

Konecranes Global Supplier Manual

**Procurement
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English**

Contents

1	General	4
1.1	Purpose	4
1.2	Structure of the Manual	4
1.3	Konecranes as a Reference	4
1.4	Konecranes Assistance to the Suppliers	4
1.5	Document Revision	4
1.6	Approval and Maintenance	4
2	Abbreviations and Definitions	5
3	Konecranes Supplier Base Management	7
3.1	New Supplier Onboarding	7
3.2	Supplier Relationship Management	7
3.2.1	Business Relationship	7
3.2.2	Materials Management	8
3.2.3	Ongoing Performance Evaluation	8
3.3	Supplier Qualification	10
3.3.1	Background Checking	10
3.3.2	Auditing	10
3.4	Product Qualification	11
3.5	Supplier Invoicing	11
4	General Supplier Requirements	11
4.1	Supplier Code of Conduct	12
4.1.1	Human Rights	12
4.1.2	HSEQ Management Systems	12
4.1.3	Information Security	13
4.1.4	Data protection & Privacy	13
4.2	Risk Management	13
4.2.1	Risk Assessment and Contingency Planning	14
4.2.2	Insurances	14
4.3	Process Quality Control	14
4.4	Nonconformance Management	14
4.4.1	Nonconformance Reporting by a Supplier	14
4.4.2	Containment of Nonconforming Materials at a Supplier Facility	14
4.4.3	Nonconforming Materials at Konecranes	14
4.4.4	Claims Addressed to Suppliers	15

4.4.5	Chargeback	15
4.4.6	Supplier Deviation Request (SDR)	15
4.5	Engineering Change Requests (ECR).....	15
4.6	Change Management by the Supplier	15
4.7	Material Traceability.....	16
4.8	Control of Records and Documentation	16
4.9	General Performance Targets	16
4.9.1	Purchase Order Handling	16
4.9.2	Delivery Punctuality.....	16
4.9.3	Processing of Claims Addressed to Suppliers.....	16
	Appendices	17

1 GENERAL

1.1 Purpose

This manual sets out the minimum requirements and expectations for all Suppliers and subcontractors of Konecranes, including those providing production materials, components, spare parts, heat treatment, painting, or other services to Konecranes (here collectively referred to as "Suppliers"). The manual also describes our main processes related to these requirements and expectations.

The requirements of this manual and its appendices are additional to any requirements indicated in Konecranes Agreements, Purchase Orders, engineering drawings, specification requirements, and other Konecranes Supplier requirements. They do not discharge the Supplier from liability for ensuring that all products or services supplied to Konecranes satisfy all of the requirements specified by Konecranes. Depending on location, Konecranes may also issue country or local supplements to this manual.

1.2 Structure of the Manual

This manual has two main sections. The first section: "Konecranes Supplier Base Management" briefly outlines how Suppliers are onboarded, managed, and assessed during their business relationship with Konecranes, and the latter section: "General Supplier Requirements" sets out the standard general requirements for Konecranes Suppliers and gives further details concerning the requirements that govern various types of Suppliers.

1.3 Konecranes as a Reference

Konecranes, or any part of the company (such as *Demag*), can consider giving a reference to an external party if the collaboration has been satisfied, and the external party's operations are on schedule and in line with what has been agreed. If the reference request meets the Konecranes reference criteria and the request is approved, a Frame Referral Agreement is signed for a specific scope and time. Before publicly using Konecranes as a reference in any Supplier material, the materials first need to be approved by Konecranes.

1.4 Konecranes Assistance to the Suppliers

To support the Supplier in putting necessary and required practices and safeguards in place, Konecranes may provide guidance to the Supplier on how to comply with these requirements. Konecranes can also provide instructions and trainings for the Supplier's personnel, considering the Supplier's role and risk, where Konecranes sees it necessary. In addition, Konecranes will also provide the necessary contact points for the Supplier to inform and consult Konecranes on any suspected breaches or shortcomings, risks, and possible non-compliance issues.

1.5 Document Revision

This manual must be reviewed:

- During the first year after its introduction, and then at least once every two years
- If required, in case of changes in technological or compliance environment or as a result of corrective actions to eliminate any weaknesses or non-conformities.

1.6 Approval and Maintenance

This manual is approved by the *Procurement Leadership Team*. The *Supplier Development & Quality Manager* is the owner of Konecranes Global Supplier Manual and responsible for maintaining this manual and monitoring its implementation.

