

# Sustainability Report 2018



## HOW TO READ THIS REPORT



Information about Konecranes' sustainability work, its management, actions, goals and results

### OTHER REPORTS



↓ An assessment of the year's operations and a view of the upcoming year and future prospects  
[ar2018.konecranes.com/en](http://ar2018.konecranes.com/en)



↓ Summary-level reports about Konecranes' financial results, financial position and cash flows  
[ar2018.konecranes.com/en](http://ar2018.konecranes.com/en)



↓ Information regarding Konecranes' governing principles, group structure, salaries and compensation of the CEO and Board of Directors  
[ar2018.konecranes.com/en](http://ar2018.konecranes.com/en)

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This Sustainability Report includes information on all of Konecranes' major economic, environmental and social impacts and how we manage them. It aims to provide insight on the company's ability to continue to prosper over time by disclosing information on how we mitigate risk and how we are making progress in meeting our targets. Furthermore, it explains how responsibility is embedded in our practices. In this report we strive to explain how ethical obligations influence our business and daily operations. We divide Konecranes' corporate responsibility work into three elements: actions, commitments and enabling factors.

# Konecranes in brief

As a leading manufacturer of lifting equipment, Konecranes offers a wide range of advanced lifting solutions and services to different industries worldwide. Our business aims to improve our customers' safety and productivity in material handling. The products and services provided by our three Business Areas – Service, Industrial Equipment and Port Solutions – complement each other and enable our customers to meet the bulk of their lifting 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.

We strive to be the leading local crane maintenance provider in all markets by offering the largest and most extensive service network in the industry. We believe that we can deliver the highest lifecycle value to our customers through Lifecycle Care – our comprehensive and systematic approach to maintenance using world-class tools and processes to maximize the productivity of customers' uptime and minimize the cost of their downtime. We make every effort to make our business future-proof by engaging the best talent, developing top-notch technology and maintaining a deep understanding of our customers' needs.

|  |   |
|--|---|
| <p>Net sales</p> <p><b>3,156.1</b></p> <p>MEUR</p> | <p>Adjusted EBITA</p> <p><b>8.1</b></p> <p>%</p>      |
| <p>Number of employees</p> <p><b>16,100</b></p>    | <p>Number of operation countries</p> <p><b>50</b></p> |

## KEY HIGHLIGHTS AND DEVELOPMENT AREAS

- › Global Health, Safety and Environment (HSE) tool successfully launched. The tool gathers and manages environmental and safety observations and facilitates incident investigations and root cause analyses.
- › New Supplier Code of Conduct introduced.
- › Code of Conduct and Anti-Corruption Policy renewed, Whistleblowing channel launched, Head of Compliance & Ethics recruited, and Group level Compliance and Ethics committee established.
- › Joined CIRCit, a Nordic research project on the circular economy.
- › Introduced the ECOLIFTING concept for eco-efficient lift trucks at TOC Europe, the port terminal operator exhibition in Rotterdam, the Netherlands.
- › HSE improvement planning process rolled out. Business units systematically identified key areas of improvement aiming to harmonize HSE planning activities annually and to identify common focus areas across the company.
- › Analyzed current state of diversity at Konecranes in collaboration with Aalto University, examining current attitudes within the company and exploring opportunities for improvement.

# Creating sustainable value

Through our three complementary Business Areas, we seek to respond to all of our customers' lifting needs. We design our solutions to deliver optimal productivity and offer a wide range of eco-efficient products and service solutions that promote a circular economy.

Our products can be remanufactured and modernized to extend their lifecycles. They can also be reused and finally recycled at the end of their lifespans. In addition, our product offering features innovative power sources such as hybrid technology and other energy-saving solutions, including regenerative braking.

Above all, we believe that we can deliver the highest lifecycle value to our customers through Lifecycle Care – our comprehensive and systematic approach to service that offers the right maintenance at the right time. By providing our customers with solutions that enable smooth, efficient and responsible material handling, we secure our position as a favored partner.

In examining the megatrends impacting our industry alongside our strategic focus areas, we can identify the areas where we bring value to our stakeholders and society at large. We contribute by using resources efficiently and taking climate action, delivering consistent lifting performance to our customers, improving safety at all levels, operating in a responsible and transparent manner and supporting an inclusive society. Leveraging workforce diversity heightens innovation, supports exceptional organizational performance and, most importantly, fosters outstanding customer service. In our view, diverse and inclusive teams deliver better results.

To ensure that we deliver value for years to come, we need to attract and develop the best talent, implement smart technology in our product and service offering, innovate new business models, develop our products' design and reliability, and maintain a deep understanding of our customers' current and future needs. Naturally, achieving these objectives also requires that we engage closely and actively with all our stakeholders.

We see particular advantages for Konecranes in circular-economy business models. Growing interest towards rental services and product-as-a-service offerings as well as the demand for low-carbon products indicate that markets are seeking new, cost-efficient and sustainable ways to do business. Significant savings can be obtained through renting, repairing, modernizing, reusing and recycling our products.

Modernizations and retrofits save a great deal of resources by reducing the environmental impact of products' lifecycles, saving raw materials and enhancing equipment's energy efficiency and performance. Additionally, modernization increases safety, productivity, reliability and usability while decreasing the need for repairs and unscheduled maintenance.

The aforementioned circular economy business models also help us raise our resource and energy efficiency while reducing our customers' environmental footprints. In order to gain maximum circular value from our products, we focus on providing maintenance to keep our products in service longer, extending product lifecycles, and utilizing the Design for Environment concept (DfE), which, among other aspects, considers the recyclability of products in product development.

## Boosting local economies

Konecranes aims to continue generating growth, delivering profitability and remaining competitive in a constantly changing marketplace. By earning our place as a preferred partner for our customers, we create financial stability not only for our company and employees, but for our entire value chain. Comprehensive risk management and sustainable business practices are crucial parts of our economic responsibility.

We contribute by using resources efficiently and taking climate action, delivering consistent performance to our customers, improving safety at all levels, operating in a responsible and transparent manner, and supporting an inclusive society.

To remain a key player within local communities as well as an attractive employer, we strive to make a positive impact on societies by providing jobs and income for employees, supporting local economies as an employer as well as a provider and buyer of services and goods, and by being a significant taxpayer in many of the countries where we operate.

We maintain close and mutually beneficial relationships with top universities in Finland and in other countries where we operate, and have collaborated with educational institutions and endowed them with financial support in recent years.

**Tax footprint**

We support societies in the countries where we operate by paying and remitting taxes and tax-like fees. In 2018, taxes paid and remitted by Konecranes were an important source of income to public administrations. A total of EUR 514 million (594 million in 2017) in taxes and other compulsory tax-like payments were paid and collected in countries where the Group operates, implying an effective tax rate of 29.1% (18.4%). A total of EUR 239 million (209 million) was paid (taxes borne) directly by the Group itself, while EUR 275 million (385 million) was collected (taxes collected) on behalf of governments.

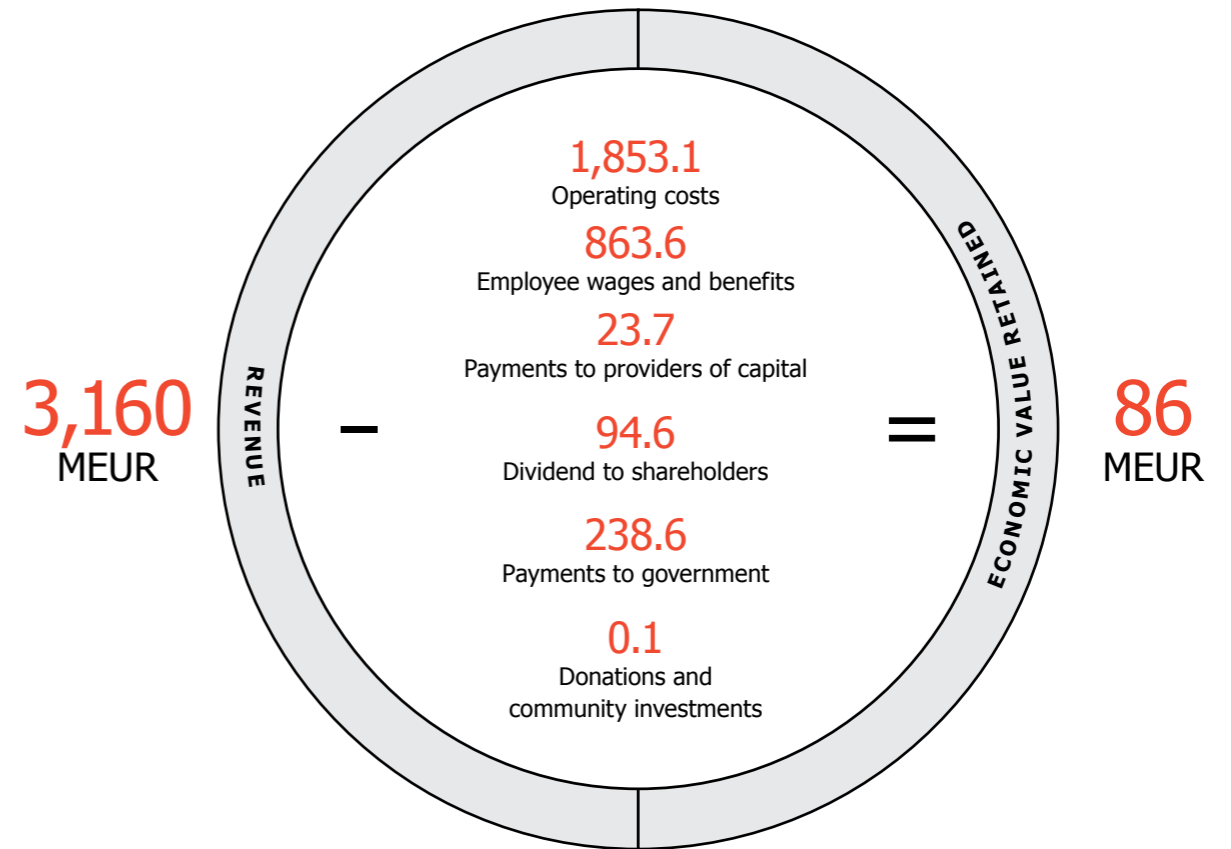
Konecranes Group operates in 49 countries. We are committed to pay all required taxes as stipulated by applicable tax laws, rules and regulations, and to comply with all reporting requirements, as well as to file all tax returns and fulfil all tax compliances within the time requirements of local regulations where we conduct our business activities. The management of tax-related matters is centralized in the Group’s Finance department, which is responsible for managing and monitoring tax-

