



 **CARGOTEC**

GRI INDEX 2019

SMARTER CARGO FLOW
FOR A BETTER EVERYDAY



SUSTAINABILITY ACCOUNTING PRINCIPLES AND REPORTING BOUNDARY

GRI index 2019



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INDEPENDENT LIMITED ASSURANCE REPORT

Cargotec sustainability reporting consists of three documents, the GRI Index 2019, the Annual Review 2019 and the Financial Review 2019. The information presented in the Annual Review is a general description of our sustainability work and the operating context throughout the year. It shows the highlights of our sustainability performance, a current status of our targets and future plans. The Financial Review includes our disclosure on non-financial issues.

This GRI Index is published as a separate report on our website. Following the GRI reporting requirements, this report presents the sustainability information in a standardised way and focuses on the disclosures that best reflect our impacts on the topics.

Reporting content and boundary

Cargotec aims to report on sustainability topics in a manner that meets the needs of our customers, investors and other stakeholders. Our strategy defines our sustainability approach and priorities. We uphold an open and transparent dialogue with the various stakeholder groups to understand their expectations. Our sustainability work has also been guided by Cargotec's commitment to the UN Global Compact and other key international commitments and organisations relating to sustainability. We are reporting on our progress towards the UN Global Compact principles in this GRI index.

We conducted a materiality assessment during the autumn 2019 to update our sustainability focus areas with feedback from our key stakeholders. The assessment was carried out in a form of an on-line survey where the respondents valued the importance of a range of pre-selected economic, environmental and social topics. The pre-selection was made by considering that a topic is material if it has a significant impact on the business performance, or if it is particularly important for our stakeholders. The updated material topics are presented under the indicator 102-47.

From 2010 onwards, Cargotec's sustainability reporting content has been approved by senior executive management representatives or the Leadership Team. The reporting content of this 2019 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.

Cargotec's consolidated figures for 2019 cover 21 assembly sites, 4 competence centres and 122 non-assembly sites. In 2018, significant changes were made to the reporting boundary as the company's non-assembly sites started reporting for the first time. Unless otherwise stated, the consolidated sustainability information covers the entire group.

According to Cargotec's sustainability accounting principles, newly acquired or built sites are being consolidated in the environmental and safety figures after a reasonable period of time has passed since the implementation of the Environment, Health and Safety (EHS) management practice. In most cases, this is completed after the first full operational year and after they have gone through the external assurance process. Divested sites are included in the reporting boundary until the date of closing the transaction. However, this only applies to sites that have been part of the Group for at least six months.

Topic boundaries for the material topics are presented under 102-47 to clarify the topics that are outside of our direct control but where we can have a contribution. These include information about our supplier management and our approach to other third party interactions.

Site-related information, divestments and acquisitions

The most significant change to the reporting boundary in 2019 was the addition of 4 new assembly sites as a result of acquisitions made during 2018. During 2018 MacGregor acquired Rapp Marine which constitutes of an assembly site in Seattle, US, and 3 non-assembly sites in Europe. In 2018, Hiab acquired Effer S.p.a which has led to the integration of 3 production sites located in Taranto, Minerbio and Argelato in Italy. Effer produces small, medium, heavy and super heavy cranes, and the operations at these sites include not only assembly of products but also design and production of the components needed for the assembly process. The production process includes activities such as laser cutting of metal sheets, bending, carpentry, painting and washing covering the whole manufacturing cycle. This makes the sites unique for Cargotec.

In 2019, MacGregor also completed the TTS acquisition. TTS is not included in the consolidated EHS figures presented in this report; following our reporting principles, they will be included after one full operational year. However, TTS is included in selected economic and personnel information where stated separately.

Following our reporting principles, 11 non-assembly sites that became operational during 2018 are now included in the reporting boundary for 2019. These sites are: MacGregor Bodö, Norway; MacGregor UK, Peterhead; MacGregor Serbia; Hiab Germany, Standort Karlsruhe WS; Hiab UK, Bishop Stortford; Hiab UK, Cumbernauld; Hiab UK, Dudley; Hiab UK, North and Hiab France, Longjumeau.

During 2018 we divested an assembly site Kalmar Cibolo in the US. At the end of 2018 Cargotec closed the Lidhult assembly site in Sweden which was replaced by the new Kalmar Innovation Center which opened in Ljungby, Sweden. We are looking forward to

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generating new ideas and solutions around digitalisation, fully electric and driverless offering with advanced safety features in the new centre. A couple of small service sites were closed during 2019, including MacGregor Malaysia Miri, MacGregor Norway Porsgrunn, Hiab South Africa, Hiab Hong Kong, and Hiab Germany Langenhagen.

Cargotec's sustainability information presented in the GRI index and related materials covers the entire group, whereas the following indicators have currently been identified as non-material for the non-assembly sites and are therefore published only for 25 Cargotec sites (21 assembly sites and four technology and competence centres): 303-1, 305-7 and 306-2. Furthermore, data for indicators 302-3 and 305-4 will only be published for the assembly sites and competence centres as the data for Cargotec total has not been assured in previous years. Additionally, to achieve comparable data against previous years, two separate figures, one for Cargotec total and another for assembly sites, is provided for the following indicators: 302-1, 305-1, 305-2, 403-2. The figure for Cargotec total includes all operations while the figure for assembly sites includes only the 21 assembly sites and the four technology and competence centres. Data for the following personnel-related indicators 102-8, 102-41, 402-1, 404-3 and 405-1 is consolidated for the whole group, including the newly acquired TTS and Effer.

Accounting methodology, conversion factors, discrepancies Economic indicators

The economic responsibility data presented in this review is 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 of the consolidated financial statements.

