

Konecranes Plc
Corporate Governance
Statement 2011

CORPORATE GOVERNANCE STATEMENT 2011

Konecranes Plc (Konecranes, Company) is a Finnish public limited liability company, which complies with the Finnish Companies Act, Konecranes' Articles of Association, and other regulations concerning public companies in its decision-making and administration. As of October 1, 2010, Konecranes has complied with the Finnish Corporate Governance Code 2010 issued by the Board of Securities Market Association on June 15, 2010, which is available at the internet website www.cgfinland.fi. Konecranes does not deviate from the Finnish Corporate Governance Code recommendations. The Corporate Governance Statement 2011 has been reviewed by the Audit Committee.

BOARD OF DIRECTORS

Composition of the Board

Stig Gustavson b. 1945,

- Chairman of the Board since 2005, Board Member since 1994
- Stig Gustavson is deemed to be dependent of the company based on the Board's overall evaluation relating to his former and current positions in Konecranes combined with his substantial voting rights in the company. He is independent of any significant shareholders.
- Education: M.Sc. (Eng.), Dr.Tech. (hon.)
- Principal occupation: Board memberships

Svante Adde b. 1956,

- Board member since 2004
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Econ. and Business Administration)
- Principal occupation: Managing Director, Pöyry Capital Limited

Kim Gran b. 1954,

- Board Member since 2007
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Econ.)
- Principal occupation: President and CEO, Nokian Tyres Plc

Tapani Järvinen b. 1946,

- Board Member since 2009
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Eng.), Lic.Sc. (Tech.)
- Principal occupation: Board memberships

Matti Kavetvuo b. 1944,

- Board Member since 2001
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Eng.), B.Sc. (Econ.)
- Principal occupation: Board memberships

Nina Kopola b. 1960,

- Board Member since 31.3.2011
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Chemical Eng.), Lic.Sc. (Tech.)
- Principal occupation: President and CEO, Suominen Corporation and Suominen Group

Malin Persson b. 1968,

- Board Member since 2005
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Eng.)
- Principal occupation: President and CEO, Volvo Technology Corporation

Mikael Silvennoinen b. 1956,

- Board Member since 2008
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Econ.)
- Principal occupation: President and CEO, Pohjola Bank Plc

Former Board members until 31.3.2011

Tomas Billing b. 1963,

- Board member since 2009
- Independent of the Company and its significant shareholders
- Education: Graduate degree in Business Administration from Stockholm School of Economics
- Principal occupation: President, Nordstjernan AB

Main tasks

The Board is responsible for the administration and the proper organization of the operations of the Company. 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,

BOARD OF DIRECTORS

and any other applicable Finnish laws and regulations. The Company aims to comply with all 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 interest of the Company and all of its shareholders, and is accountable to the Company's shareholders. Board members 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 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. 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.

In 2011, Konecranes' Board convened 12 times. The average attendance of the Board members at meetings was 95.8 %.

The attendance of members to the meetings is presented in the table below:

Member	Board meetings		Audit committee meetings		Nomination- and compensation committee meetings	
	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage
Stig Gustavson	12/12	100 %			4/4	100 %
Svante Adde	12/12	100 %	4/4	100 %		
Tomas Billing	0/1	0 %			0/1	0 %
Kim Gran	12/12	100 %	1/4	25 %		
Tapani Järvinen	12/12	100 %	4/4	100 %		
Matti Kavetvuo	11/12	92 %			4/4	100 %
Nina Kopola	11/11	100 %			2/3	67 %
Malin Persson	11/12	92 %			4/4	100 %
Mikael Silvennoinen	11/12	92 %	3/4	75 %		

THE AUDIT COMMITTEE

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 who 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.

During 2011, the Board's Audit Committee comprised of the following members:

- Svante Adde (Chairman),
- Kim Gran,
- Tapani Järvinen and
- Mikael Silvennoinen.

All members of the Audit Committee are deemed to be independent of the Company and Company's significant shareholders. All members have sufficient expertise on corporate management. In addition, Mr. Svante Adde, Mr. Kim Gran and Mr. Mikael Silvennoinen have a degree in business administration and/or economics.

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 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 Com-

pany'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 review all material reports from the auditor addressed to Konecranes Plc and its subsidiary companies; and by
- Preparing and making recommendations and proposals for action to the Board resulting from listed tasks to the extent Audit Committee finds necessary.

In 2011, Konecranes' Audit Committee convened 4 times. The average attendance of the Audit Committee members at meetings was 75 %.

