

KONECRANES®

**SUSTAINABILITY
REPORT 2019**





INTRODUCTION

In this Sustainability Report we provide information about our major economic, environmental and social impact, areas of improvement, our risk mitigation activities and how we maximize the positive environmental contributions of our solutions. With this report we explain how responsibility is embedded in our business practices and daily decisions as well as its strategic role in surrounding society's ability to prosper. We explain how we drive the main elements of our Corporate Responsibility (CR) strategy and disclose data about our performance and progress in reaching our targets. We have also taken the first steps to analyze how climate change impacts our business and what measures we need to take to strive to limit global warming.

Contents

Year 2019 in brief	3
Highlights of 2019	4
Strategic role of sustainability in Konecranes	5
Value creation	6
Engaging stakeholders	10
Managing sustainability	12
Our core sustainability themes	14
Reporting principles and data collection	29
GRI Index 2019	30

Information about Konecranes' Annual Report 2019

Konecranes' Annual Report 2019 consists of four separate reports: Annual Review, Financial Review, Sustainability Report and Governance document. All documents are downloadable on our Annual Report website at <https://investors.konecranes.com/ar2019>.

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2019 IN BRIEF

3,326.9

MEUR (+5.4%)
Net sales

8.3%

Adjusted
EBITA

16,200

Numbers of
employees

50

Number of
operation countries

Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers. We are truly a global company: in 2019, we had 16,200 employees in 50 countries. As a leading manufacturer of lifting equipment, Konecranes offers a vast range of advanced lifting solutions and services to different industries worldwide. The solutions provided by our three Business Areas – Service, Industrial Equipment and Port Solutions – complement each other and enable our

customers to meet their their lifting and material handling needs through one supplier. In addition to offering a wide range of lifting solutions, we provide specialized maintenance services and spare parts for all types and makes of industrial cranes, hoists and port equipment – from single units of equipment to entire operations.

Our customers operate in fields including the automotive sector, waste to energy and biomass,

general manufacturing, mining, nuclear energy, petroleum and gas, paper and forest, container handling, shipyards, power and metals production. We are a part of our customers' processes, as they do not only invest in equipment and services but look for solutions they can rely on. We constantly strive to improve our performance in product design, service solutions, safety and sustainability to stay ahead of our customers' needs.



HIGHLIGHTS OF 2019

We defined and updated sustainability themes, targets and KPIs.

We started drafting a climate road map.

We finished a full life cycle-scale study to communicate the climate impacts of our products and to support the Design for Environment (DfE) process.

We started a training on unconscious bias for our leadership and launched an e-learning for line managers. We established an internal platform for sharing ideas on diversity and inclusion.

We conducted a global compliance & ethics risk assessment.

We finalized a climate risk scenario analysis to strengthen our understanding about climate change and its possible physical and transitional risks as well as related market risks.

We started work on a circular economy road map.

We rolled out the Konecranes Life Saving Behaviors with a Safety campaign.

We launched an initiative in which Group Executive Board members mentor a female mentee.

We implemented a Gift and Hospitality Reporting Portal, which helps to follow up and ensure internal compliance.

THE STRATEGIC ROLE OF SUSTAINABILITY IN KONECRANES

At Konecranes we have been working on building the cornerstones of our Corporate Responsibility work in a way that supports our strategic ambitions as a company and answers the needs of our stakeholders. When looking at the road ahead, it is clear that future-proofing our business means providing products and services that lead the way in the transition towards a circular, low-carbon society. This is not only correct and prudent from a risk point of view, but also means increased business opportunities.

Our task, therefore, is to enable this transition not only for ourselves but also for our customers and other key stakeholders. In practical terms this means working on lowering our energy consumption and emissions. It means creating value through circular economy and through our deeply rooted safety culture. It means working on being the company of choice through active engagement in diversity and inclusion and working towards uncompromising ethical conduct through the constant development of our responsible business processes and practices.

Five cornerstones

In 2019 we defined our key corporate responsibility themes. We also reviewed the megatrends impacting our business, and the UN Sustainable Development Goals where we see that Konecranes can make an impact. Through this process, we identified the most relevant Corporate Responsibility topics for Konecranes that would also meet the high expectations of our stakeholders. The overall themes have remained largely the same as in recent years. The material aspects of our operations include: responsible business conduct, the footprint of our own operations, the safety of employees and our products, respecting human rights, employee engagement, diversity, providing sustainable solutions for customers, advancing the circular economy and enforcing Corporate Responsibility requirements for the supply chain. These topics set the baseline for our Corporate Responsibility strategy and we have named the themes as cornerstones of our Corporate Responsibility work. The five cornerstones stand as the foundation of our Corporate Responsibility work and include:



a sustainable offering and circularity; climate action and resource efficiency; a safe workplace and products, a diverse, inclusive and engaging workplace; and responsible business conduct. For each area we have set clear targets on what we want to achieve.

VALUE CREATION

Our business aims to improve our customers' safety and deliver optimal productivity. For our customers, we offer solutions they can rely on with on-time, consistent and impeccable service. With our knowledge, products, services and solutions we seek to maximize the positive contributions to our different stakeholders and the surrounding society. We create value for our stakeholders on multiple fronts: through circular economy, digitalization and our deeply rooted safety culture. Safe ways of working are an integral part of our business, and prioritizing safety in all areas of our operations brings us a competitive advantage.



Our innovation not only focuses on products, technologies and service solutions, but also on new ways of working and leveraging workforce diversity to amplify innovation. We believe that a great customer experience is built on the work of the people behind the Konecranes name, people committed to providing our customers with lifting equipment and services that lift their businesses. Our employees, with their expertise and motivation, are central to our success and bring our strategy to life. In our view – and this is clearly supported by empirical evidence – varied skill sets are a key driver of creativity and value creation, and diversity and inclusivity result in teams that deliver better results. Fostering diversity in terms of gender, age and cultural and educational backgrounds encourages innovation and exceptional organizational performance. To ensure that we continue to deliver value we focus on: engaging and developing the best talent, remaining in close contact with our key stakeholders to understand their evolving needs and expectations, implementing smart technology in our product and service offerings, innovating new business models and developing our product design and reliability.

Use of innovative technology

We adopt new technologies that help our customers make their operations safer and more productive by optimizing their material handling flows and by making intelligent and connected lifting devices. Safety, reliability and security are the core elements we aim to enhance with our digital solutions. Digitalization brings new security challenges and compliance requirements that Konecranes must address.

We create value for crane operators by providing applications that increase safety, usability and

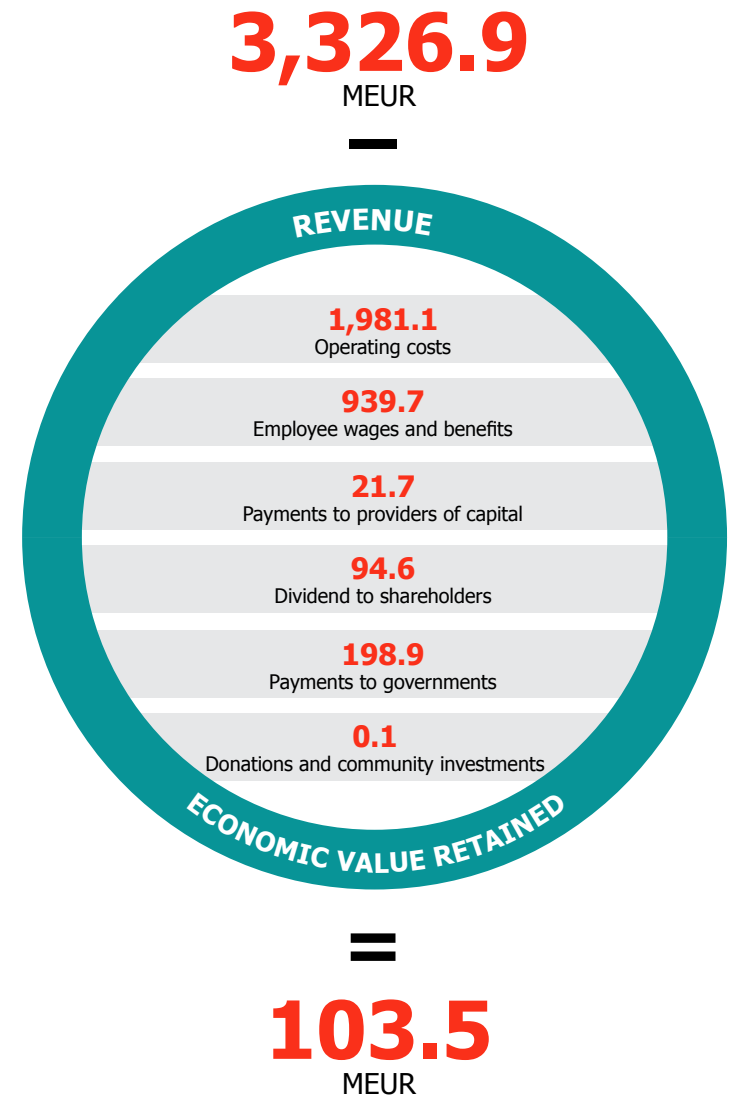
efficiency. For example, remote operations (using Remote Operating Station) enable the crane operator to work in safe areas with better ergonomics. This also increases safety in the factories, as people are farther away from the machines. Konecranes’s Smart Features (such as sway control and target positioning) also help crane operators operate the crane more smoothly. On the service side, our Lifecycle Care in Real Time approach is our comprehensive, systematic approach to lifting equipment maintenance. It harnesses the industrial internet to connect data, machines and people to provide the right service at the right time. The objective is to reduce unplanned downtime while increasing equipment safety, productivity and lifecycle value. Digitalization improves predictive maintenance by providing accurate information on the availability, location and condition of equipment. We see digitalization as an enabler for circular economy.

