

**KONECRANES®**

**GOVERNANCE  
2019**





### Information about Konecranes' Annual Report 2019

Konecranes' Annual Report 2019 consists of four separate reports: Annual Review, Financial Review, Sustainability Report and Governance document. All documents are downloadable on our Annual Report website at <https://investors.konecranes.com/ar2019>.

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# CORPORATE GOVERNANCE

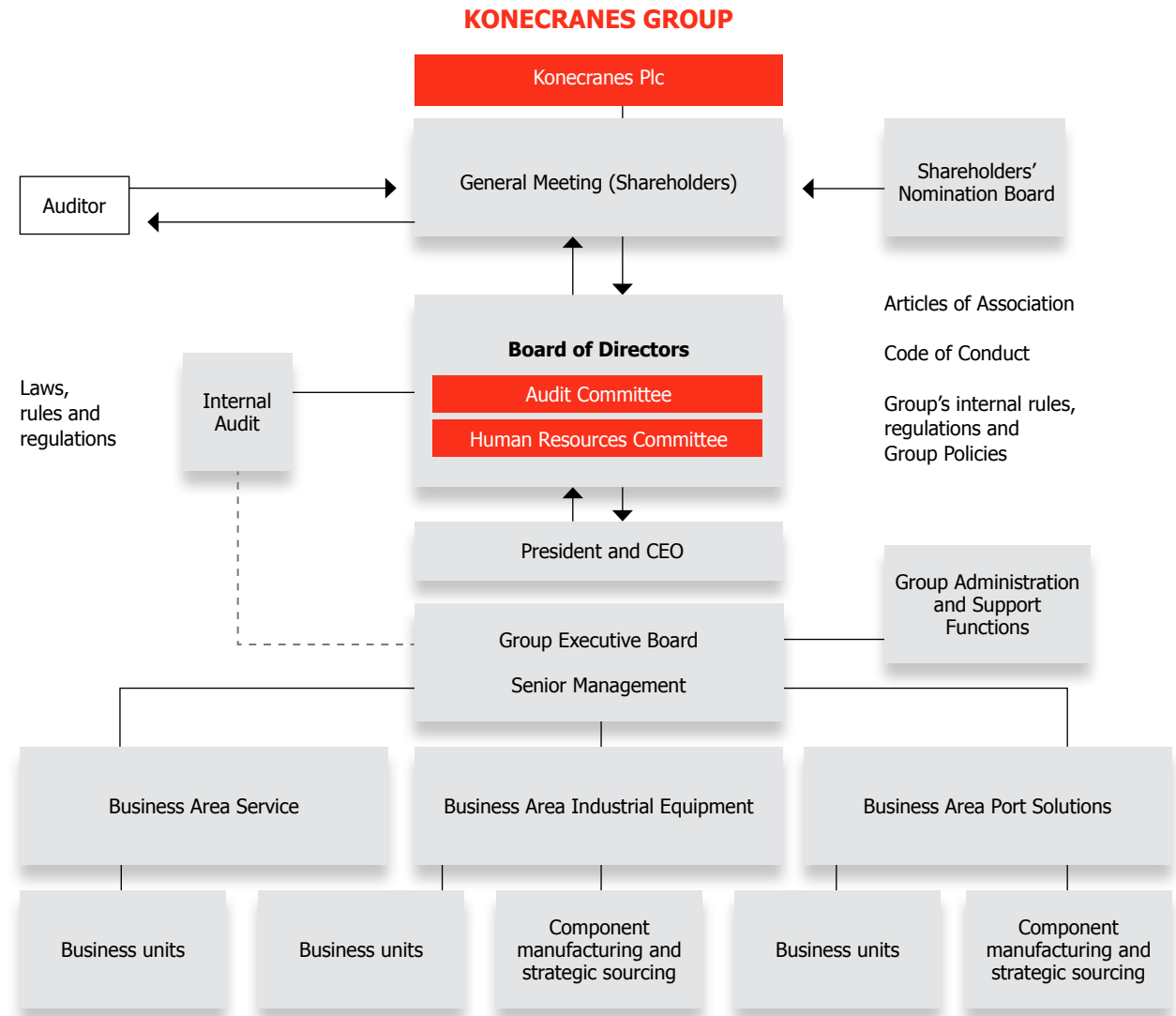
Konecranes Plc ("Konecranes", "the Company") is a Finnish public limited liability company that complies with the Finnish Companies and Securities Market Acts, the rules of Nasdaq Helsinki, and other regulations concerning public companies, as well as with Konecranes Plc's Articles of Association, in its decision-making and administration.

Konecranes complies with the Finnish Corporate Governance Code 2020 (the "Code"), which came into force on January 1, 2020 and was approved by the board of the Securities Market Association. The Code can be found at [www.cgfinland.fi](http://www.cgfinland.fi). Konecranes complies with the recommendations of the Code with no exceptions. Konecranes has issued a Corporate Governance Statement based on the Code. A Remuneration Statement issued by Konecranes is based on the previous Finnish Corporate Governance Code 2015. Read more [www.konecranes.com](http://www.konecranes.com) > **Investors > Corporate Governance.**

## General Meeting

The General Meeting of Shareholders is the Company's highest decision-making body, through which shareholders exercise their decision-making power and right of supervision and control over the Company's business.

## Corporate Governance structure of the Konecranes Group in 2019





An Annual General Meeting (AGM) must be held within six months after the end of a financial year. Konecranes Plc's Annual General Meeting 2019 was held on March 28, 2019.

An Extraordinary General Meeting (EGM) must be held e.g. when the Board of Directors considers it necessary or if an auditor or shareholders with at least 10% of shares so demand in writing to consider a specific issue.

The Board of Directors ("Board") shall convene an AGM or EGM by publishing a notice on the Company's website or in one or more national newspapers or by sending a written notice to shareholders by mail no more than three (3) months and no less than three (3) weeks before a meeting. The notice shall include the proposed agenda.

The Company shall disclose on its website the date by which shareholders shall notify the Board of Directors of any issue that they wish to be included in the agenda. The Company will publish the decisions made at General Meetings as stock exchange releases and on the Company's website without delay after meetings.

The minutes of the General Meeting, including those appendices of the minutes that are part of decisions made by the meeting, will be posted on the Company's website within two weeks of a General

Meeting. More information on General Meetings can be found on the Company's website at **[www.konecranes.com](http://www.konecranes.com) > Investors > Corporate Governance > General Meeting.**

### **Shareholders' Nomination Board**

The AGM 2019 decided to establish a permanent Shareholders' Nomination Board to prepare proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors and to identify potential Board member candidates.

The Charter of the Shareholder's Nomination Board is available on the Company's website at **[www.konecranes.com](http://www.konecranes.com) > Investors > Corporate Governance > Shareholders' Nomination Board.**



# CORPORATE GOVERNANCE STATEMENT 2019

## SHAREHOLDERS' NOMINATION BOARD

### Composition of the Nomination Board

#### Mr. Peter Therman

b. 1968

Finnish citizen

- Appointed by HC Holding Oy Ab (Hartwall Capital)
- Education: M.Sc. (Econ.)
- Principal occupation: Senior Advisor, MPS Executive & Board

#### Mr. Antti Mäkinen

b. 1961

Finnish citizen

- Appointed by Solidium Oy
- Education: LLM
- Principal occupation: CEO of Solidium Oy

#### Mr. Risto Murto

b. 1963

Finnish citizen

- Appointed by Varma Mutual Pension Insurance Company
- Education: Ph.D. (Econ.)
- Principal occupation: CEO of Varma Mutual Pension Insurance Company

#### Mr. Stig Gustavson

b. 1945

Finnish citizen

- Appointed by Stig Gustavson and family
- Education: M.Sc. (Tech.)
- Principal occupation: Senior Industrialist (vuorineuvos)

The Annual General Meeting on March 28, 2019 decided to establish a permanent Shareholders' Nomination Board to prepare proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors and to identify potential Board member candidates, thus replacing the Board's Nomination Committee.

The Shareholders' Nomination Board is comprised of one member appointed by each of the four largest shareholders of the Company. The Chairman of the Company's Board of Directors serves as

an expert in the Nomination Board without being a member. The shareholders entitled to appoint a member are determined on the basis of the shareholders' register of the Company maintained by Euroclear Finland Ltd. on August 31 each year. Nominee registered holdings or holdings e.g. through several funds or group companies may be taken into account when making a written request to the Chairman of the Board of Directors no later than on August 30 each year.

The member appointed by a shareholder shall resign from the Nomination Board if the shareholder concerned later transfers more than half of the shares held on August 31 and as a result thereof is no longer amongst the Company's ten largest shareholders.

The Nomination Board is established until a General Meeting of the Company decides otherwise. The members shall be nominated annually and their term of office shall end when new members are nominated to replace them.

## BOARD OF DIRECTORS

### Composition of the Board

#### Mr. Christoph Vitzthum

b. 1969

- Finnish citizen
- Chairman of the Board since 2016, Board Member since 2015
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Econ.)
- Principal occupation: President and CEO, Fazer Group
- Shares: 5,073

#### Mr. Ole Johansson

b. 1951

- Finnish citizen
- Vice Chairman of the Board since 2017, Board Member since 2015
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Econ.)
- Principal occupation: Board professional
- Shares: 14,258

#### Ms. Janina Kugel

b. 1970

- German citizen
- Board Member since 2016
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Econ.)
- Principal occupation: Chief Human Resources Officer and Member of the Managing Board, Siemens AG (Board professional and independent strategic advisor since January 1, 2020)
- Shares: 2,175

#### Mr. Bertel Langenskiöld

b. 1950

- Finnish citizen
- Board Member since 2012
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Eng.)
- Principal occupation: Board professional
- Shares: 5,468

#### Mr. Ulf Liljedahl

b. 1965

- Swedish citizen
- Board Member since 2016
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Economics and Business Administration)
- Principal occupation: President and CEO, Volito AB
- Shares: 2,175

#### Mr. Per Vegard Nerseth

b. 1964

- Norwegian citizen
- Board Member since 2018
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Econ.), MBA
- Principal occupation: Group Senior Vice President, Managing Director of Global Business, Unit Robotics, ABB Asea Brown Boveri Ltd (Chief Executive Officer, CMR Surgical, since January 1, 2020)
- Shares: 1,484

#### Mr. Anders Nielsen

b. 1962

- Swedish citizen
- Board Member since 2018
- Independent of the Company and its significant shareholders
- Education: Studies in Industrial Economy
- Principal occupation: Board professional
- Shares: 1,484

#### Ms. Päivi Rekonen

b. 1969

- Finnish citizen
- Board Member since 2018
- Independent of the Company and its significant shareholders
- Education: M.Soc.Sc., M.Sc. (Econ.)
- Principal occupation: Board professional and independent strategic advisor
- Shares: 1,484





1. Christoph Vitzthum 2. Ole Johansson 3. Janina Kugel 4. Bertel Langenskiöld 5. Ulf Liljedahl 6. Per Vegard Nerseth 7. Anders Nielsen 8. Päivi Rekonen.