related issues at the Group level. The main principles according to which we operate 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 task 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 respective business areas, units and supporting functions.

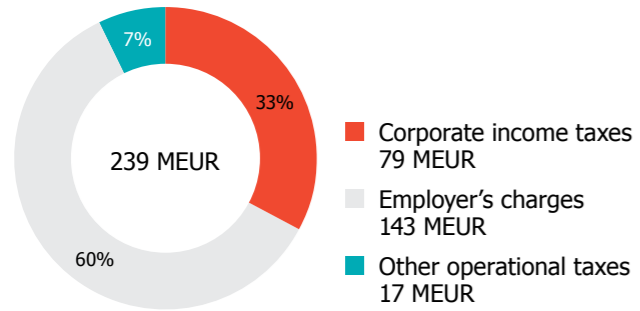
Konecranes does not practice tax planning that aims at artificially decreasing the Group’s taxable income by, for example, exploiting gaps in the architecture of the international tax system to shift profits to places where there is little or no economic activity or taxation. In tax-related issues, the Group operates within the framework of legislation and legal practice in planning the taxable profit of Group companies. Our data on the payment of taxes in 2018 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 of the Annual Report.

**Direct economic value generated and distributed**



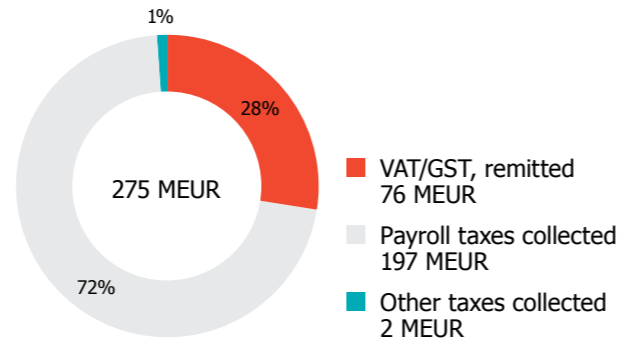
Operating costs and employee wages and benefits exclude payments to government.

### 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



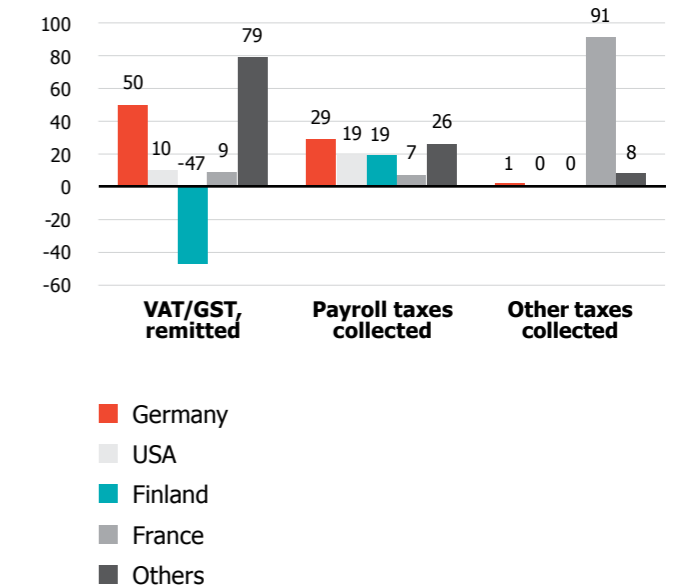
Taxes collected include tax and tax-like payments that Konecranes has collected on behalf of the government such as VAT and similar turnover related taxes paid, payroll taxes and other taxes. The economic burden for such taxes end up with the buyer or final consumer.

### Taxes paid per country, %



In addition to corporate taxes paid for the normal operative business, German income taxes relate to taxes paid in 2018 for the divestment of Stahl CraneSystems business as well as transfer of some participations and assets within Konecranes Group in 2017.

### Taxes collected per country, %



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

# Commitments

We acknowledge our responsibility and recognize our opportunity to improve sustainability in our operations and in the societies where we operate with public targets and commitments. We have determined our principles and policies towards corporate responsibility such as responsible supply chains, compliance, ethics and integrity and human rights as well as minimizing the negative environmental impacts of our operations.



# Commitments

Our operations and ways of working are guided by Konecranes' Code of Conduct and the commitments we have made regarding economic, social and environmental responsibility. The same ethical standards also apply to our suppliers, and are defined in our Supplier Code of Conduct. Our commitments demonstrate our values and principles of responsible business.

## Our Code of Conduct and Anti-Corruption policy

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. In 2018, we rolled out our updated Code of Conduct and Anti-Corruption policy, making them more comprehensive and specific than before. In conjunction with the launch of new policies, more than 5,500 employees were trained on compliance and ethics during 2018.

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 enhance our long-term competitiveness in global markets. Our Anti-Corruption policy is supported by compliance protocols and guidelines which have been put in place to detect risks regarding bribery and corruption. Our zero-tolerance approach towards corrupt practices is embedded in our monitoring and follow-up processes. Several actions and processes are in place to mitigate corruption and fraud risks.

As a result of the renewal of our Code of Conduct and Anti-Corruption policy we will also renew our Code of Conduct training, which will be rolled out in 2019. We also established an executive level Compliance & Ethics Committee to oversee the implementation and development of a company wide program, which is managed by the Head of Compliance & Ethics.

## Whistleblowing channel

We aim to promote a healthy speak-up culture where people feel safe reporting compliance and ethical concerns

without a fear of retaliation. To encourage our employees to address any issues, we offer multiple ways to raise concerns. Among these is a new Whistleblowing channel implemented in 2018 to give our employees an additional way to raise concerns relating to compliance with laws and ethical conduct. This process is managed by the Head of Compliance & Ethics.

## Other policies

The Code of Conduct is complemented by Group-wide policies, including those on Quality, Environment, Health and Safety; Respect in the Workplace, which focuses on equal opportunities, fair employment practices and anti-discrimination; our Diversity and Inclusion policy; as well as internal guidance related to anti-corruption, reporting ethical and compliance concerns, and sourcing and purchasing.

Konecranes is also a signatory of the UN Global Compact and is thereby committed to its principles with respect to human rights, labor, the environment and anti-corruption. We have also put in place globally a set of Konecranes Health, Safety and Environment (HSE) Tools for environmental and safety management which define the minimum level for HSE practices.

In 2018 we began implementing our new Supplier Code of Conduct, which includes more specific requirements for our suppliers. We expect our joint venture partners, suppliers and subcontractors to conduct their businesses in compliance with the same business ethics and commitment to integrity as we do, applying our Supplier Code of Conduct or more stringent practices. We have established a risk-based Know-Your-Counterparty process which identifies the risks of doing business with third parties by studying their ownership, activity and role. It includes anti-bribery,

## WE ARE COMMITTED TO

- › Providing eco-efficient solutions and services to our customers
- › Preventing and minimizing harmful discharges into the air, water and ground
- › Respecting and valuing our people by providing equal working opportunities
- › Increasing gender diversity
- › Developing a workplace that is free from discrimination and harassment
- › Working against corruption in all its forms, including extortion and bribery
- › Behaving safely always
- › Having zero tolerance towards unsafe acts and safety violations
- › Continually improving our safety culture and performance



sanctions and other due diligence checks according to the level of risk identified.