Our service technicians also use different Konecranes mobile applications that support executing service programs, assessing possible safety risks and guarantee authorized service. For example, we have developed a maintenance app for Lift Trucks to ensure that only an authorized service technician is allowed to perform maintenance actions. We also have an app, CheckApp for Daily inspections, that guides technicians through legislated inspections before taking equipment into use.

Safety culture

We incorporate safety into the design, manufacturing, maintenance and service of our products. We provide customers with equipment and services that enable them to work efficiently and safely throughout the product lifecycle. Safe ways of working are an integral part of our business and

Direct economic value generated and distributed



Operating costs and employee wages and benefits exclude payments to government.

prioritizing it in all areas of our operations brings us a competitive advantage. Our safety culture is based on the principle that there is no work so urgent or important that it cannot be done safely. We strive for a working culture where workplace injuries and illnesses are prevented, where people drive improvements by leading by example, and where everyone plays a part in building a safe and healthy working environment. We work towards this goal with the aid of systems and programs that manage the safety of our products, services and operations, and by transparently following up and analyzing our safety performance.

Circular economy

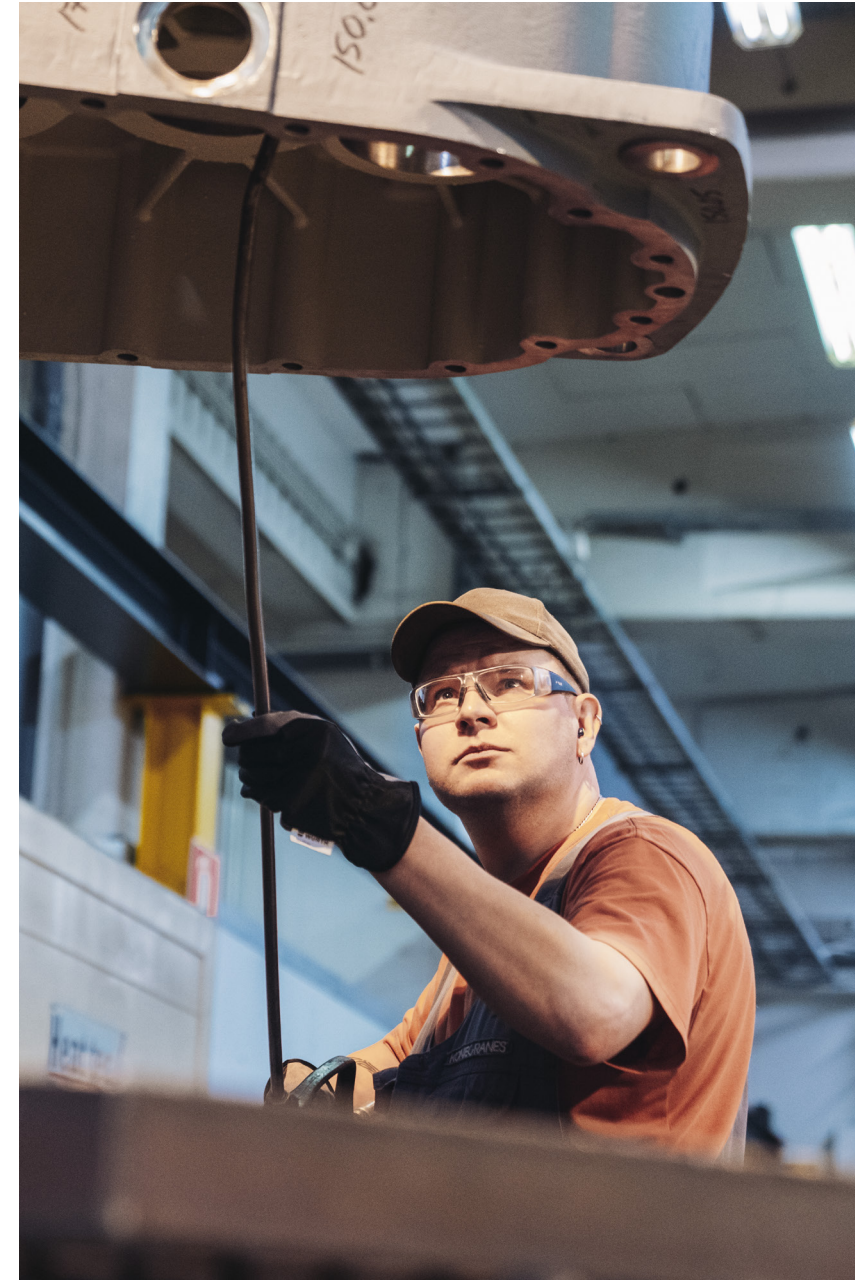
Our business model supports circular economy. Significant savings can be obtained through renting, repairing, modernizing and reusing our products. Modernizations and retrofits save a great deal of resources by reducing the environmental impact of product lifecycles, saving raw materials and enhancing equipment energy efficiency and performance. Additionally, modernization increases safety, productivity, reliability and usability, while decreasing the need for repairs and unscheduled maintenance. Building our processes around circular economy principles helps us improve our resource and energy efficiency while creating value for the customer by reducing their environmental footprint. We estimate that modernizations and our service business will increase in the future.

Our service business advances circular economy by focusing on extending the lifecycle of equipment via predictive maintenance, remanufacturing, modernizations and retrofits. By providing predictive maintenance services we help our customers extend and maximize the lifecycle value of their products.

Connected devices and online platforms provide data on the state of components in real time, showing when to maintain, replace or repair components and thus leading to a smarter use of resources and longer product lifecycles. We create value for our customers in new ways by optimizing visits from a service technician using data and remote monitoring.

Financial growth

Sustainable business practices and risk management are crucial for creating longer-term shareholder value. Meeting the non-financial expectations of stakeholders helps a company to manage risk, protect its reputation, attract and retain talent, grow its markets and improve its financial performance. We see ourselves having a clear purpose in society, one that goes beyond just the generation of financial value. We accomplish this by providing rewarding jobs and competitive salaries for employees, supporting local economies where we operate through our purchasing of services and goods and as a taxpayer. Having considerable purchasing power, we can impact the whole value chain with our supplier requirements. We also create shared value by maintaining close and mutually beneficial relationships with educational institutions and top universities in Finland and other countries where we operate and endow them with financial support. Being a preferred partner creates stability for our whole value chain, which gives us greater confidence in longer-term planning.



Tax footprint

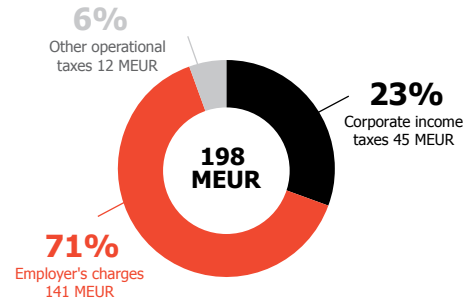
We are committed to paying taxes and tax-like fees in the countries where we operate. In 2019, taxes paid and remitted by Konecranes were an important source of income for public administrations. A total of EUR 476 million (514) in taxes and other compulsory tax-like payments were paid and collected in countries where the Group operates, implying an effective tax rate of 30.1% (29.1%). A total of EUR 198 million (238 million) was paid (taxes paid) directly by the Group itself, while EUR 277 million (239 million) was collected (taxes collected) on behalf of governments.

Konecranes Group operates in 50 countries. We are committed to paying all required taxes as stipulated by applicable tax laws, rules and regulations; to complying with all reporting requirements; and to filing all tax returns and fulfilling all tax obligations within the time requirements of local regulations where we conduct our business activities. The management and monitoring of tax-related matters is centralized in the Group's Finance department. The main operating principles are presented in our Group Tax Policy.

Significant matters of principle are presented to the Board of Directors for decision making. The Group's Chief Financial Officer reports regularly on taxation-related issues to the Group's Audit Committee. The key aim of the management of tax-related issues is to safeguard that all Group companies comply with the regulations of tax legislation in all countries of operation as well as manage both financial and non-financial tax risks. Tax risk management is conducted and monitored on a day-to-day basis by the Global Tax Department in cooperation with the respective business areas, units and supporting functions.

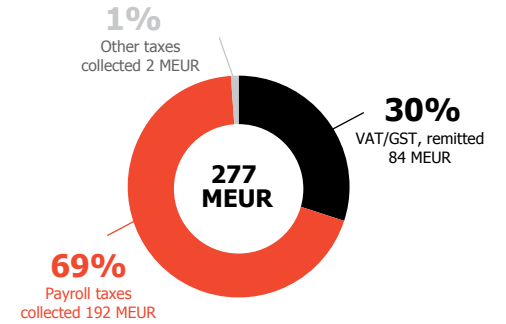
Konecranes does not practice aggressive tax planning that aims to artificially decrease the Group's taxable income by, for example, exploiting gaps in the architecture of the international tax system to shift profits to places where there is little or no economic activity or taxation. The Group follows the framework of legislation and legal practice in planning the taxable profit of Group companies. Our data on the payment of taxes in 2019 has been compiled while taking materiality, confidentiality, business reasons and cost-effectiveness into account. The data presented in this report is based on information collected from the Group's reporting systems. Additional information on taxes can be found in the financial reporting section.

Taxes paid



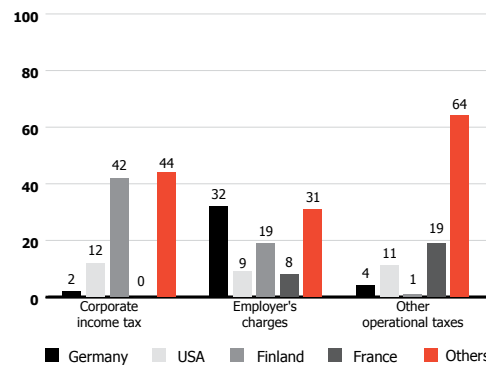
Taxes paid include all tax and tax-like payments that Konecranes has paid as its own taxes. Tax-like payments include, among other things, compulsory payments of social security contributions.