2 ABBREVIATIONS AND DEFINITIONS

5 times why (5 x why):

A method of problem solving that explores the root cause of a problem by asking five 'why' questions.

8D report:

A structured method of problem solving based on 8 disciplines, focusing on determining remedial measures through root cause analysis.

Carbon Border Adjustment Mechanism (CBAM):

CBAM is an EU instrument for preventing carbon leakage, meaning release of emissions to third countries.

Direct Supplier:

A company supplying the raw materials, parts, components, software and products that are used in Konecranes production, or in the company's end products and services.

Engineering Change Request (ECR):

A request to modify product or material specifications, manufacturing methods or processes.

HSEQ:

A common nomenclature for matters of Health, Safety, Environment and Quality.

Indirect Supplier:

A company supplying services, solutions or parts for Konecranes in support of the company's business or manufacturing operations.

Integrated Supply Chain:

Combination of streamlined and inseparable processes with collective control of multiple partners from upstream to downstream to generate profitable business opportunities to all parties.

Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

A European Union regulation

Konecranes Restricted Substances List (RSL)

A list that defines the substances that are globally restricted to be present or prohibited from being present in products Konecranes supplies to the market and in products that Konecranes purchases from its Suppliers as well in Konecranes' own production and service processes.

Substances of Concern In articles as such or in complex objects (Products) (SCIP)

The SCIP number is a unique identifier of the SCIP notification made by a submitter.

Substance of Very High Concern (SVHC):

A chemical substance (or part of a group of chemical substances) which has been proposed as a candidate for inclusion on the Authorization or Restriction list of REACH.

Supplier Code of Conduct (SCoC):

Minimum required standards of conduct for Konecranes Suppliers, sub-Suppliers, subcontractors and their affiliates.

Statistical Process Control (SPC):

A process monitoring and control method ensuring effective creation of products that comply with specifications.

Supplier:

A Supplier or subcontractor that supplies materials, products or services to Konecranes.

Supplier Deviation Request (SDR):

A request from a Supplier to deliver materials or products that deviates from product specification or requirements.

Supplier Manager (SM):

A Supplier's key contact person for Konecranes, serving as the counterpart to a Key Account Manager or other individual at the company.

3 KONECRANES SUPPLIER BASE MANAGEMENT

Supplier Base Management covers key activities that arise during a Supplier’s business relationship with Konecranes, and is strongly linked to the company’s global product, service and delivery processes. Co-operation with a Supplier may begin with early involvement in common product or solution R&D projects, continuing through repeated deliveries of spare parts for Konecranes operations.

Konecranes Supplier Base Management covers the following main areas: New Supplier Onboarding, Supplier Relationship Management, Supplier Qualification, Product Qualification and Supplier Development.

3.1 New Supplier Onboarding

A new Konecranes Supplier will be a company that has not conducted business with Konecranes over the preceding 3 years. All new Suppliers must be qualified before commencing any business with Konecranes. This qualification requires Suppliers and subcontractors to satisfy the following main characteristics:

- Compliance with Supplier Code of Conduct
- Financially sound and cost-effective operations
- Compliance with performance requirements and expectations related to Health and Safety, Environment, Quality, Information security, Availability and Delivery times.

Figure 1 shows the principal stages of the onboarding process. The main characteristics will be verified as the process advances, leading to an outcome in which the Supplier is either approved or disqualified. Suppliers manufacturing components, parts or materials for Konecranes (i.e., Direct Suppliers) may also need to complete a process of product qualification before accepted into serial production.

Konecranes seeks long-term partnerships with Suppliers that satisfy the qualification criteria while remaining cost-conscious and continuously striving for operational excellence.



Figure 1. Key steps of Supplier Onboarding Process.

3.2 Supplier Relationship Management

3.2.1 Business Relationship

The business relationship is based on mutual respect for written agreements and the specified requirements of individual orders. The business relationship and performance must also be appraised, maintained and continually improved. This relationship may evolve in some cases towards strategic co-operation and joint planning of future business areas.

Konecranes will segment onboarded Suppliers internally based on a pre-agreed framework. Over the period based on the performance, Suppliers will be classified into different groups to enable Supplier development. Based on the segmentation, Konecranes may nominate a Supplier Manager to assume overall business responsibility for the Supplier. Other professionals from various Konecranes departments may also support the Supplier Manager to ensure critical operating links between the companies (e.g., from R&D, Production and Quality). Konecranes will ask Suppliers at a high segmentation level to appoint an Account Manager and other counterparts for its contact persons.