201-1 Direct economic value generated and distributed is calculated as follows:

1. Revenues include sales from goods and services sold to customers, other operating income, and interest income received. The sales are reported net of sales taxes and discounts.
2. Operating costs include purchases of goods and services from suppliers, as well as other operating costs incurred during the financial year, excluding employment-related costs and depreciation and amortisation costs.
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 interests paid and other financing expenses incurred.
5. The distribution of value added to the public sector includes income taxes. Deferred taxes are not included in this figure.

6. The distribution of value added to shareholders is the total value of dividends paid to shareholders from the parent company's distributable funds during the financial year.
7. Donations include contributions to non-profit organisations.

Environmental indicators

Environment health and safety data is collected through Cargotec's sustainability system which has been implemented across the whole organisation. Unit conversions used in EHS data consolidation are based on the International System of Units (SI). We apply the operational control method outlined in the GHG Protocol's Corporate Accounting and Reporting Standard. Energy consumption (302-1) and water consumption (303-1) are based on invoices and continuous measurements. Some energy consumption estimates are made because of delayed figures from local energy companies. For some locations in our non-assembly operations, the energy consumption is included in the facility rent and therefore not reported. The energy consumption by suppliers or rental operations on Cargotec sites is included in total figures when invoicing is not carried out separately. Energy intensity figures under 302-3 are a relation of gross energy consumption and sales by sites within the reporting boundary.

Greenhouse gas emissions (GHG) under 305-1 and 305-2 are calculated based on direct and indirect energy consumption reported from the sites within the reporting boundary.

Gross GHG emissions are presented as tonnes of CO₂ equivalents. Direct emission factors for 2017, 2018 and 2019 are derived from the GHG Protocol version 3. Emission factors for location-based indirect energy consumption (GHG Scope 2) are derived from the International Energy Agency's publication series "CO₂ Emissions from Fuel Combustion" (2017, 2018, 2019). The Scope 2 emission factors are updated every year after a new version has been published. Scope 2 market-based emissions were reported for the first time in 2018 and we continue reporting them during 2019. They are calculated based on emission factors from contractual agreements, the latest update of the European and US residual mixes and average grid emission factors from the International Energy Agency.

A comprehensive scope 3 GHG emission calculation according to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard was initiated during 2019. We first screened all the scope 3 emission categories and identified the following emission categories relevant for Cargotec: purchased goods and services, fuel- and energy-related activities, upstream and downstream transportation and distribution, business travel and use of sold products. The initial calculation showed that a majority of Cargotec's total emissions arise from the use of sold products due to long lifetimes and diesel engines. Purchased goods and services was the second biggest emission category. Based on the initial calculation, the use of sold products and purchased goods and services represent more than 95% of all scope 3 emissions. We are currently establishing calculation processes for relevant emission categories, firstly to get accurate results and, secondly, to enable

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comparability year-over-year. To give an accurate and balanced overview, our intention is to disclose the remaining emission categories as soon as we have those calculated. Data for transportation and distribution, business travel, and fuel- and energy-related activities is reported under 305-3 although those represent only a minor share of total scope 3 emissions.

The energy and GHG emission intensity figures under 302-3 and 305-4 are a relation of gross total and sales by assembly sites and competence centres. The base year for the intensity calculations is 2014.

Reported nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions (305-7) includes emissions which are monitored as required by local authorities. Air emissions are locally regulated and their monitoring and quantification are based on site-specific methods. If no exact figures from waste contractors have been available, waste data reported under 306-2 is based either on waste records received from contractor companies or on estimations.

Personnel information

The personnel-related information unit is head count. The number of Cargotec employees by business area, presented under 102-8, is derived from Cargotec's legacy HR system with the principles defined in the Financial review 2019. 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.

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GRI 102: GENERAL DISCLOSURE

ORGANISATIONAL PROFILE

102-1 NAME OF THE ORGANISATION

Cargotec Corporation

102-2 ACTIVITIES BRANDS, PRODUCTS AND SERVICES

Annual review 2019, pp. 4–5 Cargotec in brief

Annual review 2019, pp. 29–38 Business areas

102-3 LOCATION OF HEADQUARTERS

Helsinki, Finland

102-4 LOCATION OF OPERATIONS

Annual review 2019, pp. 4–5 Cargotec in brief

102-5 OWNERSHIP AND LEGAL FORM

Annual review 2019, pp. 4–5 Cargotec in brief

Financial Review 2019, pp. 117–125 Corporate governance statement

102-6 MARKETS SERVED

Annual review 2019, pp. 4–5 Cargotec in brief

Annual review 2019, pp. 29–38 Business areas

102-7 SCALE OF THE ORGANISATION

Annual review 2019, pp. 4–5 Cargotec in brief

Annual review 2019, pp. 9–10 Key figures

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102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS

UNGC Principle 6

Cargotec employees	2019	2018	2017
Kalmar	5,625	5,737	5,819
Hiab	4,028	3,879	3,370
MacGregor	2,350	1,879	1,859
Corporate administration and support functions	584	492	203
Total	12,587	11,987	11,251
Total workforce by employee relationship and gender			Share of females %
Share of own employees in the total workforce			94
of which permanent contracts			89
of which temporary contracts			11
Share of supervised workers in the total workforce			6
Permanent employees by employment type and gender			%
Share of permanent full-time employees			98
of which female			18
Share of permanent part-time employees			1
of which female			56
Total workforce by region and gender			%
AMER			12
of which female			18
APAC			16
of which female			22
EMEA			72
of which female			19
Total workforce			100
of which female			19

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102-9 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. In 2019 we continued to develop our supplier sustainability program, which focuses on mitigating any risks or violations within our supply chain.