Taxes collected

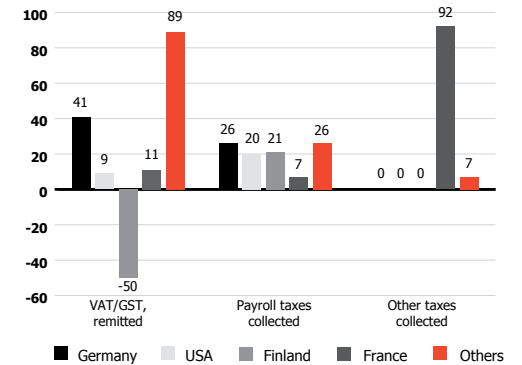


Taxes collected include tax and tax-like payments that Konecranes has collected on the behalf of the government such as VAT and similar turnover-related taxes paid, payroll taxes and other taxes. The economic burden for such taxes end up with the buyer or final consumer.

Taxes paid by country, %



Taxes collected by country, %



Konecranes is in recovery position of VAT in Finland due to significant sales abroad.



ENGAGING STAKEHOLDERS

We place a great deal of importance on public disclosure and the communication of sustainability and different aspects of corporate responsibility. As well as being responsible, we must also be responsive to society's fast-changing expectations by engaging in a regular and close dialogue with our key stakeholders – including our employees, customers, business partners and investors – to understand their evolving needs and expectations. Strategic dialogue helps us ascertain that our corporate responsibility strategy is supporting market demands and that the information we provide is relevant and transparent. The feedback we gather from our Voice of Customer (VoC) surveys and continuous stakeholder dialogue is essential when reviewing our Corporate Responsibility Strategy.

Engaging stakeholders in decision-making strengthens relationships, guarantees the relevance of our solutions and services both now and in the future, helps us communicate our commitments and also creates the possibility to create shared value for them. In addition to our key stakeholders, we have identified other relevant stakeholder groups that are increasingly important for Konecranes including local communities and authorities, associations, universities and research institutes, trade unions, non-profit organizations (NGOs), rating agencies, analysts and media.

We interact with external stakeholders in a number of ways. We employ Konecranes' intranet and several other online tools as engagement platforms for

our internal stakeholders. We communicate with the broader external community through content delivered via channels such as Konecranes.com and through social media outlets like Facebook, Twitter and Instagram. Keeping stakeholders from different parts of the globe engaged entails communicating in multiple languages, using different channels and cultivating and maintaining ongoing discussions.

Community involvement

Konecranes has a long history of community involvement done independently in different locations and business units. In 2019, for example, Konecranes employees joined forces in the US to collect supplies for those in need after Hurricane Dorian hit the Bahamas in September. In March, an open doors event celebrating 200 years of Demag was held at our Wetter plant, bringing together employees, their families and site neighbors. We are also starting to have Group-level programs. As part of the 2019 Christmas holiday season we chose to donate to Plan International's Girls' Education initiative, something that aligns perfectly with our diversity and inclusion vision. From our Group-level community involvement budget, we also donate to and collaborate with universities or research institutes on themes chosen by Konecranes, mainly focusing on our industry and its future. These are projects we would not do as part of our normal research & innovation collaboration. In 2019, we donated 80,000 euros to the Helsinki Centre for Data Science (HiDATA), which is jointly run by the University of Helsinki and Aalto University. Data Science is a new interdisciplinary field focusing on methodologies for extracting knowledge and insights from data, thus contributing to different areas of science. Konecranes' donation covers a post-doc researcher for two years in the field of Spatiotemporal Data Analysis covering topics such as detecting and recognizing objects with sophisticated machine learning methods.

Stakeholders	Topics	Channels	Frequency of engagement
Employees	Safety culture and safe products Compliance, ethics and integrity Employee development and well-being Equal opportunities and diversity	We engage our employees through internal communications (email, Konecranes' intranet, Yammer), an annual employee engagement survey (EES), e-learning, Whistleblowing Channel and compliance email, internal team meetings and internal training and development.	Weekly
Customers	Compliance, ethics and integrity Environmental impact of own production Sustainable offering Safety culture and safe products Responsible supply chain Human Rights	Customers are mainly engaged with our sales department, their key account managers and service technicians. We also use surveys and the Voice of Customer (VoC) feedback tool after every delivery or installation. In addition, we annually reply to a significant number of data requests by our stakeholders.	Frequency is based on customer's size and needs. Contact made at least annually.
Shareholders, investors	Compliance, ethics and integrity Environmental impact of own production Sustainable offering Safety culture and safe products Employee development and well-being	Shareholders and investors are engaged through investor briefings and meetings, Annual General Meetings, the Annual Report and sustainability reporting, quarterly reports and stock exchange releases, and by replying to investor questionnaires.	Regularly through public reporting and meetings.
Business partners, suppliers, subcontractors	Fair business practices Compliance, ethics and integrity Environmental impact of own production Safety culture and safe products Responsible supply chain	Suppliers are engaged through procurement, supplier assessments and negotiations, and ongoing contract management.	Engagement mainly through meetings, correspondence by e-mail as needed and providing data in questionnaires.

MANAGING SUSTAINABILITY

We believe that sustainable growth results from strong, responsible performance. Conducting responsible leadership practices means being responsible for the societies and communities in which we work, since they have expectations of us. The Konecranes Code of Conduct takes into account principles regarding environmental management, health and safety, equal opportunity, fair employment practices and anti-discrimination, diversity and inclusion, anti-corruption, reporting ethical and compliance concerns and sourcing and purchasing. We are committed to providing our customers with safe and sustainable solutions and services they can rely on while preventing and minimizing emissions and waste. We strive to continuously improve our products, processes and services and deliver on our commitments through concrete actions. Our service concept guarantees that all lifting equipment can be maintained at top performance, extending the lifespan to the fullest.

Sustainability work is also embedded in our governance processes at several levels. It is managed by our Corporate Responsibility team and through a Corporate Responsibility Council, which convenes 4 times a year. In addition, Corporate Responsibility themes and metrics are also regularly on the agenda of the Group Executive Board as well as annually for the Board of Directors. They monitor our progress and performance. Our operations and ways of working are guided by Konecranes' Code of

Conduct and our economic, social and environmental responsibility values and principles. For more information, see the Responsible Business Conduct section.

Managing sustainability risks and opportunities

We assess and mitigate corporate responsibility risks, such as those involving human rights in the supply chain, non-compliance, safety and climate change; and other more operational issues, such as chemical risks. Identified corporate responsibility risks are managed by several different Group functions. We review key corporate responsibility risks on an annual basis to ensure that our mitigation activities throughout the Group are effective. In prioritizing risks, we use a scale of probability and estimate the impact of those risks on the business. The Group's risk management principles provide a basic framework for all, and each Business Area and operating unit is responsible for its own risk management. This approach guarantees the best possible knowledge of local conditions, experience and relevance.

To help mitigate risk in our supply chains we continue implementing our Supplier Code of Conduct, which emphasizes the corporate responsibility requirements we expect to be fulfilled by third parties. Konecranes performs due diligence and background checks on suppliers and subcontractors before entering into business relationships.

Key policies and principles:

Code of Conduct

- Setting the standard for responsible business conduct
- Human rights principles

Environmental Policy

- Providing eco-efficient solutions and services for our customers
- Strive for climate action with external targets
- Preventing and minimizing harmful discharges into the air, water and ground

Global Compact commitment

- Operating according to the Compact's ten principles to meet the fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption

Safety Policy

- Behaving safely always
- Having zero tolerance towards unsafe acts and safety violations
- Continuously improving our safety culture and performance

Supplier Code of Conduct

- Setting the standard for responsible business conduct expected from suppliers

Diversity & Inclusion Policy

- Increasing gender diversity

Anti-Corruption Policy

- Working against corruption in all its forms, including extortion and bribery

Respect in the Workplace

- Respecting and valuing our people by providing equal working opportunities
- Developing a workplace that is free from discrimination and harassment

Regarding human rights due diligence, we made an action plan during 2019 and are conducting a risk screening exercise during the first part of 2020. The risk identification will help us focus our next actions on the most critical processes, functions and/or geographical locations. In 2019 we also conducted a group-wide compliance & ethics risk assessment by interviewing more than 200 employees from various countries and business units.

Extreme weather conditions due to climate change impact our supply and logistics chain. In 2019, we finalized a climate risk scenario analysis to strengthen our understanding of climate change and its physical and transitional risks as well as related market risks for Konecranes. Discussions on this will continue at the top management level in 2020, and business area-level risk evaluations will take place during the year. To mitigate potential transition risks we actively participate in relevant industry organizations and follow national, EU-level and international development on legislation related to climate aspects. Regarding physical risks like rising sea levels, we have conducted a number of natural hazard assessments with our insurance company to understand the probability, time frame and actual risks involved. You can find more information on this in our NFI statement in the Financial review.

Increasingly stringent environmental legislation and rising demand for low carbon products introduce cost risks to our operations. However, we also view this as a business opportunity because our products

and solutions can help our customers fulfill stricter regulations and requirements. Continuously increasing fuel and energy taxes and regulations provide us with a definite opportunity, especially in traditional diesel engine-powered product segments, as we have energy efficient and alternative power source products and solutions already available. Most of our solutions in different product categories are designed to fit both current and upcoming efficiency standards. An example here is our offering of hybrids in traditional diesel cranes, and energy-saving features such as regenerative braking to help customers minimize their emissions. Preventive maintenance also supports customers' emission reductions. Legislation, voluntary commitments and changes in the market will create opportunities for us to gain more revenue from our sustainable offering and from servicing existing cranes.