**Transparent communication**

We place a great deal of importance on public disclosure and communication on sustainability and different aspects of corporate responsibility. As part of our efforts to fulfill stakeholder expectations, we engage in active dialogue with our key stakeholders. Strategic dialogue helps us ascertain that our corporate responsibility strategy is meeting market demands and that the information we provide is relevant and transparent. The feedback we gather from our Voice of Customer surveys and continuous stakeholder dialogue is essential when reviewing our Corporate Responsibility Strategy.

Engaging stakeholders in decision making strengthens relationships, helps us deliver on our commitments and gain a competitive advantage, and can also unravel possibilities to create value with them. To enable us to fulfill stakeholder expectations and provide transparent communication, we have identified our key stakeholders as well as other important stakeholder groups.

Our key stakeholders include our employees, customers, business partners and investors. In addition to our key stakeholders, we have identified other relevant stakeholder groups that are increasingly important for Konecranes. These include local communities and authorities, associations, universities and research institutes, trade unions, non-governmental organizations (NGOs), rating agencies, analysts and media. We communicate with the broader community through content delivered through channels such as Konecranes.com, our online magazine Way Up, and through social media such as Facebook, Twitter and Instagram.

| Stakeholders  | Topics   | Channels  | Frequency of engagement   |
|---|--|---|---|
| <b>Employees</b>                                    | <ul style="list-style-type: none"> <li>› Safety culture and product safety</li> <li>› Compliance, ethics and integrity</li> <li>› Employee development and well-being</li> <li>› Equal opportunities and diversity</li> </ul>  | We engage our employees through internal communications (email, Konecranes’ intranet), employee engagement surveys, e-learnings, Whistleblowing channel and compliance email, internal team meetings and internal training and development.   | Weekly.   |
| <b>Customers</b>                                    | <ul style="list-style-type: none"> <li>› Compliance, ethics and integrity</li> <li>› Eco-efficiency of own production (footprint)</li> <li>› Eco-efficiency of products (handprint)</li> <li>› Safety culture and product safety</li> <li>› Responsible supply chain</li> <li>› Sustainable innovations</li> <li>› Human rights</li> </ul> | Customers are mainly engaged through our sales department, their key account managers and service technicians. We also use surveys and the Voice of Customer 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.            |
| <b>Shareholders, investors</b>                      | <ul style="list-style-type: none"> <li>› Compliance, ethics and integrity</li> <li>› Eco-efficiency of own production (footprint)</li> </ul>   | We engage with shareholders and investors through investor briefings and meetings, Annual General Meetings, the Annual Report and sustainability reporting and by replying to investor questionnaires.  | Regularly through public reporting and meetings.  |
| <b>Business partners, suppliers, subcontractors</b> | <ul style="list-style-type: none"> <li>› Fair business practices</li> <li>› Compliance, ethics and integrity</li> <li>› Eco-efficiency of own production (footprint)</li> <li>› Safety culture and product safety</li> <li>› Responsible supply chain</li> </ul>   | Suppliers are engaged through procurement, supplier assessments and negotiations, and ongoing contract management.  | Engagement mainly through correspondence by e-mail and by providing data in questionnaires. |

We engage in continuous dialogue with different stakeholder groups, and therefore need to make sure that we have proper channels in use for each of them. We employ Konecranes’ intranet and several other online tools as engagement platforms for our internal

stakeholders. We use a number of ways to interact with external stakeholders. The effort to keep stakeholders from different parts of the globe engaged entails communication in multiple languages, different channels and ongoing discussions. We have identified the tools and activities that

are most appropriate in communicating key messages to these audiences.

### **Managing sustainability risks and opportunities**

We assess corporate responsibility risks such as those involving climate change, social aspects and human rights in the supply chain, and other matters, such as chemical risks. On a global scale the most significant environmental risks to our business are related to climate change and the sustainability of materials. In prioritizing risks, we use a scale of probability and the potential impacts of those risks on the business.

Extreme weather conditions impact the supply and logistics chains. Extreme weather events are becoming more frequent, and the magnitude of these phenomena forces us to pay greater consideration to safeguarding our own operations. Ways to address these risks include emphasizing construction safety, emergency preparedness and continuity planning. We also strive to reduce our climate impact by developing eco-efficient products and service solutions. Furthermore, we have signed voluntary agreements and set targets for energy efficiency and emissions. Regarding emerging regulation or transition risks, our methodology includes active participation in relevant industry organizations and follow up of international regulation.

With regard to energy, the risks are mainly associated with the possibility of new, unexpected regulatory changes, taxes or product standards. Identified corporate responsibility risks are managed by several different Group functions. We review key corporate responsibility risks to our business on an annual basis to ensure that our mitigation activities throughout the Group are effective.

To help mitigate risk in our supply chains, we have begun implementing our Supplier Code of Conduct, which will emphasize the corporate responsibility requirements we expect to be fulfilled down the chain. 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 their risks. The Group's risk management principles provide a basic framework for risk management across Konecranes, and each Group company or operating unit is responsible for its own risk management. This approach guarantees the best possible knowledge of local conditions, experience and relevance.

Increasingly stringent environmental legislation and rising demand for energy efficiency 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. We have energy efficient products available in all our product segments and continuously focus on improving and developing our offering. 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 not only current but also upcoming efficiency standards. An example of a specific activity to manage this opportunity is our focus on battery technology, hybrid products and other energy efficient features. Legislation, voluntary agreements and changes in the market will very likely create opportunities for us to gain more revenue from our new products and from servicing existing cranes.



# Enabling factors

To be able to reach our sustainability goals we need to continuously develop our safety culture, invest in eco-efficient product design and maintain a creative, healthy and diverse workforce.



# Enabling factors

## Diversity and inclusion

We respect and embrace diverse ways of working, lifestyles and cultural differences. We see various benefits of having a diverse workforce from having employees representing 92 different nationalities from different parts of the world. Fostering diversity in terms of gender, age, 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 diversity and inclusivity result in teams that deliver better results.

We aim to create a diverse working environment and a culture that respects individuals. Konecranes aspires to be at the forefront of breaking down traditional barriers in the heavy manufacturing industry, and we seek to develop a diverse company for all generations, current and future. Our ambition is to achieve a balance between genders at all leadership levels, and in general, to build a much more diverse organization.

The current gender balance within Konecranes is 16% female to 84% male. The biggest opportunity created by employing a diverse workforce is that of having a variety of perspectives and approaches brought by people of different ages, ethnic backgrounds, genders and cultural origins. Diversity in personnel also contributes to talent retention.

We manage diversity by raising awareness, initiating projects and providing training, but also by implementing diversity and equal opportunity requirements in our daily processes. Our basic people procedures such as recruitment, career development, rewards, learning and development take talent and diversity issues into account. Our Diversity Policy is reinforced by our existing policy on Respect in the Workplace, which communicates our principles on equal opportunities, anti-harassment and fair employment. Striving to embrace diversity creates value and is essential for Konecranes to remain competitive in a fast-changing world.

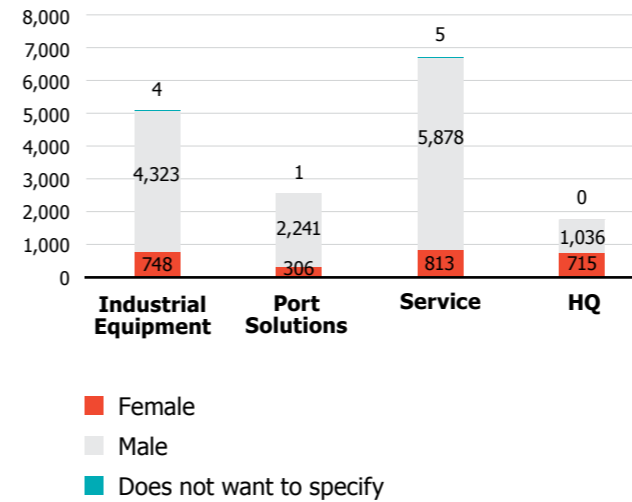
## Human rights in our operations

We treat every one of our people and business partners 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.

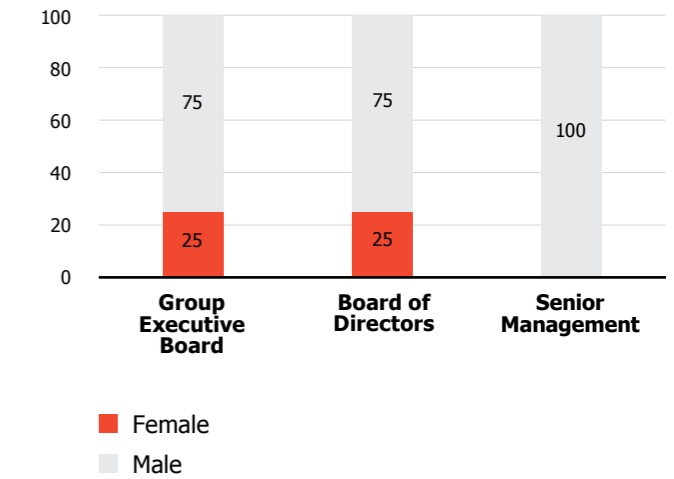
Konecranes is a signatory of the United Nations (UN) Global Compact and upholds the work-related rights defined by the International Labour Organization (ILO). We support the protection of human rights and promote the principles set in the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals and the Declaration on Fundamental Principles and Rights at Work of the ILO. Our corporate policy, Respect in the Workplace, which deals with equal opportunities and fair employment practices, creates a common framework for employee practices.