In Kalmar, the total number of direct suppliers was around 1,100 at the end of 2019. Kalmar spend was broken down geographically as follows: 37 percent of purchases were from the Americas, 47 percent from Europe and Middle East, and 16 percent from Asia-Pacific. In 2019, the top 50 suppliers represented 62 percent of the spend, and the top 100 suppliers represented 76 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 821 direct suppliers in 2019, of which 36 were strategic suppliers. Focusing on these strategic suppliers enables our continuous development of our supply chain performance. Hiab also runs joint supplier development programmes together with selected suppliers. In 2019, the top 50 suppliers covered 65 percent and the top 100 suppliers 80 percent of the supply volume. The major share of Hiab suppliers was from Europe (79%). The rest of the suppliers were from America (12%) and Asia (9%).

MacGregor has a history of more than 20 years of collaboration with particular suppliers. At the end of 2019, MacGregor had approximately 550 key direct suppliers. The top 70 suppliers covered nearly 80 percent and the top 100 suppliers approximately 85 percent of the supply volume. Approximately 49 percent of the supply volume was from Asia and 51 percent from Europe, Middle East and Africa, and 0.07 percent from North America.

102-10 SIGNIFICANT CHANGES TO THE ORGANISATION AND ITS SUPPLY CHAIN

Annual review 2019, p. 8 Highlights of the year

Annual review 2019, pp. 29–38 Business areas

Financial review 2019, pp. 3–14 Board of Directors' report

102-11 PRECAUTIONARY PRINCIPLE OR 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.

102-12 EXTERNAL INITIATIVES

- UN Global Compact
- ICC Business Charter for Sustainable development
- ILO Declaration on Fundamental Principles and Rights at Work

- UN Universal Declaration of Human Rights
- OECD Guidelines for Multinational Enterprises

All initiatives are voluntary and multi-stakeholder in nature.

102-13 MEMBERSHIP OF ASSOCIATIONS

- The Association of Lorry Loader Manufacturers and Importers (ALLMI)
- Center of Maritime Technologies (CMT)
- China-Finland Committee for Innovative Business Cooperation
- Confederation of Finnish Industries
- Digital, Internet, Materials & Engineering Co-Creation (DIMECC)
- European Material Handling Federation (FEM)
- Finnish Business and Society (FIBS)
- Finnish Industrial Internet Forum (FIIF)
- Finnish Marine Industries
- Företagsutbildarna Ek.F
- German Engineering Federation (VDMA): Marine Equipment and Systems

- Global Compact Finnish Network
- Hudiksvall Hydraulik Kluster Id.F
- Hudiksvall Hydraulik Kluster Innovation AB
- International Chamber of Commerce ICC Finland
- Norwegian Offshore & Drilling Engineering (NODE)
- Piraeus Chamber of Commerce to IMO as part of Greek delegation
- Port Equipment Manufacturers Association (PEMA)
- Technology Industries of Finland
- Terminal Industry Committee 4.0 (TIC 4.0)
- TRACE International

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STRATEGY

102-14 STATEMENT FROM SENIOR DECISION-MAKER

Annual review 2019, pp. 6–7 CEO review

102-15 KEY IMPACTS, RISKS AND OPPORTUNITIES

Annual review 2019, pp. 12–13 Megatrends drive growth

Annual review 2019, pp. 14–15 Refined strategy in execution

Annual review 2019, p. 18 Value creation

ETHICS AND INTEGRITY

102-16 VALUES, PRINCIPLES, STANDARDS AND NORMS OF BEHAVIOUR

UNGC Principle 10

Annual review 2019, pp. 19–24 Sustainability

102-17 MECHANISMS FOR ADVICE AND CONCERNS ABOUT ETHICS

UNGC Principle 10

Annual review 2019, pp. 19–24 Sustainability

Our Code of Conduct, the Cargotec Anti-Corruption policy, Gift and Hospitality Instruction, Instruction for Speak-Up and Non-Retaliation, as well as the new Third Party Policy guide our work against possible unethical or corrupt business practices. The practical implementation of these policies, and related instructions, is guided by our 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. We have an externally hosted speak-up line to enable anonymous and confidential reporting of concerns.

GOVERNANCE

102-18 GOVERNANCE STRUCTURE

Annual review 2019, pp. 19–24 Sustainability

Financial Review 2019, pp. 117–125 Corporate governance statement

102-19 DELEGATING AUTHORITY

Annual review 2019, pp. 19–24 Sustainability

102-20 EXECUTIVE-LEVEL RESPONSIBILITY FOR ECONOMIC, ENVIRONMENTAL AND SOCIAL TOPICS

Annual review 2019, pp. 19–24 Sustainability

STAKEHOLDER ENGAGEMENT

102-40 LIST OF STAKEHOLDER GROUPS

Cargotec's main stakeholders are its customers, personnel and investors. Other stakeholder groups include suppliers, authorities, research and educational institutions, industry associations, local communities and the media.

102-41 COLLECTIVE BARGAINING AGREEMENTS

UNGC Principle 3

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. Statistics are not available for operations in other locations.

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102-42 IDENTIFYING AND SELECTING STAKEHOLDERS

Annual review 2019, pp. 29–38 Business areas

Annual review 2019, pp. 25–28 Personnel

We uphold an open and transparent dialogue with our various stakeholder groups, actively responding to information requests and queries and pro-actively providing information in social media, 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.

As a global leader in intelligent cargo and load handling, we have put a lot of effort into our #SmarterBetterTogether concept – through which we attempt to open an industry-wide dialogue for collaboration around three important challenges that we want to solve. These include reducing inefficiencies, improving eco-efficiency and better safety throughout the whole cargo flow. By activating our own experts as ambassadors and by creating blogs, videos and other content, we have been able to see high-quality discussions on our social media channels between different industry stakeholders: e.g. customers, partners, influencers, competitors and end-users. Visit cargotec.com/sbt for more information about #SmarterBetterTogether.

Additionally, we have used social media as a tool for even more transparent, real-time and effective investor communications. For example, we have shared video summaries, infographics, real-time Q&As and other insights about our interim reports and financial statements. In addition to our group level efforts, our business areas actively use social media especially to communicate and engage with customers.