We assess environmental risks in greater detail as part of our environmental management system, where each of our units is responsible for evaluating, prioritizing and mitigating its risks. Environmental risk assessments and mitigation actions are done on a local level based on environmental aspects and impacts. Environmental incidents and near-miss safety cases are reported through our global Health, Safety and Environment (HSE) reporting tool, and the investigations of root causes and corrective actions are conducted accordingly. A similar process is used for health and safety risks.



OUR CORE SUSTAINABILITY THEMES

In 2019 we defined our key Corporate Responsibility themes. Through this process, we identified the most relevant Corporate Responsibility topics for Konecranes that would also meet the high expectations of our stakeholders. These topics set the baseline for our corporate responsibility strategy and we have named the themes as cornerstones of our Corporate Responsibility work. For each area we have set clear targets on what we want to achieve.



SUSTAINABLE OFFERING AND CIRCULARITY



Growing interest towards rental services and product-as-a-service offerings, as well as the demand for low-carbon products, indicates that markets are seeking new ways to do business that are cost-efficient and sustainable. We aspire to stimulate greater change through a sustainable and innovative offering that harnesses the potential of circularity and digitalization.

This is done by developing new concepts and solutions and continuously evolving and extending our digital services ecosystem. We design our products with their complete lifecycle in mind as the majority of the environmental impact of products' lifecycle is defined at the product design stage. Our product design is based on smart design principles focusing on reparability, durability and material selections including recyclability and energy efficiency. Usability, eco-efficiency, and safety are our guiding principles in product design, along with lifecycle thinking. We can also provide innovative power options such as hybrid and battery technology and other energy-saving solutions like regenerative

breaking. The lifecycle of our products can last for decades, so investing in data-driven, eco- and resource-efficient products means the customer can preserve the value of their equipment for a longer period of time and thus also decrease the environmental impact and cost.

In 2019 we:

- Continued our work on making circularity an integral part of key internal processes
- Held internal workshops and trainings on circular economy
- Started work on a circular economy road map

The aim of circular economy is to maximize the lifecycle value of products. This is also the strategic goal of Konecranes. Significant savings can be obtained through renting, repairing, modernizing and reusing our products. Our products can be modernized and retrofitted several times during their lifespan and reused to extend their lifespan, and then finally recycled at the End-of-Life. We also repair and recycle components and sell used, fully

serviced equipment. Additionally, modernization increases safety, productivity, reliability and usability while decreasing the need for repairs and unscheduled maintenance. Our service business advances the circular economy by focusing on extending product lifecycles with predictive maintenance, remanufacturing, modernizations and retrofits. Modernizations and retrofits also enhance the energy efficiency and performance of equipment as well as save a great deal of raw materials, cutting emissions from logistics and reducing the energy used in manufacturing processes.

Building our processes around circular economy helps us improve our resource and energy efficiency while creating value for the customer by reducing their environmental footprint. We have one of the largest service networks using modern technical solutions to unlock unique circular economy opportunities that benefit customers. Having the whole value chain in our own hands (design, manufacturing, data about equipment maintenance) gives us the opportunity to impact the whole chain.

Technology advancing circularity

Enhancing our products and services even further by utilizing the possibilities offered by the industrial internet is one of our strategic initiatives. We offer advanced tools that take advantage of digitalization to improve the productivity, serviceability and lifetime of equipment. Our significant investments in digital solutions and state-of-the art technology support circularity directly by, for example, enabling predictive maintenance, which aims to get more value from existing products while decoupling value creation from resource consumption. Predictive maintenance utilizes condition monitoring, advanced inspections and data analytics to predict component or equipment failure.

By providing predictive maintenance services we help our customers gain maximum lifecycle value from their products. Connected devices and online platforms provide data on the state of components in real time; knowing when to maintain, replace or repair components leads to smarter use of resources and extends the lifetime of a product. With predictive maintenance unplanned service hours can be avoided and equipment performance can be maintained at the highest possible level, extending a product's lifecycle.

Our efforts to deliver maximum circular value through our solutions include:

- 1. Smart design.** We develop our key product components in-house, starting from the design and material selection phases. We utilize the Design for Environment concept (DfE) in product development, which, among other aspects, considers the modularity, durability, component repairability and recyclability of products. By constantly seeking new combinations of raw materials and components, developing smart features and finding ways to improve energy efficiency, we can reduce the environmental impact of our products' lifecycles.
- 2. Lifecycle extension.** Our products can be remanufactured and modernized to extend their already long lifespan. We also repair and recycle components and sell used, fully serviced equipment. We firmly believe that we can deliver the highest lifecycle value to our customers through Lifecycle Care – our comprehensive and systematic approach to maintenance. Our vast service and spare part offering and systematic approach to maintenance are supported by digital tools that allow real-time visibility and insight. The remote monitoring system TRUCONNECT® helps predict failures and maximize equipment uptime, thus making it possible for the product to stay in use longer. We encourage the re-utilization of pre-owned equipment.
- 3. Product-as-a-service.** We offer low- to mid-range capacity cranes for rent. The rental service includes comprehensive service and preventive maintenance, giving customers flexible production opportunities at a fixed monthly cost.



Lifecycle Care

Incorporating predictive maintenance elements into Konecranes' Lifecycle Care Preventive Maintenance program further optimizes maintenance activities, reduces unplanned downtime and improves equipment safety, productivity and lifecycle value.

We use real-time data to predict maintenance needs. This reduces the need to move spare parts and allows services technicians to drive to customer sites less often. Remote monitoring is used to collect equipment condition and usage data, which is then aggregated with the inspection and maintenance data to give a comprehensive view and analysis of equipment condition, maintenance and operation. Customers see the clear benefits of investing in durable equipment that can be repaired and modernized, and the value that comes from increased production uptime.

Target 2020 onwards	Progress	UN Sustainable Development Goals
Circular economy roadmap by the end of 2020	Will be reported from the 2021 report onwards	13, 12

CLIMATE ACTION AND RESOURCE EFFICIENCY



We are committed to providing our customers with eco-efficient solutions and services while preventing and minimizing harmful discharges into the air, water and ground. When assessing the whole lifecycle of our products, the most significant impacts come from energy consumption during the product use phase and from the production of raw materials and components. Our commitments concerning environmental responsibility can be found in our Code of Conduct and in our Environmental Policy, which outlines our principles for managing the environmental impact of Konecranes' sites, products and services. Furthermore, we are a signatory of the United Nations Global Compact and its ten principles, where one of the principles underlines the need to adopt a precautionary approach to environmental challenges by examining the whole scope of impact that our operations might have.

To continuously improve our performance, we have set a target for all of our manufacturing sites to be ISO 14001:2015 EMS certified by the end of 2020. Currently 72% of our factories have an ISO 14001

environmental management system in place that requires continuous development and the establishment of local annual targets. We also pay special attention to the use of efficient logistics and packaging, minimizing waste and recycling as much as possible. Environmental incidents and observations are reported through our global HSE reporting system and investigations of root causes and corrective actions are conducted accordingly. We also use Konecranes' HSE Tools for risk prevention, striving for continuous improvement and world-class performance. The company's HSE Tools for chemical handling and waste management are used globally, setting a minimum level for environmental management.

Both our own operations and supply chain have environmental impacts that we aim to mitigate. We reduce our carbon footprint by setting targets for energy efficiency and emissions, both for service and manufacturing. Our target is to reduce our energy intensity (MWh/sales) by 25% during 2017–2025. This will be done by setting challenging targets for

energy efficiency at our service and production sites. We have also signed voluntary agreements on energy efficiency. In 2019 energy intensity was reduced significantly, by 16%, compared to the 2017 baseline.

The focus of our climate work is to strive for energy efficiency and emission reductions, and to more accurately investigate the impact climate change has across the company. Our goal is to reduce greenhouse gas emission intensity (tCO₂e/sales) by 50% during 2017–2025. One aspect of this target is reducing service fleet fuel consumption and emissions. In addition, we are committed to powering our factories with 100% renewable electricity by 2025.

In 2019, we managed to decrease our emissions by 22% compared to the 2017 baseline. The share of renewable electricity was 26% of all used electricity. We have received B-level recognition from CDP (the Carbon Disclosure Project) for our Climate Report, which ranks us above the Europe regional average of C.

In 2019, we finalized a climate risk scenario analysis to strengthen our understanding of climate change and its physical and transitional risks as well as related market risks for the company. Discussions on this will continue at the top management level in 2020, and business area-level risk evaluations will take place during the year. When it comes to climate-related opportunities, we focus on providing eco-efficient solutions for our customers and extending product lifecycles with our service concept. For example, we offer hybrids and electrical alternatives for traditional diesel cranes, and energy-saving features such as regenerative braking to help our customers minimize emissions. For more information, see the NFI Statement in the Financial Review.

To meet customers' increasing needs for low-carbon products, we calculate the energy consumption and CO₂ emissions of our products and critically assess this data with the help of a third party as part of our Environmental Product Declarations. Preventive maintenance also supports customers' emission reductions by using data and remote monitoring to optimize visits from a service technician. Modernizations can decrease direct and indirect emissions. It is possible to avoid a significant amount of CO₂ emissions if existing steel structures are enhanced and inspected instead of being replaced.

