

# **Konecranes Plc**

Corporate Governance Statement 2009

## **CORPORATE GOVERNANCE STATEMENT 2009**

Konecranes Group's Corporate Governance complies with the Finnish Corporate Governance Code issued by the Securities Market Association on 20 October 2008, which is available at the internet website [www.cgfinland.fi](http://www.cgfinland.fi).

### **BOARD OF DIRECTORS**

#### **Composition of the Board**

Stig Gustavson b. 1945,

- Chairman of the Board
- 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 shareholding in the Company. Independent of the significant shareholders
- Education: M. Sc. (Eng.), Dr. Tech. (hon.)
- Main occupation: Chairman of the Board of Handelsbanken Regional Bank Finland, Dynea Oy, Arcada Foundation, Cramo Oyj and The Technology Academy Foundation; Vice-Chairman of the Board of Oy Mercantile Ab; Member of the Board of Vaisala Oyj; Member of the Supervisory Board of Varma Mutual Pension Insurance Company; Senior Industrial Advisor of IK Investment Partners

Svante Adde b. 1956,

- Board member
- Independent of the Company and the significant shareholders
- Education: B. Sc. (Econ. And Business Administration)
- Main occupation: Managing Director of Pöyry Capital, London

Tomas Billing b. 1963,

- Board member (since 12.3.2009)
- Independent of the Company and the significant shareholders
- Education: Graduate degree in Business Administration from Stockholm School of Economics
- Main occupation: President, Nordstjernan AB

Kim Gran b. 1954,

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

Tapani Järvinen b. 1946,

- Board Member (since 12.3.2009)
- Independent of the Company and the significant shareholders
- Education: Lic. Sc. (Tech.)
- Main occupation: President and CEO of Outotec Oyj until 31.12.2009

Matti Kavetvuo b. 1944,

- Board Member
- Independent of the Company and the significant shareholders
- Education: M. Sc. (Eng.), B.Sc. (Econ.)
- Main occupation: Chairman of the Board of Orion Corporation;  
Members of the Board of Alma Media Corporation and Lassila&Tikanoja Plc.

Malin Persson b. 1968,

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

Mikael Silvennoinen b. 1956,

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

**Former Board members until 12.3.2009**

Björn Saven b. 1950,

- Vice Chairman of the Board
- Independent of the Company and the significant shareholders
- Education: M. Sc. (Econ.), MBA, Dr. Econ. h.c.
- Main occupation: Chairman, IK Investment Partners (Chief Executive 1989 – 2008)

Timo Poranen b. 1943,

- Board Member
- Independent of the Company and the significant shareholders
- Education: M. Sc. (Eng.)
- Main occupation: CEO, Finnish Forest Industries Federation 1998-2005

## **Main tasks**

The Board is vested with powers and duties to manage and supervise the administration and the 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 aims to comply with all applicable rules and regulations affecting the Company or its affiliates (the “Group Companies”) outside Finland provided that such compliance does not constitute a violation of the laws of Finland.

The Board has a general obligation to pursue the best interest of the Company and is accountable to the shareholders of the Company. The 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, appointment and dismissal of the President and CEO, deputy to the President and CEO and other senior management, the group structure, acquisitions and disposals, financing and investments. It shall also continuously review and follow-up the operations and performance of the Group Companies, risk management and the compliance by the Company with applicable laws, as well as any other issues determined by the Board. The Board shall on an ongoing basis inform itself on issues and business activities of major strategic importance. The Board shall appoint a secretary to the Board to be present at all meetings.

In 2009, Konecranes’ Board convened 10 times. The average attendance of the Board members at meetings was 97,5 %.

## **THE AUDIT COMMITTEE**

From March 12, 2009 onwards, the Board’s Audit Committee comprised

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

Until March 12, 2009, the members of the Audit Committee were

- Svante Adde (Chairman),
- Kim Gran,
- Matti Kavetvuo and
- Mikael Silvennoinen.

The purpose of the Audit Committee is 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.

### **Main tasks**

The Audit Committee shall assist the Board in overseeing accounting and financial processes, financial statements and internal control. The tasks and responsibilities are defined in the Charter of the Audit Committee 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 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 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 2009, Konecranes' Audit Committee convened 5 times. The average attendance of the Audit Committee members at meetings was 80 %.