### Main tasks

The Board is vested with powers and duties to manage and supervise the administration and operations of the Company as set forth in the Companies Act, the Articles of Association, and any other applicable Finnish laws and regulations. The Company complies with all other applicable rules and regulations affecting the Company or its affiliates (Group Companies) outside Finland, provided that such compliance does not constitute a violation of Finnish law.

The Board has a general obligation to pursue the best interests of the Company and all of its shareholders. The Board is accountable to the Company's shareholders. The members of the Board of Directors shall act in good faith and with due care, exercising their business judgment on an informed base in what they believe to be the best interest of the Company and its shareholder community as a whole.

The Board of Directors shall decide on the business strategy of the Company; the appointment and dismissal of the President and CEO, the deputy to the President and CEO, and other senior management; Group structure; acquisitions and divestments; financial matters; and investments. It shall also continuously review and monitor the operations and performance of Group Companies, risk management, and the Company's compliance with applicable laws, as well as any other issues determined by the Board of Directors. The Board shall keep itself informed of issues and business activities of major strategic importance to the Company on an ongoing basis. The Board shall appoint a secretary to be present at all Board meetings.

The President and CEO and Chief Financial Officer report to the Board on a quarterly basis on the sales funnel, competitive situation, market sentiment, the Company's order intake and financial performance and full-year forecast, as well as on safety, people, and customer topics. The status of the most important development activities, e.g. major IT investments, R&D projects and acquisition cases, may be presented to the Board by the persons directly responsible for such matters.

### Diversity of the Board of Directors

In 2016, the Board approved a diversity policy. According to the policy, the Members of the Board of Directors are always selected based upon their expected contribution and effectiveness as members of the Board of Directors, and capability to positively influence the long-term strategic direction and performance of the company. As a team, the Board of Directors works for the benefit of the key stakeholders, including customers, employees and shareholders. Diversity in the composition of the Board of Directors enables diversity in thinking and high-quality decision making.

When considering diversity within the Board of Directors, the main attribute is diversity in thinking including individual professional and personal experiences, influenced by diversity in nationality, age and gender. Board selections are based on a candidate's background and competency to understand Konecranes' current and future markets, strategy, employees and customers, including a sound understanding of financials and business dynamics. Collectively the Board of Directors should have combined experience in different markets, geographies and important topics like digitalization and corporate responsibility.

For a well-functioning Board of Directors, it is important that Board members are committed to Board work and have the possibility to devote the time needed to understand the company's current situation, customers and strategy.

The most important nomination criteria for Board candidates is competency, knowledge, personal qualities and integrity. Both genders shall be represented on the Board of Directors and Konecranes' aim is to strive towards a good and balanced Board composition taking into account all aspects of Board diversity.

At the end of 2019, out of eight Board members, two were female, representing one fourth of the total. The Board had four different nationalities and experience from three different decades of birth. The Board also consisted of different educational backgrounds from the fields of engineering, economics, social science and human resource management.

In 2019, Konecranes' Board convened 13 times. The attendance of the Board members at meetings was 98%. The attendance of the members to the board and committee meetings is presented in the table below:



## Board meetings 2019

Member	Board meetings	
	Attendance	Percentage
Christoph Vitzthum	13/13	100%
Ole Johansson	11/13	85%
Janina Kugel	13/13	100%
Bertel Langenskiöld	13/13	100%
Ulf Liljedahl	13/13	100%
Per Vegard Nerseth	13/13	100%
Anders Nielsen	13/13	100%
Päivi Rekonen	13/13	100%

## Committee meetings 2019

Member	Attendance	Percentage	Audit Committee meetings		Nomination Committee meetings		Human Resources Committee meetings	
			Attendance	Percentage	Attendance	Percentage	Attendance	Percentage
Christoph Vitzthum					1/1	100%	6/6	100%
Ole Johansson	15/15	100%			1/1	100%		
Janina Kugel							6/6	100%
Bertel Langenskiöld							6/6	100%
Ulf Liljedahl	15/15	100%			1/1	100%		
Per Vegard Nerseth	14/14	100%						
Anders Nielsen							4/4	100%
Päivi Rekonen	14/15	93%						

## COMMITTEES

The Board of Directors has appointed two committees consisting of its members: The Audit Committee and the Human Resources Committee. The Board has confirmed rules of procedure for both Committees. Until March 28, the Company had also a Nomination Committee, which was replaced by the permanent Shareholders' Nomination Board at the Annual General Meeting on March 28, 2019.

### THE AUDIT COMMITTEE

During 2019, the Board's Audit Committee was comprised of the following members:

- Mr. Ulf Liljedahl (Chairman),
- Mr. Ole Johansson,
- Mr. Per Vegard Nersteth, member since March 28, 2019, and
- Ms. Päivi Rekonen

At the end of 2019, all members of the Audit Committee were deemed to be independent of the Company and independent of its significant shareholders (until May 3, 2019 Ole Johansson was deemed to be dependent of a significant shareholder of the Company). All members have sufficient expertise on corporate management. In addition, all members have a degree in business administration and/or economics.

The Board shall appoint an Audit Committee from among its members to assist the Board in its responsibilities relating to the appropriate

arrangement of the control of the Company accounts and finances pursuant to the Companies Act. The Audit Committee shall have at least three (3) non-executive Board members, the majority of whom are independent of and not affiliated with the Company. At least one member must be independent of significant shareholders. The intention is not to extend the duties of the Board from what is expressly stipulated in the Finnish Companies Act. The Audit Committee shall not make independent decisions and it may rely on the information provided to it.

### Main tasks

The tasks and responsibilities are defined in the Charter of the Audit Committee, which is based on a Board resolution as part of the Company's corporate governance principles and include the following:

- Monitoring the reporting process of financial statements;
- Supervising the financial reporting process;
- Monitoring the financial position of the Company by reviewing Annual Financial Statements and to the extent appropriate Interim Financial Statements;
- Overseeing the quality and integrity of the Financial Statements and related Disclosures;
- Monitoring the efficiency and adequacy of the Company's internal control, internal audit and risk management systems;
- Reviewing the description of the main features of the internal control and risk management systems

pertaining to the financial reporting process, which is included in the Company's corporate governance statement;

- Reviewing and monitoring plans and reports of the Internal Audit function;
- Approving the annual plan, issuing instructions and reviewing the operations of the Internal Audit function;
- Evaluating the independence of the statutory auditor or audit firm, particularly the provision of related services to the Company to be audited;
- Preparing the proposal for resolution on the election of external auditors;
- Reviewing the external audit plan;
- Monitoring the statutory audit of the financial statements and consolidated financial statements and reviewing all material reports from the auditor addressed to Konecranes Plc and its subsidiary companies; and
- Preparing and making recommendations and proposals for action to the Board resulting from listed tasks to the extent Audit Committee finds necessary.

In 2019, Konecranes' Audit Committee convened 15 times. The attendance of the Audit Committee members at meetings was 98%. The attendance of the members is presented in the table on page 27.

## THE HUMAN RESOURCES COMMITTEE

During 2019, the Board's Human Resources Committee was comprised of the following members:

- Mr. Bertel Langenskiöld (Chairman),
- Ms. Janina Kugel,
- Mr. Anders Nielsen, member since March 28, 2019, and
- Mr. Christoph Vitzthum

All members of the Human Resources Committee are deemed to be independent of the Company and its significant shareholders.

The Human Resources Committee is responsible for assisting and providing guidance and recommendations to the Board of Directors of the Company in fulfilling its oversight and other responsibilities in relation to e.g. the operative structure and selection of senior management; talent management, diversity and inclusion, retention and succession planning of senior management; professional and competence development for senior management and workforce planning; evaluation and compensation of the President and CEO and Group Executive Board (GXB); general principles for compensation, long- and short-term incentive compensation plans and share-based incentive plans; human resources, corporate responsibility and safety strategies and performance. The Board shall appoint the members and the Chairman of the Human Resources Committee from among its members.

The Human Resources Committee has the authority to take decisions regarding minor matters within its scope of responsibility that are of an administrative nature and/or relate to the implementation of Board decisions and do not (i) require a decision by the Board of Directors under applicable law or regulations or pursuant to the internal policies or practice of Konecranes, or (ii) otherwise, in the opinion of the Committee, give reason for a decision by the Board of Directors. The Human Resources Committee shall have at least three (3) non-executive Board members. The majority of the members shall be independent of the Company.