Environmental data table 2019

	2019	2018	2017
Total energy consumption (MWh)	297,500	309,900	334,600
Fuel consumption (MWh) ¹⁾	143,000	151,000	164,600
Natural gas and LPG consumption (MWh)	77,900	74,100	75,600
Electricity consumption (MWh)	63,500	70,100	79,800
District heat consumption (MWh)	13,100	14,700	14,600
Total energy consumption per sales (MWh/M€)	89	98	107
Renewable energy percentage (%) ²⁾	8%	8%	7%
Renewable electricity percentage (%) ³⁾	26%	24%	20%
Metal scrap (tons) ⁸⁾	15,700	14,900	17,800
Cardboard, paper and wood (tons) ⁸⁾	2,800	2,700	3,900
Hazardous and electronic and electrical waste ⁹⁾ (tons)	2,200	1,600	2,000
Other waste (tons) ¹⁰⁾	2,300	2,000	3,100
Total emissions (tCO ₂ e) ⁴⁾	82,600	89,000	100,200
Scope 1, direct emissions ⁵⁾ (tCO ₂ e)	52,700	54,000	57,700
Scope 2, indirect emissions tCO ₂ e ⁶⁾	Location-based method	26,400	31,300
	Market-based method	29,900	35,000
Scope 3, business travel (tCO ₂ e) ⁷⁾	10,800	10,700	10,000
Total emissions ⁴⁾ per sales (tCO ₂ e/M€)	25	28	32
Total emissions ⁴⁾ per energy unit (tCO ₂ e/MWh)	0,28	0,29	0,30
Water consumption (m ³)	194,400	244,944	257,200

Figures represent our manufacturing locations, except fuel consumption (includes also service vehicle fleet) and Scope 3 emission figure (represents emissions from business traveling). 1 MWh = 3.6 GJ. M€ = million euros. The table covers all forms of energy used. There are no other forms of energy other than those listed in the table. Potential renewable shares are not taken into account for fuels.

¹⁾ Fuel consumption consists of diesel and petrol.

²⁾ Amount of renewable energy divided by total energy consumption.

³⁾ Amount of renewable electricity divided by total electricity consumption.

⁴⁾ Total emissions include scope 1 and scope 2 (market-based method). CO₂, CH₄ and N₂O included. GWP: 2014 IPCC Fifth Assessment Report. Scope 3 is not included in the total emission figures, as collecting comprehensive Scope 3 data is still in progress.

⁵⁾ Scope 1 includes emissions from fuel, natural gas and LPG consumption.

⁶⁾ Scope 2 includes emissions from electricity and district heat consumption. Scope 2 indirect emissions are calculated according to the GHG Protocol Scope 2 Guidance dual reporting requirement: location-based and market-based method. Konecranes Finland Oy acquired RES-GO guarantees of origin for electricity (Renewable Energy Sources - Guarantee of Origin), which are subject to EECS (European Energy Certificate System). These guarantees of origin covered 15,877 MWh electricity consumption for the year 2019. Production method was Finnish bioenergy.

⁷⁾ Scope 3 includes emissions only from business travel.

⁸⁾ Waste streams are directed to recycling.

⁹⁾ Waste stream handling split into recycling, incineration and other adequate treatments depending on location.

¹⁰⁾ Other waste includes plastic, organic, mixed and energy waste. Waste stream handling split into recycling, incineration, composting, and landfill depending on location.

Target 2015–2019	Progress	UN Sustainable Development Goals
Certified ISO 14001 EMS in all factories by the end of 2020	Certified ISO 14001:2015 EMS in 72% in our manufacturing facilities	12, 13
Energy intensity reduction of 25% (MWh/sales) in own factories and service operations by the end of 2025 (Base year 2017)	Energy intensity (MWh/sales) reduced by 16% compared to base year 2017	12, 13
Emission intensity reduction of 50% (tCO ₂ e/sales) in own factories and service operations by the end of 2025 (Base year 2017)	Emission intensity (tCO ₂ e/sales) reduced by 22% compared to base year 2017	12, 13
By the end of 2025, power all our factories with 100% renewable electricity	26% of electricity in factories is from renewable sources (kWh)	7, 12, 13

SAFE PRODUCTS AND WORKPLACES



Safety is an integral part of our business and prioritizing it in all areas of our activities gives us a competitive advantage. Our work in managing safety starts from our own employees but extends beyond the company's boundaries, covering our product offering, our suppliers, subcontractors and everyone we work with.

With the help of our products, solutions and services, our customers not only enhance safety but also improve the efficiency and productivity of their operations. Safety is vital in everything we do; our overall approach and commitment to safety is outlined in our Health and Safety Policy, and we make it come alive through our safety management tools and global practices.

Key safety activities in 2019

In 2019 we screened our key safety activities as a group and identified three key pillars of success: Life Saving Behaviors, Core Processes and Certified Management Systems. The most significant initiative was the launch of Life Saving Behaviors through a company-wide communications campaign, which promoted general safety awareness and expected

safety behavior in eight areas of high risk in our operations. The Life Saving Behaviors campaign continues in 2020 with company-wide theme months for each Behavior.

We continued having our operations certified according to OHSAS 18001 and ISO 45001 management system standards. A total of 71% of all manufacturing units were certified against the OHSAS 18001 and the ISO 45001 standard at the end of 2019. Work towards the target of getting all manufacturing units certified to OHSAS 18001 and ISO 45001 continues according to plans defined within the Business Areas.

Mitigating safety risks

There are considerable occupational health and safety risks in the material handling industry. Our aim is to provide products and services that make our customers' material flow efficient and safe. Our offering includes technologically advanced equipment with innovative safety features, and efficient preventive and predictive maintenance that

keep equipment in good working order throughout its lifetime. We follow product safety performance through our Product Compliance Management (AIR) process, reporting and investigating occurrences such as load drops. This process helps us to ensure that the products and services we design and supply worldwide reliably meet all applicable safety requirements throughout all phases of their lifecycles.

In our own activities, the most significant safety risks are related to factory work, vehicle incidents, crane and equipment installation, and in our service business, where our technicians' working conditions vary from job to job. All Konecranes employees are properly trained to perform their tasks safely and correctly. There is no job so important and no service so urgent that we cannot take the time to perform our work safely and correctly.

Safety performance

Konecranes has been using the lost-time incident rate, LTA1, as its Key Performance Indicator (KPI) for safety. The LTA1-rate refers to the number of lost-time incidents per million working hours. The indicator covers our employees working at our premises as well as at customer sites. We also report and follow up on contractor incidents in our reporting system, but those are not included in our lost-time incident rate. In 2020 Konecranes is adopting the Total Recordable Incident (TRI) rate as its main indicator. This number also includes injuries that require medical treatment but do not result in lost time. The objective is to reach a TRI-rate of below three by 2025. We work to achieve these objectives through strategic, Group-led programs and business-specific initiatives. We follow incidents, near-misses and hazards and observations through management systems, the HSE reporting system and the AIR product compliance management system, as well as through customer feedback.

Our safety performance once again showed significant year-on-year improvement during 2019. The LTA1-rate for the year was 4.8 (5.3), an improvement of 9.4% compared to 2018. We continued to focus on learning from incidents through an increased emphasis on investigation and corrective actions, supported in part by the implementation of the HSE reporting system. The reporting system allows us to better track the quality of incident investigations and the completion of corrective actions, including the classification of the corrective actions according to the hierarchy of controls. The main types of injuries were superficial injuries such as bruises and scratches (34%); open wounds (23%); and sprains and strains (23%). Injuries occurred mostly during the movement

of people (19%), working with hand-held tools (17%) and manually handling materials (12%). The overall correction action closing rate during 2019 was 84.7%. During 2019 we continued our focus on reporting and following up actual and especially potential Serious Injury and Fatality (SIF) cases. We also examined less serious incidents or near-misses that had the reasonable potential to cause serious injury or fatality. This involved reporting the potential SIF incidents and organizing incident-specific reviews to check the quality of the investigations and the effectiveness of the identified corrective actions. We also classified actual and potential SIF Exposures based on the causes to better understand which hazards are most common for us and target our actions accordingly.

During 2019 there were no Konecranes employee fatalities. Unfortunately, we had one fatal fall incident involving a contractor at our crane installation operations in India. We had a total of 17 non-fatal SIF injuries to own employees. The overall SIF potential decreased 17% compared to 2018, with the total number of reported incidents or near-misses down to 71 from 86 a year ago. The main causes for SIF exposures were being in the line of fire (27%), a fall from height (23%) and being crushed/pinched (16%) by equipment.

The reporting of near-misses and safety observations increased sharply in 2019. The total number of reported near-misses was 1,458 and observations was 18,998. There was a significant difference in the reporting levels between different units, thus in the future, further efforts will be made to promote the recording of near-misses and observations and to ensure that actions are taken based on the reports. Improving incident investigation and the

quality of corrective actions, promoting near-miss and observation reporting, and following up on actual and potential SIF incidents will remain key activities in 2020. Safety performance is regularly monitored and discussed in the monthly Group Executive Board meetings as well as in the Board of Directors' meetings.

Success stories in Safety

During 2019, Konecranes UK achieved Gold Award status for the fourth consecutive year from the Royal Society for the Prevention of Accidents. The award is a well-deserved recognition for the systematic safety work done by the UK team. One example of such work is the certification of their management system against the new ISO45001 standard, making them one of the first units in Konecranes to do so.

Finland's Service Branch in Kouvola reached a total of 10 years without injury incidents. The Lahti Branch achieved the same during 2018. Both these milestones are testament to the committed safety work done in Finland to ensure that everyone can make it home safe, every day.

Safety data

		2019	2018	2017
Lost Time Accident Frequency (LTA1)*	Konecranes total	4.8	5.3	7.6
Fatalities	Konecranes total	0	0	0

* The LTA1-rate refers to the number of lost-time incidents per million working hours. The indicator covers our employees working at our premises as well as at customer sites. We also report and follow up on contractor incidents in our reporting system, but those are not included in our lost-time incident rate.