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102-43 APPROACH TO STAKEHOLDER ENGAGEMENT

Annual review 2019, pp. 29–38 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. We use social media, especially Twitter, LinkedIn and Facebook, as a tool to communicate key messages effectively.
Personnel	<p>As an employer, Cargotec wants to focus especially on personnel development and creating world-class leadership. Our ways to give voice to employees include regular personal/group discussions between managers and their team members, as well as townhall and personnel meetings, among others, both locally and globally by offering online participation. In 2019, we launched a new social intranet to boost employee experience and strengthen cross-organisational collaboration across Cargotec. The new modern digital platform enables easy access to and distribution of relevant information whenever and wherever needed. The goal is to build a company culture of inclusion, openness, interaction, knowledge sharing and dialogue at Cargotec.</p> <p>Our Human Resources Information System ZONE and our new intranet serve as a platform 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. We support employees' freedom of association and right to organise.</p>
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 processing investor requests, Investor Relations organised several events and meetings in 2019. Examples include a site visit to Hiab and Kalmar main assembly units in Stargard, Poland, a Service day in Helsinki, Finland, and roadshows in 10 countries. Additionally, Cargotec IR participated in several investor-related conferences. The AGM was held in Helsinki on 19 March 2019.
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 2019, Cargotec made a donation to UNICEF to help children and to the John Nurminen foundation in protecting the Baltic Sea. MacGregor Global Product Support Center in Gdańsk, Poland organised charity campaigns to support local Polanki Children's Hospital and a local animal shelter in 2019. Throughout the year the CBS in Sofia, Bulgaria conducted a series of charity campaigns supporting local homes for elderly people, disabled children, an orphanage and an animal shelter.
Authorities	With our own operations located in 46 countries, we engage with local authorities to ensure regulatory compliance in our operations.
Suppliers	In 2019, we continued enhancing collaboration with our suppliers via our supplier sustainability management programme. 93 percent of our strategic suppliers have been invited to adopt the sustainability self-assessment tool, with the purpose of encouraging dialogue on human rights risks and other sustainability risks in our supply chain. We also ran extended supplier relationship management programmes with selected suppliers to create joint value for our own and our suppliers' business.
Research and education institutions	<p>Cargotec frequently collaborates with universities and other research institutions around the world. As an example, Dundalk Institute of Technology (DkIT) has signed a Memorandum Of Understanding (MOU) with Co. Louth manufacturer of MOFFETT Truck Mounted Forklifts, Cargotec Engineering Ireland, part of Hiab. It provides a strategic framework for greater collaboration between both organisations in the areas of workforce training, graduate talent pathway development, joint sponsorship initiatives and research & innovation projects.</p> <p>MacGregor holds continuous dialogue with several universities' business and maritime faculties to improve understanding of the changing industry landscape and develop solutions for that. For instance, MacGregor is currently collaborating with German universities, the Fraunhofer Center of Maritime Logistics, and several industry partners on three German government funded projects. One is targeting the development of a Remote Controlled Tug Boat, one is assessing the opportunities of Augmented Reality (AR) for service and maintenance activities onboard vessels, and one is about autonomous switching between different modern marine fuels, covering the IMO 2020 requirements (Autonomous Fuel Handling System).</p>
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.

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102-44 KEY TOPICS AND CONCERNS RAISED

Our interaction with employees builds a foundation for executing our strategy. The new social intranet provides modern and effective ways for open dialogue and collaboration across the company and within teams, projects and communities. It enables strong leadership and employee engagement to drive achieving Cargotec's goals. Structured methods of gathering employee feedback include our employee engagement survey Compass. In 2019, Compass received a response rate of 78 percent (2018: 85%). The overall employee engagement has slightly declined to 68 percent (2018: 69%). Helping our employees have a clearer sense of our strategic direction and confidence in it are seen as the key development areas.

Cargotec Business Services (CBS), operating out of Sofia, Bulgaria, was established in 2017 and during 2019 regional hubs in the US and Singapore were established. Serving the Finance, HR and Indirect procurement functions, CBS works to harmonise global processes across functions, business units and regions. By the end of 2019, CBS was live in 17 countries covering over 50 percent of our total headcount. According to the current roadmap, all significant operating countries will be included in CBS by the end of 2020. Once the implementation is complete, CBS will be a strategic enabler for us establishing one common way of delivering all internal business support services.

In August 2019, MacGregor completed the acquisition of the marine and offshore businesses of TTS Group, a global provider of cargo handling equipment and services for merchant and offshore ships. The integration of the two companies was then initiated and is ongoing. Potential cost synergies of the integration are estimated to be around EUR 25–30 million on annual level and are expected to be reached within three years from closing. The combination of MacGregor and TTS will produce greater scale and diversification and will strengthen MacGregor's portfolio and market position. TTS and its joint ventures have more than 800 employees globally. The biggest TTS teams are located in Germany, Norway and Sweden. In China, TTS has three joint ventures. The acquisition required approval from the competition authorities in Germany, South Korea and China. The Chinese competition authority's approval included temporary requirements relating to the terms and conditions of certain new equipment business undertaken in China, and the need for MacGregor to hold them separate from those of the joint ventures for a period of two years since the date of approval in July 2019.

In June 2019, the National Bureau of Investigation in Finland reported that it has been working on a preliminary investigation about a suspected aggravated fraud in connection to MacGregor business area. The National Bureau of Investigation issued a statement about the case on June 3, 2019. Cargotec detected the suspected financial fraud during an internal review and made an investigation request to the Finnish authorities. Cargotec has a zero tolerance policy for misconduct, and is fully supporting the authorities in their investigations. Neither MacGregor or Cargotec are suspected of criminal actions.

