



Konecranes Plc

# Report on Non-Financial Items 2017

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## Konecranes' business model – how we create value

Konecranes is a leading manufacturer of lifting equipment, offering a vast 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 solutions 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 a single pieces of equipment to entire operations. We strive to be the leading local crane maintenance provider in all markets by having the largest and most extensive service network in the industry. There is a high degree of synergy between our business areas. Every service customer relationship creates opportunities for equipment sales. Also, every crane sold creates opportunities for providing services.

We firmly 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 their uptime and minimize the cost of their downtime. We strive to make our business future-proof by engaging the best talent, developing top-notch technology, and maintaining a deep understanding of our customers' needs.

Our aim is to generate growth and stay competitive in a constantly changing marketplace. We believe that the best way to achieve this is by creating added value for our stakeholders and society at large. By driving fair practices and high ethical standards, we can deliver long lasting impacts and generate better financial results.











We continuously assess our operations from the perspective of a circular economy, a concept that presents us with interesting opportunities to develop our business models, improve our resource efficiency and reduce our environmental footprint. We design our products to enable them to be reused and recycled, or to be modernized to extend their useful life.

## Our corporate responsibility strategy

We believe that sustainable growth results from strong, responsible performance. We want to achieve this by working with our stakeholders and the societies and environments in which we operate, while at the same time increasing the value of our shareholders' investments. Konecranes' approach to corporate responsibility supports our mission, vision and

strategy, and our actions are guided by Konecranes' values, Corporate Governance framework, and Code of Conduct. Continuous improvement is our driving principle in everything we do, and for this reason, we systematically measure, act on, and communicate about the environmental, societal, and economic impact of our operations.

### Summary of renewed Corporate Responsibility roadmap with objectives

Focus area	Objective 2020	UN Global Compact	UN SDGs
Safety	<ul style="list-style-type: none"> <li>Interim goal LTA1 &lt; 3, ultimate goal zero accidents</li> <li>Significant reduction in serious injuries and no fatalities</li> <li>Subcontractor safety tracking and management improved</li> <li>Certified safety management systems</li> </ul>		 
Environment	<ul style="list-style-type: none"> <li>Energy consumption intensity -10% MWh/sales* and emission intensity -20% CO<sub>2</sub>e-t/sales*</li> <li>ISO14001:2015 100% coverage in manufacturing</li> </ul>	7, 8, 9	   
People	<ul style="list-style-type: none"> <li>Gender diversity of group management: male 75% / female 25%</li> <li>International diversity of group management: Finnish 50% / Other 50%</li> </ul>	3, 4, 5, 6	 
Integrity	<ul style="list-style-type: none"> <li>Continue to have code of conduct training coverage 100%</li> <li>80% of existing suppliers by spend and 100% of new suppliers monitored for sustainability</li> </ul>	1, 2, 10	 

\* Targets include scope 1 and scope 2 consumption and emissions (market-based). Baseline year 2013. 2013 data available only from legacy Konecranes. New targets and baseline for the combined company to be set in 2018.

Our Corporate Responsibility strategy is divided into four key focus areas: Safety, Environment, People, and Integrity. We have defined our key corporate responsibility themes by conducting a materiality assessment. Through this process, we have identified the most relevant sustainability topics for Konecranes based on our stakeholders' expectations. We have also reviewed the megatrends impacting our business and analyzed which of the UN Sustainable Development Goals are most relevant to our organization and how we can make an impact through them. In 2015, we set the long-term targets we aim to achieve in each of our four focus areas by the year 2020, and have been monitoring our progress since then.

This report includes information on all our major economic, environmental and social impacts. How we manage

these impacts and other key topics raised by our stakeholders is described in detail in the section, Key Impacts.

As part of the work of integrating Konecranes with MHPS, we introduced a new Health, Safety and Environment (HSE) management structure which better supports our current business model and ensures that these aspects are taken into account on all organizational levels. On a global level, we employ directors for both HSE and Corporate Responsibility. We also have HSE Directors for each of our three Business Areas, which are, namely, Service, Industrial Equipment and Port Solutions. Operating under each of these three HSE Directors are local HSE Managers, who are in turn supported by Business Unit HSE Managers where relevant. The work of all our HSE professionals is guided by our HSE strategy and global objectives that are tied to our key impacts.

## Fulfilling stakeholders' expectations

Understanding the needs and expectations of our stakeholders is an important part of our responsibility work. Therefore, we regularly seek to obtain their feedback on our performance. To enable us to fulfil 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, we have identified other relevant stakeholder groups that are increasingly important for Konecranes and with whom we are engaged in constant dialogue. These include our suppliers, subcontractors and business partners, local communities and authorities, students, universities and research institutes, media and non-governmental organizations.