THE NOMINATION AND COMPENSATION COMMITTEE

The Committee shall e.g. prepare matters related to the appointment of the members of the Board of Directors, President and CEO and other senior management, evaluate the President and CEO's performance and remuneration and make recommendations to incentive compensation plans of the Company. The Board shall appoint the members and the Chairman of the Nomination and Compensation Committee from among its members. The Nomination and Compensation Committee shall have 2-4 non-executive Board members. The majority of the members shall be independent of the Company.

During 2011, the Board's Nomination and Compensation Committee comprised of the following members:

- Matti Kavetvuo (Chairman),
- Tomas Billing (until 31.3.2011),
- Nina Kopola (since 31.3.2011)
- Stig Gustavson and
- Malin Persson.

Mr. Stig Gustavson is deemed to be dependent on the Company, while all other members are independent of the Company. All members are deemed independent of the Company's significant shareholders.

Main tasks

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

- Advice on and prepare matters related to the nomination and election of the members of the Board of Directors;
- Prepare matters related to the appointment of the President and CEO and his deputy as well as other senior management;
- Evaluate the President and CEO's performance;
- Evaluate and propose the remuneration and other benefits for the President and CEO, his deputy and other senior management;
- Propose Group Remuneration Policy to the Board for approval;
- Evaluate and make recommendations to the Board relating to equity-based plans, incentive compensation plans, policies and programs of the Company;

- Ensure that succession planning for President and CEO and other senior management is in place;
- Oversee and follow the compensation development for Group Management internationally within the industries that are relevant for Konecranes.

In 2011, Konecranes' Nomination and Compensation Committee convened 4 times. The average attendance of the Nomination and Compensation Committee members at meetings was 87.5 %.

PRESIDENT AND CEO

Pekka Lundmark (b. 1963)

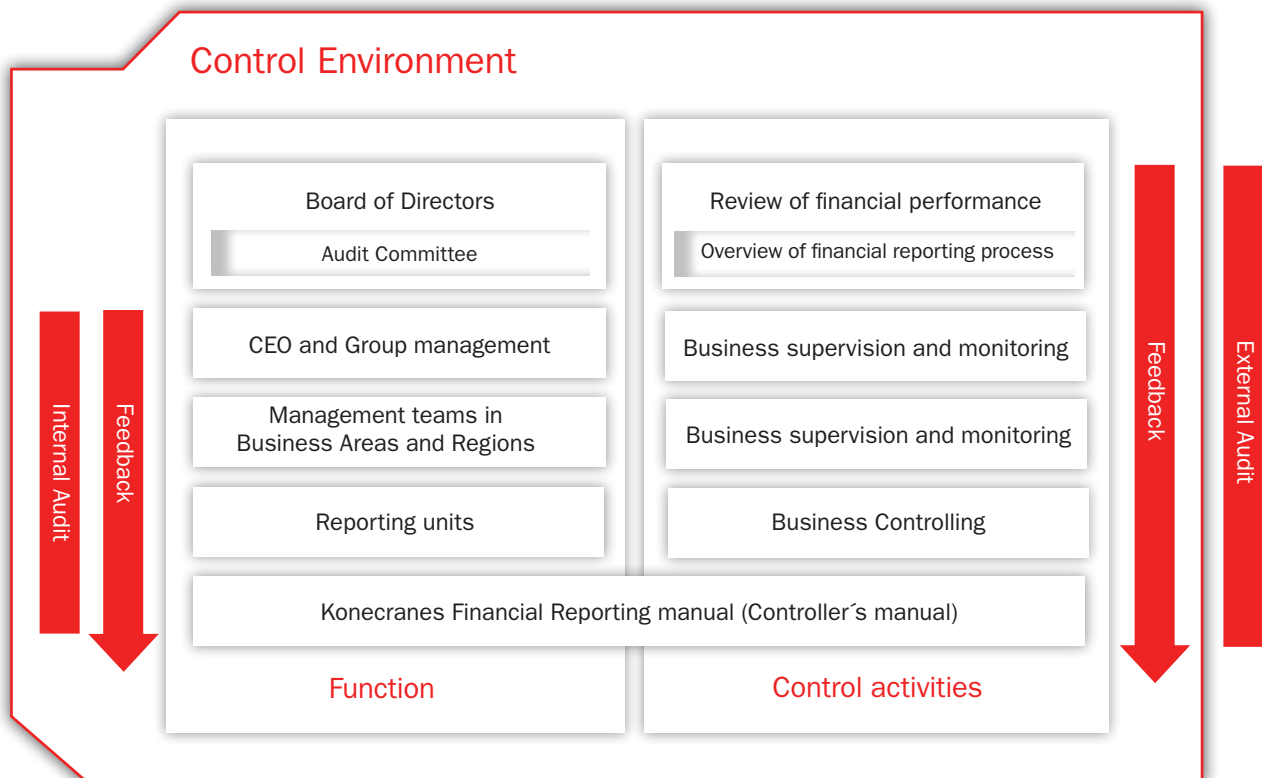
- Education: M.Sc. (Eng.)