REPORTING PRACTICE

102-45 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT

Financial review 2019, pp. 21–30 Accounting principles for the consolidated financial statements

102-46 DEFINING REPORT CONTENT AND TOPIC BOUNDARIES

Annual review 2019, pp. 19–24 Sustainability
pp. 2–4 Sustainability accounting principles
 See 102-47

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102-47 LIST OF MATERIAL TOPICS

Themes	Material topics	SASB material topics for Industrial Machinery & Goods industry	GRI topics	GRI topic boundaries		
				Suppliers	Cargotec	Customers
Environment	Climate solutions <ul style="list-style-type: none"> • Low-carbon solutions for customers • Extended product life cycles • Air quality • Environmental impacts in the supply chain Impacts from own operations <ul style="list-style-type: none"> • Greenhouse gas emissions, waste, effluents and spills in Cargotec's own operations 	Energy management Product design & lifecycle management	302 Energy		✓	
			305 Emissions	✓	✓	✓
			306 Effluents and waste		✓	
			308 Supplier environmental assessment	✓		
Social	Safety and wellbeing <ul style="list-style-type: none"> • Employee health, safety and wellbeing • Safety of products and services • Supplier and subcontractor safety Working conditions and human rights <ul style="list-style-type: none"> • Employee engagement and satisfaction • Diversity and equal treatment of employees • Fair wages • Freedom of association and collective bargaining • Human rights in the supply chain 	Employee health & safety	401 Employment		✓	
			402 Labor/management relations		✓	
			403 Occupational health and safety		✓	
			404 Training and education		✓	
			405 Diversity and equal opportunities		✓	
			407 Freedom of association and collective bargaining	✓	✓	
			408 Child labor	✓	✓	
			409 Forced or compulsory labor	✓	✓	
			414 Supplier social assessment	✓		
			416 Customer health and safety			
Governance	Compliance <ul style="list-style-type: none"> • Compliance with legal and ethical standards Communication <ul style="list-style-type: none"> • Open communication internally and externally Sustainability management <ul style="list-style-type: none"> • Leadership commitment to sustainability • Systematic sustainability management 	Materials sourcing & efficiency	102 General disclosures		✓	
			103 Management approach		✓	
			201 Economic performance		✓	
			205 Anti-corruption	✓	✓	✓

pp. 2-4 Sustainability accounting principles

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pp. 2–4 Sustainability accounting principles

102-49 CHANGES IN REPORTING

pp. 2–4 Sustainability accounting principles

102-50 REPORTING PERIOD

1 January–31 December 2019

102-51 DATE OF THE MOST RECENT REPORT

Cargotec Annual Review 2018, 19 February 2019

102-52 REPORTING CYCLE

Annual

102-53 CONTACT POINT FOR QUESTIONS REGARDING THE REPORTsustainability@cargotec.com**102-54 CLAIMS OF REPORTING IN ACCORDANCE WITH THE GRI STANDARDS**

This report has been prepared in accordance with the GRI standards: Core option, defined by the Global Reporting Initiative GRI. See the Independent limited assurance report on pp. 24–25. The external assurance covers selected indicators under the specific standard disclosures.

102-55 GRI CONTENT INDEX

GRI Index pp. 5–23

102-56 EXTERNAL ASSURANCE

Independent limited assurance report pp. 24–25

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GRI 103: MANAGEMENT APPROACH

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Annual review 2019, pp. 11–18 Strategy
Annual review 2019, pp. 29–38 Business areas
Annual review 2019, pp. 19–24 Sustainability
pp. 2–4 Sustainability Accounting Principles

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

UNGC Principle 1, 8

Annual review 2019, pp. 11–18 Strategy
Annual review 2019, pp. 29–38 Business areas
Annual review 2019, pp. 19–24 Sustainability

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Annual review 2019, pp. 11–18 Strategy
Annual review 2019, pp. 29–38 Business areas
Annual review 2019, pp. 19–24 Sustainability

The management approach is evaluated continuously as a part of our operation. All impacts of our processes and tools on all our material topics are carefully assessed through the year. Constant improvements are made, so that the goals and targets that have been set for the year are achieved. Our processes and tools are evaluated through internal and external auditing processes and regular assessments are also done via engagement, customer and stakeholder surveys. Our sustainability work is assured on a yearly basis and improvements are made according to findings and recommendations.

GRI 200: ECONOMIC

GRI 201: ECONOMIC PERFORMANCE

201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Economic value generated and distributed, MEUR	2019	2018	2017
Economic value generated	3,722	3,355	3,293
Revenues	3,722	3,355	3,293
Economic value distributed	3,557	3,215	3,178
Operating costs	2,633	2,393	2,297
Wages and benefits	781	701	715
Interest expenses	28	23	21
Income taxes	44	30	83
Dividends	71	68	62
Donations*	-	-	-
Economic value retained	164	140	116

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

The scope of individual elements in the calculation of economic value generated and distributed were revisited in 2019 in order to more accurately present the underlying value creation for different stakeholders during the financial year.

The reported figures for previous years were restated accordingly.

201-3 DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

Financial review 2019, pp. 44–46

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GRI 205: ANTI-CORRUPTION

205-1 OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION

UNGC Principle 10

Cargotec does business on a global scale and our industry is exposed to compliance risks for example relating to doing business in remote locations, bidding for large projects for customers which are governmentally 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.

205-2 COMMUNICATION AND TRAINING ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES

UNGC Principle 10

As of 2019, the Ethics & Compliance function in Cargotec reports directly to the CEO and the Audit and Risk Committee of the Cargotec Board of Directors. Cargotec Board of Directors receives an annual update from the Ethics and Compliance (E&C) 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 Cargotec Leadership Team also has a monthly Code of Conduct Panel where the topics are communicated and discussed.

During the previous years the E&C team has focused heavily on training and awareness efforts. In particular, face-to-face workshops with key risk groups have been prioritised. Based on input from these workshops, risk assessments and Code of Conduct cases the focus area for 2019 has been Third Party management.