### Material topics

Each year, we conduct a materiality assessment according to the Global Reporting Initiative's Sustainability Reporting Standards. In 2017, following the integration of MHPS and Konecranes, we placed special emphasis on analyzing and understanding the needs and expectations of the workforce

who had been employed at MHPS since prior to the acquisition. This analysis was performed through extensive interviews with representatives of our different Business Areas and from various locations around the world. We then linked the outcome of that work to our previous materiality assessment and analyzed the findings at internal workshops.

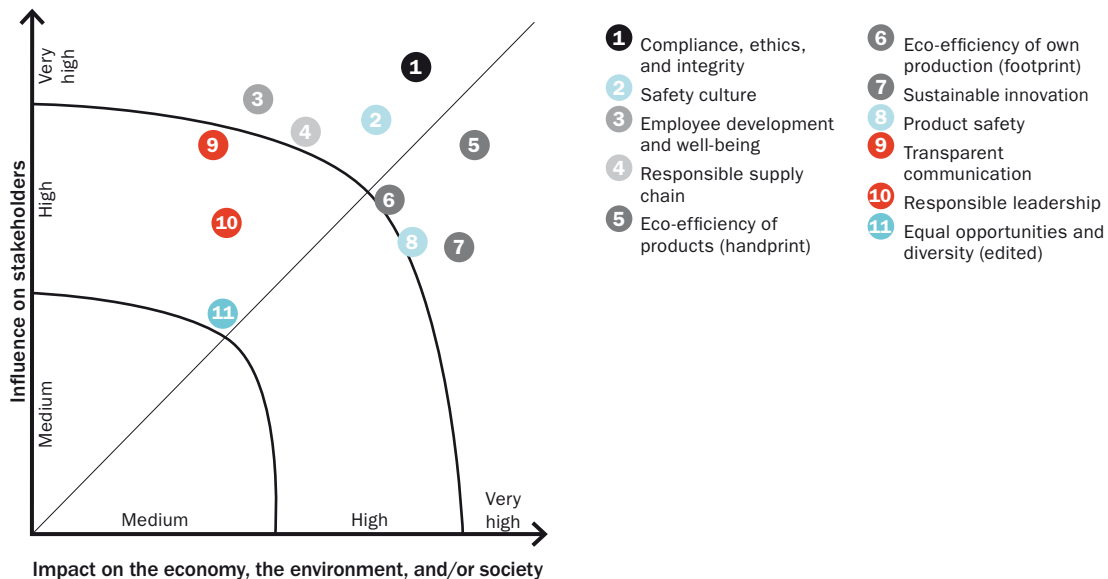
As a result, we determined our key corporate responsibility themes, which are as follows:

- Compliance, ethics and integrity
- Eco-efficiency of own production (footprint)
- Eco-efficiency of products (handprint)
- Safety culture and product safety
- Employee development and well-being
- Responsible supply chain

In addition, the topics below are also seen as important for Konecranes stakeholders:

- Responsible leadership
- Equal opportunities and diversity
- Sustainable innovations
- Transparent internal and external communication

### Corporate Responsibility topics materiality based on stakeholder dialogue process



## Economy and Society

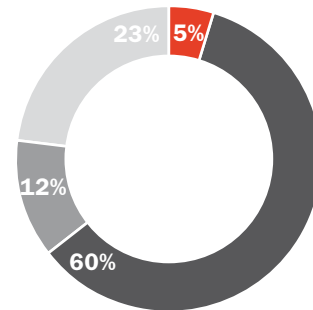
In order for us to operate as a financially profitable company in the long run, it is essential that we create shared value in the societies where we operate. We believe that sustainable growth results from conducting our business responsibly and acting with integrity. The direct and indirect impact of the economic value we create can be seen in a number of stakeholder groups. We make an impact on society by providing jobs and income for employees, by boosting local economies as an employer, provider and buyer of services and goods, as well as by being a significant taxpayer. In recent years, we have worked together with universities and also given them financial support.

Comprehensive risk management and sustainable business practices are crucial parts of our economic responsibility. To us, business ethics mean safeguarding sound business practices in line with the values outlined in our Code of Conduct.

### Tax footprint

Konecranes is committed to paying all of the relevant taxes required by applicable tax laws, rules and regulations, and to complying with all reporting requirements. We also contribute to the economies of the countries where we operate through indirect taxes, such as VAT, as well as through the employment taxes and social security contributions that we collect on behalf of governments. All of these taxes and tax-like payments contribute to the societies around us on local, regional and national levels.

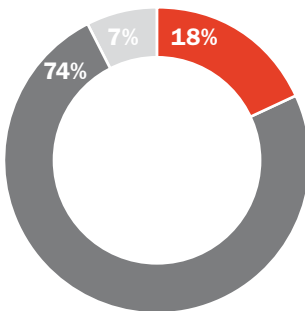
### Economic value distributed



- Dividend to shareholders
- Employee wages and benefits
- Total taxes borne
- Total taxes collected

In 2017, Konecranes paid and collected EUR 594 million (285) in taxes and other compulsory tax-like payments in countries where the group operates. A total of EUR 209 million (125) was paid (taxes borne) directly by the group itself, while EUR 385 million (160) was collected (taxes collected) on behalf of governments. Additional information on taxes can be found in the financial reporting section of the Annual Report 2017.