Supplier segmentation determines the basic rules of overall relationship management and the frequent and systematic meeting structures between the companies. Konecranes expects its' strategic and bottleneck segmented Suppliers to strive for excellent performance. Thus, paving a path towards an integrated supply chain and meeting the end customer requirements. It also means we win or lose sales together in the process, sharing the same journey. Suppliers contributing to our Integrated Supply Chain must seek to meet the classification 'top performer'.

Konecranes is classifying its supply base based on various criteria. By improving its performance in these areas, the Supplier will impact its positioning in the segmentation landscape. The classification areas are measured by defined KPIs that are collaborated with the Suppliers on a frequent basis to ensure continuous improvement in Supplier performance.

Konecranes Category Management is evaluating the performance of the Suppliers and re-segmenting the supplier base on a frequent basis based on the performance & other attributes, thus driving for improved value creation in the supply chain.

Figure 2 shows the main stages in the relationship management process between Konecranes and a Supplier. This process follows on from the new Supplier onboarding process shown in figure 1.



Figure 2. Key steps of Supplier Relationship Management process

3.2.2 Materials Management

Most of the direct business purchasing made by Konecranes comes from shop floor operations, manufacturing units and distribution centers. Purchasing can be performed either centralized by operations or by individual purchases. Direct purchasing relates to unit stocks or to a Konecranes customer sales order, with some inventories also managed by Suppliers. Indirect purchasing is widespread in the Konecranes Group, tending to be more common also in various non-manufacturing units, such as services, IT and head office functions. All purchases are submitted to Suppliers in a written and documented form (the "Purchase Order"), and according to defined processes.

Supplier contracts and purchasing agreements relate to all Konecranes units and sites, and to designated subcontractors in specified cases. Uniform pricing and other terms and conditions apply globally to Konecranes units, regardless of the delivery mode, operation, or purchasing organization concerned.

Suppliers are expected to be capable of using Konecranes e-procurement tools in support of business operations (i.e., Material Management) between companies. The Konecranes Supplier Manager will coordinate these requirements more closely at the start of the business relationship.

3.2.3 Ongoing Performance Evaluation

Konecranes strives for continuous improvement of overall business performance with respect to both internal and external resources. Suppliers are expected to satisfy expectations for sustainability, cost, quality and delivery times throughout the business relationship. Konecranes monitors performance using key and process performance indicators to ensure that a Supplier continuously satisfies these expectations. Indicators and overall performance also affect classification level of a Supplier. Key performance indicators are shared with Supplier by using a Supplier Report. Supplier shall monitor their performance from the report and analyze any reasons not meeting the expectations. Development initiatives shall be followed in the Collaborative Performance meetings. A Supplier can request to have access to the report by contacting their nominated Supplier Manager.

3.2.3.1 Availability and Punctuality

Konecranes expects all purchases to arrive in the correct quantity and at the right time as specified, with a view to receiving deliveries at its sites punctually and when specified as needed (i.e., on the requested delivery date). The assessment of availability will respect agreements made with the Supplier concerning delivery times.

The punctuality of a delivery compares the agreed and confirmed delivery date of the Purchase Order with the date of receiving the goods at a Konecranes site. Deliveries that are timely but otherwise non-compliant (e.g., faulty products) are not deemed punctual deliveries.

Deliveries that arrive too early or too late are standardly prohibited, and may accordingly result in claims or further demands from Konecranes.

3.2.3.2 Lead-time

Konecranes continuously focuses on improving delivery and throughput times for its products and services in order to keep pace with the requirements of a global market. This constraint sets the performance targets for the entire Konecranes supply chain, and especially for the company's supplier base. This focus on cutting lead-time almost automatically reduces non value-adding work in operations, helping the company to focus ongoing improvement efforts on the right operating aspects.

Targeted lead-times are set separately for each Supplier, based on product category and the needs of Konecranes operations, and with due regard to the capacity of Suppliers.

Lead-time is the period between the receipt of an order by a Supplier (date / time) and receipt of the goods by Konecranes (date / time).

3.2.3.3 Quality

Suppliers are expected to satisfy the assigned quality requirements and product specifications in each delivery sent to Konecranes, which will submit a formal claim to the Supplier if some requirement or specification is not satisfied. Konecranes expects Suppliers to respond to each claim promptly, and as requested in any such claim.

3.2.3.4 Information Security

Suppliers are expected to satisfy all Konecranes information security requirements protecting Konecranes information assets. Suppliers are expected to report any shortcomings to Konecranes without a delay.