The Code of Conduct is part of new employees' initiation, and participation to the Code of Conduct e-learning course is revised in the personal development plan (PDP) discussion. The Code of Conduct e-learning has been completed by 68% of Cargotec employees (2018: 72%). The target group of the e-learning course includes employees with an individual company email address and access to the intranet. Onsite training workshops were arranged for employees without an email address or access to intranet.

Based on the compliance risk assessments and Code of Conduct cases, the focus area for 2019 has been Third Party management. A new Third Party policy was approved in 2018 and the policy stipulates formal criteria for how to manage E&C risk relating to third parties involved in sales, supply chain, mergers and acquisitions as well as joint ventures. The implementation of more detailed instructions and a process for third party screening and risk assessments for sales intermediaries has started in 2019 with the target of full company-wide implementation in 2020. More detailed instructions and process regarding screening and risk assessment for vendors is planned for 2020.

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GRI 300: ENVIRONMENTAL
GRI 302: ENERGY
302-1 ENERGY CONSUMPTION WITHIN THE ORGANISATION

UNGC Principle 7, 8

Energy consumption, MWh*	2019 total	2019 assembly	2018 total	2018 assembly	2017 assembly
Direct energy consumption	88,200	34,900	81,600	37,300	36,600
Non-renewable sources	88,000	34,800	81,200	37,100	36,200
Diesel	52,100	11,400	46,300	11,900	11,100
Gasoline, kerosene, LFO	8,800	2,100	7,300	2,600	2,100
Liquified petroleum gas	4,600	4,200	4,600	4,100	4,400
Natural gas	22,500	17,000	23,000	18,400	18,600
Renewable sources	200	100	400	300	400
Wood pellets	0	0	200	200	100
Solar energy	200	100	200	100	200
Indirect energy consumption	76,600	59,500	77,900	61,700	61,000
Electricity	57,200	42,200	56,000	42,000	43,000
- % renewables	33	38	31	35	-
District heat	19,400	17,300	21,800	19,700	18,000
- % renewables	24	27	25	28	-
Total energy consumption	164,800	94,400	159,400	99,000	97,600

As of 2018, all Cargotec operations are included in the reporting boundary as Cargotec total. The assembly sites includes 21 assembly sites and four competence centres.

Cargotec's total energy consumption amounted to 164,800 MWh in 2019. The total energy consumption of the assembly sites decreased by 5 percent compared to 2018, while the energy consumption of the non-assembly sites increased by 17 percent.

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

** In 2019, all sites in Finland and Sweden, as well as three sites in Italy, one site in the US and one in the Netherlands were powered by renewable electricity, resulting in 33 percent of Cargotec's electricity being renewable.

302-3 ENERGY INTENSITY

UNGC Principle 8

Energy intensity	2019	2018	2017
Energy intensity index	64	77	78

This indicator covers Cargotec assembly sites and competence centres. 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 2019, energy intensity decreased by 17 percent compared to 2018, and by 36 percent compared to the base year 2014.

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302-5 REDUCTIONS IN ENERGY REQUIREMENTS OF PRODUCTS AND SERVICES

UNGC Principle 8, 9

Annual review 2019, pp. 29–38 Business areas

Annual review 2019, pp. 19–24 Sustainability

Our eco-efficiency portfolio consists of products that enhance our customers' sustainability with cleaner technologies, intelligent solutions and services promoting 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 included in our Offering for eco-efficiency portfolio. In 2019, two new products were added to the portfolio. All new products and solutions need to pass an external review process prior to inclusion in the portfolio. 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 about our eco-efficient offering can be found at www.cargotec.com, www.kalmarglobal.com, www.hiab.com and www.macgregor.com.

As an example, Hiab Waltco Solar Charger was added in the portfolio during the year. It is a solar power source used for charging tail lift batteries. The battery is charged with solar panels on the roof of the truck or trailer that are connected through a state of the art charging controller. The Hiab Waltco Solar Charger eliminates the need to idle the truck while the liftgate is in use, which eliminates unwanted emissions and reduces truck's fuel consumption. Additionally, our studies have shown an elimination in battery related failures and battery life to have doubled in length of time.

GRI 303: WATER

303-1 WATER WITHDRAWAL BY SOURCE

UNGC Principle 7, 8

Water consumption, m ³	2019	2018	2017
Municipal water supplies	91,900	88,900	90,000

This indicator covers Cargotec assembly sites and competence centres. Sites are connected to public drainage systems. No process water is used at Cargotec production sites.

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GRI 305: EMISSIONS					
305-1 DIRECT (SCOPE 1) GREENHOUSE GAS EMISSIONS					UNGC Principle 7, 8
305-2 ENERGY INDIRECT (SCOPE 2) GREENHOUSE GAS EMISSIONS					UNGC Principle 7, 8

GHG emissions, tCO ₂ e	2019 total	2019 assembly	2018 total	2018 assembly	2017 assembly
Direct GHG emissions (Scope 1)	22,000	8,100	20,100	8,600	8,400
Indirect GHG emissions (Scope 2) location-based	29,700	24,500	28,600	23,600	23,500
Indirect GHG emissions (Scope 2) market-based	28,200	22,300	28,100	22,300	-
Total (Scope 1 + Scope 2 location-based)	51,700	32,600	48,700	32,200	31,900

As of 2018, all Cargotec operations are included in the reporting boundary as Cargotec total. The assembly sites includes 21 assembly sites and four competence centres.

Cargotec's total Scope 1 and Scope 2 (location-based) GHG emissions amounted to 51,700 tCO₂e in 2019. Scope 1 GHG emissions increased by 9 percent and Scope 2 (location-based) emissions by 4 percent compared to 2018. Compared to 2018, the increase in total GHG emissions was 6 percent.