We have translated our commitment to human rights into internal policies that are to be used as the minimum applicable standards. We have included the basic principles of human rights in our Code of Conduct, which

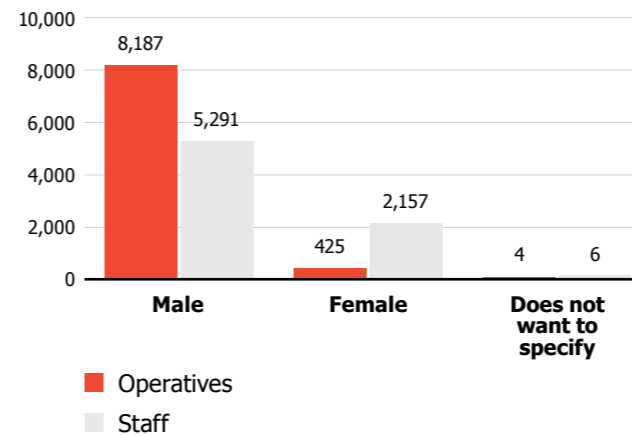
## Business area gender structure



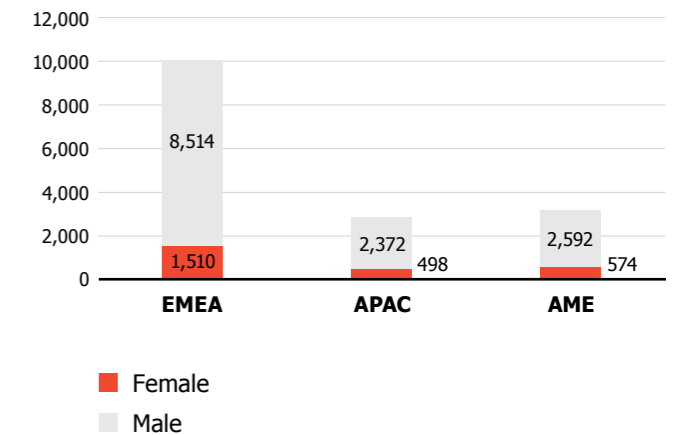
## Organization's governance bodies, gender structure, %



## Gender structure of employees and supervised workers



## Total workforce by region and gender



is communicated to all our employees and suppliers. Furthermore, we have separate policies on Respect in the Workplace, Safety and Diversity, all of which also address human rights. Moreover, we have elements on social responsibility included in our supplier audits.

We have set up dedicated management processes and centralized compliance processes to secure employees' rights, such as their rights to freedom of association and collective bargaining, and the right to freedom from harassment and discrimination. Konecranes does not accept the use of forced labor or child labor in any form. Human rights are part of our Code of Conduct training material. We have established an executive-level Compliance & Ethics Committee to oversee the implementation and development of our Compliance and Ethics program and set up a new Whistleblowing channel to give our employees an additional means to raise concerns relating to compliance with laws and ethical conduct.

**Managing talent to gain a competitive advantage**

Our talented, inspired and engaged employees help our customers enhance their safety and productivity every day. We aim to create a diverse working environment and a culture that respects individuals. Fair and responsible practices, equal career development opportunities and embracing diversity are the key enablers in the race to attract employees with the potential to be the best in the industry.

We renewed our Lifting People strategy in 2018. The objective of Konecranes' people management strategy is to make certain that we have the needed resources and skillsets for the future, and that our people are capable of meeting future business requirements while remaining motivated. The accelerating pace of change, growing complexity in the world and the workforce, as well as the

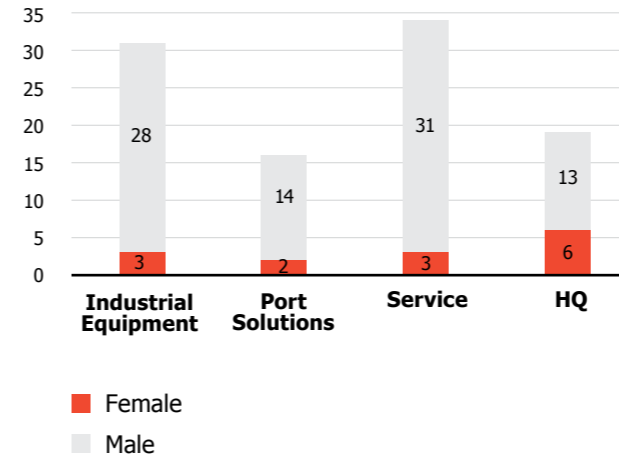
current, post-acquisition phase of our development, which we call Konecranes 4.0, call for a new strategy to enable us to retain the best employees and attract top talent. We will begin implementing our new Lifting People strategy across the company, internally and externally, in 2019.

In 2018, we continued in our endeavor to provide equal opportunities to all our employees, making sure that integration activities were carried out effectively. From the beginning of the year, information on all our open positions were moved to one central recruitment system, enabling our current and future employees to see all our open positions in all our countries through one centralized tool. We continued to develop the skills of our employees, such as the technical and customer service skills of our service technicians, as well as skills in branch management, sales management and leadership across the organization. To further develop their competences, employees are offered a variety of training courses and development activities – from technology, leadership, health and safety, language and culture, to project management and the environment.

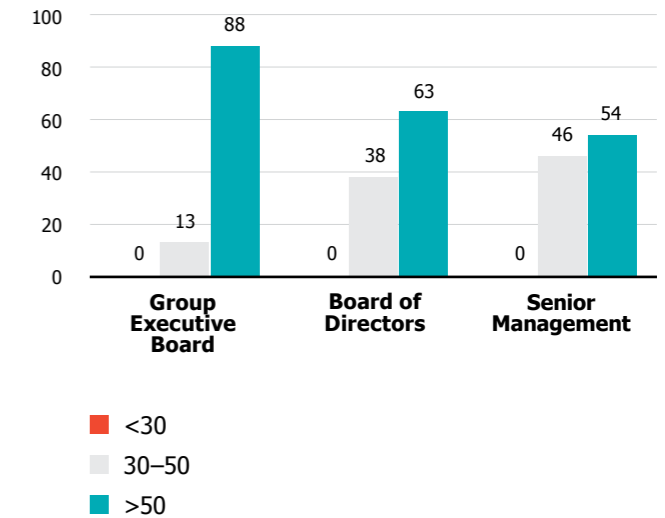
We see personal development as a key factor in employee engagement; therefore, our employees participate in yearly performance and career development reviews. We also measure engagement levels by conducting a regular employee engagement survey. In January 2018, the results of our latest Employee Engagement Survey were published. With a global response rate of 73%, the results showed that our employees view their work as challenging and interesting, that they are involved in decision-making and that decisions are made effectively. The majority of our people enjoy their work on a typical day, feel respected by their colleagues and believe that their contribution is important.

Our teams worked vigorously in examining the results to find out which of the areas needed the most improvement

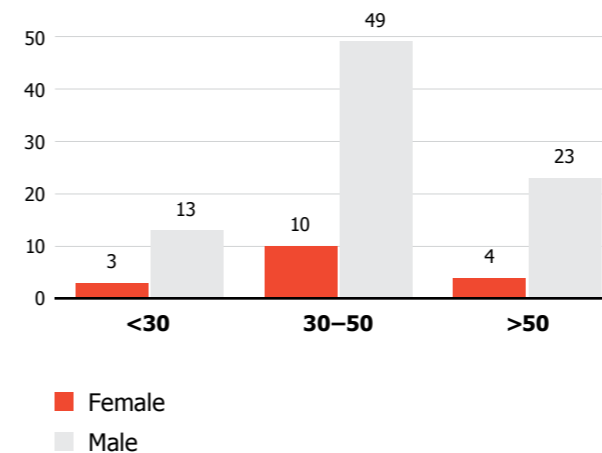
**Business area management gender structure, %**



**Organization's governance bodies, age structure, %**



**Staff gender and age structure, %**



**92**  
nationalities  
employed  
at Konecranes

and which were functioning well. Once those were identified, the teams created action plans to facilitate positive development in the future. The main risk related to low employee engagement is that of losing talent and competencies. We strive to keep our talented employees engaged, for instance by providing fair and competitive compensation, culture and leadership development programs, succession planning, internal job rotation and talent management, as well as various schemes to support professional growth.