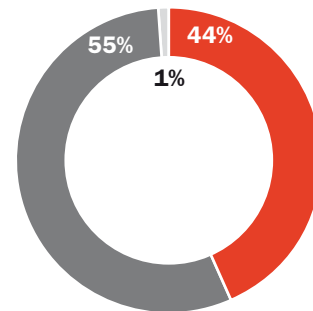
### Taxes borne



- Corporate income taxes
- Employment taxes
- Other operational taxes

1) Taxes borne 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



- VAT/GST, remitted
- Payroll taxes collected
- Other taxes collected

2) 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 is ultimately borne by the buyer or final consumer.

# Managing our sustainability performance

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## Our principles and commitments

Konecranes' Code of Conduct guides our everyday activities by clearly describing our internal standards and ethical values as well as our legal obligations. Our business activities are subject to government regulations in the countries where we operate. Our principles and commitments also play a key role in risk management. Having a set of rules and values in place enables us to better mitigate negative impacts. Group-wide guidelines for reporting, appropriate approval procedures and internal controls help to ensure the implementation of good practices.

### Our management approach

- Our core objectives for corporate responsibility are to improve safety and eco-efficiency in all our operations and to act in an ethical manner. Our actions are guided by Konecranes values, our Corporate Governance Framework and our Code of Conduct.
- Our Code of Conduct sets the basic guidelines for responsible business behavior. It is fully implemented and has been rolled out to all Konecranes employees through an e-learning platform. It is compulsory for all, and we strive to keep the current level of trained employees close to 100%. Our aim is for every new employee to be trained, and we have applied an automatic system that notifies new employees about the e-learning program.
- Our commitments towards responsibility are outlined in our Code of Conduct and in our Safety and Environmental policies.
- We are committed to the United Nations Global Compact and its ten principles that underline the need to exercise a precautionary approach to environmental challenges. We put this into practice by examining the full scope of impacts that our operations might have.
- We have put Konecranes Minimum requirements into use globally which set the minimum level for our HSE management work.
- We have also implemented a separate Anti-Corruption Policy, and have compliance protocols and guidelines in place to detect any risks regarding bribery and corruption.
- We have implemented a 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, sanctions and other due diligence checks, according to the level of risk identified.
- We have a reporting process for misconduct which can be used to report suspicions of serious misconduct related to financial or banking crimes.
- In 2017, both our Code of Conduct and our Anti-Corruption policies were updated, making them more comprehensive and specific than before. A roll-out of the updated policies will take place during 2018. We also started working on a separate Diversity Policy and began creating a Supplier Code of Conduct During 2017.

## Corporate responsibility risk management and leveraging opportunities

The Board of Directors of Konecranes has defined and adopted a set of risk management principles based on widely accepted international good management practices. These principles serve as part of our system of controls, and are designed to ensure that any risks related to the company's business operations are identified and managed adequately and appropriately to safeguard the continuity of our business at all times.

Risk is defined as anything that could clearly affect our ability to achieve our business objectives and execute our strategies. Konecranes follows normal risk assessment procedures, where priorities are set as a result of evaluated impacts and probabilities. Our risk management process involves all our business units and geographical regions. Please read the Corporate Governance section on Konecranes.com for more information about risk management.

We review the key risks to our corporate responsibility and strive to ensure that our mitigation activities throughout the Group are effective. Many identified corporate responsibility risks are managed by several different group functions. In addition, to help mitigate risk in our supply chains, we will begin implementing our Supplier Code of Conduct, which will emphasize the corporate responsibility standards we expect from third parties.

Konecranes supports the Paris Agreement's aim to strengthen the global response to the threat of climate change and limit the increase in global temperatures. We contribute to this effort by managing our climate impact and developing our products and services to contribute to this effort. Furthermore, we have signed voluntary agreements and set internal targets for energy efficiency and emissions.

Climate change may have a material impact on our business. We view extreme weather conditions and flooding as risks to our operations. On the other hand, more stringent environmental legislation and increasing demand for energy efficiency can be seen as opportunities, as our focus on providing energy-efficient products and solutions and on the utilization of alternative power sources can help our customers fulfill stricter regulations and requirements. We have also set targets with regard to eco-efficient product design in response to customers' increasing demand for more sustainable products and solutions. We assess environmental risks in greater detail as part of environmental management and environmental risk mapping and evaluation, where each unit is responsible for evaluating, prioritizing and mitigating their risks, which also include HSE risks and opportunities.



# Key impacts

The year 2017 was predominantly driven by integration. On January 4, 2017, Konecranes completed the acquisition of MHPS from Terex Corporation, starting a new company where about 11,000 employees from Konecranes and around 7,000 employees from MHPS joined together and began the demanding integration work. By year-end, the total headcount had risen from 10,951 (12/2016) to 16,387 (12/2017), including reductions and voluntary employee turnover.