The market-based emissions were calculated for the first time in 2018, using contractual emissions factors for Finland and Sweden, and residual mix emission factors for other European countries and the US. Average grid emission factors published by the International Energy Agency (IEA) were used for the remaining countries. Approximately 30 percent of the electricity used was renewable; however, due to the high residual mix emission factors, it does not significantly impact the final emissions.

305-3 OTHER INDIRECT (SCOPE 3) GREENHOUSE GAS EMISSIONS				
Scope 3 GHG emissions, tCO ₂ e	2019	2018	2017	
Use of sold products	-	-	-	
Purchased goods and services	-	-	-	
Transportation and distribution	54,000	61,400	-	
Business travel	14,000	14,400	13,300	
Fuel- and energy-related activities	12,300	10,600	-	

Disclosure of scope 3 emissions is extended from business air travel emissions reported in 2018. In 2019, the comprehensive calculation of scope 3 greenhouse gas emissions has been initiated. Based on the initial calculation, the use of sold products and purchased goods and services represent more than 95 percent of all scope 3 emissions. We are currently establishing the calculation processes for all relevant emission categories and our intention is to disclose the complete emission inventory as soon as possible. The disclosed emissions for transportation and distribution, business travel, and fuel- and energy-related activities represent only a minor share of total scope 3 emissions.

Business travel emissions for 2018 are restated as rail and road business travel and accomodation were also included in the boundary.

305-4 GREENHOUSE GAS (GHG) EMISSIONS INTENSITY				UNGC Principle 8
GHG emissions intensity	2019	2018	2017	
GHG emissions intensity index	71	81	83	

This indicator covers Cargotec assembly sites and competence centres. The GHG emissions intensity is based on the ratio of total greenhouse gases and sales by sites included in the reporting boundary. The base year is 2014, where the index value is 100. In 2019, the GHG emissions intensity decreased by 12 percent compared to 2018 and by 29 percent compared to base year 2014.

305-5 REDUCTION OF GHG EMISSION			
Reduction of GHG emissions, tCO ₂ e	2019	2018	2017
Reduction in emissions related to electricity use	3,100	1,305	-

The GHG reduction is based on the certified renewable electricity use in own operations.

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305-7 NITROGEN OXIDES (NO_x), SULFUR OXIDES (SO_x), AND OTHER SIGNIFICANT AIR EMISSIONS

UNGC Principle 7, 8

Weight of emissions, t	2019	2018	2017
Nitrogen oxides (NO _x)	3.3	2.1	2.4
Particulate Matter (PM)	2.6	0.9	0.9
Sulphur oxides (SO _x)	0.3	0.3	0.4
Volatile organic compounds (VOC)	81.2	75.5	70.9

This indicator covers Cargotec assembly sites and competence centers.

GRI 306: EFFLUENTS AND WASTE
306-2 WASTE BY TYPE AND DISPOSAL METHOD

UNGC Principle 8

Weight of waste, t	2019	2018	2017
Hazardous waste	930	650	600
Non-hazardous waste	13,400	11,400	10,500
of which recycled	11,700	9,300	9,400
Total	14,330	12,050	11,100

This indicator covers Cargotec assembly sites and competence centres. Approximately 82 percent of the waste generated at Cargotec sites was recycled. Most of the waste is metal, aluminum and wood waste, which have high recycling value.

306-3 SIGNIFICANT SPILLS

UNGC Principle 8

No significant spills have occurred during the reporting period.

GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT
308-1 NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL CRITERIA

UNGC Principle 8

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 2019, 100 percent of new direct material suppliers were audited against the labour practice, human rights and environmental management criteria.

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GRI 400: SOCIAL

GRI 401: EMPLOYMENT
401-1 NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

UNGC Principle 6

Rate of new employee hires and employee turnover	Number of employees			%
New employee hires	1,333			12
Employee turnover	1,521			14
Voluntary turnover	884			8
New employee hires by gender, age group and region	Number of employees	% of total	New hire rate %	
By gender				
Male	1,031	77	12	
Female	302	23	15	
By age group				
Under 30 years old	465	35	31	
30–50 years old	701	53	11	
Over 50 years old	167	12	6	
By region				
AMER	283	21	18	
APAC	161	12	10	
EMEA	889	67	12	
Employee turnover by gender, age group and region	Number of employees	% of total	Turnover rate %	
By gender				
Male	1,192	78	14	
Female	329	22	16	
By age group				
Under 30 years old	299	20	20	
30–50 years old	812	53	13	
Over 50 years old	410	27	14	
By region				
AMER	349	23	22	
APAC	227	15	14	
EMEA	945	62	13	

Information about new hires and employee turnover include only permanent employees.

The rate of new employee hires in the total workforce is the number of new hires divided by the number of all permanent employees at the end of 2019. New hire rates within 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, 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 2019. Turnover rates are calculated on similar basis as new hire rates.

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GRI 402: LABOR/MANAGEMENT RELATIONS
402-1 MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

UNGC Principle 3

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.

GRI 403: OCCUPATIONAL HEALTH AND SAFETY
403-1 WORKERS REPRESENTED IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES

84 percent of Cargotec employees have representation in occupational health and safety committees. Employees working at a particular site have representation in their respective committees. Because many of the service sites are small, no occupational health and safety committees exists, impacting the figures. At the production sites, 100 percent of the workers have representation in occupational health and safety committees.