Based on feedback received from employees and managers in a survey conducted in 2017, we renewed our Trust, People, Performance (TPP) management process to meet the needs of our organization. In performance management discussions in 2018, more emphasis was placed on talent development, behavioral competencies, learning and development, and career aspirations. The TPP discussions were enabled through a new tool used for documenting the discussions. Our employees eagerly welcomed the renewed process and tool, resulting in the best TPP completion rate in Konecranes' history. We also continued the work towards a harmonized salary review process by extending the range of employees covered. The salary review process is supported by our central people tool, thereby facilitating salary related decision making.

**At the forefront of safety**

Safety is an integral part of our business and prioritizing it in all areas of our operations brings us a competitive advantage. Our work in managing safety starts from our own employees but extends beyond the company's borders. It deals with our product offering, our suppliers, subcontractors and everyone we work with. By providing safe products, solutions and services, we can protect our customers' safety while simultaneously improving the

efficiency and productivity of their business operations. Our overall approach and commitment to safety are outlined in our Health and Safety Policy, and we have several safety management tools and global practices in place.

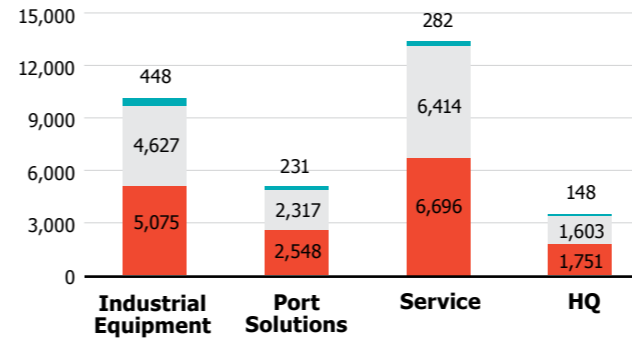
There are considerable occupational health and safety risks in the material handling industry. Our most significant safety risks are related to factory work, crane and equipment installation, and the service business, where our technicians' working conditions vary from job to job. All Konecranes employees are properly trained to perform their tasks safely and correctly.

The safety of products directly impacts the safety of customers, employees and contractors. We follow product safety performance through our Product Compliance Management process, reporting and investigating occurrences such as load drops. This process helps us ensure that the products and services we design and supply worldwide reliably meet all applicable safety requirements throughout all phases of their lifecycles.

**Safety performance**

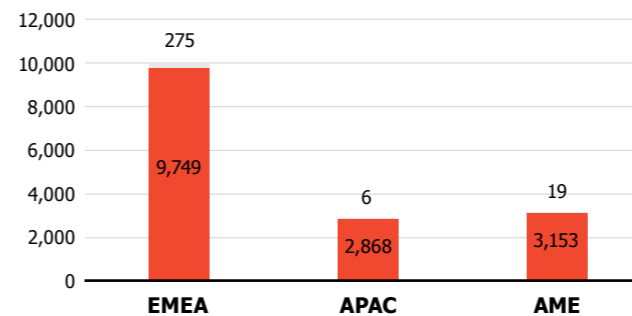
Konecranes has selected the lost-time incident rate, LTA1, as our Key Performance Indicator (KPI) for safety. LTA1 refers to the number of lost-time incidents per million working hours. The indicator as reported here covers all of our own employees, including those working in our premises as well as at our customer sites. We also report and follow up on contractor incidents in our reporting system, but those incidents are not included in our lost-time incident rate. Our target in safety is for everyone to be able return home safe, every day. On our road towards this target we have set ourselves a milestone to reach an LTA1 rate of below 3 by the end of 2020. We work to achieve these objectives through strategic, Group-led programs and

**Total number of employees by employment contract**



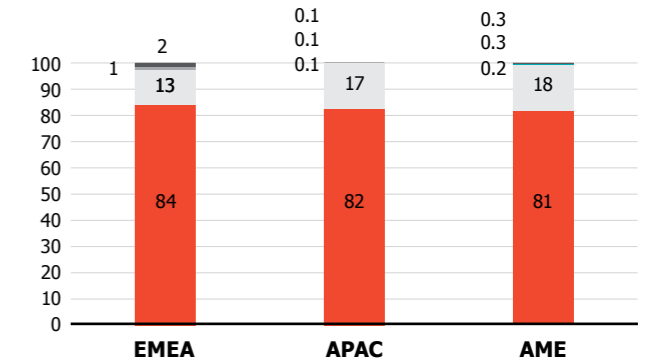
- Number of personnel at the end of the year
- Undefined term
- Fixed term

**Total number of permanent employees by employment type and region**



- Number of full-time employees
- Number of part-time employees

**Employees by employment contract and gender, %**



- Number of full-time employees, Men
- Number of full-time employees, Women
- Number of full-time employees, Does not want to specify
- Number of part-time employees, Men
- Number of part-time employees, Women
- Number of part-time employees, Does not want to specify

business-specific initiatives. The company follows incidents and hazards through management systems, the ARMOR reporting system and the product compliance management system, as well as through customer feedback collected after each major delivery.

Our safety performance in 2018 improved markedly in comparison to 2017. The lost-time incident rate for the year was 5.3 (7.6), an improvement of 30% compared to the previous year. More emphasis was placed on learning from the incidents through increased focus on incident investigation and corrective actions, supported in part by the implementation of the new ARMOR reporting system. The reporting system allows us to better track the quality of incident investigations and the completion of corrective actions. Furthermore, several safety initiatives carried out on the unit, regional and Business Area levels highlighted safety and tackled operation-specific safety risks. Examples include the Summer of Safety campaign in the Americas region and the Stop the Drop initiative in our Service operations.

Serious Injury and Fatality (SIF) potential decreased by nearly 70% compared to 2017. The total number of reported incidents or near misses with SIF exposure was 86, compared to 284 in the previous year. There were no fatalities in our operations or in those of our contractors. During 2018 we increased our focus on reporting and following up on potential SIF cases – in other words, less serious incidents or near-misses with the reasonable potential to cause serious injury or fatal consequences. This involved reporting the potential SIF incidents in ARMOR and organizing specific reviews to check the quality of the investigations and the effectiveness of the identified corrective actions. The decrease in reported exposure is also partly due to improved reporting practices and SIF classification.

The reporting of near-misses and safety observations also increased markedly in 2018. There was a significant difference in the reporting levels between different units, and in the future, efforts will be made to promote the recording of near-misses and observations and to ascertain that relevant actions are taken based on them. Further 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 2019. These will entail better implementation of our new reporting system, both by developing the tool and by raising employee competence in utilizing it.

**Key safety activities in 2018**

During 2018, we focused on integrating the safety activities taking place throughout the company following the acquisition of MHPS. Work was done to consolidate our safety strategies and approaches. One key activity was to work with the Life Saving Behaviors for the integrated company, which were finalized and rolled out towards the end of the year. The Life Saving Behaviors program continues, with one behavior featured each month through the issuing of campaign materials and promotion through different communication channels. On the unit level, safety work focuses on the areas identified in the improvement planning process and is followed up within the Business Areas to ensure progress and sufficient support.

Our service operations continued to implement the Point of Work Risk Assessment (PoWRA) tool, which is designed to systematically identify hazards and risks at the point of work, prior to starting a task. Conducting a PoWRA is a requirement before beginning any service work. We continued the effort of having our operations certified according to OHSAS 18001 or ISO 45001 management system standards. A total of 24% of all manufacturing



units were certified against the OHSAS 18001 or ISO 45001 standard at the end of 2018. Work towards the target of getting all manufacturing units certified against OHSAS 18001 or ISO45001 continues according to plans defined within the Business Areas.

units identified key areas for improvement in safety and chose activities to target those areas. This was done to harmonize the planning of safety activities annually and to identify common focus areas across the company to enable better usage of resources and improve cooperation between units.

At the end of 2018 we also implemented a systematic HSE improvement planning process, in which business

## Safety data

|  |                  | Combined company | Combined company | Legacy Konecranes <sup>*)</sup> | Legacy Konecranes <sup>*)</sup> | Legacy Konecranes <sup>*)</sup> |
|--|------------------|------------------|------------------|---------------------------------|---------------------------------|---------------------------------|
|  |                  | 2018             | 2017             | 2016                            | 2015                            | 2014                            |
| Lost Time Accident Frequency (LTA1 <sup>1)</sup> ) | Konecranes total | 5.3              | 7.6              | 5.8                             | 5.9                             | 6.3                             |
| Fatalities <sup>3)</sup>                           | Konecranes total | 0                | 0                | 0                               | 4 <sup>2)</sup>                 | 1                               |

<sup>\*)</sup> MHPS business not included in the legacy Konecranes figures

<sup>1)</sup> LTA1 = Number of work-related accident causing at least one day of lost time/ working hours performed over the reference period \* 1,000,000 hours.