### Main tasks

The Human Resources Committee is appointed to assist the Board in its responsibilities. The tasks and responsibilities are defined in a Charter of the Human Resources Committee which is based on a Board resolution as part of the Company's corporate governance principles. The Committee shall:

- Review the organizational structure of the Company and make related recommendations or proposals to the Board when needed. The Committee will consider the principles for the selection of senior management, ensure that the long and short list of candidates contains diverse candidates and make proposals to the Board concerning the approval of the appointments, transfers and terminations for Group Executive Board positions.
- Review and monitor Konecranes' Talent Management and Succession Planning process and review potential successor candidates for GXB positions. In addition, the Committee will together with the President and CEO evaluate any special retention needs of senior management.
- Review development plans for the GXB Members and executive development programs, including training and competence development programs for members of senior management.
- Review the President and CEO's authority and responsibilities and make related recommendations or proposals to the Board when needed. The Committee will recommend to the Board on an annual basis the President and CEO's compensation founded on the evaluation of the Company's performance, compensation paid to chief executive officers in comparable global organizations, the competitive market for persons with similar skills and competences, and the Human Resources Committee's assessment of the President and CEO's current and expected contribution to the Company's success. The Committee will, based upon a recommendation by the President and CEO, make a proposal to the Board concerning the approval of the base compensation review and incentive levels for GXB members.
- Make recommendations to the Board with respect to the President and CEO's variable compensation and the adoption and amendment



of long- and short-term incentive compensation plans and share-based plans which are subject to shareholder or Board approval. The Committee will make a proposal to the Board concerning the approval of the performance targets for the President and CEO, annual grants and the achievement against targets for the GXB members. The Human Resources Committee will evaluate and make recommendations to the Board concerning the Company's general principles for compensation. The Human Resources Committee will review incentive compensation plans and share-based plans to assess whether they provide an appropriate balance of risk and reward in relation to the Company's overall business strategy and expected performance, shareholder value creation and alignment of shareholder and senior management interests, without encouraging senior management to take unnecessary or excessive risks. The Committee will monitor compliance with share ownership guidelines for the President and CEO and other members of senior management.

- Receive reports on the Company's human resources, corporate responsibility and safety strategies and its performance against the set targets, market standard, business strategy and Konecranes' values, and may recommend revisions to these targets. The Committee will receive reports on the Corporation's practices for supporting diversity and inclusion in the workplace, workplace safety activities and performance, and the Corporation's performance against Konecranes' fair labor frame.

In 2019, Konecranes' Human Resources Committee convened 6 times. The attendance of the Human Resources Committee members at meetings was 100%. The attendance of the members is presented in the table on page 27.



## THE NOMINATION COMMITTEE (UNTIL MARCH 28, 2019)

During 2019, the Board's Nomination Committee was comprised of the following members:

- Mr Christoph Vitzthum (Chairman),
- Mr. Ole Johansson,
- Mr. Ulf Liljedahl

All members of the Nomination Committee were deemed to be independent of the Company and independent of its significant shareholders.

The Nomination Committee was responsible for preparing matters pertaining to the appointment and remuneration of the Board of Directors of the Company. The Nomination Committee did not have independent decision-making powers. The Board was to appoint the members and the Chairman of the Nomination Committee from among its members. The Nomination Committee was to have at least three (3) non-executive Board members. The majority of the members were to be independent of the Company.

### Main tasks

The Nomination Committee was appointed to assist the Board in its responsibilities. The tasks and responsibilities were defined in a Charter of the Nomination Committee which was based on a Board resolution as part of the Company's corporate governance principles. The Committee was to:

- Prepare and present to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, a proposal for the number of the members of the Board within the limits of the Articles of Association of the Corporation;
- Prepare and present to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, a proposal for the election of the members of the Board; and
- Prepare and present to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, a proposal for the remuneration of the members of the Board.

In 2019, Konecranes' Nomination Committee convened once. The attendance of the Nomination Committee members at the meeting was 100%. The attendance of the members is presented in the table on page 27.

The Annual General Meeting on March 28, 2019 decided to establish a permanent Shareholders' Nomination Board to prepare proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors and to identify potential Board member candidates, thus replacing the Board's Nomination Committee.

## PRESIDENT AND CEO

### **Teo Ottola, Interim CEO between October 7, 2019 and January 31, 2020**

b. 1968

- Finnish citizen
- Chief Financial Officer and Deputy CEO, Interim CEO between October 7, 2019 and February 1, 2020
- Member of the Group Executive Board since 2007
- Employed since 2007
- Education: M.Sc. (Economics)
- Shares: 35,324

### **Panu Routila, until October 6, 2019**

b. 1964

- Finnish citizen
- President and CEO until October 6, 2019
- Member of the Group Executive Board from 2015 until 2019
- Employed from 2015 until 2019
- Education: M.Sc. (Economics)

### **Richard Robinson Smith, from February 1, 2020**

(as announced on October 7, 2019)

b. 1965

- US and German citizen
- President and CEO since February 1, 2020
- Member of the Konecranes Leadership Team since 2020
- Employed since 2020
- Education: Dr. rer. pol.

### **Main tasks and duties**

Under the Companies Act, the President and CEO is responsible for the day-to-day management of the Company in accordance with instructions and orders given by the Board. The President and CEO may undertake actions which, considering the scope and nature of the operations of the Company, are unusual or extensive, only with the authorization of the Board. The President and CEO shall see to it that the Company's accounting practices comply with the law and that its financial affairs have been arranged in a reliable manner. The President and CEO is also responsible for preparing matters presented to the Board and for the Company's strategic planning, finance, financial planning, reporting, and risk management.



## GROUP EXECUTIVE BOARD

In addition to the President & CEO, the following persons belong to the Group Executive Board:

### Teo Ottola

- b. 1968
- Finnish citizen
- Chief Financial Officer, Deputy CEO
- Member of the Group Executive Board since 2007
- Employed since 2007
- Education: M.Sc. (Econ.)
- Shares: 35,324

### Minna Aila

- b. 1966
- Finnish citizen
- Executive Vice President, Marketing & Corporate Affairs
- Member of the Group Executive Board since 2018
- Employed since 2018
- Education: LL.M.
- Shares: 53

### Fabio Fiorino

- b. 1967
- Canadian citizen
- Executive Vice President, Business Area Service
- Member of the Group Executive Board since 2012
- Employed since 1995
- Education: B. Eng. P.Eng. MBA
- Shares: 23,932

### Timo Leskinen

- b. 1970
- Finnish citizen
- Senior Vice President, Human Resources
- Member of the Group Executive Board since 2013
- Employed since 2013
- Education: M.Sc. (Psy.)
- Shares: 10,931

### Mika Mahlberg

- b. 1963
- Finnish citizen
- Executive Vice President, Business Area Port Solutions
- Member of the Group Executive Board since 2017
- Employed since 1997
- Education: M.Sc. (Eng.)
- Shares: 8,464

### Juha Pankakoski

- b. 1967
- Finnish citizen
- Executive Vice President, Technologies
- Member of the Group Executive Board since 2015
- Employed since 2004
- Education: M.Sc. (Eng.), eMBA
- Shares: 8,848

### Sirpa Poitsalo

- b. 1963
- Finnish citizen
- Senior Vice President, General Counsel
- Member of the Group Executive Board since 2016
- Employed since 1988
- Education: LL.M.
- Shares: 33,288

### Mikko Uhari

- b. 1957
- Finnish citizen
- Executive Vice President, Business Area Industrial Equipment
- Member of the Group Executive Board since 1997
- Employed since 1997
- Education: Lic. Sc. (Eng.)
- Shares: 119,191

### Main tasks

The Group Executive Board assists the President and CEO, but has no official statutory position based on legislation or the Articles of Association. In practice, however, it plays a significant role in the Company's management system, strategy preparation and decision-making.



1. Teo Ottola 2. Minna Aila 3. Fabio Fiorino 4. Timo Leskinen 5. Mika Mahlberg 6. Juha Pankakoski 7. Sirpa Poitsalo 8. Mikko Uhari

## INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

Internal control related to financial reporting is designed to provide reasonable assurance concerning the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements covering listed companies. Risk management is considered an integral part of running Konecranes' business. Konecranes' corporate risk management principles provide a basic framework for risk management, while each Group company or operating unit is responsible for its own risk management. This principle is also followed in risk management related to financial reporting.

Management of financial risks is described in Note 33 of Konecranes' Financial Statements 2019.

### Control environment

Corporate governance and business management at Konecranes are based on the company's values of trust in people, total service commitment and sustained profitability. The control environment is the foundation for all the other components of internal control and for promoting employee awareness of key issues. It supports the execution of strategy and regulatory compliance. The Board of Directors and Group Management are responsible for defining the Konecranes Group's control environment through business management structures, corporate policies, instructions and financial reporting frameworks. These include Konecranes' Code of Conduct and Konecranes' Controller's Manual, which constitute the main tool for accounting and financial reporting

principles with respect to providing information, guidelines and instructions. The interpretation and application of accounting standards is the responsibility of the global accounting function. Guidelines and instructions for reporting are updated when necessary and are reviewed at least once a year.

Konecranes has three business segments (business areas): Service, Industrial Equipment and Port Solutions. As a deviation to Business Area Industrial Equipment, Business Area Port Solutions also incorporates those service branches and spare part units which are dedicated to serve the port customer segment.

Business Area Service has three business units: Industrial Service, Parts supply and Component spare parts. Business Unit Industrial Service is internally managed and reported as a line organization through three regions — Europe, Middle East and Africa (EMEA), Americas (AME) and Asia-Pacific (APAC). Other business units are managed as line organizations globally. Business Area Industrial Equipment and Business Area Port Solutions are operated as line organizations further divided into business units, and under business units further into product lines. These segments have clear product line profit responsibilities, ensuring a flawless order-delivery process and enabling effective decision making. Support functions, such as Finance, Legal, HR and IT and Marketing and Communications are managed as line organizations.

In the finance operating model, management accounting (business controlling) and financial accounting are segregated where applicable. Management accounting employees specialize in supporting the business area management decision making, whereas financial accounting primarily follows a legal structure with a close link to corporate-level financial accounting. The financial accounting organization also includes a separate Group Internal Controls team. Group Internal Controls is focused on supporting local units in improving controls and processes and monitoring compliance with our internal controls.

Financial targets are set and planning and follow-up activities are executed along the business area and business unit structures in accordance with the overall business targets of the Konecranes Group. The operations of Business Area Service are typically monitored based on profit-responsible service branches, which are further consolidated to country and region levels. Business Area Industrial Equipment is mainly monitored via the Components, Industrial Cranes and Process Solutions business units, which are divided into business/product lines. The manufacturing of components, sub-assemblies and other parts have a separate set of KPIs, as these supply operations are treated as cost centers rather than profit-generating units. In 2019, Business Area Port Solutions had Mobile Harbor Cranes, Port Cranes, Software, Solutions, Lift Trucks and Port Solutions Service business units monitored in the same way as in Business Area Industrial Equipment.



