



Konecranes Plc

Corporate Governance Statement 2014

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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. Konecranes complies with the Finnish Corporate Governance Code 2010, which came into force on October 1, 2010 and 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 2014 has been reviewed by the Audit Committee of Konecranes Plc's Board of Directors. Our independent auditor, Ernst & Young Oy, has verified that this statement has been issued and that the description of the main features of the internal control and risk management systems related to the financial reporting process is consistent with our financial statements.

Board of Directors

Composition of the Board



Mr. Stig Gustavson b. 1945,

- Finnish citizen
- Chairman of the Board since 2005, Board Member since 1994
- Stig Gustavson is independent of any significant shareholders. He 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.
- Education: M.Sc. (Eng.), Dr.Tech. (Hon.)
- Principal occupation: Board professional



Mr. Svante Adde b. 1956,

- Swedish citizen
- Board Member since 2004
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Econ. and Business Administration)
- Principal occupation: Senior Advisor, Lincoln International; Board professional



Mr. Tapani Järvinen b. 1946,

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

Board of Directors



Mr. Matti Kavetvuo b. 1944,

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



Mrs. Nina Kopola b. 1960,

- Finnish citizen
- Board Member since 2011
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Chemical Eng.), Lic.Sc. (Tech.)
- Principal occupation: President and CEO, Suominen Corporation



Mr. Bertel Langenskiöld b. 1950,

- Finnish citizen
- Board Member since 2012
- Bertel Langenskiöld is independent of the Company. He is deemed to be dependent of significant shareholders of the Company based on his current position as the Managing Director of Hartwall Capital Oy Ab. HTT KCR Holding Oy Ab holds more than 10 percent of Konecranes Plc's shares and votes. HTT KCR Holding Oy Ab is a subsidiary of Hartwall Capital Oy Ab.
- Education: M.Sc. (Eng.)
- Principal occupation: Managing Director, Hartwall Capital Oy Ab

Board of Directors



Mrs. Malin Persson b. 1968,

- Swedish citizen
- Board Member since 2005
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Eng.)
- Principal occupation: CEO & Owner, Accuracy AB



Mr. Mikael Silvennoinen b. 1956,

- Finnish citizen
- Board Member since 2008
- Mikael Silvennoinen is independent of the Company. He is deemed to be dependent of significant shareholders of the Company based on his current position as the Member of the Board of Hartwall Capital Oy Ab. HTT KCR Holding Oy Ab holds more than 10 percent of Konecranes Plc's shares and votes. HTT KCR Holding Oy Ab is a subsidiary of Hartwall Capital Oy Ab.
- Education: M.Sc. (Econ.)
- Principal occupation: Executive Chairman of the Board, IMS Talent Oy

Board of Directors

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, and any other applicable Finnish laws and regulations. The Company complies 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.

President and CEO and Chief Financial Officer report to the Board competitive situation, market sentiment, quarterly order intake and financial performance, full-year forecast, as well as 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. The Board consults external experts e.g. in the fields of audit, remuneration and most important development activities.

In 2014, Konecranes' Board convened 8 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 2014

Member	Board Meetings		Audit Committee Meetings		Nomination and Compensation Committee Meetings	
	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage
Stig Gustavson	8/8	100%	-	-	2/2	100%
Svante Adde	8/8	100%	4/4	100%	-	-
Tapani Järvinen	8/8	100%	4/4	100%	-	-
Matti Kavetvuo	8/8	100%	-	-	2/2	100%
Nina Kopola	8/8	100%	-	-	2/2	100%
Bertel Langenskiöld	8/8	100%	-	-	2/2	100%
Malin Persson	8/8	100%	4/4	100%	-	-
Mikael Silvennoinen	7/8	88%	4/4	100%	-	-

The Audit Committee

During 2014, the Board's Audit Committee comprised of the following members:

- Mr. Svante Adde (Chairman),
- Mr. Tapani Järvinen,
- Mrs. Malin Persson and
- Mr. Mikael Silvennoinen.