Konecranes' new operating model, consisting of three Business Areas instead of the previous two, had been announced in December 2016, putting a high-level organizational structure in place from the start of the year. The systematic process of building the organizational structure was

conducted with the principles of fair treatment, transparency and objectivity, and in close collaboration with employee representatives. It provided us with the opportunity to define the final target organization by the end of the first half of the year.

The selection process for positions sought to find the best talent based on competence and potential as well as create a good balance of managers from both legacy companies. Overall, the integration work placed great emphasis on open communication and transparency. It was a collaborative process where employee representatives were highly involved. Hard decisions were also needed, and in 2017, we announced the need to close down eight manufacturing units to remove over-capacity and secure future profitability.

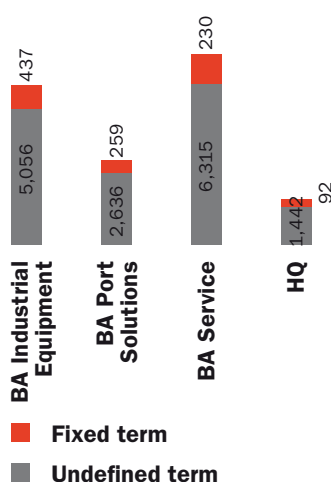
## Management of social matters

Our total service commitment relies on talented employees. Fair and responsible practices and equal career development opportunities as well as embracing diversity are key enabling aspects of our corporate responsibility as we race to attract the best talent. We aim to create a diverse working environment and a culture that respects individuals.

Cultural integration, change management, shared tools and ways of working, common processes regarding perfor-

mance management and rewards, as well as recruitment practices have also been high on the agenda during the whole year, facilitating the fair and equal treatment of employees. In addition, many of Konecranes' existing processes have been refined to better support the new organization, and the process definitions and decisions have been made objectively, based on facts, and taking best practices from both companies into use.

## Personnel at Konecranes



**88**

Nationalities employed  
at Konecranes

**16,743**

Number of personnel,  
average

**55%**

of Konecranes employees  
are operatives

**16,387**

Number of personnel  
at the end of the year



## Talent management

In addition to focusing on leadership development, change management, and integration of cultures, we increased our investment in fostering industry-leading technical skills in our service technicians and in improving customer-centric sales and sales management skills. We continued Konecranes' mentoring program, which was launched in 2016, and implemented it further within the organization. We refined many of our people processes to better support our present and future operations. Konecranes' job architecture was applied throughout the organization, enabling the harmonization of people processes and the fair and equal treatment of our employees.

We conducted a global integration pulse survey to understand people's sentiments and collect feedback from the organization. The survey results helped us to plan and execute good change management, improve the way we work, focus our communication in a better way, and pay attention to the most critical topics on our employees' minds. The results showed that more than 85% of our employees were accepting, on board with, or committed to the integration, and the employee engagement level was above those of comparable companies as well as above the level where it had been prior to the integration.

Building a common, performance-driven leadership culture was seen as a key topic and a prerequisite for a successful integration. Early on, all new Konecranes managers were introduced to the expectations on them and given support on leading their teams through the coming changes. Both managers and their teams were offered change management training.

Konecranes Leader training program, targeted to senior middle management and global managers, continued, and all

new groups included managers from both legacy companies to ensure the building of a joint leadership culture. Our Business Area and Function integration teams conducted culture workshops to identify cultural similarities and differences between the organizations and find ways to benefit from them as well as mitigate potential problems.

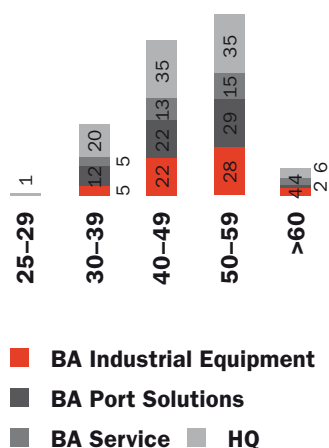
In the area of rewards and performance management, we harmonized our performance management process called Trust, People, Performance (TPP) in 2017 to include all employees. Management's short-term incentive program now includes all management roles in one short-term incentive program, and a new long-term incentive program called Performance Share Plan (PSP) was designed and implemented.

When legally possible, employees were offered the possibility to become Konecranes shareholders and contribute to the long-term success of the company through the Konecranes Employee Share Savings Plan (ESSP), which continued in 2017. The participation rate in the ESSP 2017 among employees was 16%.