Target 2015–2019	Progress	New target from 2020 onwards	UN Sustainable Development Goals
LTA1 rate of less than 3 by the end of 2020. The target is an incident-free workplace.	LTA1 rate for the whole company on level 4.8. Several Group wide initiatives launched to improve safety.	TRI-rate < 3 by the end of 2025.	3
Significant reduction in serious injuries and zero fatalities.	Serious Injury and Fatality (SIF) incidents total 71 (86). SIF potential reduction of 17% from 2018. There was one contractor worker fatality in 2019. Reporting improved on near misses with SIF Potential, helping in preventing actual SIF incidents.	20% year-on-year reduction of SIF exposure for own and contractor employees by end of 2025.	3
All factories certified according to OHSAS 18001/ISO 45001:2018 by the end of 2020.	Certified OHSAS 18001/ISO 45001:2018 management systems: 71% of factories.	ISO 45001:2018 certified Health & Safety Management system Factories by the end of 2021 Service by the end of 2022 Frontlines by the end of 2023	3, 12
Subcontractor safety tracking, monitoring and management improved, with all subcontractors receiving adequate safety training about Konecranes premises and requirements before starting work.	Improved safety onboarding and monitoring development ongoing for suppliers locally, with subcontractors receiving safety training about Konecranes premises and requirements before starting work. Different approaches from classroom training to online tools.	No specific group target set for 2020 onwards.	3, 12
		Safety observations per year by the end of 2025: 5 per person.	3

A DIVERSE, INCLUSIVE AND ENGAGING WORK ENVIRONMENT



We aim to create a diverse and inclusive working environment built on a culture of belonging. We aspire to be at the forefront of breaking down traditional barriers in the heavy manufacturing industry, and we seek to develop a company where embracing all diverse backgrounds and a variety of talents will be an asset for our growth. Inclusion means that we are welcoming and leveraging the strengths of our differences and enriching a working environment where everyone can be themselves and feel valued for their contribution. Fostering diversity, in terms of gender, age and cultural and educational backgrounds encourages innovation, exceptional organizational performance and, most importantly, outstanding customer service. In our view, varied skill sets are a key driver of creativity and value creation, and, ultimately, form the core of teams that deliver better results.

In 2018 we made diversity and inclusion a strategic development area and created a Diversity and Inclusion (D&I) Policy. In early 2019 we established a global Chief Diversity and Inclusion Officer role to raise awareness and to drive activities forward.

We created a strategy for inclusion and diversity based on a three-year roadmap.

In 2019 we:

- Worked on building up analytics and assessing our current state of culture through a dedicated study from Aalto University which also helped to prioritize actions and improvements;
- Worked on our processes and procedures in people areas, assuring equality principles and giving special attention to recruitment practices, learning and development and talent and career development;
- Designed and launched an online training course on D&I and unconscious bias for line managers and the broader organization and established an internal platform to share ideas on diversity and inclusion. We held an unconscious bias awareness session for our top 200 leaders at our leadership conference, and another more detailed one for a top 50 leadership development session in the autumn of 2019.
- Most importantly, we kept the dialogue on the matter alive with many events and discussions

(e.g. International Cultural Day) and learning opportunities on cultural differences, aiming to boost the diversity culture and skills in Konecranes and build up employee enthusiasm.

All these actions are aimed at helping us reach our ambitions, which include having at least 25% female representation in executive management teams. At the end of 2019 we were at 22%. The year-end weighting of women in the entire company employee base was 16.3% versus 15.4% in 2018. We also want to accelerate our diversity in leadership positions, and for this reason we launched an initiative in which Group Executive Board members and other senior managers are mentoring female mentees.

When we consider the diversity of nationalities in the company, we also saw good improvement: we currently count 96 nationalities in Konecranes, up from 92 at the end of 2018. We are able to continuously learn and enrich ourselves by having vast cultural diversity. A workforce that lacks diversity lacks the variety of perspectives and approaches



brought by people of different ages, ethnicities, genders, backgrounds and cultural origins, raising the risk of talent flight and a loss of competitiveness and also creating a possible reputational risk.

Managing talent to gain a competitive advantage

Our talented, inspired and engaged employees help our customers enhance safety and productivity every day. We aim to create a diverse working environment and a culture that respects individuals.

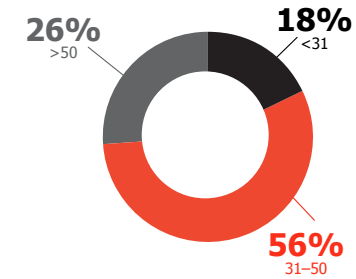
The objective of Konecranes' people management strategy is to ensure that we have the needed resources and skillsets for the future, and that our people are motivated and capable of meeting future business requirement. The accelerating pace of change, growing complexity in the world and the workforce, as well as the current, post-acquisition phase of our development call for a new strategy to enable us to retain the best employees and attract top talent. We began implementing our new Lifting People strategy, internally and externally, in 2019. We also continued the work on our harmonized

salary review process. The salary review process is supported by our central management tool, thereby facilitating salary-related decision-making.

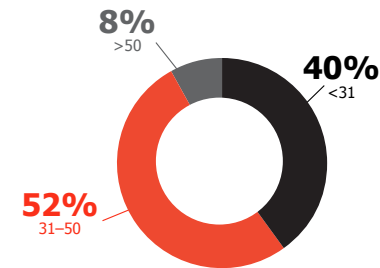
We continued in our endeavor to provide equal opportunities to all our employees. Information on all our vacant positions is located in one central, public recruitment system open to current and potential future employees. We continued to develop the skills of our employees at all levels: from technical and customer service technicians to branch and sales management, and also for leadership across the organization. To further develop their competencies, employees are offered a variety of training courses and development activities covering areas including technology, leadership, health and safety, language and culture, project management and the environment.

We see personal development as a key factor in employee engagement. Our Trust, People, Performance (TPP) management process covers talent development, behavioral competencies, learning and development, and career aspirations.

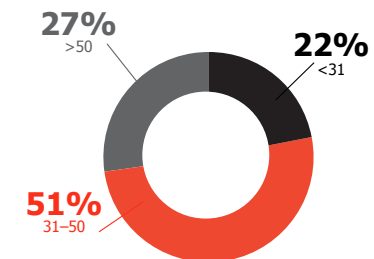
Age structure of employees, %



Share of hires per age group



Share of departed employees per age group

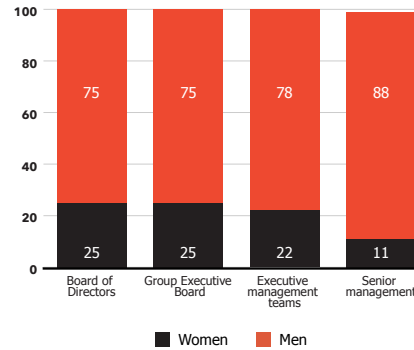


The TPP discussions are held at least once a year and 83% of our employees had documented targets in the TPP-tool at the end of 2019. We have some other practices for performance management for those employees not in the TPP-tool scope, but we do not have global data available on those at the moment.

We also measure engagement levels by conducting a regular employee engagement survey. The most recent results of our Employee Engagement Survey (EES) were published in May 2019. With a global response rate of 74% (one percentage point up from the previous survey), the results of the EES showed that the overall engagement score improved compared to the previous survey conducted in late 2017. Our employees continue to see their work as challenging and interesting, enjoy their work, feel respected by their colleagues, and feel their contribution is even more important than before. In addition, communication of our strategy and future prospects has shown improvement, and this is reflected in a lower level of rumors circulating in the units. Our employees also feel support for their professional development has improved. What we are extremely delighted about is that our employees are highly committed to the company. This is one of the most improved areas since the previous survey and the result is higher when compared with other companies.

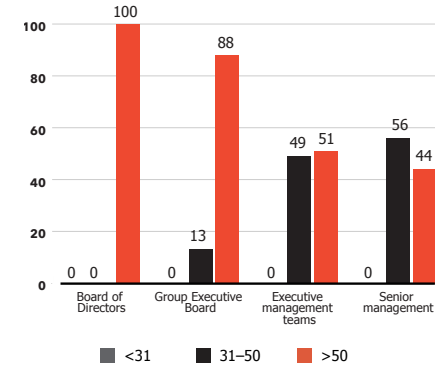
When it comes to the areas of development, although the stress levels and workload are showing improvement since the previous survey, those continue to remain high in all employee groups. We acknowledge that there have been many changes in the Group. While the speed of change should not slow down, we need to find ways to bring the stress levels down and ensure that the stress we have is more positive than negative by nature.

Gender structure of governance bodies, %

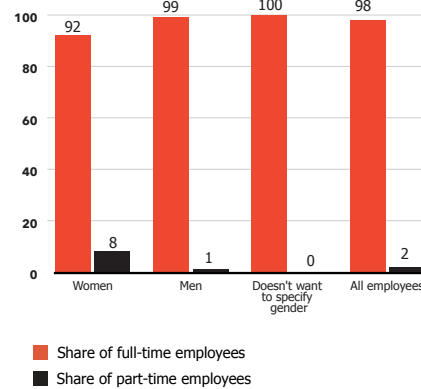


Executive Management Teams = Group, Business Area and Function Management Teams, Senior Management = everyone on job level 11 and above

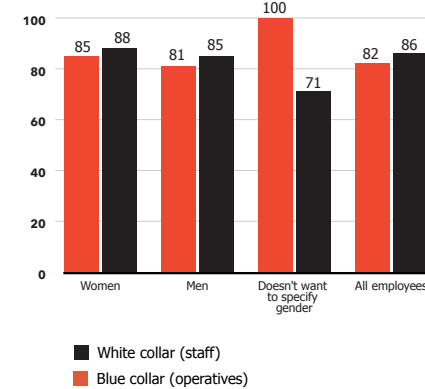
Age structure of governance bodies, %



Employees by employment type and gender, %



Percentage of employees who received a performance and career development review (with TPP-tool)*



*Percentage covers employees who had documented targets in the TPP-tool. We have some other practices for performance management for those employees not in the TPP-tool scope, but we do not have global data available on those at the moment.

In the 2019 survey, we introduced three new questions related to Diversity. Diversity is an area where we as a company have decided to focus and we will be paying attention to it. At the same time, we are pleased to see that topics related to inclusion are already showing improvement since the previous survey.