3.2.3.5 Costs

Konecranes continually reduces unnecessary operating costs and expects its Suppliers to do likewise. Each Supplier is encouraged to focus on cutting operating costs and optimizing the cost structure of products and services. Konecranes seeks transparency in cost structures with Suppliers, with a view to further enhancing co-operation and end-to-end performance.

3.2.3.6 Supplier Development Program

Suppliers will be evaluated and classified using Supplier process performance data and indicators. The classification will be monitored periodically by the company's procurement function. The most severely underperforming Suppliers may be subject to a higher frequency of periodical business review meetings and performance-monitoring measures. These reviews seek a common understanding of possible issues, and focus on agreeing on remedial measures.

If underperformance continues or becomes more critical, then Konecranes will launch a joint development project with the Supplier seeking expedited process improvement for specified problems. The need for a development project may also be triggered by conflicts of communication and co-operation, or by critical business escalations from Konecranes sites. A Supplier may be disqualified, or even phased out, if the common interest or business case for a development project is inadequate, or if underperformance continues.

3.2.3.7 Sustainability

Suppliers will be expected to operate according to the requirements of the Supplier Code of Conduct. In order to follow Suppliers' sustainability performance, Konecranes conducts Supplier Sustainability Audits on risk basis to measure the successful implementation of different sustainability topics. Suppliers' performance related to sustainability is also measured with KPI's embedded to Supplier Segmentation and classification.

3.3 Supplier Qualification

The Supplier qualification process exists to ensure that Suppliers satisfy the minimum requirements of Konecranes, and to gain an overview of Supplier operations and capacities. Supplier qualification involves two main sub-processes: Supplier background checking and auditing. These sub-processes operate at the Supplier onboarding stage, and either wholly or in certain respects during an ongoing business relationship. All Suppliers may be subject to background checks and audits, even when frequent business review meetings are held, and business is conducted with Konecranes on a daily basis.

If despite of corrective actions requested by Konecranes, a Supplier fails to meet the minimum requirements of Konecranes during the qualification process, a Supplier will not be approved as a new Supplier, while in case of an established Supplier, Konecranes may temporarily or even permanently terminate a business relationship with a Supplier.

3.3.1 Background Checking

Background checking verifies that a Supplier is complying with applicable laws and regulations and has the insurance coverage required by Konecranes. The level and content of the Background Check are defined based on initial risk types and levels assessed for a Supplier. The Background Check provides more information on a Supplier's operations and is used for further Suppliers' risk assessment at Konecranes. Background checking is part of new Supplier onboarding and may be requested from existing Suppliers depending on the risk level at any time during the business relationship.

3.3.2 Auditing

Konecranes' annual on-site or remote audits review and validate, for instance, the management systems, quality assurance methods and process capacities of a Supplier. The purpose of an audit is to evaluate a Supplier against predefined Konecranes requirements with remedial measures required, if the Supplier fails to meet the prerequisites. The Supplier will be advised in writing of the audit outcome, audit score and required measures.

Audits may be arranged during new Supplier onboarding and for existing Suppliers. New Suppliers will be selected for auditing based on the findings of Supplier background checking, country, industry, and other relevant risks and factors that are critical for Konecranes. Existing Suppliers are audited in accordance with the Konecranes annual auditing program. Factors commonly influencing a perceived need for periodic on-site auditing include Suppliers' underperformance, risk profiles and business opportunities.

Konecranes also conducts Supplier Code of Conduct audits for selected Suppliers based on the identified country, industry and Supplier-specific risks. The Supplier Code of Conduct audit evaluates whether a Supplier is complying with the Konecranes Supplier Code of Conduct requirements as well as applicable laws and regulations.

See Section 4.1: "Supplier Code of Conduct". Konecranes is entitled to conduct auditing of a Supplier whenever this is deemed necessary. A team selected from various functions and led by the Konecranes Lead Auditor will conduct an audit. However, Konecranes is also entitled to select conducting the audit with the support of an external auditor.

In addition to normal and the Supplier Code of Conduct auditing, Konecranes may choose to perform IT-system security assessments, application security assessments, penetration testing or a vulnerability analysis on any services or product that the Supplier provides to Konecranes. Assessment target selections are made based on service type and current risk level. Konecranes is entitled to conduct security assessments of Supplier services whenever this is deemed necessary.

Before accepting an IT-service, IT-hardware or software Supplier, Konecranes may require that the Supplier, according to its role and the risk, provide a third-party verification report, such as ISAE3000, ISAE3402 or SOC1, SOC2 or SOC3. Konecranes may also consider requiring such a verification report from Suppliers from other categories, where their role, risk level and annual spend require so.