## **THE NOMINATION AND COMPENSATION COMMITTEE**

From March 12, 2009 onwards, the Board's Nomination and Compensation Committee comprised

- Matti Kavetvuo (Chairman),
- Tomas Billing,
- Stig Gustavson and
- Malin Persson.

Until March 12, 2009, the members of the Nomination and Compensation Committee were

- Björn Savén (Chairman),
- Stig Gustavson,
- Malin Persson and
- Timo Poranen.

### **Main tasks**

The Nomination and Compensation Committee is appointed by the Board of Directors to assist the Board in its responsibilities. The tasks and responsibilities are defined in a Charter of the Nomination and Compensation Committee. 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 2009, Konecranes' Nomination and Compensation Committee convened 4 times. The average attendance of the Audit Committee members at meetings was 100 %.

## **PRESIDENT AND CEO**

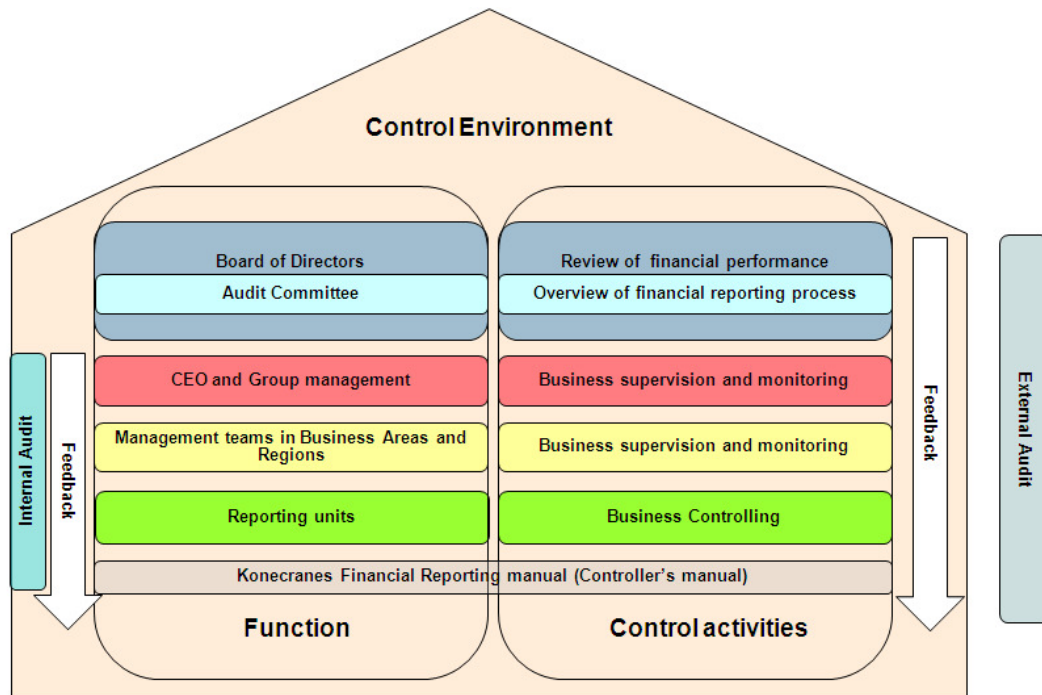
Pekka Lundmark (b. 1963)  
- Education: M.Sc. (Eng.)

### **Main tasks and duties**

According to the Companies Act, the President and CEO is in charge of the day-to-day management of the Company in accordance with the 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 must ensure that the accounting practices of the Company comply with law, and that financial matters are handled in a reliable manner. The President and CEO is also responsible for preparations of 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 give 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.



**Picture: Main features in Internal Control over financial reporting**

### **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 Group's operations in 2009 were organized into three business areas, supply units, and various support functions. Front-line operations are managed and controlled through four regions.

The control environment is the foundation for all the other components of internal control and for promoting employees' awareness of key issues. The Board of Directors and the Group Management are responsible for defining the Konecranes Group's Control Environment through corporate policies, instructions, and frameworks related to financial reporting. These include 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 built 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 the financial processes either directly or indirectly through other process. 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.

### **Monitoring**

The Group conducts an annual self-assessment through its controllers to monitor the effectiveness of selected internal controls. The Group has also an Internal Audit function, which is responsible for monitoring and evaluating the effectiveness of the company's 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 each Board meeting, and the Board of Directors and the Audit Committee review all external financial reports before they are made public.

### **Communication**

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.