### Control activities

Konecranes Group management has operational responsibility for internal controls. Control activities are integrated into the business processes of the Konecranes Group and management's business supervision and monitoring procedures. Management follow-up is carried out through monthly management reporting routines and performance review meetings. These meetings are conducted at the business area and business unit levels, based on their own management structures, as well as at the Group level. Topics covered in the meetings include safety, review of the sales funnel, competitive situation, market sentiment, order intake and order book, monthly financial performance, quarterly and rolling 12-month forecasts; matters related to personnel, customers and internal control topics are also taken into account. Group management separately follows up the most important development activities. For example, R&D projects are monitored by the Product Board. The Product Board typically convenes on a quarterly basis.

All legal entities and business units have their own defined controller functions. Representatives from controller functions participate in planning and evaluating unit performance, and ensure that monthly and quarterly financial reporting follows the Group's policies and instructions and that all financial reports are delivered on time in accordance with schedules set by the Group.

The Group has identified and documented the significant internal controls that relate to its financial processes either directly or indirectly through other processes. Group companies are responsible for implementing the identified and documented internal controls. The Group has a register of internal controls that applies to all entities globally. The

register includes controls over assets, liabilities, revenue, and costs that require the involvement of Business and Financial Management. The register includes 86 controls that are categorized as key controls or operational controls. The list of internal controls is reviewed annually.

### Assessments and monitoring

Each operational legal entity/unit assesses and reports its compliance with the centrally determined set of significant internal controls through completion of an annual controls assessment document. Responsibility for fulfilling this reporting requirement lies with the managing directors and controllers. This document is reviewed by the Group Internal Controls team, which ensures completion of the assessment and provides feedback and guidance when needed on how to improve existing processes to fill possible gaps in controls.

In 2019, Internal Audit visits covered approximately 37% of the operational legal entities and around 79% of third-party revenue. In addition to the above-described self-assessment of the control environment and Internal Audit visits, Group Internal Controls coordinated a self-testing process for 41 operational legal entities. Remediation of the control deficiencies is the responsibility of the Managing Director of the legal entity, and Internal Audit conducts a control review after the entity has corrected control weaknesses.

### Communication

The Controller's Manual, together with reporting instructions, control register and policies, are stored in the Konecranes intranet for access by personnel. The Group, business areas and regions also arrange meetings to share information on financial processes and practices. Information for

the Group's stakeholders is regularly communicated via the Konecranes Group's website. To ensure that the information provided is comprehensive and accurate, the Group has established a set of external communication guidelines. These define how, by whom, and when information should be issued; and they are designed to ensure that Konecranes meets all its information obligations and to further strengthen internal controls related to financial reporting.

### During 2019

In 2019, Konecranes continued its IT system project to further develop and implement harmonized processes, increase operational visibility and improve decision making, and to reduce the overall number of various IT systems. The SAP ERP system is being taken into use for transaction handling and logistics within all three business areas. The Siebel ERP system is being taken into use to manage field service operations as well as to store data related to assets under maintenance contracts.

Konecranes also continued the implementation and development of the Financial Shared Service Center (FSSC) concept to offer mainly transaction handling services, financial master data maintenance and some financial accounting services from regional centers to individual Konecranes companies.

The internal control environment will be further improved using common, unified processes and a common system platform. Monitoring the effectiveness of internal controls will become more transparent following the implementation of the SAP ERP system. Financial Shared Service Centers will create a unified framework for transactional processing and provide an enhanced segregation of duties.

## OTHER INFORMATION

### Internal audit

Konecranes' Internal Audit function is an independent unit which assists the organization in achieving its objectives. The unit evaluates the efficiency of risk management, control and governance processes.

Internal Audit operates according to an audit plan approved by the Board's Audit Committee. The unit's working methods are based on the professional standards laid down by the Institute of Internal Auditors (IIA) and focus on process-oriented engagement rather than solely entity-based auditing. Internal audit results are reported to audited units' operative management, local subsidiaries' Chairman of the Board (internal Board) and relevant GXB members. Remediation follow-ups are coordinated by Internal Audit and the Group Internal Controls Team. Remediated findings are verified by Internal Audit in separate re-audits.

In 2019, the Internal Audit Team conducted 41 planned audits according to an approved annual audit plan. In 14 full audits, the Internal Audit Team covered 86 key and operational controls with wide sample sizes, and in 27 walkthrough audits, the internal auditor covered 34 key controls with limited sample sizes. The annual plan covered 37% active operational legal entities and all Financial Service Centers (FSSC) in Tallinn, Xiamen and Springfield. Additionally, centralized functions, like HR Services in US, Germany, China and Finland were audited by Internal Audit according to annual plan.

All Internal Audit activities are reported to the Group Executive Board and the Board's Audit Committee on a regular basis. Internal Audit is responsible to the Audit Committee.

### Related party transactions

Konecranes regularly identifies its related parties and follows transactions by those parties through its ERP system as well as through disclosures by related parties. Konecranes has not conducted any related party transactions that are material from the perspective of the company and where such transactions deviate from the company's normal business operations or are not made on market or market equivalent terms.

### Insider administration

The Board of Directors has approved the Konecranes Plc Insider Regulations based on Market Abuse Regulation ("MAR"), regulation and guidance given by the European Securities and Markets Authority, the Finnish Securities Markets Act, Nasdaq Helsinki Ltd's Guidelines for Insiders and guidance given by the Financial Supervision Authority.

Konecranes maintains an insider list ("Insider List") recording all persons having access to insider information related to the Company. The Insider List consists of one or more project-specific sections. Konecranes has determined that it will not establish a permanent insider section in this Insider List and there are thus no permanent insiders in Konecranes.

In Konecranes, persons discharging managerial responsibilities ("Managers") according to MAR are the members of the Board of Directors, the President and CEO and the members of the Group Executive Board.

Managers and their closely associated persons have to notify Konecranes and Financial Supervision Authority of all transactions, as defined in MAR, conducted on their own account relating to the

financial instruments of Konecranes within three days of the transactions.

Managers are prohibited from trading in Konecranes' financial instruments during a closed period starting on the 15th day of the month prior to the end of each calendar quarter and ending when the corresponding interim report or the financial statement bulletin is published, including the day of publication of said report ("Closed Period").

Konecranes keeps a record of persons who regularly participate in the preparation of Group-level financial results or who can otherwise have access to such information and has decided that the Closed Period set by Konecranes applies to them. Persons included in the Insider List's project-specific sections are prohibited from trading in Konecranes financial instruments until termination of the project concerned.

### External audit

According to the Articles of Association of Konecranes, the Company has to have at least one regular APA auditor and one deputy auditor, or alternatively at least one auditing corporation, with an APA auditor as the responsible auditor. The auditors are elected to their office for a term expiring at the end of the Annual General Meeting of shareholders following the election. Ernst & Young Oy, Authorized Public Accountant Firm, has been the Company's external auditor since 2006. Ms. Kristina Sandin served as Principal Auditor in 2019 and has been in this position since 2015. Ernst & Young Oy and its affiliated audit companies received EUR 3,301,000 fees for auditing Konecranes Group companies in 2019 and fees of EUR 433,000 for non-audit services. In 2018, the corresponding fees were EUR 3,759,000 and EUR 407,000.

# REMUNERATION STATEMENT 2019

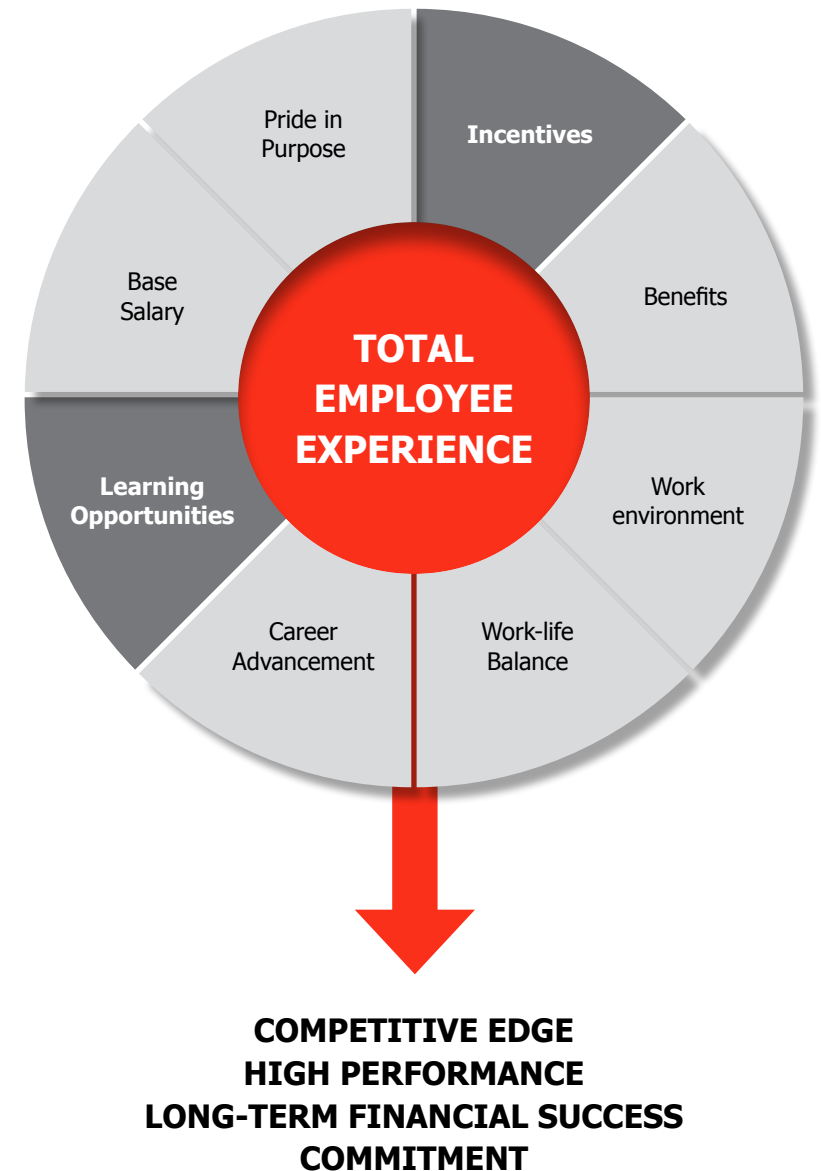
## REMUNERATION PRINCIPLES

Konecranes' remuneration principles aim to attract, retain and motivate talented employees. We consider incentives and learning opportunities as drivers and as vital parts of the total employee experience. Remuneration is linked to performance and achievements at all organizational levels.