96
Nationalities
employed

In 2019, we also updated our talent acquisition and recruitment policy and trained both our human resources organization as well the business units on it. GDPR (the General Data Protection Regulation), which has been regulating data protection and privacy since 2018, was still keeping us busy in ensuring that all the best practices were followed globally in Konecranes regarding human resources processes.

The main risk of low employee engagement is losing talent and competencies. We strive to keep our talented employees engaged by, for example, providing fair and competitive compensation, culture and leadership development programs, succession planning, internal job rotation, talent management and various schemes to support professional growth.

Managing talent to gain a competitive advantage

	EMEA			AME			APAC			Konecranes total
	Men	Women	Doesn't want to specify	Men	Women	Doesn't want to specify	Men	Women	Doesn't want to specify	
Number of employees, at year-end	8,574 (85%)	1,550 (15%)	2	2,702 (81%)	607 (18%)	10	2,268 (82%)	483 (18%)	0	16,196
<31	1,431	240	2	459	105	0	552	141	0	2,930
31-50	4,483	867	0	1,453	307	8	1,551	327	0	8,996
>50	2,660	443	0	790	195	2	165	15	0	4,270
Number of hires	851	227	1	706	140	8	273	57	1	2,264
Number of left employees	852	193	0	593	111	2	376	84	1	2,212
Total attrition rate*	6%	7%	-	18%	15%	18%	8%	9%	-	8%
Number of permanent employees	8,193	1,468	2	2,646	604	9	1,898	333	0	15,153
Number of temporary employees	381	82	0	56	3	1	370	150	0	1,043

*Rolling six months attrition (July-December 2019) divided with headcount average of six months multiplied by two. The calculation is excluding following exit reasons: retirement, death, end of contract, mutual agreement and transfers within the company.

Target 2015–2019	Progress	New target from 2020 onwards	UN Sustainable Development Goals
At least 25% of Group management members are female.	Gender diversity of Group management*: male 78%, female 22%* *As per the monthly analytics set up in 2019, the scope of the target is Group, Business Area and Function Management Teams. With this definition the 2018 share of females was 21.6%, instead of 27% as reported in 2018.	At least 15% gender diversity in Senior Management*. At least 25% gender diversity in the Executive Management Team**. * Senior Management = everyone on job level 11 and above ** Executive Management Team = Group, Business Area and Function Management Teams	5, 8, 10
No single nationality should represent more than 50% of Group management	In Group management: Finnish 59%, Other 41%	No single nationality should represent more than 50% of the Executive Management Team.	5, 8, 10

RESPONSIBLE BUSINESS CONDUCT



Ethics and compliance

The management culture in Konecranes is based on our company values: trust in people, total service commitment and sustained profitability. Our goal is not just to comply with the laws, rules and regulations that apply to our business; we also strive to abide by high standards of business conduct.

Konecranes' Code of Conduct and Corporate Governance Framework guide the everyday activities of the company by clearly describing our internal standards and ethical values as well as our legal obligations. The Code of Conduct is complemented by several Group-wide policies regarding quality, safety, environment, supplier requirements, anti-corruption and equal treatment and diversity. We have an executive level Compliance and Ethics Committee to oversee the implementation and development of our compliance and ethics program, which is managed by the Head of Compliance and Ethics.

We promote a healthy speak-up culture where people can feel safe reporting compliance and

ethical concerns without a fear of retaliation. We offer multiple ways to raise concerns, including a Whistleblowing Channel that was launched in 2018. In 2019 we conducted a group-wide compliance and ethics risk assessment by interviewing more than 200 employees from various countries and business units, and renewed the responsible business conduct KPIs. We also conducted trainings covering various compliance topics such as ethical leadership, anti-corruption and whistleblowing.

Anti-corruption and bribery prevention

Our Anti-Corruption Policy and Code of Conduct demonstrate our commitment to work against corruption in all forms, including extortion and bribery. They define the level of ethical conduct we seek to uphold and support our long-term competitiveness in the global markets.

Our Anti-Corruption Policy has compliance protocols and guidelines in place to detect risks and embeds our zero-tolerance approach towards corrupt practices in our monitoring and follow-up processes.

Several actions and processes are set up to mitigate corruption and fraud risks. We use a risk-based Know-Your-Counterparty process whereby the level of scrutiny is determined by considering, for example, the risks associated with the business in question, country risks and business partner risks. In 2019 we implemented a Gift and Hospitality Portal. The portal is a central location for employees to report and get pre-approvals for offering and receiving gifts and hospitality, according to rules set in our Anti-Corruption Policy.

Human rights in our operations

We treat every employee and business partner with dignity and respect. Konecranes is committed to providing equal working opportunities in employment. All employees are entitled to – as well as responsible for – a workplace that is free of discrimination and harassment.

By signing the United Nations Global Compact in 2010, Konecranes pledged to support and apply the Compact's fundamental principles in the area

of human rights and working conditions. We respect and promote the principles set in the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals and the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO).

We have translated our commitment to human rights into internal policies that represent the minimum applicable standards to be used. Firstly, we have included the basic principles of human rights in our Code of Conduct. Furthermore, we have a corporate policy, Respect in the Workplace, which deals with equal opportunities and non-harassment practices, and creates a common framework for employee practices. Additionally, we have separate policies for Health & Safety and Diversity & Inclusion, both of which also address human rights. To ensure human rights are respected in our supply chain, we have included our basic requirements in our Supplier Code of Conduct.

We have dedicated management processes and centralized compliance processes to preserve employee rights such as freedom of association and collective bargaining, and the right to freedom from harassment and discrimination. We do not accept the use of forced or child labor in any form. Human rights are also part of our Code of Conduct training material. Moreover, we have included elements of social responsibility in our supplier management, such as in the pre-assessments and in the audits run by supplier quality teams.

To further improve our human rights due diligence, in early 2020 we are conducting a human rights risk screening exercise which will help us focus our next actions on the most critical processes, functions and/or geographical locations.

Responsibility in our supply chain

The Procurement organization is responsible for compliance with the legal, ethical, environmental and other sustainability obligations of Konecranes' supplier base and sets the requirements and processes for procurement. We apply a category management procurement model to optimize our global supplier base, enhance relationships and set requirements for all our suppliers. Konecranes mainly procures steel, mechanical and electrical components, and related services. Steel is one of the key materials we use and is 100% recyclable.

We offer a wide range of products and service solutions globally, which brings challenges in terms of supplier management. Our procurement organization has identified quality and financial risks associated with some of our suppliers which may impact our productivity and capability to provide on-time delivery. To mitigate these risks, our Procurement organization is continuously monitoring the financial status and delivery performance of our suppliers.

We also take the sustainability-related risks in our supply chain into consideration. To mitigate them, we conduct background checks and on-site audits, drive the implementation of the requirements of our Supplier Code of Conduct, and perform risk reviews. Supplier audits and category-specific contingency planning resulted in a lot of good activities to be carried out in cooperation with our suppliers. During 2020 we will continue these supplier on-site process audits and additionally conduct at least 30 audits concentrating specifically on sustainability.



Ports Solutions Business Area supporting subcontractors' HSE practices

To improve health, safety and environmental (HSE) management among our key subcontractors and suppliers, one of our Business Areas, Port Solutions, conducted eight HSE audits in 2019. The objective was twofold: one, understand subcontractors' current HSE status and evaluate the feasibility of HSE cooperation; and two, ensure the subcontractors get feedback and improvement suggestions and also better understand our requirements. We succeeded in sharing good practices in both directions: in HSE management practices and in practical HSE applications. Audit results were discussed in management-level supplier meetings, and special improvement plans were made with the lowest scoring companies to ensure continuous improvement.

Requirements for suppliers and subcontractors

Konecranes’ suppliers must comply with basic requirements relating to quality, environmental management, occupational health and safety, social responsibility and legal compliance, in addition to fulfilling more general prerequisites. The requirements are reviewed and controlled by background checks, on-site auditing and making them a part of contracts with suppliers.

Konecranes expects suppliers and subcontractors to conduct their businesses according to legal, ethical, environmental and employee-related principles similar to those in its Code of Conduct.

In order to receive approved supplier or subcontractor status, and in addition to any performance and quality requirements, our suppliers and subcontractors must commit to the requirements of our Supplier Code of Conduct, which sets the

minimum principles we expect suppliers and subcontractors to uphold.

We started applying the Supplier Code of Conduct with our key and high-risk suppliers and subcontractors in 2018. In 2019 we expanded the Code to reach more suppliers and subcontractors, covering over 890 suppliers globally by the end of the year – around 50% of our total procurement spend. We will continue this work in 2020.

We continuously develop procurement-related guidelines and conduct trainings on both supplier onboarding and on the Supplier Code of Conduct for our procurement professionals. Training will continue in 2020 to guarantee the prompt deployment of requirements in our business and supplier network.

Selecting our suppliers and subcontractors

Konecranes performs supplier evaluations which are divided into two categories: pre-assessment and on-site auditing. During a pre-assessment, we carry out a background check before the supplier or subcontractor relationship begins. For larger suppliers and subcontractors, the pre-assessment phase also includes the filling of a pre-assessment template which evaluates whether the potential supplier or subcontractor is in compliance with our Supplier Code of Conduct. Audits are conducted for new suppliers based on identified risks. Around 20% of the standard points checked in these process audits are sustainability related: from working hours to collective bargaining, and from waste management to safety rules. In 2019, Konecranes conducted 99 on-site audits globally. Out of the findings, we have identified 378 actionable items and development opportunities to be carried out together with our suppliers.