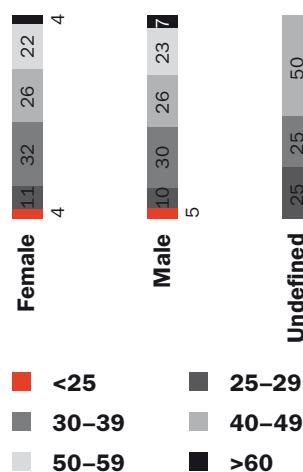
In 2017, the TPP process was developed further to bring our performance culture to a new level, raising emphasis on talent development discussions, behavioral competencies, learning and development, and career aspirations. The new process and a new tool supporting the process documentation and follow-up will be introduced to the organization in 2018. We also piloted a global salary review process with a small group of employees, supported by a common tool, to ensure cost control and enhance salary related decision-making.

In November, we conducted a full Employee Engagement Survey (EES), and the results of that will be available in early 2018. 2017 was also a year when we started developing multiple activities which will enable Konecranes to sustain

**Age distribution of directors & senior management**



**Gender balance by age, %**



success into the future. Those activities will be implemented in 2018 or later, but majority of the development and definition work was completed in 2017. One example of such an activity is the development of Konecranes' recruitment process and practices, supported by a common recruitment system. Its purpose is to offer current employees opportunities for job rotation and career development, and to attract the best candidates around the world to join us. We renewed the Konecranes career site as part of this project.

We monitor employees' performance and career development reviews and see personal development as a key factor in employee engagement. The performance cycle is a continuous process with Long- and Short-Term Incentives and associated Key Performance Indicators, Development Dialogues and Performance Reviews. We also measure engagement levels by conducting a regular employee engagement survey. Talent and diversity issues are taken into account in our basic HR procedures, and we are introducing a separate Diversity Policy, which will be rolled out in 2018. This policy is reinforced by our existing ones on Respect in the Workplace and Anti-Harassment.

### Diversity management

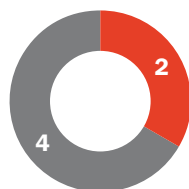
Konecranes employees come from different continents. They represent a multiplicity of cultures, speak a large number of different languages and belong to various religions. We aim to draw the right mix of employees from across our global organization to match our markets' and customers' needs in terms of knowledge, skills, and cultural background. In our view, diversity and inclusivity result in better functioning

teams and are a key driver of creativity and value creation. A diversity of minds creates value, and is fundamental for us to stay competitive in a fast changing world. We believe that this approach of fostering a diverse workforce helps generate greater innovation, exceptional organizational performance, and most importantly, outstanding customer service. We aim to support a more inclusive society by creating a diverse and inclusive work environment and fostering equality.

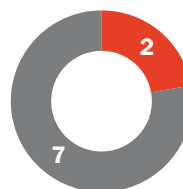
Konecranes sets diversity targets, not only for top management but on all levels of our organization to ensure that we recruit, develop, reward, compensate and promote employees equally. We respect and recognize diverse work styles, lifestyles and cultural differences. We implement our talent and diversity issues in our basic HR procedures. Our actions are guided by our new Diversity Policy, which will be rolled out in 2018. It will act as a basis for continued work on enriching diversity within our organization. We are also currently engaged in discussions on expanding the goal for gender balance in all Konecranes management teams, in addition to our Board of Directors and Group Executive Board (GXB).

We give special attention to equal opportunity and diversity in our recruitment process and strive to ensure that the decision-making process is transparent and that selections can be justified. Konecranes wants to be at the forefront of breaking down historical diversity barriers in heavy manufacturing industry, and we seek to develop a diverse company for all generations, current and future. Our ambition is to reach a balance between genders at all leadership levels, and in general, to build a much more diverse organization.

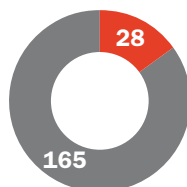
**Board of Directors**



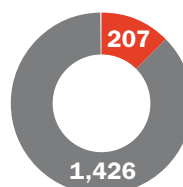
**Executive Management Group**



**Directors and senior management**



**Managers with subordinates**



■ Female  
■ Male

## Responsible use of data

We continuously observe and recognize the changing requirements of the evolving legislative environment. We are adjusting our data protection practices to comply with the European Union's new general data protection regulation and upcoming ePrivacy regulation, among other legal statutes. We also comply with relevant legislations outside the EU. In accordance with the data protection accountability requirement, we do not merely rely on our compliance with the data protection laws in practice, but are obliged and ready to demonstrate our compliance in advance. We accomplish this through care-

ful planning and documentation of our personal data processing activities.

We respect the rights of the individuals whose personal data we process by, for example, providing them with comprehensive information on our personal data processing practices, as well as offering them proper opportunities to realize their informational self-determination rights as required by law. Raising awareness within the company by offering training that is available to all employees is an important part of enhancing our personal data processing practices.

## Environmental management

We acknowledge our responsibility and recognize our opportunity to affect environmental matters, especially with regard to resource use and mitigating the effects of climate change. We are committed to providing eco-efficient solutions and services to our customers while preventing and minimizing harmful discharges into the air, water and ground. Our commitments with regard to environmental responsibility can be seen in our Code of Conduct and in our environmental policy. Furthermore, we demonstrate our commitment to the United Nations Global Compact and its ten principles that underline the need to have a precautionary approach to environmental challenges by examining the whole scope of impacts that our operations might have.

