

# CORPORATE GOVERNANCE STATEMENT 2020



# CORPORATE GOVERNANCE STATEMENT 2020

## 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: Deputy Chairman of the Board of Directors of Hartwall Capital

#### Mr. Stig Gustavson

b. 1945

- Finnish citizen
- Appointed by Stig Gustavson and family
- Education: M.Sc. (Tech.)

### Shareholders' Nomination Board members since September 11, 2020

#### Mr. Pauli Anttila

b. 1984

- Finnish citizen
- Appointed by Solidium Oy
- Education: M.Sc. (Econ.)
- Principal occupation: Investment Director of Solidium Oy

#### Mr. Mikko Mursula

b. 1966

- Finnish citizen
- Appointed by Ilmarinen Mutual Pension Insurance Company
- Education: M.Sc. (Econ.)
- Principal occupation: Chief Investment Officer of Ilmarinen Mutual Pension Insurance Company

### Shareholders' Nomination Board members until September 10, 2020

#### 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

The Shareholders' Nomination Board prepares 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

### 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: 7,266

### Janina Kugel

b. 1970

- German citizen
- Board Member since 2016
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Econ.)
- Principal occupation: Board professional and independent strategic advisor
- Shares: 3,271

### 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: 3,271

### Per Vegard Nersteth

b. 1964

- Norwegian citizen
- Board Member since 2018
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Econ.), MBA
- Principal occupation: Chief Executive Officer, CMR Surgical
- Shares: 2,580

### 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: 2,580

## Board Members since June 11, 2020

### Janne Martin

b. 1973

- Finnish citizen
- Board Member since 2020
- Independent of the Company's significant shareholders but deemed to be dependent of the Company due to his current position as an employee of Konecranes.
- Education: M.Sc. (Tech.)
- Principal occupation: General Manager of the Hämeenlinna Factory, wire rope hoists and electrics, Konecranes Finland
- Shares: 937

### Niko Morkkila

b. 1979

- Finnish citizen
- Board Member since 2020
- Independent of the Company but deemed to be dependent of a significant shareholder of the Company based on his current position as Managing Director of Hartwall Capital Oy Ab
- Education: M.Sc. (Tech.), M.Sc. (Econ.)
- Principal occupation: Managing Director, Head of Investment Operations, Hartwall Capital Oy Ab
- Shares: 808

## Board Members until June 11, 2020

### Ole Johansson

b. 1951

- Finnish citizen
- Vice Chairman of the Board from 2017 until 2020, Board Member since 2015
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Econ.)
- Principal occupation: Board professional

### Bertel Langenskiöld

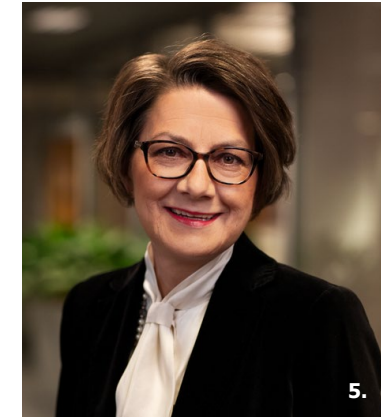
b. 1950

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

### 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



**1.** Christoph Vitzthum **2.** Janina Kugel **3.** Ulf Liljedahl **4.** Per Vegard Nerseth **5.** Päivi Rekonen **6.** Janne Martin **7.** Niko Mokka **8.** Ole Johansson **9.** Bertel Langenskiöld **10.** Anders Nielsen

**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 2020, out of seven Board members, two were female, representing over one fourth of the total. The Board had four different nationalities and consisted of different educational backgrounds from the fields of engineering, economics, social science and human resource management.

In 2020, Konecranes' Board convened 29 times. The attendance of the Board members at meetings was 98 percent. The attendance of the members to the board and committee meetings is presented in the table on the following page:

**Board meetings 2020****Board meetings**

Member	Attendance	Percentage
<b>Chairman</b>		
Christoph Vitzthum	29/29	100%
<b>Other Board Members</b>		
Janina Kugel	28/29	97%
Janne Martin	19/20	95%
Niko Mokkila	19/20	95%
Päivi Rekonen	28/29	97%
Per Vegard Nerseth	29/29	100%
Ulf Liljedahl	29/29	100%