Target 2015–2019	Progress	New target from 2020 onwards	UN Sustainable Development Goals
Keep all employees trained on Code of Conduct.	We conducted trainings covering various compliance topics, such as ethical leadership, anti-corruption and whistleblowing. A limited number of training activities were organized during 2019 due to other priorities, such as conducting a group-wide compliance & ethics risk assessment. A new Code of Conduct eLearning will be launched in 2020.	<ul style="list-style-type: none"> Mandatory Code of Conduct training completed by all employees.*) Competition Compliance training completed by 100% of defined target audience. 100% positive response on EES results: “Management of my unit is committed to integrity and ethical business practices” and “I would feel comfortable reporting unethical behavior if I saw it in Konecranes”. <p>*) to be defined to exclude recent new hires, people on maternity leave, etc.</p>	8, 12, 16
By 2020, assess the sustainability of suppliers who represent 80% of total spend as well as all new suppliers.	Large suppliers were pre-assessed before onboarding. 99 process audits were carried out in 2019. Supplier Code of Conduct implementation activities continued on 2019. 50% of the suppliers in terms of total spend had committed to our Code by the end of 2019.	<ul style="list-style-type: none"> Continue to roll out Supplier Code of Conduct (SCOC) for existing and new suppliers and subcontractors based on identified risks and spend. Execute at least 30 supplier sustainability audits per year with internal and external resources. 	8, 12, 16
		Conduct a corporate-level Human Rights risks assessment by the end of 2020.	8

REPORTING PRINCIPLES AND DATA COLLECTION

Disclosing information on how we manage our economic, environmental and social impacts is an integral part of Konecranes' Annual Report and financial statements. The disclosures aim to fulfil the requirements of the EU's Non-Financial Information (NFI) directive and communicate information on diversity while using the Global Reporting Initiative (GRI) framework. The reporting scope includes business over which the Group has operational control, and reporting is aligned with reporting on the financial year (the calendar year 2019).

We have commissioned a limited third-party assurance for safety (LTA1), energy and emission data. For more information, please see the external assurance statement by Ecobio Oy. More information about the calculation methodology can be found on <https://www.konecranes.com/about/corporate-responsibility/targets-and-progress>.

This Sustainability Report has been prepared in accordance with Global Reporting Initiative (GRI) Standards along with the most recent versions of the following documents: GRI 101 Foundation, GRI 102: General Disclosures, and GRI 103: Management Approach. We have applied the Reporting Principles for defining report content by identifying our material economic, environmental and social topics, and employed the topic-specific standards in reporting.

This report has been prepared in accordance with the GRI Standards: Core option. Unless otherwise stated, the report covers all Konecranes operations in all the countries where we operate, focusing on our core business, excluding joint ventures and subsidiaries. The most material aspects for Konecranes were determined by conducting an annual materiality assessment involving key stakeholders and the company's management. This report discloses significant material aspects and describes our core impacts and how we manage them. A list of key reported items can be found in the GRI Index Table. We believe that the reported disclosures provide appropriate information on our performance.

The official base year for Konecranes' energy and emission data is 2017. This is because 2017 was the first year we had consistent safety and environmental data from the combined company after integration (legacy-Konecranes + legacy-MHPS business).



GRI INDEX 2019

General disclosures		Page/link	Additional information
ORGANIZATIONAL PROFILE			
102-1	Name of the organization	p. 2	
102-2	Activities, brands, products, and services	Annual Review	
102-3	Location of headquarters		Hyvinkää, Finland
102-4	Location of operations	Annual Review	
102-5	Ownership and legal form		Legal Form: Public Company. Changes in ownership updated every quarter (www.konecranes.com)
102-6	Markets served		www.konecranes.com
102-7	Scale of the organization	Annual Review	
102-8	Information on employees and other workers	p. 22-25	Data analytics have been compiled using QlikView (result of 31.12.19) enlarged with individual information from the People Center.
102-9	Supply chain	p. 27-28	
102-10	Significant changes to the organization and its supply chain		Business from partly owned Xiamen factory was terminated during 2019, and their operations were partly moved to other factories.
102-11	Precautionary principle or approach	p. 17	
102-12	External initiatives	p. 12, 27	
102-13	Membership of associations		Konecranes holds positions on the boards of the European Materials Handling Federation (FEM), Port Equipment Manufacturers Association (PEMA), East Office of Finnish Industries Ltd, The Federation of Finnish Technology Industries, Digital, Internet, Materials & Engineering Co-Creation Finnish Metals and Engineering Competence Cluster (DIMECC), Forum for Intelligent Machinery (FIMA) and The Mechanical Engineering Industry Association (VDMA - Materials Handling and Intra-logistics). In addition, Konecranes participates in committees of the European Committee for Standardization (CEN) and International Organization for Standardization (ISO).
102-14	Statement from senior decision maker	Annual Review	
102-15	Key impacts, risks, and opportunities	p. 12-13	More information on climate risks available in Konecranes' CDP disclosure available at www.cdp.net .
102-16	Values, principles, standards, and norms of behavior	p. 12	
102-17	Mechanisms for advice and concerns about ethics	p. 26-28	
102-18	Governance structure	See link in additional information	The Group Executive Board is responsible for decision making on environmental and social topics. https://investors.konecranes.com/corporate-governance

General disclosures		Page/link	Additional information
Stakeholder engagement			
102-40	List of stakeholder groups	p. 10-11	
102-41	Collective bargaining agreements		The amount of collective bargaining agreements is based on local legislation. In the end of 2019, 39% of employees were covered by collective bargaining agreements and the pay scale of 50% of employees was defined on the Konecranes level. The database is missing information from the rest (10%) of employees.
102-42	Identifying and selecting stakeholders	p. 10-11	
102-43	Approach to stakeholder engagement	p. 10-11	
102-44	Key topics and concerns raised	p. 10-11	
Material aspects and Boundaries			
102-20	Executive-level responsibility for economic, environmental, and social topics		On a global level, the Director of Corporate Responsibility. In the Group Executive Board, these matters are the responsibility of the EVP, Marketing and Corporate Affairs.
102-29	Identifying and managing economic, environmental and social impacts	p. 5	
102-45	Entities included in the consolidated financial statements	Financial Statement	
102-46	Defining report content and topic boundaries	p. 29	
102-47	List of material topics	p. 5	
102-48	Restatements of information		https://www.globenewswire.com/news-release/2019/02/06/1711331/0/en/Correction-Konecranes-Plc-s-Nomination-Committee-s-proposal-for-composition-and-compensation-of-the-Board-of-Directors.html
102-49	Changes in reporting		None
102-50	Reporting period		The reporting period for this Corporate Responsibility Report is the financial reporting period of January 1 to December 31, 2019.
102-51	Date of most recent report		The previous report was published in March 2019. This report is published in three languages: English, Finnish and Swedish.
102-52	Reporting cycle		Konecranes publishes economic, social and environmental information annually.
102-53	Contact point for questions regarding the report		Please contact Konecranes' Corporate Responsibility team at corporate-responsibility(at)konecranes.com
102-54	Claims of reporting in accordance with the GRI Standards	p. 29	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	p. 30-34	
102-56	External assurance	p. 29	Assurance statement can be found at https://www.konecranes.com/about/corporate-responsibility/targets-and-progress

General disclosures		Page/link	Additional information
Specific standards disclosures			
ECONOMIC			
Management approach			
103-1	Explanation of the material topic and its boundary	p. 29	
103-2	The management approach and its components	p. 12-13, Governance Statement	Omission: The reporting scope includes business over which the Group has operational control, excluding other entities in its value chain.
103-3	Evaluation of the management approach	p. 12-13	
Economic performance			
201-1	Direct economic value generated and distributed	p. 7	
Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	p. 28	
ENVIRONMENTAL			
Management approach			
103-1	Explanation of the material topic and its boundary	p. 29	
103-2	The management approach and its components	p. 12-13	Omission: The reporting scope includes business over which the Group has operational control, excluding other entities in its value chain.
103-3	Evaluation of the management approach	p. 12-13, 15-28	
Environmental performance			
302-1	Energy consumption within the organization	p. 18	Electricity, district heat, natural gas and LPG figures for service locations are not included as information is not available.
305-1	Direct (Scope 1) GHG emissions	p. 18	Electricity, natural gas, LPG and district heat figures for service locations are not included as information is not available.
305-2	Energy indirect (Scope 2) GHG emissions	p. 18	Electricity, natural gas, LPG and district heat figures for service locations are not included as information is not available.
305-3	Other indirect (Scope 3) GHG emissions	p. 18	Includes emissions only from business travel. Other Scope 3 emissions not included as information not available; collection of these is in progress.
305-4	GHG emissions intensity	p. 18	Electricity, district heat, natural gas and LPG figures for service locations are not included as information is not available.
306-2	Waste by type and disposal method	p. 18	Waste from service locations is not included as information is not available.
306-3	Significant spills and complaints		Reported disturbances cover incidents in which the company has been obliged to report to the authorities. There was no such environmental disturbance that occurred in 2019.

General disclosures		Page/link	Additional information
Supply chain			
308-1	New suppliers that were screened using environmental criteria	p. 27-28	
SOCIAL			
Management approach			
103-1	Explanation of the material topic and its boundary	p. 29	
103-2	The management approach and its components	p. 12-13	Omission: The reporting scope includes business over which the Group has operational control, excluding other entities in its value chain.
103-3	Evaluation of the management approach	p. 15-28	
Fair labor practices			
405-1	Diversity of governance bodies and employees	p. 22-24	
Occupational health and safety			
403-2	Hazard identification, risk assesment and incident investigation.	p. 19-21	Workers are protected against reprisals. This is a fundamental value stated in our Code of Conduct.
403-9	Work-related injuries	p. 19-21	The figures represent only the incidents of our own staff, excluding fatalities. We only collect information on incidents that we can fully investigate and make corrective actions on. Currently we do not report the number of recordable incidents or disclose the amount of working hours externally due to confidentiality.
Employment			
401-1	New employee hires and employee turnover	p. 23	
Training and education			
404-3	Percentage of employees receiving regular performance and career development reviews	p. 24	

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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 of all makes. In 2019, Group sales totaled EUR 3.33 billion. Including MHE-Demag, the Group has around 18,000 employees in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).