia to the Board of Directors.

The Nomination Committee furthermore proposes to elect Patrik Tigerschiöld as Chairman of the Board of Directors.

With respect to the requirements in 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:

Fabio Cannavale, Roberto Italia, Erik Lautmann, Heléne Mellquist, Helena Thrap-Olsen and Patrik Tigerschiöld are all independent of the company and its executive management.

Roberto Italia, Erik Lautmann, Heléne Mellquist and Helena Thrap-Olsen 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.

Shareholders representing more than 40 per cent of the votes support the above mentioned proposals made by the Nomination Committee.



*Roberto Italia graduated cum laude in business and economics from LUISS, Rome (Italy) in 1990 and in 1994 received a MBA with distinction from INSEAD, Fontainebleau (France). After starting with the Telecom Italia group, Mr. Italia has been in private equity since 1994 and as a partner since 1999, initially with Warburg, Pincus, then Henderson Private Capital and more recently Cinven, with which he has had an association until 2018. In 2013 he founded Red Black Capital, his own investment group targeting investment in small- to medium-sized companies across Europe, co-founded Space Holding, a holding company promoting special purpose acquisition companies in public markets, and RedSeed Ventures, an investment partnership targeting venture capital and early-stage investments. Roberto is chairman of Avio (AVIO.MI), executive chairman of Space4 (SPA4.MI), member of the board of lastminute.com Group (LMN.SW) and of a number of private companies associated with his investment activities.*

Finally, and in accordance to Art. 7 of the Federal Ordinance on Excessive Compensation and with the Internal Regulations, the Nomination Committee proposes to elect the following Board members to be part of the Remuneration Committee for the year 2018/2019:

Erik Lautmann, Helena Thrap-Olsen and Patrik Tigerschiöld.

With respect to the requirements in the Code that all members of the Remuneration Committee, apart from the chairman of the Remuneration Committee, are to be independent of the company and its executive management, the Nomination Committee has come to the conclusion that all candidates proposed by the Board of Directors are independent of the company and its executive management.

#### **External auditor**

At the Ordinary General Meeting 2018 the Nomination Committee will also propose to appoint PricewaterhouseCoopers SA, Lugano, as the independent auditor of the company until the Ordinary General Meeting 2019. Daniel Anliker is the auditor in charge. He is taking over this function for the 2018 business year from his colleague Daniel Ketterer.

## **The Board of Directors**

The composition of the Board of Directors is set out in section "Board of Directors" in the Cavotec Annual Report and the members of the Board are elected for the period until the end of the next ordinary meeting of shareholders. 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.

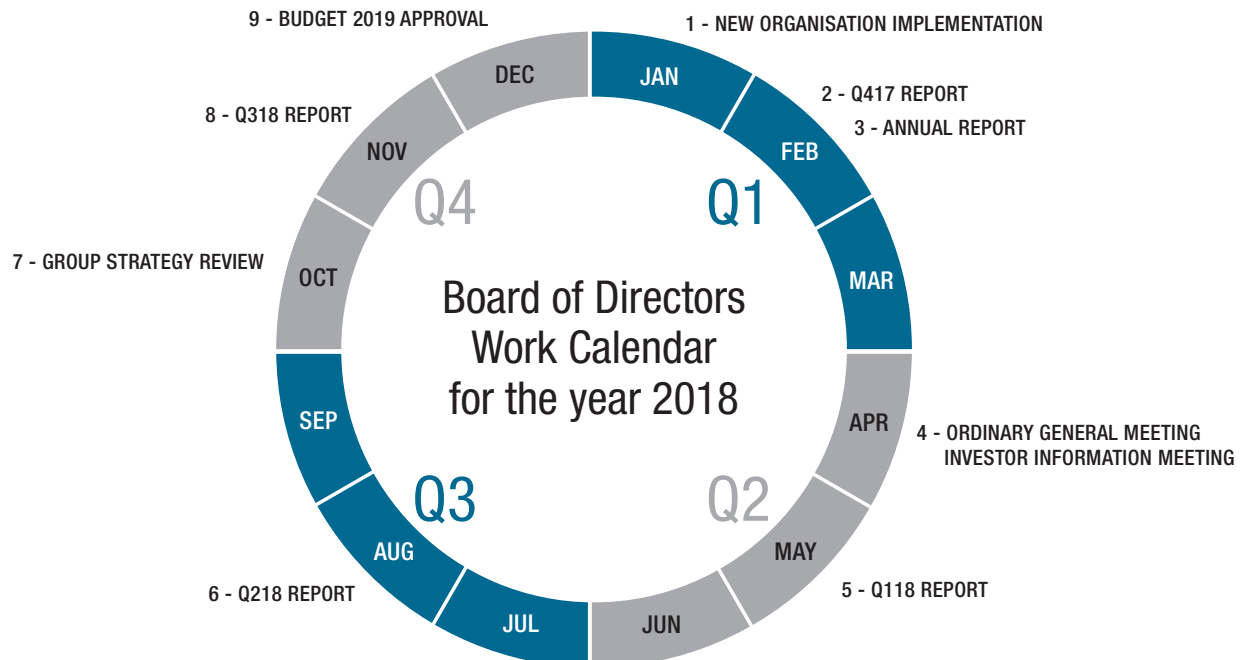
The members of the Nomination Committee and the Audit Committee, as well as the respective Chairmen, are elected from and by the Board members. The Board of Directors has a Company Secretary that has the duties and competencies set out by Swiss law. Furthermore, the Secretary assists the Board, the Chairman 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).
- i) Preparation of the compensation report.