<sup>2)</sup> 2 traffic fatalities, which are not calculated as recordable occupational fatalities, 1 sudden complication resulting from a serious incident in the previous year, already considered recovered and back at work.

<sup>3)</sup> Own personnel.



### Success story: Award-winning magnetic guard rails

The Konecranes team in Düsseldorf developed a new, flexible in-house safety solution to prevent workers from falling from heights. When constructing large cranes, welders and other operators need to work at heights of over four meters. There are rarely any good attachment points, and executing tasks normally requires the worker to move around a lot.

The local team analyzed different options and devices and eventually developed their own solution utilizing mobile handrails that are attached to crane structures with the use of magnets. The in-house quality organization took the task of checking that the solution met all relevant legal and safety requirements. This innovative solution was awarded the Schlauer Fuchs safety prize by Berufsgenossenschaft Holz und Metall (BGHM), the Professional Association for the Wood and Metal Industry in Germany. It recognizes special commitments to occupational safety and health, specifically for significant developments in the field of safety when working at height.



# Actions

We build trust and reinforce transparency by openly communicating about our progress and results on topics ranging from resource-efficiency to carbon reduction. We are committed to safe operations and creating value through our sustainable offering. We want to change the game with our sustainable and innovative offering and by harnessing the potential of the circular economy and digitalization.



# Actions

## Material topics in 2018

We have defined our key corporate responsibility themes by conducting a materiality assessment. Through this process, we identified the most relevant sustainability topics for Konecranes based on the expectations of our stakeholders. We also reviewed the megatrends impacting our business and identified ten UN Sustainable Development Goals where we see that Konecranes can make an impact.

Following interviews with our stakeholders, we have updated our materiality matrix. The overall themes have remained largely the same. The material aspects of our operations include ethics and compliance, the footprint of our own operations, the safety of employees and our products, diversity, employee engagement, a responsible supply chain, human rights, and sustainable innovations.

## Targets and achievements

In 2015 we set long-term targets that we aim to achieve by 2020 and have been monitoring our performance since then. By the end 2016, we had achieved most of our environmental targets ahead of time, and thus reviewed them in 2018. The following table summarizes our progress.

| Topic  | Progress  | Target  | UN Sustainable Development Goals |
|--|---|---|----------------------------------|
| <b>Code of Conduct training</b>  | <ul style="list-style-type: none"> <li>As a result of the renewal of our Code of Conduct, we will renew our Code of Conduct training, which will be rolled out in 2019. We trained more than 5,500 employees in connection with the Code of Conduct and Anti-Corruption Policy launch as well as in other ethics and compliance-related training events organized in 2018.</li> </ul> | Keep all employees trained on Code of Conduct.  | 8, 12, 16                        |
| <b>Assessing suppliers for sustainability</b>                                | <ul style="list-style-type: none"> <li>All new suppliers were pre-assessed. 84 process audits on HSEQ topics were carried out in 2018.</li> <li>A new Supplier Code of Conduct was introduced in Q2 and implementation work has started. 36% of the top 300 in terms of total spend had committed to our Supplier Code of Conduct by the end of 2018.</li> </ul>                      | By 2020, assess the sustainability of suppliers who represent 80% of total spend as well as all new suppliers.                                | 3, 8, 12                         |
| <b>Certified ISO 14001 Environmental Management Systems in all factories</b> | <ul style="list-style-type: none"> <li>Certified ISO 14001:2015 EMS in 65%*) in our manufacturing facilities.</li> </ul>  | Certified ISO 14001 EMS in all factories by the end of 2020.  | 6, 13, 12                        |
| <b>Reducing energy intensity</b>   | <ul style="list-style-type: none"> <li>Energy intensity (MWh/sales) reduced by 8% compared to base year 2017.</li> </ul>  | Energy intensity reduction of 25% MWh/sales in own factories and service operations by the end of 2025 (vs. base year 2017).                  | 7, 12, 13                        |
| <b>Reducing emission intensity</b>   | <ul style="list-style-type: none"> <li>Emission intensity (tCO<sub>2</sub>e/sales) reduced by 13% compared to base year 2017.</li> </ul>  | Emission intensity reduction of 50% tCO <sub>2</sub> e/sales in own factories and service operations by the end of 2025 (vs. base year 2017). | 7, 12, 13                        |
| <b>Renewable energy</b>  | <ul style="list-style-type: none"> <li>24% of electricity in factories is from renewable sources.</li> </ul>  | By the end of 2025, power in all our factories with 100% renewable electricity.   | 7, 12, 13                        |
| <b>Decreasing Lost-Time Accident level</b>                                   | <ul style="list-style-type: none"> <li>LTA1 rate for whole company on level 5.3. Several group-wide initiatives launched to improve safety.</li> </ul>  | LTA1 rate of less than 3 by the end of 2020. The target is an incident-free workplace.  | 3                                |

\*) This differs slightly and non-materially from our 2018 financial statement release and statement of non-financial information (68%), as the original figure was later revised.

## Reducing our environmental footprint through innovation and efficiency

We take our responsibility as well as our opportunity to influence environmental matters seriously, especially with regard to resource use and mitigating the effects of climate change. 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.

Our commitments concerning environmental responsibility can be found in our Code of Conduct and in our Environmental Policy. Furthermore, we are a signatory of the United Nations Global Compact and its ten principles that underline the need to adopt a precautionary approach to environmental challenges by examining the whole scope of impacts that our operations might have.

In our industry, the main environmental impacts arise from metal refinement. 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. Both our own operations and supply chain have environmental impacts that we aim to mitigate. Konecranes' Environmental Policy sets principles for managing the environmental impacts of Konecranes sites, products and services. We reduce our carbon footprint through voluntary agreements and by setting targets for energy efficiency and emissions. Our target is to reduce our energy intensity (MWh/sales) by 25% and greenhouse gas emission intensity (tCO<sub>2</sub>e/sales) by 50% during 2017–2025. In addition, we are committed to the target of powering our factories with 100% renewable electricity by 2025.

On a global scale our most significant environmental risks are related to climate change and the sustainability of

| Topic   | Progress  | Target  | UN Sustainable Development Goals |
|---|---|---|----------------------------------|
| <b>Significantly reducing serious injuries and zero fatalities</b>  | ➤ SIF potential reduction of 70% from 2017. There were no fatalities in 2018. Reporting has improved on near misses with SIF Potential, assisting in preventing actual SIF incidents.   | Significant reduction in serious injuries and zero fatalities.  | 3                                |
| <b>Certified Occupational Health and Safety management systems OHSAS 18001/ISO 45001 in all factories</b> | ➤ Certified OHSAS 18001 management systems and ISO 45001:2018: 24% <sup>*)</sup>  | All factories certified according to OHSAS 18001/ISO 45001:2018 by the end of 2020.   | 3, 12                            |
| <b>Tracking, monitoring and managing subcontractor safety</b>   | ➤ 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 are used from classroom training to online tools. | Subcontractor safety tracking, monitoring and management improved, with all subcontractors receiving adequate safety training about Konecranes' premises and requirements before starting work. | 3, 8, 12                         |
| <b>Increasing the proportion of women in Group management</b>   | ➤ Gender diversity of Group management: male 73%, female 27%.   | At least 25% of Group management members are female.  | 5, 8, 10                         |
| <b>Balance in nationalities in Group management to maintain a global mindset</b>                          | ➤ In Group management: Finnish 63%, other 37%.  | Balance of nationalities in Group management, no single nationality should represent more than 50% of group management by the end of 2020.  | 5, 8, 10                         |

<sup>\*)</sup> This differs slightly and non-materially from our 2018 financial statement release and statement of non-financial information (20%), as the original figure was later revised.

materials. We review key corporate responsibility risks to our business on an annual basis to ensure that our mitigation activities throughout the Group are effective. We assess environmental risks in greater detail as part of the environmental management system, where each of our units is responsible for evaluating, prioritizing and mitigating their risks. Environmental risk assessments and mitigation actions are done on a local level based on environmental aspects and impacts. After careful assessment, we formulate risk mitigation plans.

Environmental incidents and near-miss cases are reported through our global HSE reporting tool, and investigations of root causes and corrective actions are conducted accordingly. We also use the Konecranes HSE Tools for risk prevention, striving for continuous improvement and the defined world-class level. To help mitigate risk in our supply chains, we have begun implementing our Supplier Code of Conduct, which will emphasize the corporate responsibility standards we expect from third parties. Konecranes undertakes due diligence and background checks of suppliers and subcontractors before entering into business relationships. Opportunities that arise from the demand for low-carbon solutions are evaluated as part of our corporate responsibility strategy review as well as the feedback from our Voice of Customer surveys and continuous stakeholder dialogue.