Our remuneration is designed to promote high performance and commitment to our business targets. Konecranes' remuneration schemes aim to drive competitiveness and the long-term financial success of the company, as well as to contribute to the positive development of shareholder value.

Konecranes positions itself to the employer market based on the geographical locations of the employees and the employee groups. We are prepared to make additional investments in employer markets where Konecranes' employer brand is less distinguished and where fewer career opportunities exist inside the company. Also, we are prepared to invest more in fast-developing markets, such as countries with high inflation. The definition of market varies between employee groups.

For operatives and staff, Konecranes predominantly uses local benchmark companies. As for management, we benchmark ourselves with international companies based on management's geographical location.



## THE DECISION-MAKING PROCESS

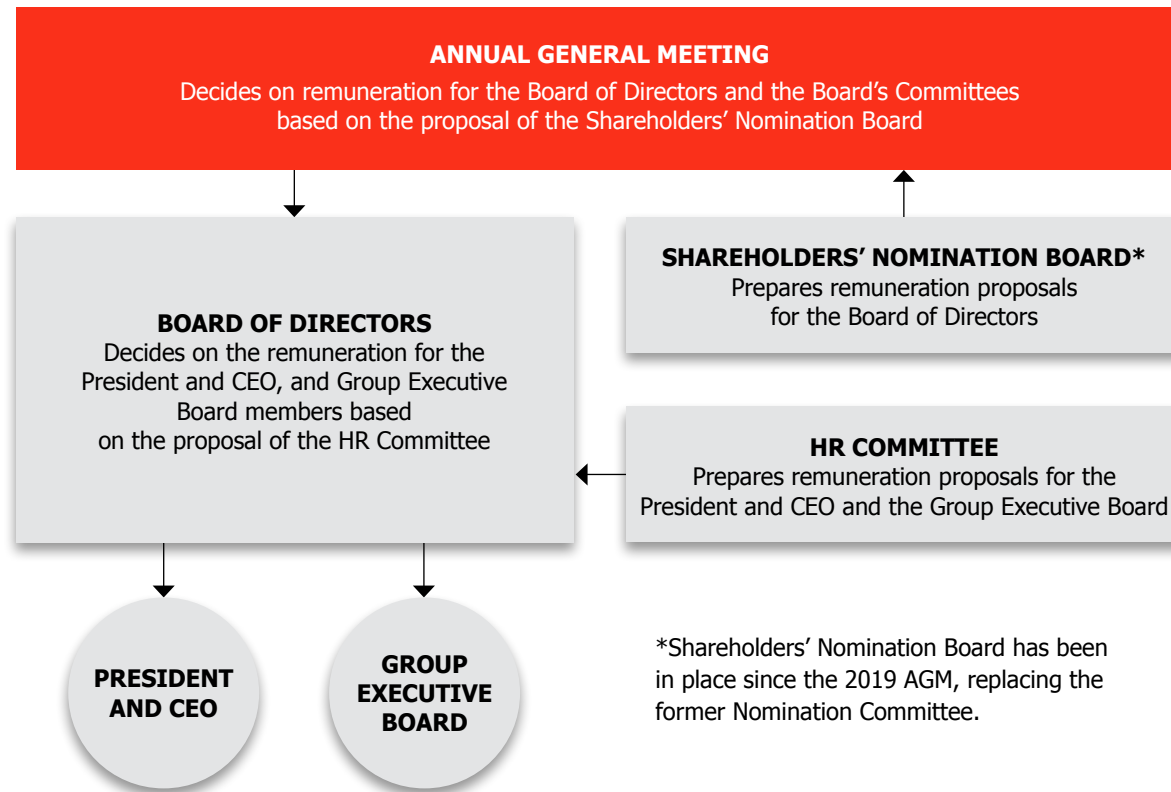
All Konecranes remuneration-related decisions are made by the 'one above' principle. In other words, the remuneration of an employee must always be accepted by his/her manager's superior. The decision-making process is depicted in the chart below.

### Remuneration of the Board of Directors

The Annual General Meeting decides on the remuneration of the Board of Directors and the Board's Committees annually. The decision proposals are prepared by the Shareholders' Nomination Board as of 2020. In 2019 the proposal was prepared by the Board's Nomination Committee.

### Remuneration of the President and CEO / Interim CEO

The Human Resources Committee reviews the CEO's and Interim CEO's performance and prepares the proposal for the total remuneration elements. External market data from peer companies operating in a similar global industry and advisers are used to support the proposal preparation and the performance review. Based on the Human Resources Committee's evaluation, market benchmarking and other relevant facts, the Board determines the total remuneration elements for the President and CEO. This approach ensures that there is no conflict of interest and the plan details for the upcoming year support the achievement of the group's strategic targets without encouraging unnecessary or excessive risk.



\*Shareholders' Nomination Board has been in place since the 2019 AGM, replacing the former Nomination Committee.

### Remuneration of the Group Executive Board and Senior Management

The Board evaluates and decides on the total remuneration of the Group Executive Board members and other executives reporting directly to the President and CEO.



## REMUNERATION ELEMENTS

### Remuneration of Board of Directors

The key principles for Konecranes' Board Remuneration is to (1) be competitive to attract international professionals representing a diverse and relevant mix of skills and experience and (2) to provide fees which account for relevant market practices and the time commitment and responsibilities of the roles. The Konecranes Annual General Meeting resolves the remuneration of the Board members. In case the term of office of a Board member ends before the closing of the next Annual General Meeting, he or she is entitled to the prorated amount of the annual remuneration calculated based on his or her actual term in office.

50% of annual remuneration is paid in Konecranes shares purchased on the market at a price determined in public trading on behalf of the Board members to align the interest of the Directors with those of shareholders. The remuneration shares are purchased in accordance with a trading plan prepared by the Company. The Company pays the transaction costs and transfer tax in connection with the purchase or transfer of remuneration shares. If payment in shares cannot be carried out due to reasons related to either the Company or a Board member, annual remuneration will be paid entirely in cash. The remuneration is normally paid in four equal instalments, each instalment being purchased or transferred within the two-week period following each of the Company's interim report announcements and the Company's financial statements release for each year.

In addition to the Annual Fee, a Committee Attendance Fee will be paid to the committee members to reflect any additional time commitment or duties. The members of the Shareholders' Nomination Board shall not be entitled to any remuneration from Konecranes on the basis of their membership.

Konecranes' Board members are not in an employment relationship or service contract with Konecranes. They do not participate in Konecranes' incentive programs or have a pension scheme arranged by Konecranes.

### Remuneration of the Management and Employees

#### Salaries

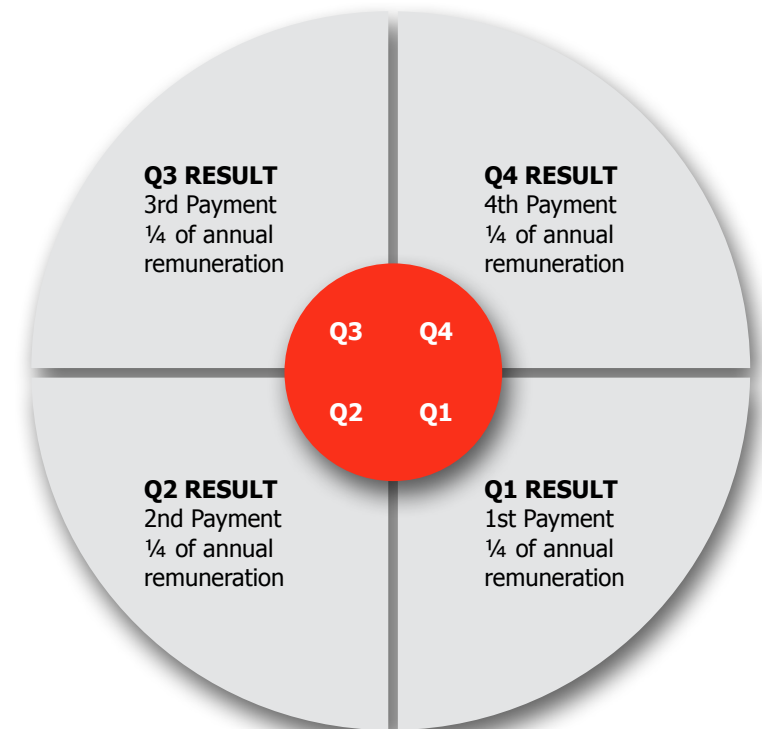
The base salaries and fringe benefits of the Konecranes President and CEO and Group Executive Board members reflect the performance and individual job responsibilities, experience, skills and knowledge.

Konecranes' salaries are defined according to the relevant local market in each country. In terms of base salary, Konecranes aims to be globally at the median of the chosen markets. Base salaries vary between countries and employee groups.

At Konecranes, managers evaluate their employees' salaries annually against the Konecranes Rewards Principles, ensuring that possible salary increases

are allocated effectively to individual employees based on their performance and contribution. The Annual Salary Review Process also applies to Group Executive Board members and senior management who report directly to the CEO and is completed by the Board of Directors.

Industry practices, market trends and average salary increases in Konecranes are considered when reviewing the salary. For this purpose, Konecranes



regularly participates in market benchmarks. Increases for the CEO and Deputy CEO will normally be aligned with the increases for the wider workforce.

## Incentives

### Short-term Incentives

The Konecranes Group remuneration structure includes an incentive plan. Konecranes' short-term incentives are designed to support the Company's financial success and the employees' commitment to achieve set targets on a semi-annual or annual basis, depending on the year. Participants, in addition to senior management, are decided locally based on the market practice.