3.4 Product Qualification

The Konecranes product qualification process governs Suppliers delivering materials, software or parts, or a combination of those for Konecranes (i.e., direct Suppliers). Product qualification is part of the Supplier onboarding process and is also employed in certain cases during the business relationship to assess whether Konecranes specifications are satisfied and the production process has the necessary capacity for consistent product output that complies with all requirements during a full production run.

Product approval can be required in the event of:

- a new Supplier
- a new product
- changes in product specification
- changes in product version, e.g., software/firmware revision
- changes in production process or plant
- changes in production tooling

Initial product samples and batches will be measured and tested in the foregoing cases against specified requirements and approved by the Supplier and by Konecranes before proceeding with any further deliveries to Konecranes. After Konecranes has approved the tests or samples, the materials or parts must be deemed production-ready and serial production may begin. The approved product and manufacturing process of a Supplier must be deemed frozen, and all further modifications to the process must be communicated to Konecranes for separate approval. See section 4.6: "Change management by the Supplier".

The Konecranes Supplier Manager or contact person will coordinate the process and advise the Supplier of applicable requirements.

3.5 Supplier Invoicing

As a standard Konecranes do not accept Supplier payment terms which are below 60 days, however, local rules and regulations are to be followed. Konecranes also offers Suppliers to join Supply Chain Finance program which enable both, Supplier, as well as Konecranes to improve working capital. With Supply Chain Finance program Supplier will receive cash by selling receivables at a very competitive rate to a Konecranes relationship bank.

Konecranes want to provide an efficient and sustainable invoice document flow and therefore preferred invoicing method is electronic invoicing (e-invoicing). This will ensure on-time payment, increase traceability and strengthen supplier relationships. Other methods are via Konecranes free-of-charge invoice portal or via email as PDF invoices.

4 GENERAL SUPPLIER REQUIREMENTS

This section sets out the general requirements for Konecranes direct Suppliers proving materials and parts, and also indirect Suppliers where applicable.

4.1 Supplier Code of Conduct

Konecranes' Supplier Code of Conduct ("Code") sets the minimum legal and ethical requirements and principles of conduct which Konecranes requires from its Suppliers. In sections 4.1.1-4.1.4 we are giving practical details and listing recommended practices for selected requirements.

See Appendix 1: Supplier Code of Conduct

4.1.1 Human Rights

So-called Conflict Minerals are metals containing or consisting of 3TG (tin, tantalum, tungsten and gold) from conflict-affected and high-risk areas. Konecranes accepts the use of 3TG only when they are sourced in accordance with the OECD Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas. Therefore, we are committed to working toward that 3TG contained in our products are sourced with due respect for human rights, and we have the desire to support development through our supply chain practices.

Konecranes is sending annual conflict minerals due diligence requests for its Suppliers, which are delivering products that are likely containing 3TG. Information is collected by using Conflict Minerals Reporting Template (CMRT). The CMRT provides a common industry approach for the collection of sourcing information related to Conflict Minerals.

4.1.2 HSEQ Management Systems

Konecranes calls on supplier management systems to satisfy ISO 9001 quality-system requirements as a fundamental quality-system standard. Certification by an accredited third-party certification body is highly recommended. Certification of health and safety management system ISO 45001 and environment management system ISO 14001 are also highly recommended.

While certified management systems are not mandatory with each Supplier, responsibilities for quality, health, safety and environmental aspects including a systematic approach to manage waste, chemicals and energy efficiency must be assigned throughout the company, including top management, and these activities must be an integral part of company management and operations and they must be continuously improved.

4.1.2.1 Carbon Border Adjustment Mechanism (CBAM)

CBAM is applied to goods in the scope of CBAM imported to the EU from outside the EU and released for free circulation. CBAM goods include certain iron and steel products, fertilisers, aluminium, and cement products as well as hydrogen and electricity. Suppliers are required to provide Konecranes with the direct and indirect emissions embedded in the products in the scope of CBAM exported to the EU.

The Suppliers who have delivered goods in the scope of CBAM will be contacted on a monthly basis by Konecranes and need to complete the CBAM Communication Template provided by the European Commission within the timeline indicated in the request. Failure to comply with the reporting obligations lead to penalties for the importing Konecranes entity and ultimately to not being able to import goods in the scope of CBAM.