By Swiss law, the Board of Directors also has the following non-transferable responsibilities: 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 eight Board meetings for Cavotec SA in 2017 and one in 2018.

#### Board and Committee meetings in Cavotec SA in 2017

	Board		Audit		Remuneration		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Henrik Blomquist							3	3
Peter Brandel							3	3
Fabio Cannavale <sup>(1)</sup>	8	5	6	3			3	3
Per Colleen							3	1
Thomas Ehlin							3	2
Leena Essén <sup>(2)</sup>	8	2	6	2				
Nicola Gerber <sup>(2)</sup>	8	2						
Erik Lautmann	8	8			4	4		
Heléne Mellquist	8	7	6	6				
Ottonel Popesco	8	8						
Helena Thrap-Olsen	8	8			4	4		
Patrik Tigerschiöld	8	8	6	6	4	3		
Stefan Widegren	8	8						

<sup>(1)</sup> Joined Audit Committee in April 2017.

<sup>(2)</sup> Did not stand for re-election at the OGM 2017.

## 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, judgment and the ability to work with other Board members).

The Nomination Committee members are Henrik Blomquist (representative for Bure Equity), Fabio Cannavale (representative for Nomina SA), Stefan Widegren, replacing Peter Brandel in April 2018 (representative for Management & Founder Shareholders) and Thomas Ehlin, replacing Per Colleen in September 2017, (representative for 4AP-fonden).

### **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 exclusively comprise of members of the Board appointed by the latter in accordance with the Code. The Audit Committee will comprise of not less than three members with a majority to be Independent Directors of the Board. One member must have a financial or accounting background.

The Audit Committee of Cavotec SA is involved in a wide range of activities including inter alia, the review of all quarterly, half - yearly and annual financial statements prior to their approval by the Board and release to the public. The Committee has periodic contact with the external auditors, PricewaterhouseCoopers, through the PwC engagement partner responsible for the Audit and through the principal engagement manager, to review any unusual matters and the effect of new accounting pronouncements. As a matter of policy, the Audit Committee meets with the PwC engagement partner without the presence of Management at least once every year. Further, the Committee reviews the annual audit plan, as prepared by the external auditors, including the adequacy of the scopes of the audits proposed for the principal locations and the proposed audit fees. The engagement of the Auditors for nonaudit services of significance is approved in advance by the Audit Committee.

The Group Internal Audit Function, which reports to the Chairman of the Board, has a direct line of communication with the Audit Committee, which receives all Internal Audit reports from the Director of Internal Audit as and when issued. The annual Internal Audit plan is reviewed by the Audit Committee and is approved by the Chairman of the Board.

At least once every year Management gives a presentation to the Audit Committee on the risk profile of the Group and on the procedures in place for the management of Risk. Risks related to the potential impairment of assets and the related provisions required for financial exposures are reviewed and discussed with Management at least once a year, normally in conjunction with the third quarter closing.

The Audit Committee of Cavotec SA met six times in 2017 and twice in 2018.

The current members of Audit Committee are Fabio Cannavale, Heléne Mellquist and Patrik Tigerschiöld.



### **Remuneration Committee**

The Remuneration Committee has the following duties and responsibilities:

1. Reviewing and advising the Board of Directors on the terms of appointment of the CEO;
2. Reviewing working environments and succession planning for members of the management;
3. Reviewing the terms of the employment arrangements with members of the management, as well as to develop consistent group employment practices subject to regional differences;
4. Reviewing of and making proposals to the Board of Directors on the remuneration of the members of the Board of Directors and of the Chief Executive Officer;
5. Reviewing the terms of the Company's short and long term incentive plans;
6. Submission of a draft of the remuneration report to the Board of Directors.

The current members of the Remuneration Committee in Cavotec SA are Erik Lautmann (Chairman), Helena Thrap-Olsen and Patrik Tigerschiöld.

In accordance to Art. 7 of the Federal Ordinance on Excessive Compensation and with the Internal Regulations, the Nomination Committee proposes to elect the following Board members to be part of the Remuneration Committee for the year 2018/2019: Erik Lautmann, Helena Thrap-Olsen and Patrik Tigerschiöld.