Konecranes' HSE Tools for chemical handling and waste management are in use globally and set the minimum level for environmental management. To continuously improve our performance, we have a target set for having full coverage of all our manufacturing sites according to the ISO 14001:2015 Environmental Management System (EMS) at the end of 2020. Currently 65% of our factories have an ISO 14001 EMS in place requiring continuous

## Environmental data

\*) MHPS business not included in the legacy Konecranes figures

| Energy  | Combined company | Combined company         | Legacy Konecranes <sup>*)</sup> | Legacy Konecranes <sup>*)</sup> | Legacy Konecranes <sup>*)</sup> |
|---|------------------|--------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | 2018             | 2017                     | 2016                            | 2015                            | 2014                            |
| Total energy consumption (MWh)  | 310,000          | 334,500 <sup>11)</sup>   | 213,000                         | 224,600                         | 241,900                         |
| Fuel consumption <sup>1)</sup> (MWh)                                    | 151,000          | 164,600 <sup>11)</sup>   | 141,500                         | 151,800                         | 169,600                         |
| Natural gas and LPG consumption (MWh)                                   | 74,100           | 75,600 <sup>11)</sup>    | 14,700                          | 16,700                          | 18,100                          |
| Electricity consumption (MWh)   | 70,100           | 79,800 <sup>11)</sup>    | 40,300                          | 42,100                          | 40,300                          |
| District heat consumption (MWh)   | 14,700           | 14,600 <sup>11)</sup>    | 16,500                          | 14,000                          | 13,900                          |
| Total energy consumption per sales (MWh/MEUR)                           | <b>98</b>        | <b>107<sup>11)</sup></b> | <b>101</b>                      | <b>106</b>                      | <b>120</b>                      |
| Renewable energy percentage (%) <sup>2)</sup>                           | <b>8%</b>        | <b>7%</b>                |                                 |                                 |                                 |
| Renewable electricity percentage (%) <sup>3)</sup>                      | <b>24%</b>       | <b>20%</b>               |                                 |                                 |                                 |
| <b>Emissions</b>  |                  |                          |                                 |                                 |                                 |
| Total emissions <sup>4)</sup> (tCO <sub>2</sub> e)                      | 89,000           | 100,200 <sup>11)</sup>   | 53,700                          | 57,600                          | 62,700                          |
| Scope 1, direct emissions <sup>5)</sup> (tCO <sub>2</sub> e)            | 54,000           | 57,700 <sup>11)</sup>    | 39,200                          | 45,500                          | 46,900                          |
| Scope 2, Location-based method  | 31,300           | 38,000 <sup>11)</sup>    | 16,400                          | 17,200                          | 18,100                          |
| indirect emissions tCO <sub>2</sub> e <sup>6)</sup> Market-based method | 35,000           | 42,500 <sup>11)</sup>    | 14,500                          | 15,100                          | 15,800                          |
| Scope 3, business travel (tCO <sub>2</sub> e) <sup>7)</sup>             | 10,700           | 10,000                   | 7,700                           | 8,300                           | 9,600                           |
| Total emissions <sup>4)</sup> per sales (tCO <sub>2</sub> e/MEUR)       | <b>28</b>        | <b>32<sup>11)</sup></b>  | <b>25</b>                       | <b>27</b>                       | <b>31</b>                       |
| Total emissions <sup>4)</sup> per energy unit (tCO <sub>2</sub> e/MWh)  | <b>0.29</b>      | <b>0.30</b>              | <b>0.25</b>                     | <b>0.26</b>                     | <b>0.26</b>                     |
| <b>Waste</b>  |                  |                          |                                 |                                 |                                 |
| Metal scrap <sup>8)</sup> (tons)  | 14,900           | 17,800                   | 7,400                           | 8,200                           | 9,500                           |
| Cardboard, paper and wood <sup>8)</sup> (tons)                          | 2,700            | 3,900                    | 3,100                           | 2,900                           | 4,200                           |
| Hazardous and electronic and electrical waste <sup>9)</sup> (tons)      | 1,600            | 2,000                    | 700                             | 800                             | 600                             |
| Other waste <sup>10)</sup> (tons)                                       | 2,000            | 3,100                    | 2,300                           | 2,100                           | 1,200                           |
| <b>Water</b>  |                  |                          |                                 |                                 |                                 |
| Water consumption (m <sup>3</sup> )                                     | 244,944          | 257,200                  | 120,900                         | 139,600                         | 138,800                         |

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. MEUR = million euros.

<sup>1)</sup> Fuel consumption consists of diesel and petrol.

<sup>2)</sup> Amount of renewable energy divided by total energy consumption.

<sup>3)</sup> Amount of renewable electricity divided by total electricity consumption.

<sup>4)</sup> Total emissions include scope 1 and scope 2 (market-based method). CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O 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.

<sup>5)</sup> Scope 1 includes emissions from fuel, natural gas and LPG consumption.

<sup>6)</sup> 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 15 800 MWh electricity consumption for the year 2018. Production method was Finnish bioenergy.

<sup>7)</sup> Scope 3 includes emissions only from business travel.

<sup>8)</sup> Waste streams are directed to recycling.

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

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

<sup>11)</sup> Historical figures revised due to improved data quality.

development and annual targets. In addition, we pay special attention to the use of efficient logistics and packaging, minimizing waste and reusing and recycling as much as possible.

### Maximizing our environmental handprint

In order to achieve significant improvements in environmental performance, we take environmental considerations into account for the entire lifecycle of our products. Usability, eco-efficiency and safety are our guiding principles in product design, along with lifecycle thinking. In our conjoined product offering we can provide innovative power options such as hybrid and

battery technology and other energy saving solutions such as regenerative braking. Our R&D efforts focus on product design, developing and testing different materials, improving energy efficiency and smart features and applying remanufacturing processes into old product designs to decrease the environmental impact of our products' lifecycles. We support a circular economy by developing our service business to enhance its ability to maximize the lifecycle value of products.

Our products can be remanufactured and modernized to extend their lifespan, then be reused and finally recycled at the end of their lifespans. The environmental

impact of existing equipment can be reduced by applying improvements and retrofits. Modernizations and retrofits save significant resources by reducing the environmental impact of products' entire lifecycles, saving raw materials and improving the product's energy efficiency and performance. Modernization increases safety, productivity and reliability, and decreases the need for repairs and unscheduled maintenance. The use phases of our products can extend for decades, so by investing in smart and connected, resource- and energy-efficient products, customers can achieve significant reductions in their environmental impacts. 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.

We see advantages for Konecranes especially in circular economy business models. Growing interest towards rental services and product-as-a-service offerings as well as the demand for low-carbon products indicate that markets are seeking new ways to do business that are cost-efficient and sustainable. Significant savings can be obtained by renting, repairing, modernizing, reusing and recycling our products.

### 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

To achieve significant improvements in environmental performance, we review the entire lifecycle of our products from a sustainability perspective.

components, and related services. Steel is one of the key materials we use and it is 100% recyclable.

We offer a wide range of products and service solutions while maintaining a global presence, 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 audits, drive the implementation of the requirements of our Supplier Code of Conduct and perform risk reviews. In accordance with our category

## OUR EFFORTS TO DELIVER MAXIMUM CIRCULAR VALUE THROUGH OUR SOLUTIONS ARE FOCUSED ON FOUR KEY INITIATIVES:

- > Core of Lifting: Our own key components, starting from the design and material selection phases. 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' life cycles.
- > Lifecycle Care: Our wide service and spare part offering and systematic approach to maintenance is supported by digital tools that allow real-time visibility. These help predict failures and maximize the productivity of the equipment's uptime, thus also making it possible for our products to stay in use longer.
- > Extending products' lifecycles: We further prolong the service life of equipment through retrofitting, remanufacturing and modernization.
- > Reusability and recyclability: We select repairable and recyclable materials for our products and design our equipment to enable their reuse and recycling. In addition, we encourage the re-utilization of pre-owned equipment. We also offer crane rental services, which include comprehensive service and preventive maintenance, allowing customers flexible production at a fixed monthly cost.

management strategy, we have conducted pre-emptive actions with critical suppliers and renewed our supplier base.

**Requirements for suppliers and subcontractors**

Standardization and harmonization are key drivers in managing our suppliers. 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. We encourage our suppliers to optimize their packaging, make efficient use of resources and reduce their environmental impact without compromising product quality or safety.

Our goal is to evaluate and set requirements that help to ensure that environmental and social impacts are managed properly through responsible procurement. Our Supplier Code of Conduct sets out the minimum principles we expect suppliers and subcontractors to uphold. Konecranes began implementing the Supplier Code of Conduct, which contains the principles of the UN Global Compact and guidelines of the International Labour Organisation (ILO), in the spring of 2018.

We expect our suppliers and subcontractors to conduct their businesses according to similar legal, ethical, environmental and employee-related principles as those we set out in our own Code of Conduct. In order to receive approved supplier or subcontractor status, our suppliers and subcontractors must commit to the requirements of our Supplier Code of Conduct and ensure their compliance.

We have begun applying our Supplier Code of Conduct with our key suppliers as well as suppliers in countries identified as high-risk, and our target for 2019 is to

continue to implement it with all our key suppliers and key subcontractors. We continuously develop Procurement-related guidelines and have conducted seven supplier onboarding trainings reaching 226 procurement professionals in 2018.