4.1.2.2 Konecranes Restricted Substances List and Substance Management

Suppliers must comply with the Konecranes Restricted Substance List (hereafter RSL) globally and with any other applicable legislation. Konecranes must be aware if regulated substances are present in purchased products in order to ensure compliance with legislation and to assess the environmental sustainability of the products. Konecranes requires cooperation of its Suppliers to collect information on regulated substances in the products supplied to Konecranes. Therefore, Suppliers shall inform Konecranes if substances included in the RSL are present in the products supplied to Konecranes per email to: PSC-Supplier-Substances-Support@konecranes.com. If needed, Konecranes will contact the Supplier to discuss the delivered information.

Suppliers must ensure that they have functioning processes in place so that they comply with the RSL, the legislation and that they can communicate the information that is required by legislation. In addition, Konecranes may be in contact with Suppliers in order to collect information on the compliance status of supplied products and Konecranes expects Suppliers to supply the information that is requested. Konecranes is e.g. requesting information on composition, presence of SVHCs and products' SCIP numbers. Most preferably,

Konecranes would receive Full Material Declarations when contacting Suppliers in this matter, but other compliance related information is also acceptable. In case Suppliers do not have the information that Konecranes is requesting, Suppliers must contact their suppliers in order to acquire the information.

International TradeBefore onboarding a new Supplier, Konecranes conducts a screening process to ensure that the Supplier is not subject to any applicable sanctions. This sanction screening process is repeated frequently to all active Suppliers to ensure ongoing compliance.

4.1.3 Information Security

Cybersecurity attacks are increasingly often targeting weaknesses in organizations' supply chain to gain unauthorized access to their sensitive data and important IT systems. This means that ensuring the security of Konecranes' supply chain is essential to safeguarding our assets, reputation, and continuity of operations. In addition, new directives and regulations such as EU NIS2 and the EU Cyber Resilience Act impose more stringent requirements for managing security risks related to supply chains.

Konecranes requires Suppliers to comply with Konecranes information security requirements, applicable information security laws and regulations, and to proactively take measures to ensure security of the services and products they provide to Konecranes. Suppliers should follow known industry standards and best practices, such as ISO 27001 or NIST Cybersecurity Framework, in managing their information security practices. Acquiring an information security certification, such as ISO 27001, is recommended to support in demonstrating the Supplier's commitment to good information security practices.

Konecranes expects Suppliers to always have formally assigned responsibilities for protecting the confidentiality, integrity and availability of their systems, services and data, making information security an integral part of the management and operations of the organization. The Supplier must implement technical and organizational measures to protect Konecranes data, including Personal Data, from unauthorized, unlawful, or accidental access, use, processing, loss, destruction or damage.

If the Supplier detects a security incident that might have an impact on provided services, products or Konecranes information and systems, the Supplier should without undue delay report the incident to Konecranes (as instructed in www.konecranes.com/cyber). Konecranes is also committed to do the same if we suspect a breach against our systems or operations and we have a reason to believe that Supplier information may have been compromised.

Konecranes, or a third party assigned by Konecranes, has the right to audit Supplier's information security processes to identify potential risks to Konecranes, and for Konecranes and the Supplier to collaboratively agree on the necessary actions to mitigate the risks.

More detailed requirements are defined in the Konecranes Information Security Annex that will be applied to Suppliers who provide us services or products where information security contractual requirements must be explicitly agreed.

4.1.4 Data protection & Privacy

As applicable, the Supplier shall assist Konecranes in reaching compliance with any requirements in applicable legislation related to data protection and privacy. The Supplier shall be able to demonstrate its compliance, i.a. by maintaining appropriate documentation of personal data processing activities. The Supplier shall have appropriate resources dedicated to data protection/privacy activities.

4.2 Risk Management

Risk management is an integral part of the Konecranes management system. As Suppliers are a crucial part of the Konecranes supply chain, Konecranes calls on its Suppliers to arrange an appropriate level of risk management infrastructure that enables regular identification and mitigation of operating risks.

4.2.1 Risk Assessment and Contingency Planning

To minimize potential business risks, Konecranes calls on its Suppliers to complete systematic operational risk assessments, which should consider potential risks in the corporate context with an evaluation of impacts and likelihood. Measures deployed to mitigate potential risks, or their impacts, are an outcome of a successful risk assessment.

Risk assessments should include contingency planning, covering all main functions, production or service processes that are relevant to the business area supplying Konecranes. Planning should include such aspects as alternative production processes, manufacturing locations and suppliers/service providers.