In our assessment of 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 product performance is discussed further in the section on Sustainable Innovations. In our own operations, the most significant environmental impacts result from service fleet fuel consumption and energy, such as electricity, heat, natural gas and LPG used in our manufacturing facilities.

Konecranes Minimum Requirements for chemical handling and waste management are in use globally, setting the minimum level for environmental management, and we enhance our performance by building ISO 14001 management systems to support our development. In addition, we pay special attention to the use of efficient logistics and packaging, minimizing waste, and reusing and recycling as much as possible. Our approach to environmental product design is also described in the section on Sustainable Innovations.

During the last three years, the development of our operational energy efficiency has been rapid, resulting in significant

environmental and monetary gains. By the end of 2016, we had already reached our 2020 energy intensity target (-10% MWh/sales), four years ahead of schedule. In addition, we have almost reached our 2020 greenhouse gas intensity target (-20% tCO<sub>2</sub>e/sales), with emission intensity decreased by 18% during 2013-2016. As we aim to improve our operations continuously, we are now in the process of defining new targets for the combined business.

We examine environmental risks according to major environmental aspects and impacts. Assessments are done on a local level using an assessment form to evaluate the severity and probability of the risks. After careful assessment, we formulate risk mitigation plans. In many cases, environmental risk assessments also take safety risks into account. Environmental incidents and near miss cases are reported to our global HSE reporting tool, and investigations of root causes and corrective actions are conducted accordingly. We also use the Konecranes Minimum Requirements for risk prevention, maintaining a defined level of environmental management.

On a global scale the most significant environmental risks are related to the use of energy and materials. With regard to energy, the risks are mostly associated with the possibility of new, unexpected regulatory changes, taxes or product standards. Climate change, as well as regulations and agreements around this topic, are also important factors affecting the use of energy. Regarding material usage, the most significant risks are also related to unexpected regulatory changes and product standards, as well as possible shortages of rare materials. Water risks are not significant for Konecranes as we do not use much production water, however we are closely following the development of this risk as well. For the most part, we view the rapid environmental changes more as opportunities than risks.

## Our management approach

- We apply Minimum requirements that address our standards in waste management, chemical handling and safety.
- We use materials, fuels and energy efficiently. Steel is one of the key materials we use, and it is 100% recyclable.
- 53% of our factories have an ISO 14001 environmental management system in place requiring continuous development and annual targets.
- We have made efforts in responsible purchasing by formulating Supplier Code of Conduct requirements, renewing our pre-assessment process and favoring non-hazardous chemicals
- VOC (volatile organic compounds) emissions from painting operations are carefully monitored. Water-based paint is not an option for all our products, but we use it when possible.

\* MHPS business not included in the legacy Konecranes figures

### Key Environmental Figures

	Combined company	Legacy Konecranes *			
Energy	2017	2016	2015	2014	2013
Total energy consumption (MWh)	335,300	213,000 <sup>9)</sup>	224,600 <sup>9)</sup>	241,900 <sup>9)</sup>	236,500 <sup>9)</sup>
Fuel consumption <sup>1)</sup> (MWh)	166,200	141,500	151,800	169,600	161,400
Natural gas and LPG consumption (MWh)	75,900	14,700	16,700	18,100	18,800
Electricity consumption (MWh)	80,000	40,300	42,100	40,300	41,600
District heat consumption (MWh)	13,200	16,500 <sup>9)</sup>	14,000 <sup>9)</sup>	13,900 <sup>9)</sup>	14,700 <sup>9)</sup>
Total energy consumption / sales (MWh/M€)	100	101 <sup>9)</sup>	106 <sup>9)</sup>	120 <sup>9)</sup>	113 <sup>9)</sup>
<b>Emissions</b>					
Total emissions <sup>2)</sup> (tCO <sub>2</sub> e)	102,000	53,700 <sup>9)</sup>	57,600 <sup>9)</sup>	62,700 <sup>9)</sup>	66,100 <sup>9)</sup>
Scope 1, direct emissions <sup>3)</sup> (tCO <sub>2</sub> e)	58,200	39,200	42,500	46,900	45,200
Scope 2, indirect emissions (tCO <sub>2</sub> e) <sup>4)</sup>	Location-based method	39,300	16,400 <sup>9)</sup>	17,200 <sup>9)</sup>	18,100 <sup>9)</sup>
	Market-based method	43,800	14,500 <sup>9)</sup>	15,100 <sup>9)</sup>	15,800 <sup>9)</sup>
Scope 3, business travel (tCO <sub>2</sub> e) <sup>5)</sup>	10,000	7,700	8,300	9,600	9,000
Total emissions <sup>2)</sup> / sales (tCO <sub>2</sub> e / M€)	30	25 <sup>9)</sup>	27 <sup>9)</sup>	31 <sup>9)</sup>	31 <sup>9)</sup>
<b>Waste</b>					
Metal scrap <sup>6)</sup> (tons)	17,800	7,400	8,200	9,500	8,500
Cardboard, paper and wood <sup>6)</sup> (tons)	3,900	3,100	2,900	4,200	1,600
Hazardous and electronic and electrical waste <sup>7)</sup> (tons)	2,000	700	800	600	550
Other waste <sup>8)</sup> (tons)	3,100	2,300	2,100	1,200	2,700
<b>Water</b>					
Water consumption (m <sup>3</sup> )	257,200	120,900	139,600	138,800	160,100

Figures represent our manufacturing locations, except from 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.