**Board Members until June 11, 2020**

Anders Nielsen	9/9	100%
Bertel Langenskiöld	9/9	100%
Ole Johansson	9/9	100%

**Committee meetings 2020****Audit Committee meetings****Human Resources Committee meetings**

Member	Attendance	Percentage	Attendance	Percentage
<b>Chairman</b>				
Christoph Vitzthum			10/10	100%
<b>Other Board Members</b>				
Janina Kugel			10/10	100%
Janne Martin				
Niko Mokkila	7/7	100%		
Päivi Rekonen	10/10	100%		
Per Vegard Nerseth	2/3	67%	7/7	100%
Ulf Liljedahl	10/10	100%		

**Board Members until June 11, 2020**

Anders Nielsen			3/3	100%
Bertel Langenskiöld			3/3	100%
Ole Johansson	3/3	100%		

# 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.

## The Audit Committee

During 2020, the Board's Audit Committee was comprised of the following members:

- Mr. Ulf Liljedahl (Chairman)
- Mr. Ole Johansson, until June 11, 2020
- Mr. Niko Mokka, since June 11, 2020
- Mr. Per Vegard Nerseth, until June 11, 2020
- Ms. Päivi Rekonen

At the end of 2020, all members of the Audit Committee were deemed to be independent of the Company, but Niko Mokka 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 and one of the members has CFO experience.

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 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.

The Audit Committee shall have at least three (3) non-executive Board members, who are independent of and not affiliated with the Company. At least one member must be independent of significant shareholders. The members must have the qualifications necessary to perform the responsibilities of the Audit Committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing.

### 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 2020, Konecranes' Audit Committee convened 10 times. The attendance of the Audit Committee members at meetings was 97 percent. The attendance of the members is presented in the table on page 9.



## The Human Resources Committee

During 2020, the Board's Human Resources Committee was comprised of the following members:

- Ms. Janina Kugel, Chairwoman since June 11, 2020
- Mr. Bertel Langenskiöld, Chairman and member until June 11, 2020
- Mr. Per Vegard Nerseth, since June 11, 2020
- Mr. Anders Nielsen, until June 11, 2020
- 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 Konecranes Leadership Team (KLT);
- 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 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 Board shall appoint the members and the Chairman of the Human Resources Committee from among its members. 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 KLT positions.
- Review and monitor Konecranes' Talent Management and Succession Planning process and review potential successor candidates for KLT 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 KLT Members and executive development programs, including training and

competence development programs for members of senior management.