4.2.2 Insurances

All Suppliers are required to maintain adequate insurance coverage for their operating risks, including general and employee liability insurance. The required insurance coverage will depend on the size and scale of the Supplier's business with Konecranes. All insurance requirements will be specified for Suppliers during the Supplier onboarding process.

4.3 Process Quality Control

Suppliers are responsible for understanding the intended use of parts and must ensure that all materials supplied comply with the specifications indicated on manufacturing drawings, on a purchase order or on a purchase agreement, and with any amendments made thereto. A Supplier must understand the most critical characteristics of products and must have a control plan in place to ensure that all necessary quality requirements for Konecranes products are satisfied before the production run begins. The control plan should be based on the studies of the causes and effects of potential failures in the product or process. Suppliers providing serial production parts are expected to use Statistical Process Controls (SPC).

Suppliers providing software are required to use secure software development practices, supporting tools and processes.

Konecranes may require, for example, certificates from time to time validating dimensional measuring results of purchased parts, functional test results, etc. A requirement concerning certificates validating product conformance will be shown on the Purchase Order, or Konecranes may request such certificates separately whenever this is deemed necessary.

4.4 Nonconformance Management

4.4.1 Nonconformance Reporting by a Supplier

Konecranes encourages Suppliers to adopt a proactive attitude, identifying and preventing potential problems before they arise, and taking remedial measures when specific problems are detected. A Supplier must immediately report any nonconforming or suspect materials or products that may be in transit or already delivered to Konecranes and should inspect all previous and current deliveries if the extent of potentially defective materials is not clear. Communications should be addressed to the recipient Konecranes site and to the Konecranes Supplier Manager.

4.4.2 Containment of Nonconforming Materials at a Supplier Facility

Suppliers must react immediately by containing nonconforming materials and minimizing the impact on Konecranes production. A Supplier must perform 100% off-line inspection of suspect lots before delivery, with defective lots either reworked or scrapped. Records of nonconforming materials and customer notifications must be retained for submission to the recipient Konecranes site on request.

4.4.3 Nonconforming Materials at Konecranes

A Supplier must notify Konecranes of any materials that could be deemed as nonconforming at the recipient Konecranes site. Konecranes will retain the option of requesting assistance from the Supplier for on-site inspection or reworking of nonconforming materials at either the Konecranes or end customer facility, or at

both. On finding nonconforming materials at a recipient Konecranes site, 100% third-party containment may be implemented at the Supplier, Konecranes or end-customer site until the root cause and permanent remedial measures have been specified. The Supplier must defray all costs related to on-site inspections or third-party containment, and all costs incurred in return or disposal of its nonconforming materials.

4.4.4 Claims Addressed to Suppliers

A claim (Supplier reclamation) will be addressed to a Supplier whenever a Supplier-caused issue or nonconformance occurs. Suppliers will be notified promptly of any issues requiring a response and are requested to respond to claims within no more than 48 hours.

A Supplier is standardly required to notify the root cause together with short and long-term remedial measures for each notified claim. An 8D or 5D report must be prepared when investigating a claim if the Konecranes contact person so requests. Structured problem-solving techniques (5 x why, fishbone, etc.) are highly recommended.

The claims addressed to the Suppliers will affect the Supplier's performance evaluation.

4.4.5 Chargeback

Suppliers will be liable for all costs associated with shipments of nonconforming materials. Both Konecranes and the Supplier will endeavor to settle all disputes amicably.

4.4.6 Supplier Deviation Request (SDR)

A Supplier may be granted a deviation under certain circumstances. Deviation requests must be addressed to the recipient Konecranes site and to the designated Supplier Manager. Konecranes will evaluate the risks and impact on customer deliveries of using a nonconforming material product before granting approval to the Supplier.

No materials or products may be shipped until Konecranes has issued written approval. Approved deviations will relate to a specific quantity or material, or will take effect for a certain period specified in the deviation approval. If a deviation and shipment of parts have been approved, then the parts subject to deviation approval must at least be labeled as such on all delivery packages and parcels.

Off-line reworking will be permitted during a production run if the reworked product satisfies all quality requirements, specifications, applicable standards and guidelines, and is subject to all of the tests that are necessary to ensure that the product is compliant. A reworked part must be comparable in all respects (quality, features) to a non-reworked part.

4.5 Engineering Change Requests (ECR)

A Supplier may submit an engineering change request (ECR) to Konecranes whenever this is warranted. ECRs should be issued whenever a Supplier is aware of potential cost savings in a product, process or system (e.g., related to form, shape, dimensions or software), or in the design constraints governing production. No changes may be implemented before Konecranes has approved them.