The Remuneration Committee of Cavotec SA met four times in 2017.

### **Group Key Management**

The composition of the Group Key Management is set out in the section "Executive Management Team" (EMT).

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 with the support of the CFO & IR, COOs and the EMT. All material decisions within the day-to-day operations of the Company are taken by the CEO.

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 their respective COOs, who in turn report to the CEO. The Chairman, the CEO and CFO & IR all work out of Cavotec's corporate office in Switzerland. Cavotec has also located to the corporate office its functions for Corporate Marketing & Communications, ERP & Logistics, Finance, Human Resources, Investor Relations, Legal & Compliance, and other special advisory roles.

### **Executive Management Committee – EMT**

The EMT is selected by the CEO and consists of eight members, combining Cavotec's senior operational and corporate functions.

The EMT fulfills the Group Management role – empowered by the CEO – and ensures efficient implementation of strategic decisions into Cavotec's global organisation and leads local management on key operational issues. The CEO with the EMT defines and implements operational strategy, policies, technical and commercial developments, as well as new acquisitions in line with targets set by the Cavotec's Board of Directors.

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 2017
Fabio Cannavale	33,750	-	-	-	33,750
Leena Essén <sup>(1)</sup>	8,750	113	243	-	9,106
Nicola Gerber <sup>(1)</sup>	7,500	255	379	-	8,134
Erik Lautmann <sup>(2)</sup>	38,800	585	1,261	8,800	49,446
Helené Mellquist	39,500	1,408	2,096	-	43,004
Ottonel Popesco	-	231,279	39,046	-	270,325
Helena Thrap-Olsen <sup>(3)</sup>	35,000	1,248	1,857	5,000	43,105
Patrik Tigerschiöld	40,000	1,426	2,122	-	43,548
Stefan Widegren (Chairman) <sup>(4)</sup>	110,000	90,162	-	66,313	266,475
<b>Total remuneration</b>	<b>313,300</b>	<b>326,476</b>	<b>47,004</b>	<b>80,113</b>	<b>766,893</b>

<sup>(1)</sup> Lena Essen and Nicola Gerber did not stand for re-election as Board members at OGM March 2017.

<sup>(2)</sup> Erik Lautmann through Radela AB, has provided consulting services to the Group totalling EUR 9 thousands i.e. CHF 10 thousands.

<sup>(3)</sup> Helena Thrap-Olsen through H.O S.a.S, has provided consulting services to the Group totalling EUR 5 thousands i.e. CHF 6 thousands.

<sup>(4)</sup> Stefan Widegren through Soliden Sagl, has provided consulting services to the Group totalling EUR 66 thousands i.e. CHF 74 thousands.

Chief Executive Officer EUR	Salary	Short-term Incentive	LTI Matching Incentive	Social Security, Insurance and Pension Contributions	Total 2017
Mikael Norin	361,752	184,064	-	40,513	586,329
Ottonel Popesco	231,279	-	13,222	240,087	484,588
<b>Total remuneration</b>	<b>593,031</b>	<b>184,064</b>	<b>13,222</b>	<b>280,600</b>	<b>1,070,917</b>

- In FY2017 Ottonel Popesco covered the role of CEO from January to June, while he served as Board Member for the whole year. The remuneration he received as CEO has been included in the table above, while the remuneration he received in the following six months has been included in the Board of Directors table.
- Mikael Norin has been appointed CEO as of 1st July 2017. The remuneration shown applies for the period July - December 2017.
- The LTIP Matching incentive is based on a long term incentive plan. Each year the CEO has the possibility to purchase Co-investment shares at fair value in the stock market during the Co-investment period of the respective plan. In 2017, Ottonel Popesco has decided to receive his matching incentive for the plan 2014 in the form of shares i.e. 4,272 shares (when the shares were received the value of the share was SEK 30.40 and the exchange rate was SEK 1= EUR 0.1025).
- The Social Security, Insurance and Pension Contributions include employer contributions.

#### **Remuneration levels for Senior Executives**

To ensure strong cohesion across the Group, some 15 years ago Cavotec introduced a system under which bonuses (STIP) for EMT members, Managing Directors and other Senior Executives are determined by overall, consolidated Group results.

#### **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 recommended a share based long-term incentive plan with performance requirements, which was introduced in 2012 (LTIP 2012). The LTIP 2012 was approved by Cavotec's Ordinary General Meeting (OGM) in May 2012 and was subscribed to for over 90% by the selected management. This plan was successfully closed in 2015. Identical plans (LTIP 2013, 2014, 2015, and 2016) have been approved by the OGM in their respective years. The LTIP 2018 has been approved by the Board in February 2018. Like in 2017, the current LTIP will not be presented to the OGM 2018, since it will not require any new emission of shares.

#### **Internal Control System (ICS)**

The Company has not established a separate department for internal control. This task is performed by the 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 objective 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.

**Cavotec SA**

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