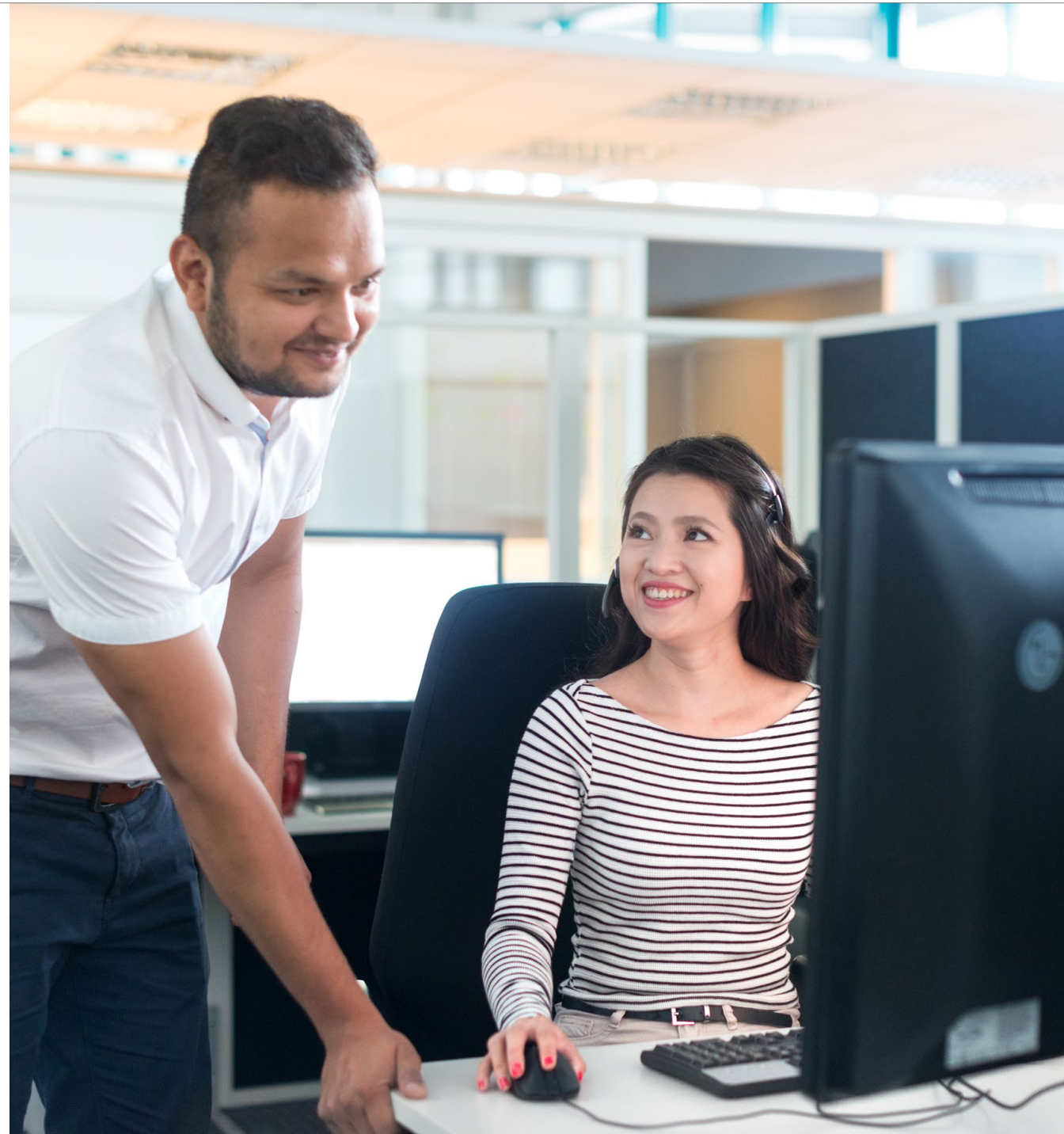
- Review the President and CEO's authority and responsibilities and make related recommendations or proposals to the Board when needed. The Committee will recommend to the Board on an annual basis the President and CEO's compensation founded on the evaluation of the Company's performance, compensation 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 KLT 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 KLT 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 2020, Konecranes' Human Resources Committee convened 10 times. The attendance of the Human Resources Committee members at meetings was 100 percent. The attendance of the members is presented in the table on page 9.



# President and CEO



**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.
- Shares: -

**Teo Ottola**, Interim CEO until January 31, 2020

b. 1968

- Finnish citizen
- Chief Financial Officer and Deputy CEO, Interim CEO between October 7, 2019 and January 31, 2020
- Member of the Konecranes Leadership Team since 2007
- Employed since 2007
- Education: M.Sc. (Economics)
- Shares: 43,244

## 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.

# Konecranes Leadership Team

In addition to the President and CEO, the following persons belong to the Konecranes Leadership Team (KLT):

## Teo Ottola

b. 1968

- Finnish citizen
- Chief Financial Officer, Deputy CEO
- Member of the Konecranes Leadership Team since 2007
- Employed since 2007
- Education: M.Sc. (Econ.)
- Shares: 43,244

## Fabio Fiorino

b. 1967

- Canadian citizen
- Executive Vice President, Business Area Service
- Member of the Konecranes Leadership Team since 2012
- Employed since 1995
- Education: B. Eng., P. Eng., MBA
- Shares: 31,852

## Timo Leskinen

b. 1970

- Finnish citizen
- Senior Vice President, Human Resources
- Member of the Konecranes Leadership Team since 2013
- Employed since 2013
- Education: M.Sc. (Psy)
- Shares: 16,262

## Mika Mahlberg

b. 1963

- Finnish citizen
- Executive Vice President, Business Area Port Solutions
- Member of the Konecranes Leadership Team since 2017
- Employed since 1997
- Education: M.Sc. (Eng.)
- Shares: 16,567

## Juha Pankakoski

b. 1967

- Finnish citizen
- Executive Vice President, Technologies
- Member of the Konecranes Leadership Team since 2015
- Employed since 2004
- Education: M.Sc. (Eng.), eMBA
- Shares: 14,371

## Sirpa Poitsalo

b. 1963

- Finnish citizen
- Senior Vice President, General Counsel
- Member of the Konecranes Leadership Team since 2016
- Employed since 1988
- Education: LL.M.
- Shares: 37,248

## KLT Member since March 1, 2020

## Carolyn Paulus

b. 1969

- German citizen
- Executive Vice President, Business Area Industrial Equipment
- Member of the Konecranes Leadership Team since 2020
- Employed since 1988
- Education: B. Econ, Business Management
- Shares: 2,310

## KLT Member since November 1, 2020

## Topi Tiitola

b. 1969

- Finnish citizen
- Senior Vice President, Integration and Project Management Office
- Member of the Konecranes Leadership Team since 2020
- Employed since 1995
- Education: M.Sc. (Econ.)
- Shares: 8,190

## KLT Member until March 15, 2020

## Minna Aila

b. 1966

- Finnish citizen
- Executive Vice President, Marketing & Corporate Affairs
- Member of the Konecranes Leadership Team since 2018
- Employed since 2018
- Education: LL.M.