Konecranes' incentives are typically based on the financial results of the Konecranes Group, business area, business unit and/or a smaller unit, and the employee's personal performance in comparison to set targets.

Incentive criteria may vary but are usually based on the Konecranes Group's five key performance areas: safety, customer, people, growth and profitability. Currently, a minimum of 50% of all employees' targets shall be based on financial performance. As for executives, such as business area/unit management or service region/sub-region management, 70–100% of the annual incentive is typically based on financial performance.

The amount of the incentive opportunity is defined by the employee's position in the organization and the geographical location. The actual pay-out is based on the achievement of the agreed targets and encourages exceeding normal, good performance.

The local and global market needs guide the use of incentives in each geographical location, separately.

Konecranes' incentive schemes are always based on written documentation. Quantitative performance criteria are used rather than qualitative assessments, whenever possible.

President and CEO Panu Routila's annual incentive was based on the comparison of financial performance of the Company and the expectations set out by the Board of Directors for the applicable year considering strategic business priorities. Typical targets were EBITA%, Sales Growth or Orders. The maximum incentive opportunity for the President and CEO was 85% of the annual base salary. The Interim CEO's maximum incentive was 50% of the annual base salary.

The Group Executive Board members' annual variable pay is based on the Group's financial performance and on business area performance, if applicable for the person, and on the individual's performance against predefined targets. The annual variable pay percentage is based on individual responsibilities and is at maximum 50 to 75% of the individual annual base salary (2/3 of the maximum being the target level).

### Long-term Incentives

The aim of Konecranes' long-term incentive plans, i.e. the Performance Share Plans, is to align the objectives of shareholders and Konecranes' key employees to increase the value of the Company, to commit key employees to the Company and to reward employees for achieving set targets. The actual grant is directly linked to Key Performance Indicators supporting long-term shareholder return

and applies multi-year performance period (programs active during year 2020, 3-year performance period).

Konecranes offered a rolling plan with three active Performance Share Plans in 2019. Konecranes' Performance Share Plans have a three-year performance period, during which the plan participants may earn rewards according to the realization of the criteria set in the beginning of the performance period and approved by the Board of Directors. In 2017, the Board of Directors issued an additional Performance Share Plan for the CEO with a five-year performance period.

Each Performance Share Plan period defines a maximum remuneration in shares. For practical reasons, part of the earned share remuneration is paid in cash to ensure that the participants can pay the necessary taxes for the share-based-compensation. The actual remuneration payment is based on the performance of the Company against the predefined criteria – if a threshold level for the criteria is not met, long-term incentives will not be paid.

Konecranes' long-term incentive plans include ownership obligations that pose restrictions to named plan participants selling shares received as remuneration. The members of the Konecranes Group Executive Board, including the Interim CEO, have an obligation to continue to own at least 50% of the shares earned annually through the Performance Share Plan until their ownership of the Company shares equals their annual salary.

The CEO of the Company has the obligation to own 100% of the net shares until the CEO holds shares equal to the annual base salary, and thereafter, 50%

of the Net Shares until the CEO holds shares at least worth 150% of the annual salary.

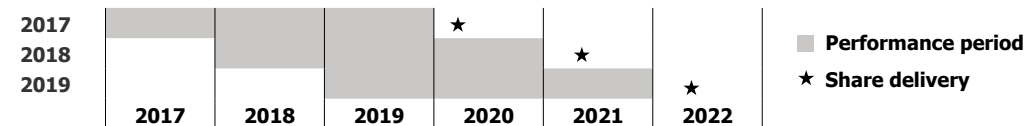
The Board shall have the right to cancel any short-term and long-term incentive reward, fully or partly, if the Group's financial statements have to be amended and those amendments affect the amount of the reward; if the Plan's performance criteria and Performance Requirement have been manipulated; or in case of any action against the business interest of the Company, or against criminal or employment related law, or against the ethical guidance of the Company, or any other unethical action, as resolved by the Board in each case.

In 2012, Konecranes launched an Employee Share Savings Plan for all employees, including the Management, except in those countries where the plan could not be offered for legal or administrative reasons. Participants save a monthly sum of up to 5% of their gross salary, which is used to buy Konecranes shares from the market on behalf of the participants. If participants are still in possession of these shares after an approximate three-year holding period, they will receive one matching share for every two initially purchased.

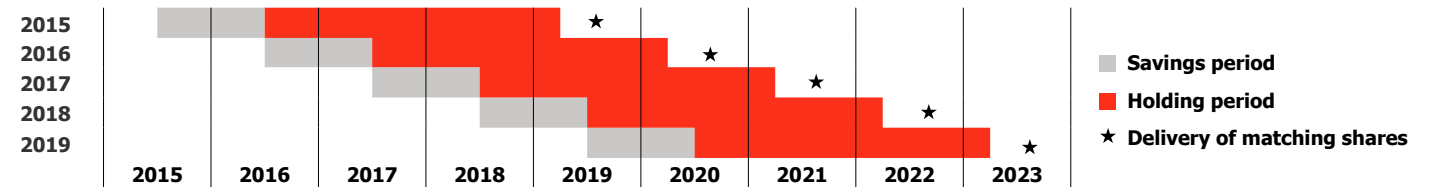
### Pensions

The Finnish statutory pension system covers Finnish Konecranes Group Executive Board members. The non-Finnish members participate in pension systems in their local countries. In addition to statutory pensions, Konecranes provides a supplementary contribution-based pension benefit to the President and CEO as well as to the Interim CEO.

#### Performance Share Plan



#### Employee Share Savings Plan



The pension scheme for the President and CEO sets his defined contribution at 20% of his annual salary, excluding performance-based compensation (annual or long-term incentives). The contribution level for the Interim CEO has been set at 1% of the annual salary.

The Finnish members of the Group Executive Board participate in a defined group pension insurance scheme, which can be withdrawn from at the age of 60. However, the retirement age is set according to the Finnish Employees Pensions Act (TyEL). The Finnish Group Executive Board members have life insurance and disability insurances. The non-Finnish members participate in a contribution-based pension plan (Defined Contribution Plan) and have local insurance coverage.

## Remuneration of the President and CEO and Group Executive Board

	<b>President and CEO (until October 6, 2019)</b>	<b>Interim CEO (as of October 7, 2019) (Deputy CEO until 6. October 2019)</b>	<b>Group Executive Board</b>
<b>Base salary</b>	Fixed salary with fringe benefits	Fixed salary with fringe benefits	Fixed salary with fringe benefits
<b>Short-term incentives</b>	Based on financial performance. Max. 85% of annual base salary	Max. 50% of annual base salary	Based on individual performance and Group/Business area performance. Max. 50–75% of individual's base salary
<b>Long-term incentives</b>	Paid according to Performance Share Plans	Paid according to Performance Share Plans	Paid according to Performance Share Plans
<b>Pensions</b>	Finnish Statutory pension Defined contribution plan at 20% of annual base salary	Finnish Statutory pension 1% of annual base salary	Finnish members <ul style="list-style-type: none"> <li>• Statutory pension</li> <li>• Contribution-based group pension insurance scheme</li> <li>• Life insurance and disability insurances</li> </ul> Non-Finnish members <ul style="list-style-type: none"> <li>• Defined contribution pension plan</li> <li>• Local insurance cover</li> </ul>
<b>Shareholding requirements</b>	Performance Share Plan 2017 or Performance Share Plan 2017–2021 for the CEO <ul style="list-style-type: none"> <li>• Must hold until he/she owns shares worth EUR 750,000 in total</li> </ul> Previous plans <ul style="list-style-type: none"> <li>• Must hold min. 50% of any net shares given based on reward plans, until the value of shareholding equals annual salary</li> </ul>	Must hold min. 50% of any net shares given based on reward plans <ul style="list-style-type: none"> <li>• Until the value of shareholding equals annual salary; and</li> <li>• Membership in the Group Executive Board continues</li> </ul>	Must hold min. 50% of any net shares given based on reward plans <ul style="list-style-type: none"> <li>• Until the value of shareholding equals annual salary; and</li> <li>• Membership in the Group Executive Board continues</li> </ul>

**Terms of Employment for President and CEO (until October 6, 2019)**

- Period of notice for either party: 6 months
- Severance pay: equals to 12 months' salary and fringe benefits, in addition to the notice period compensation
- Retirement age: 63 years
- Total remuneration:
- Monthly salary: EUR 50,000 excluding benefits
- Fringe benefits: car, mobile phone
- Contribution-based pension: 20% of annual base salary
- Short-term incentive: maximum 85% of annual base salary
- Long-term incentive: paid according to Performance Share Plans

**Terms of Employment for the Interim CEO (as of October 7, 2019) (Deputy CEO)**

- Period of notice: 6 months' notice by the Interim CEO or 9 months' notice by the company.
- Severance pay: equals to 9 months' salary and fringe benefits, in addition to the salary for the notice period
- Retirement age: 65 years 6 months
- Total remuneration:
- Monthly salary: EUR 24,753,75
- Fringe benefits: Car, mobile phone
- Contribution based pension: 1% of the annual base salary
- Short-term incentive maximum: 50% of the annual base salary
- Long-term incentives: paid according to the Performance Share Plans



## ANNUAL REMUNERATION REPORT 2019

This part presents the remuneration paid and payable to Board of Directors, Konecranes President and CEO, and Group Executive Board in 2019.

### Remuneration of the Board of Directors

Fees payable to the Board members as confirmed by the latest Annual General Meeting on March 28, 2019 and the total compensation paid in 2019 are shown in the tables below.

#### Fees payable to the Board of Directors

Annual fee 2019	Total EUR
Chairman of the Board	140,000
Vice Chairman	100,000
Board member	70,000
Fee per Board Committee meeting	1,500
Chairman of the Audit Committee per AC meeting	3,000

Board members are also reimbursed for their travel expenses.

### Total remuneration paid to the Board of Directors during 2019

Due to the payment cycle, Board remuneration during 2019 includes the Board of Directors' partial remuneration from January 1, 2019 until AGM 2019 (1/4 instalment and committee meeting fees), and from AGM 2019 until December 31, 2019 the partial remuneration (3/4 instalment and committee meeting fees) that was decided by AGM 2019.