1) Fuel consumption consists of diesel and petrol.

2) 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 under progress.

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

4) 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 2017. Production method was Finnish bioenergy.

5) Scope 3 includes emissions only from business travel.

6) Waste streams are directed to recycling.

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

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

9) Historical figures revised due to change in reporting scope (divestment).

## Sustainable innovations

In order to achieve substantial improvements in environmental performance, we take environmental considerations into account for the entire lifecycles of our products. Usability, eco-efficiency, and safety are our guiding principles in product design, along with lifecycle thinking. Our products are designed to enable their reuse and recycling, and their lifetimes can be extended through modernization. Utilizing digitalization, we offer advanced tools to improve the productivity, serviceability and lifetime of equipment. The environmental impact of existing equipment can also be reduced by applying improvements and retrofits to them. We develop and test different materials and new features, and apply remanufacturing processes. The concept of circular economy provides us with interesting business opportunities, and our approach to it is described in further detail in the section on our business model.

The lifecycle of a crane consists of the production of raw materials and components, manufacturing, use and maintenance,

disposal of the product, and deliveries between each stage. Each stage of the lifecycle has different impacts on the environment. Based on the product and its energy intensity, the two most significant environmental impacts come from energy consumption during the use phase and the production of raw materials and components.

Resource scarcity and the need for emission reductions result in the need for eco-efficient technology. Innovative power sources such as regenerative braking systems, hybrid technology and solar power are included in our product portfolio. Also, as the use phase of our products can last for decades, significant environmental improvements can be achieved through a smarter and more resource-efficient offering. Improving our products and services even further by utilizing the possibilities of the industrial internet is one of our strategic initiatives.

## Anti-corruption and bribery prevention

We are committed to working against corruption in all its forms, including extortion and bribery. This is demonstrated by our Anti-Corruption policy and Code of Conduct, which define our level of ethical conduct and support our long-term competitiveness in the global markets. The Anti-Corruption Policy fortifies our integrity and transparency by increasing awareness of relevant rules and regulations while helping to avoid conflicts of interest. In 2017, both our Code of Conduct and our Anti-Corruption policies were updated, making them more comprehensive and specific than before. A roll-out of the updated policies will take place during 2018.

We have zero tolerance for corrupt practices, an approach which is embedded in our monitoring and follow-up processes. Several actions and processes are set up to mitigate corruption and fraud risks. Especially when operating in countries listed by Transparency International as high risk, the

exposure to corruption is increased. Konecranes provides practical guidelines regarding proper conduct in the fight against corruption and regularly trains personnel against corruption and fraud. Anti-corruption trainings and e-learning programs were organized during 2017.

Konecranes undertakes due diligence and background checks on suppliers and subcontractors before entering into business relationships. We expect our joint venture partners, suppliers and subcontractors to conduct their business in compliance with the same business ethics and commitment to integrity as we do, applying our Code of Conduct or more stringent practices. Konecranes has established a confidential reporting channel by email at [compliance@konecranes.com](mailto:compliance@konecranes.com). This process is managed by the Internal Audit function, which reports directly to the Audit Committee of the Konecranes Board of Directors.

## Supply chain management

We utilize a category management procurement model to optimize our global supplier base, footprint, relationships, and requirements for all suppliers. Integrated strategy and guidance is provided by our Group Procurement function in cooperation with our Business Areas. We currently work with more than 20,000 unique supplier and subcontractor relationships globally, with most of the spend derived from around 10% of our total supplier base. We are mainly a procurer of steel, mechanical and electrical components, and related services.

As we are in the process of integrating two legacy businesses, MHPS and Konecranes, each of which have defined procurement processes, we are now evaluating a harmonized approach. This involves adopting the best practices from both legacy companies with respect to Procurement, as well as sustainable and ethical sourcing practices and requirements.

Our Supplier Manual outlines our restricted substances list, which applies equally to products that Konecranes purchases from its suppliers as well as to our own production and service processes. All Konecranes suppliers must be in

express compliance with all local and international laws and standard practices. In addition, Konecranes' Code of Conduct forms a key part of any agreements made with key suppliers and subcontractors.

As a company, we adhere to the high ethical standards defined in our Code of Conduct. We expect our suppliers and subcontractors to commit to similar ethical standards and have made assessments in order to monitor the effectiveness of these policies and requirements.