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.

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 the 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.



Main Features in Internal Control related to Financial Reporting

INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

Control environment

The Group operates in a matrix organization, one dimension of which is formed by the two business areas, Service and Equipment. Both business areas are further divided into several business units, supply units, and various support functions. Business areas are responsible for issues such as product/service offering and global profitability.

The other dimension of the matrix organization is Market Operations. These front-line operations are managed and controlled through four regions: Americas, APAC, WEMEA (Western Europe, Middle East and Africa), and NEI (Nordic, Eastern Europe and India). Market operations are responsible for areas such as Konecranes' regional and country organizations including sales activities and service operations.

Financial targets are set and planning/follow-up activities are executed along both dimensions of the matrix organization in accordance with the overall business targets of the Konecranes Group. The operations of the Service business are typically monitored based on profit-responsible service branches (on average 320 in 2011), which are further consolidated to country and regions levels, and business units (5 in 2011). Equipment business is mainly monitored via business units (5 in 2011), which are divided into business lines.

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 employees' awareness of key issues; and 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 corporate policies, instructions, and financial reporting frameworks. These include the Konecranes Code of Conduct and the Konecranes Controller's Manual, which constitutes the main tool for accounting and financial reporting principles in respect of providing information, guidelines, and instructions. The interpretation and application of accounting standards is the responsibility of the Global Finance function. Guidelines and instructions for reporting are updated when necessary and are reviewed at least once a year.

Control activities

Konecranes Group management has operational responsibility for internal controls. Financial control activities are integrated into the business processes of the Konecranes Group and management's business supervision and monitoring procedures. The Group has identified and documented the significant internal controls that relate to its financial processes either directly or indirectly through other process. The total number of identified financial internal controls is approximately 100. 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.

Management follow-up is carried out through monthly management reporting routines and performance review meetings. These meetings are conducted by business units/business areas, on country and regional, as well as Group level, and cover a review of the competitive situation, market sentiment, order intake and order book, monthly financial performance, quarterly and rolling 12-month forecasts, as well as safety, people, and customer topics. The Group management follows up separately most important development activities; for example major IT development activities are monitored in Business Infrastructure Board and R&D projects in Technology Board. These Management Boards convene typically on a quarterly basis.

Monitoring

The Group conducts an annual self-assessment through its controllers to monitor the effectiveness of selected financial internal controls. The Group also has an Internal Audit function, which is responsible for monitoring and evaluating the effectiveness of Konecranes' risk management and internal control system. Internal Audit plans its work in cooperation with the Audit Committee, which approves an annual internal audit plan. The Audit Committee receives direct reports from external auditors and discusses and follows up their viewpoints. External auditors are also represented at Audit Committee meetings. The Group's financial performance is reviewed at every Board meeting, and the Board of Directors and the Audit Committee review all external financial reports before they are made public.

INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

Communication

The Controller's Manual, together with reporting instructions 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 communications guidelines. These define how, by whom, and when information should be issued; and are designed to ensure that Konecranes meets all its information obligations and to further strengthen internal controls related to financial reporting.

During 2011,

Konecranes continued its IT system project (ERP for both the Service and Equipment business areas, CRM and People system) to further develop and implement harmonized processes, increase operational visibility and improve decision-making, and reduce the overall number of various IT systems. The pilot unit of the ERP system was launched at the end of September 2011 and implementation roll-outs will continue in other units over the next few years. Konecranes also drafted a Financial Shared Service Center (FSSC) concept designed to offer mainly transaction handling services, financial master data maintenance, and some financial accounting services from regional centers to individual Konecranes companies. As part of this new concept, the first Financial Shared Service Center should become operational during 2012.

The internal control environment will be 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 ERP system. Financial Shared Service Centers will create a unified framework for transactional processing and provide an enhanced segregation of duties.

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 and machine tools of all makes. In 2011, Group sales totaled EUR 1,896 million. The Group has 11,700 employees at 578 locations in 46 countries. Konecranes is listed on the NASDAQ OMX Helsinki (symbol: KCR1V).