

Konecranes Plc  
Corporate Governance  
Statement 2010

# Corporate Governance Statement 2010

Konecranes Plc 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 15 June 2010, which is available at the internet website [www.cgfinland.fi](http://www.cgfinland.fi). Konecranes does not deviate from the Finnish Corporate Governance Code recommendations. The Corporate Governance Statement 2010 has been reviewed by the Audit Committee.

# Board of Directors

## Composition of the Board

### **Stig Gustavson b. 1945,**

- Chairman of the Board
- 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 shareholding in the company. He is independent of the significant shareholders.
- Education: M. Sc. (Eng.), Dr. Tech. (hon.)
- Principal occupation: Board memberships

### **Svante Adde b. 1956,**

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

### **Tomas Billing b. 1963,**

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

### **Kim Gran b. 1954,**

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

### **Tapani Järvinen b. 1946,**

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

### **Matti Kavetvuo b. 1944,**

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

### **Malin Persson b. 1968,**

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

## 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 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

## Board of Directors

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 2010, Konecranes' Board convened 13 times. The average attendance of the Board members at meetings was 96.2 %.

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	13/13	100%			3/3	100%
Svante Adde	13/13	100%	4/4	100%		
Tomas Billing	12/13	92%			3/3	100%
Kim Gran	12/13	92%	4/4	100%		
Tapani Järvinen	13/13	100%	4/4	100%		
Matti Kavetvu	12/13	92%			2/3	67%
Malin Persson	12/13	92%			3/3	100%
Mikael Silvennoinen	13/13	100%	4/4	100%		

# 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 and not affiliated of 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 2010, the Board's Audit Committee comprised

- 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 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 2010, Konecranes' Audit Committee convened 4 times. The average attendance of the Audit Committee members at meetings was 100 %.

# 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 2010, the Board's Nomination and Compensation Committee comprised

- Matti Kavetvuo (Chairman),
- Tomas Billing,
- 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 2010, Konecranes' Nomination and Compensation Committee convened 3 times. The average attendance of the Nomination and Compensation Committee members at meetings was 91.7 %.

## President and CEO

### **Pekka Lundmark (b. 1963)**

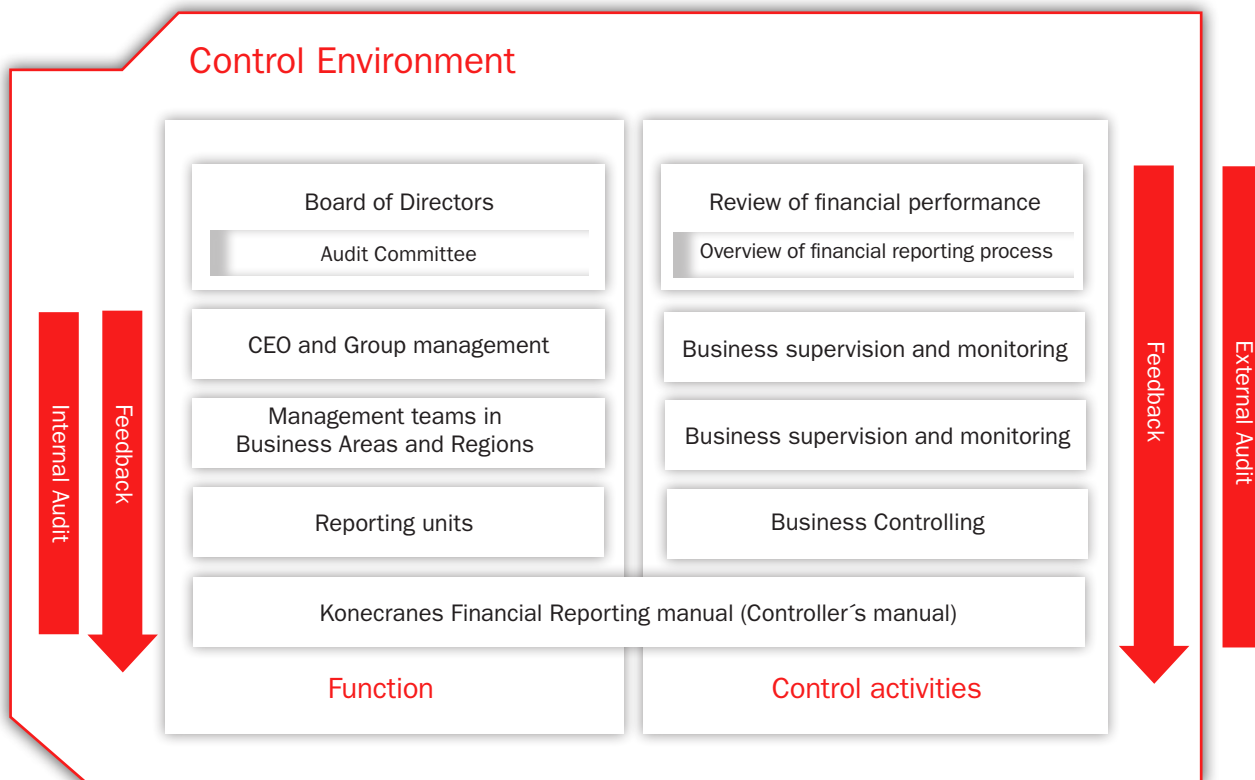
- Education: M.Sc. (Eng.)

#### **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 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.



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 where one dimension 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 e.g. 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 e.g. customer interface including sales activities and Service operations.

Financial targets are set and planning/follow up activities are executed in both dimensions of the matrix organizations in accordance with the overall business targets of the Konecranes group. Service business is typically being followed up based on profit responsible service branches and business units whereas Equipment business is mainly being monitored by business units that are further 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 the key issues. It is supporting the execution of the strategy and ensuring regulatory compliance. The Board of Directors and the Group Management are responsible for defining the Konecranes Group's Control Environment through corporate policies, instructions, and frameworks which relate to financial reporting. These include for example the Code of Conduct and the Konecranes Contoller'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. 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.

## Monitoring

The Group conducts an annual self-assessment through its controllers to monitor the effectiveness of selected financial 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

The Contoller's manual and reporting instructions as well as policies are restored in Konecranes intranet accessible by personnel. Additionally Group, Business Areas and Regions are arranging meetings in which information around the financial processes and practices is shared. 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.

## Internal control and risk management related to financial reporting

### **In 2010**

Konecranes launched Origo system project to further develop and implement the harmonized processes defined in the previous development programs, to increase visibility into the operations and thus to improve decision making as well as to reduce the number of various IT systems. The internal control environment will be improved by using the common and unified processes and common system platform. Also monitoring the effectiveness of the internal controls will become more transparent after the implementation of the system.

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 2010, Group sales totaled EUR 1,546 million. The Group has 10,000 employees, at 578 locations in 46 countries. Konecranes is listed on NASDAQ OMX Helsinki (symbol: KCR1V).