Our Supplier Code of Conduct, which is currently being developed, sets out the standard we expect suppliers to uphold. It contains elements from the UN Global Compact, the guidelines of the International Labour Organization (ILO), and our own Code of Conduct. Our goal is to evaluate and set requirements that ensure that environmental and social impacts are managed properly through responsible sourcing. We are currently expanding our capability and coverage in this area of supply chain management in a harmonized way. Please read more about procurement risk management in the Corporate Governance section on Konecranes.com.

## Human rights

We support 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 Labour Organization (ILO). In accordance with our approach, as well as to help us mitigate risks, 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 discrimination. We have zero tolerance for harassment and discrimination, and have rolled out a policy to our employees as part of our Code of Conduct training.

We have translated our commitment to human rights into internal policies that are to be used as the minimum applicable standards, should the local regulation be less stringent in any of the Group's countries of operation. We have included the basic principles of human rights in our Code of Conduct, which is communicated to all our employees and suppliers. Furthermore, we have separate policies on Respect in the Workplace, Safety, and are also currently developing a Diversity policy, which will also address human rights. Moreover, we have included the social element in our audits of our suppliers by conducting fair labor audits, work that will continue in 2018.

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, working conditions, environmental protection and the fight against corruption. We also expect our partners and suppliers to adhere to the same principles in their operations as specified in our Code of Conduct. We believe that responding to stakeholders' expectations and addressing these issues presents us with an opportunity to improve both our human rights performance and our bottom line.

In 2009, we chose to approach human rights issues with a Fair Labor Conditions Frame that aimed to support continuous improvement while acknowledging the varying levels of maturity with which the topic is treated in different locations. Konecranes' Fair Labor Conditions Frame defines the minimum level expected from all locations and serves as a guide on the expected improvement path to advanced level. The Frame and our approach are based on internationally recognized principles such as the UN Global Compact, the ILO's Declaration on Fundamental Principles and Rights at Work and its Conventions, and the Social Accountability SA8000 standard.

## Health and safety

There is no job so important or no service so urgent that we cannot take the time to perform our work safely and correctly. Safety work starts from our own employees but extends beyond the company's borders, including for example our product offering, our suppliers, subcontractors and everyone we work with. By providing safe products, solutions and services, we can safeguard our customers' safety while simultaneously improving the efficiency and productivity of their businesses' operations. Integrating safety into all areas of our operations is a competitive advantage for us, and thus, safety is an integral part of our business.

Our most significant safety risks are related to factory work, crane and equipment installations, and to 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. Our overall approach and commitment to safety are outlined in our Health and Safety Policy, and we have several safety management tools and practices in place. HSE minimum requirements set the foundational requirements that all Konecranes locations must fulfill. We implement a Serious Injury and Fatality (SIF) prevention program and measurement and prevention tools have been introduced to support it. Our service

technicians use a Point of Work Risk Assessment (PoWRA) template to minimize risks at the point of work. In addition, careful safety reporting and follow-up procedures help us build a coherent safety culture, recognize our most significant risks, and validate the effectiveness of our safety work. We also continue our work to build certified safety management systems in all our operations. The new Supplier Code of Conduct we are developing seeks to enhance the safety of our subcontractors.

We introduced a new safety and environmental data reporting tool in 2017 which will be used in all Konecranes locations from the beginning of 2018. Implementing the new reporting tool enables us to put more focus on leading safety indicators, such as the number of near miss cases and safety observations, as well as on corrective actions and their completion rate. Due to the implementation of the new reporting system and the differences in safety indicator definitions for legacy MHPS and Konecranes, historical figures for 2013-2016 will not be published. We continue to aim firmly at our Lost Time Accident (LTA) target of less than 3 by the year 2020, as well as our ultimate target of zero incidents.

\* MHPS business not included in the legacy Konecranes figures

Konecranes Safety Data						

<sup>1)</sup> LTA 1 = Number of work related accidents 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



## Signatures by the Board of Directors and President and CEO

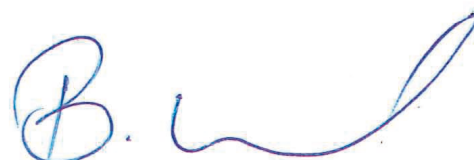
Espoo, February 7, 2018



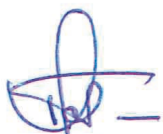
Christoph Vitzthum  
Chairman



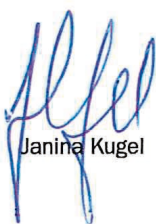
Ole Johansson



Bertel Langenskiöld



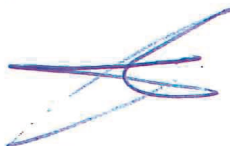
Malin Persson



Janina Kugel



Ulf Liljedahl



Panu Routila  
President and CEO

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 2017, Group sales totaled EUR 3,136 million. The Group has 16,400 employees at 600 locations in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).