## KLT Member until March 1, 2020

## Mikko Uhari

b. 1957

- Finnish citizen
- Executive Vice President, Business Area Industrial Equipment
- Member of the Konecranes Leadership Team since 1997
- Employed since 1997
- Education: Lic. Sc. (Eng.)

## Main tasks

The Konecranes Leadership Team 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.** Fabio Fiorino **3.** Timo Leskinen **4.** Mika Mahlberg **5.** Juha Pankakoski **6.** Carolin Paulus **7.** Sirpa Poitsalo **8.** Topi Tiitola **9.** Minna Aila **10.** 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, while each Group company or operating unit is responsible for its own risk management. Same principle is also applied for financial reporting.

Management of financial risks is described in Note 33 to Konecranes' Financial Statements 2020.

## 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, Anti-Corruption Policy 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 four business units: Industrial Service, Parts supply, Component spare parts and Modernizations. 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, 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. Group Internal Controls is focused on supporting local units in improving controls and processes and monitoring compliance with our internal controls. In 2020 this function was moved from Financial Accounting organization into Internal Audit organization.

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. Business Area Port Solutions has Mobile Harbor Cranes, Port Cranes, Software, Solutions, Lift Trucks and Port 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, quality related matters and business risks, 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 88 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 Internal Audit 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 2020, Internal Audit visits covered approximately 33 percent of the operational legal entities and around 70 percent 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 42 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 2020

Following the acquisition of MHE-Demag in the beginning of 2020, Konecranes started to consolidate legacy Konecranes and MHE-Demag entity structure to the extent possible. Work is expected to be finalized during 2021. Consolidation covers also oneKonecranes processes, tools and control framework.

In 2020, Konecranes continued its IT system roll-out to implement harmonized processes, increase operational visibility and improve decision making, and to reduce the overall number of various IT systems. The oneKonecranes SAP ERP system is being taken into use for transaction handling and logistics within all three business areas. At the end of 2020, oneKonecranes coverage was 69 percent of Konecranes entities – there was a slight increase in the coverage compared to 2019 despite the MHE-Demag acquisition due to efficient implementation.

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. In 2020 the scope has been slightly expanded to cover for instance all IFRS 16 related activities. A pilot of Record-To-Report (R2R) related activities has also been started for selected countries. Transaction processes have been further harmonized for all units to enable enhanced utilization of Robotic Process automation and AI supported tools which have been taken more actively into use.

The internal control environment has been further improved using common, unified processes and a common system platform. The annual review and update of internal controls was focused on compliance and ethics.

## 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 KLT members. Remediation follow-ups are coordinated by Internal Audit and the Group Internal Controls function. Remediated findings are verified by Internal Audit in separate re-audits.

In 2020, the Internal Audit Team conducted 30 planned audits according to an approved annual audit plan. In 8 full audits, the Internal Audit Team covered 88 key and operational controls with wide sample sizes, and in 22 walkthrough audits, the internal auditor covered 35 key controls with limited sample sizes. The annual plan covered 33 percent of active operational legal entities, all Financial Service Centers (FSSC) in Tallinn, Xiamen and Springfield and centralized functions, such as IT Services in Finland and Germany, HR Services in US, Germany, China and Finland were audited by Internal Audit according to annual plan. Additionally, Internal Audit has conducted or participated in 20 audits based on the compliance and ethics risk assessment.

All Internal Audit activities are reported to the Konecranes Leadership Team 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 Supervisory 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 Konecranes Leadership Team.

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 2020 and has been in this position since 2015. Ernst & Young Oy and its affiliated audit companies received EUR 3.7 million fees for auditing Konecranes Group companies in 2020 and fees of EUR 0.9 million for non-audit services. In 2019, the corresponding fees were EUR 3.3 million and EUR 0.4 million.