4.6 Change Management by the Supplier

A Supplier must submit a written change request for approval to the Konecranes Supplier Manager and the recipient site concerning all changes in materials, processes, plant and manufacturing location before these changes are implemented (change of frozen processes). A change request for approval must be submitted at least 6 months in advance. No change request may be deemed approved before the Supplier receives a written confirmation from Konecranes.

A Supplier request may be approved, declined, or approved subject to conditions. The Supplier may be asked to send materials for product qualification (see section 3.4) before a change is approved.

A Supplier is also required to notify Konecranes when any change of its company management structure or ownership occurs.

4.7 Material Traceability

Konecranes may impose material and product traceability requirements at the beginning of a Supplier relationship and before production ramp-up for direct Suppliers. Suppliers are requested to maintain material and product identification data throughout the lifetime of a product or for the period specified by Konecranes. Suppliers are otherwise expected to maintain individual product identification for crucial parts and sub-components as a means of risk management. Traceability requirements must also govern any sub-suppliers and subcontractors in the supply chain where applicable.

Product and material identifiers must be always placed and fastened in a manner that is not easily detached or obscured by wear and tear.

4.8 Control of Records and Documentation

The Supplier must retain and archive all records required by Konecranes (such as production test/measurement results and material certificates) for not less than ten (10) years unless otherwise agreed. All records saved on computers or other electronic storage media must be backed up, and it must be possible to restore files from backups when required. All records must remain legible and a copy of records must be given to Konecranes at Konecranes' request.

Classified and other documentation (such as manufacturing drawings and customer-specific data) must be processed in accordance with the Konecranes non-disclosure agreement (NDA).

4.9 General Performance Targets

4.9.1 Purchase Order Handling

Konecranes requires a documented order confirmation within 48 hours (two working days) of issuing a written Purchase Order. Deliveries must be completed in accordance with the Purchase Order and order confirmation and will be rated against the approved confirmed delivery date and other agreed terms and conditions of the order confirmation.

4.9.2 Delivery Punctuality

The rating of Supplier punctuality will compare the number of punctual delivery receipts with the total number of receipts within a specified period. A delivery will be deemed unpunctual if it arrives too early or too late. The Konecranes punctuality target is 100% for all Suppliers.

Konecranes also requires Suppliers to implement punctuality measuring systems of their own for deliveries.

4.9.3 Processing of Claims Addressed to Suppliers

Suppliers must respond to written claims without delay, and by no later than the assigned due response date. The following claim processing targets must apply to Konecranes Suppliers:

1. Time for responding to a claim with an action plan: max. 2 working days
2. Time for verifying a long-term preventative action plan: max. 10 working days
3. Time for completing a report and Konecranes chargeback: max. 30 calendar days

APPENDICES

Appendix 1: Supplier Code of Conduct

<https://www.konecranes.com/suppliers/doing-business-with-konecranes>

Appendix 2: Konecranes Restricted Substance List

<https://www.konecranes.com/suppliers/doing-business-with-konecranes>

Internal version control

Document Details			
Document Owner	Supplier Development & Quality Manager		
Approver	Procurement Leadership Team		
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Classification	PUBLIC		
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R001	1.1.2019	Tuukka Holma	1 st approved version
R002	8.3.2021	Teemu Kölhi	Reference policy, information security defined, multiple smaller changes
R003	22.04.2022	Teemu Kölhi	New sections: 3.2.1.5 <i>Sustainability</i> , 3.5 <i>Supplier invoicing</i> and 4.10 <i>Restricted substance and REACH</i> . Multiple smaller changes in other sections.
R004	24.06.2024	Teemu Kölhi	Section 3.3.3 <i>Supplier Code of Conduct Auditing</i> merged into section 3.3 <i>Supplier audits</i> . Section 4.1 <i>Sustainability – Supplier Code of Conduct</i> renamed as <i>Supplier Code of Conduct</i> . New sections 4.1.1 <i>Human Rights</i> , 4.1.3 <i>International Trade</i> and 4.1.5 <i>Data Protection and Privacy</i> added. Section 4.3 <i>Information security</i> merged into section 4.1. as subsection 4.1.4. CBAM topic added in section 4.1.2. <i>HSEQ Management Systems</i> as subsection 4.1.2.1. Section 4.10 <i>Restricted Substances and Reach</i> moved under section 4.1.2. <i>HSEQ Management Systems</i> as subsection 4.1.2.2. Multiple smaller changes in other sections.