All members of the Audit Committee are deemed to be independent of the Company. All members of the Audit Committee except Mr. Mikael Silvennoinen are deemed to be independent of the Company's significant shareholders. All members have sufficient expertise on corporate management. In addition, Mr. Svante Adde and Mr. Mikael Silvennoinen 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 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.

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 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 2014, Konecranes' Audit Committee convened 4 times. The attendance of the Audit Committee members at meetings was 100%. The attendance of the members is presented in the table on page 6.

The Nomination and Compensation Committee

During 2014, the Board's Nomination and Compensation Committee comprised of the following members:

- Mr. Bertel Langenskiöld (Chairman),
- Mr. Stig Gustavson,
- Mr. Matti Kavetvuo and
- Mrs. Nina Kopola.

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

The Nomination and Compensation 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 as well as evaluate the President and CEO's performance and remuneration. The Committee shall also prepare matters related 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 at least three (3) non-executive Board members. The majority of the members shall be independent of the Company.

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 2014, Konecranes' Nomination and Compensation Committee convened twice. The attendance of the Nomination and Compensation Committee members at meetings was 100%. The attendance of the members is presented in the table on page 6.

President and CEO



Pekka Lundmark b. 1963,

- Finnish citizen
- President and CEO since 2005
- Member of the Group Executive Board since 2004
- Education: M.Sc. (Eng.), Helsinki University of Technology
- Primary working experience:
 - KCI Konecranes 2004–2005: Group Executive Vice President
 - Hackman Abp 2002–2004: CEO
 - Startupfactory 2000–2002: Managing Partner
 - Nokia Corporation 1990–2000: various executive positions

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.

Management of financial risks is described in the Note 3 of Konecranes' Financial Statements.

Control Environment

Main features of Internal Control related to financial reporting



Internal Control and Risk Management related to Financial Reporting

Control environment

Business Area Service is managed as a straightforward line organization according to the regional structure. However, certain small operations within the Business Area Service are managed globally as they have close ties to the respective operations within the Business Area Equipment.

Business Area Equipment operates as a matrix organization where global business units form one dimension and geographical regions the other dimension. The global business units have end-to-end result accountability.

The internal regional structure includes the following regions: Europe (EUR), India, Middle East and Africa (IMEA), Americas (AME), North-East Asia (NEA) and South-East Asia-Pacific (SEAP).

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 (330 in 2014), which are further consolidated to country and region levels. The Equipment business is mainly monitored via business units (6 in 2014), 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. 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 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 120. 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 by the Business Infrastructure Board and R&D projects by the Product Board. These Management Boards convene typically on a quarterly basis.

Internal Control and Risk Management related to Financial Reporting

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.

The Group has a confidential e-mail reporting channel (Whistleblower channel) through which matters related to suspected misconduct can be reported. All notices of suspected incidents are investigated by Internal Audit and findings are reported to the Audit Committee. We received five reports of suspected misconduct via the Whistleblower channel in 2014; these cases did not have a material impact on the Group's financial results.

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 2014

Konecranes continued its IT system project (ERP, CRM and People systems for both the Service and Equipment business areas) to further develop and implement harmonized processes, increase operational visibility and improve decision-making, and reduce the overall number of various IT systems. The SAP ERP system will be used for transaction handling and logistics within both business areas. The Siebel ERP system will be used to manage the field service operations as well as to store the data related to the assets under maintenance contracts.

The pilot unit of the SAP ERP system was launched at the end of September 2011. Several new units in North America rolled out SAP during 2013. In 2014, key manufacturing units in Finland implemented SAP in their operations. The SAP roll-outs will continue in Europe and Asia in 2015.

Pilot Service units in Europe took Siebel ERP system into use in 2012–13. The implementation continued in North America and Australia in 2014 and the work will continue in those areas in 2015. The Siebel ERP system is planned to be rolled out in additional European countries in 2015.

The CRM and People systems have reached the targeted global coverage. Their features and functionalities are being developed further to maximize the business benefits.

Konecranes carried on 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 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.

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 2014, Group sales totaled EUR 2,011 million. The Group has 12,000 employees at 600 locations in 48 countries. Konecranes is listed on the Nasdaq Helsinki (symbol: KCR1V).