403-2 TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES

Number of injuries by type	2019 total	2019 assembly	2018 total	2018 assembly	2017 assembly
Back	10	2	30	7	6
Eyes	7	5	5	2	2
Feet	14	6	18	2	6
Hands	73	33	69	24	18
Head	18	7	11	2	3
Legs	20	5	25	9	11
Multiple parts or whole body	7	1	11	3	0
Neck	1	0	5	1	0
Thorax	9	6	7	4	2
Total number of lost time injuries	159	65	181	54	48

Number of lost time injuries by region	2019 total	2019 assembly	2018 total	2018 assembly	2017 assembly
AMER	14	11	22	8	3
APAC	13	4	12	5	4
EMEA	132	50	147	41	42

Rate of injury (IIFR)*	2019	2018	2017
Assembly sites	7.0	6.7	6.1
Non-assembly and competence centres	6.8	9.5	-
Cargotec total	6.9	8.4	-

* Industrial Injury Frequency Rate (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 occurred during the reporting periods 2016, 2017 and 2019. One work related fatality was reported during 2018.

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GRI 404: TRAINING AND EDUCATION

404-3 PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

UNGC Principle 6

95 percent* of Cargotec white collar employees have received performance and development plan during the reporting period. Blue collar employees with no access to human resource information system ZONE are covered by a local PDP process and documentation as defined in Cargotec performance and development plan policy.

*excluding TTS employees

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

405-1 DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

UNGC Principle 6

Composition of governance bodies and employees by gender and age group, %	Board of Directors	Leadership Team	Employees
By gender			
Male	67	73	72
Female	33	27	17
By age group			
Under 30 years old	0	0	16
30–50 years old	11	18	58
Over 50 years old	89	82	26

GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

407-1 OPERATIONS AND SUPPLIERS IN WHICH THE RIGHT TO FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT RISK

UNGC Principle 3

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. Freedom of association, abolition of child labour and forced and compulsory labour are examples of the basic principles Cargotec demands from its suppliers.

The supplier code of conduct process is part of Cargotec's supplier sustainability management programme, with which Cargotec aims to mitigate any risks for breaching the international human rights. During 2019, 93 percent of our strategic suppliers were taken into a sustainability self-assessment tool, which focuses on screening human rights and other sustainability risks in our supply chain. We audited 82 percent of the suppliers who failed the 2018 sustainability self-assessment questionnaire during 2019.

Additionally, Cargotec conducted a renewed human rights gap analysis on its operations. The main risks related to human rights violations were identified in the supply chain and M&A activities. Human rights risk management related to the supply chain is now included into the sourcing sustainability programme. Concerning human rights risks related to M&A, we conducted a review and process update to screen the possible risks more clearly within each M&A case.

GRI 408: CHILD LABOUR

408-1 OPERATIONS AND SUPPLIERS AT SIGNIFICANT RISK FOR INCIDENTS OF CHILD LABOUR

UNGC Principle 5

See 407-1

GRI 409: FORCED OR COMPULSORY LABOUR

409-1 OPERATIONS AND SUPPLIERS AT SIGNIFICANT RISK FOR INCIDENTS OF FORCED OR COMPULSORY LABOUR

UNGC Principle 4

See 407-1

GRI 414: SUPPLIER SOCIAL ASSESSMENT

414-1 NEW SUPPLIERS THAT WERE SCREENED USING SOCIAL CRITERIA

UNGC Principle 2

See 308-1

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GRI 416: CUSTOMER HEALTH AND SAFETY

416-1 ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES

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 the 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.

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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 7-10) and in the GRI-index (the “Report”) for the reporting period 1st January to 31st December 2019.

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 trend (IIFR)
- Compass Employee Engagement survey results:
 - Leadership index
 - Team climate index
 - Employee engagement index
 - Social responsibility index
 - Code of Conduct index
- Strategic suppliers conducting the sustainability self-assessment tool (%)
- Cargotec Code of Conduct training completion (%)
- Number of Code of Conduct compliance cases
- GRI 302-1 Energy consumption within the organization (MWh)
- GRI 302-3 Energy intensity index
- GRI 305-1 Direct (scope 1) greenhouse gas emissions (tCO₂e)
- GRI 305-2 Energy indirect (scope 2) greenhouse gas emissions (tCO₂e)
- GRI 305-3 Other indirect (scope 3) greenhouse gas emissions (tCO₂e)
- GRI 305-4 Greenhouse gas emissions intensity (%)
- GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
- GRI 308-1 and GRI 414-1 New suppliers screened using environmental and social 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 GRI Standards (2016) and Cargotec’s sustainability accounting principles, (the “Criteria”, see pages 2–4 of the GRI-index).

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;

SUSTAINABILITY ACCOUNTING PRINCIPLES AND REPORTING BOUNDARY

GRI CONTENT INDEX

GRI 102 General disclosure

GRI 103 Management approach

GRI 200 Economic

GRI 300 Environmental

GRI 400 Social

INDEPENDENT LIMITED ASSURANCE REPORT

- Three physical site visits and four remote site audits to review process and systems for preparing site level data consolidated at Head Office. The physical site visits were conducted at:
 - Hiab Effer, Argelato, Italy,
 - Hiab Effer, Minerbio, Italy, and
 - Kalmar Innovation Centre, Ljungby, Sweden,
 and remote site audits at:
 - Hiab, Australia,
 - Kalmar, Australia,
 - MacGregor Arendal, Norway, and
 - MacGregor, Seattle, USA.
 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 utilized in greenhouse 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 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

31st January 2020



Mikael Niskala
Lead Auditor
DNV GL – Business Assurance



Souvik Kumar Ghosh
Principal Consultant and Reviewer
DNV GL – Business Assurance

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Cargotec (Nasdaq Helsinki: CGCBV) enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields. Through their unique position in ports, at sea and on roads, they optimise global cargo flows and create sustainable customer value. Cargotec's sales in 2019 totalled approximately EUR 3.7 billion and it employs around 12,500 people. www.cargotec.com



Annual Review 2019



Financial Review 2019



GRI Index 2019

Cargotec's reporting for the year 2019 consists of three documents: the Annual review, the Financial review, and the GRI index. The financial review includes the Board of Directors' report, the financial statements, the auditor's report, the corporate governance statement and the remuneration statement. All documents are available on the company website www.cargotec.com.