**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, and evaluate 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. In 2018, we updated our supplier selection, assessment and audit process, which also applies to subcontractors. We conducted pre-assessments with 164 potential suppliers and performed 84 on-site audits with current suppliers. Out of the findings, we have identified 363 actionable items that are under the scope of Global Procurement. These findings have been dealt with and closed. Of the remaining findings, actions are ongoing.



# Reporting principles and data collection

This 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. The most material aspects for Konecranes were determined by conducting a materiality assessment that involved 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. More information about the calculation methodology can be found on [www.konecranes.com](http://www.konecranes.com).

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 GRI Standards framework. The reporting scope includes business over which the Group has operational control, and reporting is aligned with reporting on the financial year, or in other words, the calendar year.

Unless otherwise stated, the report covers all Konecranes operations in all the countries where we operate, focusing on our core business and excluding joint ventures and subsidiaries. We have commissioned a limited third-party assurance for safety (LTA1), energy and emission data. The external assurance statement by Ecobio Oy is available at [www.konecranes.com](http://www.konecranes.com). More information can be found on [www.konecranes.com](http://www.konecranes.com).



# GRI Index

| General disclosures           |  | Page/link  | Additional information   |
|-------------------------------|--|--|--|
| <b>Organisational profile</b> |  |  |  |
| 102-1                         | Name of the organization                                     | p. <b>2</b>  |  |
| 102-2                         | Activities, brands, products, and services                   | <b>Annual Review</b>   |  |
| 102-3                         | Location of headquarters                                     |  | Hyvinkää, Finland  |
| 102-4                         | Location of operations                                       | <b>Annual Review</b>   |  |
| 102-5                         | Ownership and legal form                                     |  | Legal Form: Public Company<br>Changes in ownership updated every quarter ( <a href="http://www.konecranes.com">www.konecranes.com</a> )  |
| 102-6                         | Markets served   | <a href="http://www.konecranes.com/industries">www.konecranes.com/industries</a>   |  |
| 102-7                         | Scale of the organization                                    | <b>Annual Review</b>   |  |
| 102-8                         | Information on employees and other workers                   | p. <b>11–15</b>  | Data analytics have been compiled using QlikView (result of 31.12.18) enlarged with individual information from the People System.   |
| 102-9                         | Supply chain   | p. <b>20–21</b>  |  |
| 102-10                        | Significant changes to the organization and its supply chain |  | Our factories in Shanghai, Solon, Banbury and Lentigione were closed during 2018, and their operations were partly moved to other factories nearby. Offices for sales and service operations still remain in Solon, Banbury and Lentigione.  |
| 102-11                        | Precautionary principle or approach                          | p. <b>18</b>   |  |
| 102-12                        | External initiatives   | p. <b>7–8</b>  |  |
| 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, Finnish Metals and Engineering Competence Cluster (FIMECC) 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                         | <b>Annual Review</b>   |  |
| 102-15                        | Key impacts, risks, and opportunities                        | p. <b>4, 9, 18</b>   | More information on risks available in the 2018 Konecranes CDP disclosure available at <a href="http://www.cdp.net">www.cdp.net</a> . 2019 CDP disclosure will be published by the end of 2019.  |
| 102-16                        | Values, principles, standards, and norms of behavior         | p. <b>7, 11–12, 20–21</b>  |  |
| 102-17                        | Mechanisms for advice and concerns about ethics              | p. <b>7</b>  |  |
| 102-18                        | Governance structure   | <a href="http://www.konecranes.com/investors/corporate-governance">www.konecranes.com/investors/corporate-governance</a> | The CR Steering Group is responsible for decision making on environmental and social topics.   |



| <b>General disclosures</b>             |   | <b>Page/link</b>          | <b>Additional information</b>  |
|--|---|---------------------------|--|
| <b>Stakeholder engagement</b>          |   |                           |  |
| 102-40                                 | List of stakeholder groups  | p. <b>8</b>               |  |
| 102-41                                 | Collective bargaining agreements  |                           | The amount of collective bargaining agreements is based on local legislation. The amount of collective bargaining agreements is 41.3 % and on Konecranes level 58.7 %.   |
| 102-42                                 | Identifying and selecting stakeholders  | p. <b>8, 21</b>           |  |
| 102-43                                 | Approach to stakeholder engagement  | p. <b>8, 20–21</b>        |  |
| 102-44                                 | Key topics and concerns raised  | p. <b>8, 17</b>           |  |
| <b>Material aspects and Boundaries</b> |   |                           |  |
| 102-20                                 | Executive-level responsibility for economic, environmental, and social topics |                           | On a global level, the Director of Corporate Responsibility. In the Executive management team, these matters are the responsibility of the EVP, Marketing and Corporate Affairs  |
| 102-29                                 | Identifying and managing economic, environmental, and social impacts          | p. <b>4, 7, 13–15, 18</b> |  |
| 102-45                                 | Entities included in the consolidated financial statements                    | <b>Financial Review</b>   | Please see Financial Statement   |
| 102-46                                 | Defining report content and topic Boundaries                                  | p. <b>17, 22</b>          |  |
| 102-47                                 | List of material topics   | p. <b>17</b>              |  |
| 102-48                                 | Restatements of information   |                           | <a href="http://www.konecranes.com/press/releases/2018/correction-continued-solid-growth-in-service-orders-and-strong-improvement-in-groups-profitability">www.konecranes.com/press/releases/2018/correction-continued-solid-growth-in-service-orders-and-strong-improvement-in-groups-profitability</a> |
| <b>Report profile</b>                  |   |                           |  |
| 102-49                                 | Changes in reporting  | p. <b>22</b>              | None   |
| 102-50                                 | Reporting period  |                           | The reporting period for this Corporate Responsibility Report is the financial reporting period of January 1 to December 31, 2018.   |
| 102-51                                 | Date of most recent report  |                           | The previous report was published in March 2017. This report is published in three languages: English, Finnish and Swedish.  |
| 102-52                                 | Reporting cycle   |                           | Konecranes publishes economic, social and environmental information annually as part of our Annual Report.   |
| 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. <b>22</b>              | This report has been prepared in accordance with the GRI Standards: Core option  |
| 102-55                                 | GRI content index   | p. <b>23–26</b>           |  |
| 102-56                                 | External assurance  | p. <b>22</b>              | Assurance statement can be found at <a href="http://www.konecranes.com/about/corporate-responsibility/targets-and-progress">www.konecranes.com/about/corporate-responsibility/targets-and-progress</a>   |

| General disclosures                               |  | Page/link            | Additional information  |
|---|--|----------------------|---|
| <b>Management approach</b>                        |  |                      |   |
| 103-1   | Explanation of the material topic and its Boundary | p. <b>15, 19, 22</b> |   |
| 103-2   | The management approach and its components         | p. <b>3–21</b>       | We strive to maximize the positive impact we bring to society and reduce our negative impacts. 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. <b>3–9, 17</b>    |   |
| <b>Specific standards disclosures</b>             |  |                      |   |
| <b>Category: Economic</b>                         |  |                      |   |
| <b>Material aspect: economic performance</b>      |  |                      |   |
| 201-1   | Direct economic value generated and distributed    | p. <b>4</b>          |   |
| <b>Category: Environmental</b>                    |  |                      |   |
| <b>Material aspect: Environmental performance</b> |  |                      |   |
| 302-1   | Energy consumption within the organization         | p. <b>19</b>         | 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. <b>19</b>         | 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. <b>19</b>         | 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. <b>19</b>         | 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. <b>19</b>         | 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. <b>19</b>         | 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. The main environmental disturbance that occurred in 2018 was an oil leakage that required cleaning of soil. The disturbance was investigated and the appropriate corrective actions to minimize the impact on the environment were taken. |

| General disclosures                                    |   | Page/link        | Additional information   |
|--|---|------------------|--|
| <b>Material aspect: Supply chain</b>                   |   |                  |  |
| 308-1  | New suppliers that were screened using environmental criteria   | p. <b>17, 21</b> |  |
| <b>Category: Social</b>                                |   |                  |  |
| <b>Material aspect: Fair labor practices</b>           |   |                  |  |
| 405-1  | Diversity of governance bodies and employees  | p. <b>11–13</b>  |  |
| <b>Material aspect: Occupational health and safety</b> |   |                  |  |
| 403-2  | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | p. <b>13–15</b>  | Only lost-time rate and fatalities reported due to recent change in our safety reporting system. |
| <b>Material aspect: Anti-corruption</b>                |   |                  |  |
| 205-2  | Communication and training about anti-corruption policies and procedures  | p. <b>7</b>      |  |



**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. The Group has 16,100 employees at 600 locations in 50 countries. Konecranes is listed on the Nasdaq Helsinki (symbol: KCR).

**KONECRANES**<sup>®</sup>  
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