#### Total remuneration paid to the Board of Directors during 2019

Member	EUR Cash portion as part of Total Annual Remuneration	Number of shares as part of Total Annual Remuneration	EUR value of shares as part of Total Annual Remuneration*)	EUR Committee Meetings	Total EUR
<b>Chairman</b>					
Christoph Vitzthum	87,519	1,942	52,481	9,000	149,000
<b>Vice Chairman</b>					
Ole Johansson	62,518	1,387	37,482	21,000	121,000
<b>Other Board Members</b>					
Anders Nielsen	43,760	971	26,240	1,500	71,500
Bertel Langenskiöld	43,760	971	26,240	7,500	77,500
Janina Kugel	43,760	971	26,240	6,000	76,000
Päivi Rekonen	43,760	971	26,240	18,000	88,000
Per Vegard Nersest	43,760	971	26,240	16,500	86,500
Ulf Liljedahl	43,760	971	26,240	40,500	110,500
<b>Total Board Compensation</b>	<b>412,596</b>	<b>9,155</b>	<b>247,404</b>	<b>120,000</b>	<b>780,000</b>

\*) share value based on the purchase date.

Purchase date 26.7.2019, purchase price € 27.8563

Purchase date 28.10.2019, purchase price € 25.5000

**Board meeting attendance 2019**

Member	Board meetings attended	Audit Committee meetings attended	HR Committee meetings attended	Nomination Committee meetings attended
<b>Chairman</b>				
Christoph Vitzthum	13(13)	(-)	6(6)	1(1)
<b>Vice Chairman</b>				
Ole Johansson	11(13)	15(15)	(-)	1(1)
<b>Other Board Members</b>				
Anders Nielsen	13(13)	(-)	4(4)	(-)
Bertel Langenskiöld	13(13)	(-)	6(6)	(-)
Janina Kugel	13(13)	(-)	6(6)	(-)
Päivi Rekonen	13(13)	14(15)	(-)	(-)
Per Vegard Nerseth	13(13)	14(14)	(-)	(-)
Ulf Liljedahl	13(13)	15(15)	(-)	1(1)

**Remuneration of the President and CEO and Group Executive Board members**

The remuneration of the Konecranes Group Executive Management in 2019 is shown in the table below. The salaries, fringe benefits and short-term incentives paid to the President and CEO and the Group Executive Board amount to a total of EUR 5,005,557.

Konecranes conducted an annual target setting and achievement review for 2019 to facilitate business success.

The 2019 Group/Business Area adjusted EBITA and Orders were used as the main criteria for Group and BA management.

**Remuneration of the President and CEO and Group Executive Board Members**

	2019 Panu Routila	2019 Teo Ottola	2018 Panu Routila	2019 GXB	2018 GXB
	President & CEO	Interim CEO, effective 7 October, 2019		Other members of the Group Executive Board	
Salaries and fringe benefits *)	515,976	74,262	647,700	2,206,524	2,844,365
Short-term incentives	330,225	0.0	330,000	765,000	471,649
Performance share rights allocated (# of share rights) **)	0.0	62,000	200,000	280,000	258,000
Shareholding in Konecranes Plc (# of shares) **)	0.0	35,324	32,419	204,654	238,385
Expense of statutory/voluntary pension plans *)	349,552	13,018	259,653	386,310	303,879
Benefits related to termination of employment paid in 2019	364,690				

\*) Teo Ottola was acting as interim CEO during 7.10.2019–31.12.2019 thus a portion of salaries and fringe benefits, and the expense of pension plans and shareholding in Konecranes Plc. on 31.12.2019 are reported separately from the GXB table.

\*\*\*) Panu Routila was not acting as CEO at 31.12.2019 thus shares and share rights are reported as 0.

## Long-term Incentives

The long-term incentives awarded in recent years are shown in the table below.

Long-term incentives Performance Share Plan (year)	PSP 2017	PSP 2018	PSP 2019
Performance period	2017–2019	2018–2020	2019–2021
Measure	Adjusted Cumulative EPS	Adjusted Cumulative EPS	Adjusted Cumulative EPS and Sales Growth CAGR %
Performance share rights allocated (# of share rights)	840,750	667,350	607,000
Grant date share value, €/Share	38.45	32.91	31.09
Total share value, based on the grant date value	€32,326,838	€21,962,489	€18,871,630
Total gross shares delivered	N/A	N/A	N/A
Gross shares delivered			
Panu Routila, CEO	N/A	N/A	N/A
Teo Ottola, Interim CEO since 7 October 2019, deputy CEO until 6 October 2019	N/A	N/A	N/A
Other members of Group Executive Board, total	N/A	N/A	N/A

Konecranes' Employee Share Savings Plan (ESSP) is offered to all employees including the management, except in countries where it is not possible due to legal or administrative reasons.

### Summary of Employee Share Savings Plans

Employee Share Savings Plan (year)	ESSP 2015	ESSP 2016	ESSP 2017	ESSP 2018	ESSP 2019
Savings period	July 1, 2015– June 30, 2016	September 1, 2016– June 30, 2017	July 1, 2017– June 30, 2018	July 1, 2018– June 30, 2019	July 1, 2019– June 30, 2020
Amount of participants*	1,168	1,022	1,860	1,871	2,099
Amount of shares acquired	90,684	43,536	95,924	117,932	35,296 (Ongoing)
Delivered or expected matching shares to be delivered*	45,342	21,768	47,962	58,966	17,648 (Ongoing)
Share price by delivery date or by the end of December 2019 (for non-vested plans), €/share	30.90	27.40	27.40	27.40	27.40
Value of the delivered or expected matching shares**)	1,401,195	596,443	1,314,159	1,615,668	483,555

\*) By the end of December 2019

\*\*\*) Share value by delivery date or by the end of December 2019 (for non-vested plans)

# RISK MANAGEMENT

Konecranes' Board of Directors has defined and adopted a set of risk management principles based on widely accepted international good management practices. The Audit Committee evaluates and reports on the adequacy and appropriateness of internal controls and risk management to the Board.

## Risk management principles

Risk is anything that will clearly affect Konecranes' ability to achieve its business objectives and execute its strategies. Risk management is part of Konecranes' control system and is designed to ensure that any risks related to the Company's business operations are identified and managed adequately and appropriately to safeguard the continuity of Konecranes' business at all times.

The Group's risk management principles provide a basic framework for risk management across Konecranes, and each Group company or operating unit is responsible for its own risk management. This approach guarantees the best possible knowledge of local conditions, experience and relevance.

The Group's risk management principles define risk management as a continuous and systematic activity aimed at protecting employees from personal injury, safeguarding the assets of all Group companies and the Group as a whole, and ensuring stable and profitable financial performance. By minimizing losses due to realized risks and optimizing the cost of risk management, Konecranes can safeguard its overall long-term competitiveness.

## Significant risks for Konecranes

Konecranes has assessed its strategic, operational, financial and hazard-related risks. The list of risks below, and the risk management methods described here, are intended to be indicative only and should not be considered exhaustive.

### Market risks

Demand for Konecranes' products and services is affected by the development of local and global economies, regional and country-specific political issues and stability, as well as the business cycles of Konecranes' customer industries. Currency fluctuations may cause changes in the competitiveness of our products in a specific market and affect our customers' businesses. Capital expenditure on industrial cranes varies with the development of industrial production and production capacity, while demand for port solutions follows trends in global container traffic and port investment cycles. Lift truck demand follows other industrial and port product segments. Demand for maintenance services is driven by the capacity utilization rates of our customers. In addition to risks related to sales volumes, adverse changes in demand can also result in overcapacity and affect market prices, as can the actions of competitors.

Konecranes' aim is to increase the proportion of service revenue in its total revenue stream and thereby reduce its exposure to economic cycles. In general, the demand for services is less volatile than that for equipment.

As part of its strategy, Konecranes strives to maintain a reasonably wide geographical market presence to balance out economic trends in different market areas while also paying attention to relevant distribution costs. Konecranes also aims to limit the risks resulting from changes in demand in different customer segments, as well as the demand for certain products, by maintaining a diverse customer base and offering a wide range of products and services. Konecranes also strives to differentiate itself from its competitors and reduce the competitive pressures that it experiences through active product development.

During 2019 Konecranes continued this strategy and further developed its go-to-market strategy with products and services, brands and sales channels. For example, in September Konecranes launched three new industrial lifting products to reinforce its industry-leading portfolio. In order to capture the potential of port automation and to answer customers' needs, Konecranes established a new Solutions business within Business Area Port Solutions in the beginning of the year. In the service business, Konecranes has further developed preventive and predictive maintenance models and increased the level of digitalization. Also, to mitigate and reduce the impact of the trade war between the US and China, Konecranes made some adjustments and changes to its supply and production chains.

### Customer credit risks

Challenges with customer payments could adversely



affect Konecranes' financial situation. To limit this risk, we apply a conservative credit policy regarding our customers. It is Konecranes' practice to review customers carefully before entering into a formal business relationship with them, and to require credit reports from new customers. The credit risks of our customers are mitigated by advance payments, letters of credit, payment guarantees and credit insurance where applicable. By using these tools and carefully monitoring customer payments, we have been able to successfully limit our credit risks.

During 2019, Konecranes continued to streamline the local credit policies of frontline units to enhance and enforce implementation of related processes and practices. To verify compliance, Konecranes integrated the majority of its units' ERP-systems with a 3rd-party service provider to check customer data against outstanding sanctions lists and products and spare-parts against dual-use items lists. During 2019 Konecranes established a new corporate-level Customs Compliance department.

### Technology risks

Konecranes recognizes that there are various threats and opportunities related to the development of new products and services in its business. Active management of intellectual property rights is essential in the global marketplace.

We have continued to monitor general market trends, technological developments, competitors' actions, customer behavior and developments in various industry segments to identify signs of potential changes that could impact us.

With our internal processes we systematically follow and incorporate key technologies. We have refined process-driven approaches, from innovations to needed technological research, all the way to product development projects. We also participate in global standardization work in ISO and CEN to ensure we fulfill existing and future safety and environmental standards. In 2019 we also participated in a European working group focusing on the OPC-UA Open Platform Communications Unified Architecture standard for cranes.

We continued to work closely with a number of start-up companies to ensure early knowledge of new ideas and technologies. Collaboration with external research institutes and universities also continued. In 2019 we conducted cyber security audits and trainings. All of these provide awareness of and secure access to technological development in our field of business.

We utilize our global testing centers to further improve the safety and reliability of our products. We carry out extensive lifetime testing of our new and existing products, creating new knowledge to reduce technical risks. Testing centers are also an integral part of our in-house research and are audited to the ISO 17025 standard, ensuring the quality of testing processes, proper test planning and documentation of the results. We use the results actively to develop the reliability of our products.

With global crane data via our Industrial Internet solution, we increase our awareness of how cranes behave in daily operations. Based on this, we continue to develop algorithms, helping us predict issues related to crane safety and operations.

In 2019 we continued to actively protect our designs, innovations, trademarks and domains. We have a regular process to monitor and act on possible violations.

Technical training for our service technicians is an essential risk management effort. The same applies to lifting equipment-specific training for engineers and designers. Service technician training continued actively during the year. For engineers, we continued developing specific training materials and conducted trainings based on this.

### Personnel

Konecranes' ability to operate is dependent on the availability, expertise and competence of professional personnel.

The investment continued in the industry-leading technical skills of our service technicians, leadership development, and in customer-centric and effective sales and sales management skills. In these focus areas, Konecranes invested in training and development efforts to ensure greater customer satisfaction. In addition, Konecranes increased recruitment for its software development.

Furthermore, Konecranes continued employee engagement programs such as our Employee Share Savings Plan, and invested in employee well-being.

### Acquisitions

Unsuccessful acquisitions or a failure to successfully integrate an acquired company could result in reduced profitability or hamper the implementation of corporate strategy. Konecranes reduces the risks associated with acquisitions by carrying out due

diligence analyses, using external advisors when needed.

On December 5, 2019, Konecranes signed the acquisition of the remaining 50% of equity capital of MHE-Demag (S) Pte. Ltd. from Jebsen & Jessen Pte. Ltd. Following the transaction, which closed on January 2, 2020, Konecranes holds 100% of the share capital in the company. Konecranes will invest substantial resources to execute the professional integration of the acquired entities. The scale and expected benefits of the acquisition create opportunities for Konecranes, while failure to achieve the objectives may result in meaningful risks.

### Production risks

Konecranes' strategy is to maintain the in-house production of key components that have high added value, and/or provide core competitive advantages. There are specific risks involved with different aspects of production, such as production capacity management, operational efficiency, continuity, lead-times and quality.

During 2019, our activities were focused on the enhancement of our capabilities in the supply chain with regard to internal flexibility and efficiency. We also adjusted production capacity to market demand.

Investments in capacity increases and replacements focused on environmental aspects plus the safety and security of operations.

### Procurement risks

Procurement at Konecranes strives to proactively mitigate risks associated with pricing, quality, capacity, availability and other requirements defined

by Konecranes, including the Supplier Code of Conduct. If realized, potential risks and deficiencies in the above areas may negatively affect the business and/or reputation of Konecranes.

Konecranes continued its operational development with suppliers in 2019. With our key suppliers we continued to focus on improving and maintaining quality, availability and on-time delivery performance. Tracking how mutual goals were fulfilled, monitoring performance, and open and active cooperation were important factors in the effort. Supplier audits and category-specific contingency planning resulted in many good activities that were carried out in cooperation with our suppliers.

Konecranes wants to continuously improve cooperation with selected existing suppliers and seek competitive alternate suppliers in order to mitigate risk. New alternate suppliers improve price competition, increase production capacity when necessary and can lower sourcing risks. The agreements with our most significant suppliers have been designed to optimize and secure global performance for both us and our customers.

### Quality

High-quality services and equipment, along with business procedures and processes, play a key role in minimizing Konecranes' business risks. Certified quality procedures are widely used in the Group.

In 2019, Konecranes continued developing both its local and global quality improvement processes. That development was supported by the continuing deployment of the Company's shared processes and IT tools to better register customer experiences

and approaches to systematic problem-solving, with the goal of improving our business performance. To strive for operational excellence throughout the company, the Lean Six Sigma methodology has been used widely with good results. The methodology plays a key role in the systematic improvement of Konecranes' processes and quality.

### IT risks

Konecranes' IT is responsible for all IT services, applications and assets used by Group companies. Konecranes' operations depend on the availability, reliability, quality, confidentiality, integrity and security of information. As with other global businesses in 2019, Konecranes witnessed and defended against malicious cyber attacks. These information security risks and incidents may have an unfavorable effect on business performance. Therefore, Konecranes continues to invest in IT security.

Konecranes uses reliable IT solutions and employs efficient information security management to avoid data loss and prevent the confidentiality, availability or integrity of data from being compromised. User care and support are exercised with internal and outsourced IT services to ensure the high availability, resiliency and continuity of services, combined with rapid recovery in the event of any temporary loss of key services. Third-party experts are utilized to audit, test and improve cyber security for internally and externally developed IT services.

During 2019 Konecranes defined a new information security strategy to further strengthen its information security management system. The implementation of global IT applications and harmonized business

processes continued, including the ongoing integration activities for the Terex MHPS business. Analytics and business intelligence capabilities are in focus, aiming to turn increasing amounts of business-, user- and device-generated data into new business opportunities. In 2019, Konecranes' IT continued adapting agile development methods for improved customer focus and flexibility while keeping pace with the accelerating speed of change.

### **Contract and product liability risks**

Konecranes can be subject to various legal actions, claims and other proceedings in various countries, typical for a company in this industry and consistent with a global business that encompasses a wide range of products and services. These actions may include: contractual disputes; warranty claims; product liability (including design defects, manufacturing defects, failure to post appropriate warnings and asbestos legacy); employment; auto liability; and other matters involving claims related to general liability. These risks are managed by continuously monitoring operations, improving product safety and documentation, training customers and enhancing sales terms.

In 2019 Konecranes continued to implement and improve its contract analysis and acceptance process according to its contractual instructions, with an increased focus on procurement activities. There was active harmonization and deployment of training in relation to respective global development programs during 2019.

### **Illegal activities**

Konecranes is strongly committed to complying with all applicable laws and regulations, but breaches of

the company's policies resulting in illegal activities can threaten the company. Konecranes recognizes that even small-scale illegal activity could damage its reputation and adversely affect its financials and results. Internal procedures, supervision, audits and practical tools, such as the gift and hospitality reporting portal, are used to reduce Konecranes' exposure to these types of risks.

Konecranes issues written policies to ensure compliance with legislation, regulations and our own principles across the Konecranes Group. Particular emphasis is placed on training to ensure that employees are aware of and comply with the applicable legislation, regulations, internal policies, practices and principles relating to their work.

Illegal and fraudulent criminal activities targeting Konecranes cause risks that may have a substantial impact on our financial results. We continued our efforts in 2019 to decrease the exposure to such activity.

In 2019 Konecranes conducted a compliance & ethics risk assessment and continued implementing the compliance & ethics program, including the Supplier Code of Conduct development.

### **Damage risks**

Damage risks can include: business interruption risks; occupational health and safety-related risks; environmental risks; fire and other disasters; natural events; and premises security risks. Konecranes identifies and assesses these risks continuously as part of its business processes. To mitigate these risks, we have adopted a number of occupational health and safety guidelines, rescue planning and

premises security instructions. Konecranes has also sought to prepare for the materialization of these risks through various insurance programs and by continuously improving its preparedness to deal with various potential crisis situations.

During 2019, we continued with our risk assessments to identify risks and enhance controls for the main risks related to the environment, safety and security. We launched our new Life Saving Behaviors campaign to describe expected safe behaviors and further promote a safe working culture. The harmonization and implementation of our global safety processes and procedures continued, including the successful roll out of a process and tool for capturing and investigating observations, near-misses and incidents. We also follow up investigation and corrective action closure and quality. This enables us to better understand our risk profile and investigate and improve the way we work.

### **Financial risks**

Konecranes manages most of its financial risks on a centralized basis through its Group Treasury. The Treasury operates through Konecranes Finance Corporation, which acts as a corporate-level financial vehicle for the Group. Konecranes Finance Corporation is not a profit-and-loss entity that seeks to maximize earnings, but rather aims to help the Group's companies reduce financial risks associated with global business operations such as market, credit and liquidity risks. The most significant market risk relates to foreign currency transaction risk.

The responsibility for identifying, evaluating and controlling the financial risks arising from the Group's global business operations is divided between

business units and Konecranes Finance Corporation.

Units hedge their risks internally with Group Treasury. Most of the Group's financial risks are channeled through Konecranes Finance Corporation, where they can be evaluated and controlled centrally and efficiently.

Almost all funding, cash management and foreign exchange transactions with banks and other external counterparties are carried out centrally by Konecranes Finance Corporation and in accordance with the Group's Treasury Policy. Only in a few special cases where local central bank regulations prohibit the use of Group services for hedging and funding is this done directly between an operating company and a bank under the supervision of Group Treasury. Konecranes Finance Corporation uses a treasury system that enables transactions to be processed in real time and provides in-depth records of activities and performance. Standard reporting is done on a weekly basis and covers Group-level commercial and financial cash flows, foreign currency transaction exposure, debt positions, derivatives portfolios and counterparty credit exposure for financial transactions. In addition, all Group companies participate in monthly managerial and statutory reporting.

See Note 33 in the Financial Statements and the Board of Directors' Report for a detailed overview of financial risk management.

### **Insurance**

The Group continuously reviews its insurance policies as part of its overall risk management. Insurance policies are used to cover all risks that are economically feasible or otherwise reasonable to insure.

# KONECRANES®

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Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity enhancing lifting solutions as well as services for lifting equipment of all makes. In 2019, Group sales totaled EUR 3.33 billion. Including MHE-Demag, the Group has around 18,000 employees in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).