

Dedicated to People Flow™



MOSCOW 3:11 P.M.

Roman, like thousands of his KONE colleagues, helps to improve the safety and comfort of urban environments for millions of people.

Safety is of the utmost importance to KONE. KONE employees are trained with the right set of competencies so they can carry out their work safely. The safety of end-users is also considered in every phase of the solution's life cycle.

Corporate Responsibility Report

KONE 2009

We meet in an elevator. We have 30 seconds of your time: here's what we would tell you. What would you ask us? In this report, we present five different dialogues between KONE and its stakeholders. Read them on pages 3, 13, 25, 39, and 49 to discover how KONE contributes to sustainable urban development.



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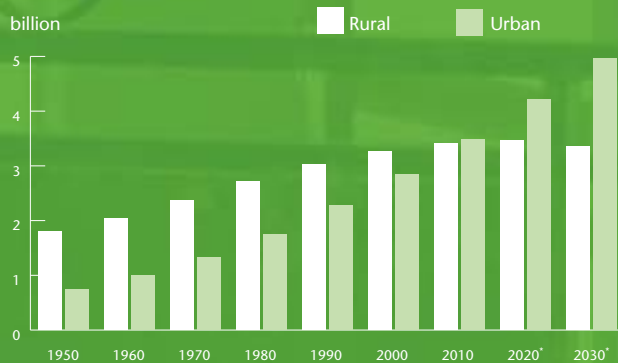
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Global megatrends drive our sustainability

Urbanization is a megatrend

The world population reached a new milestone in 2008. For the first time in history, an equal amount of people lived in urban centers and in rural communities. By 2030 there will be approximately two billion more people living in cities than today, increasing the global urban population to nearly five billion.

People living in urban and rural areas around the world



* estimated

Source: United Nations World Urbanization Prospects



Dialogue between Karine Deshayes-Chotard, journalist, and Jean-François Granat, Marketing and Communications Manager for KONE in France

Karine: How would you describe KONE's approach to corporate responsibility?

Jean-François: Corporate responsibility is a key element of our business approach. Our aim is to create added value for our stakeholders and act in a responsible way towards our people and in the environment where we carry out our business.

Karine: So what is KONE's contribution to sustainable development?

Jean-François: KONE contributes to sustainable urban development with our eco-efficient solutions. Urbanization is the single most important global megatrend that shapes the elevator and escalator industry and will drive demand in the years to come. As cities become ever more crowded, sustainable urban planning is one of the prerequisites for successful urbanization and must take into account important environmental and social issues.

KONE in brief

KONE is one of the global leaders in the elevator and escalator industry. The company has been committed to understanding the needs of its customers for the past century, providing industry-leading elevators, escalators and automatic building doors as well as innovative solutions for modernization and maintenance. The company's objective is to offer the best People Flow experience by developing and delivering solutions that enable people to move smoothly, safely, comfortably, and without waiting in buildings in an increasingly urbanizing environment.

In 2009, KONE had annual net sales of EUR 4.7 billion and approximately 34,000 employees. KONE class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland. Founded in 1910, KONE celebrates its centennial anniversary in 2010.

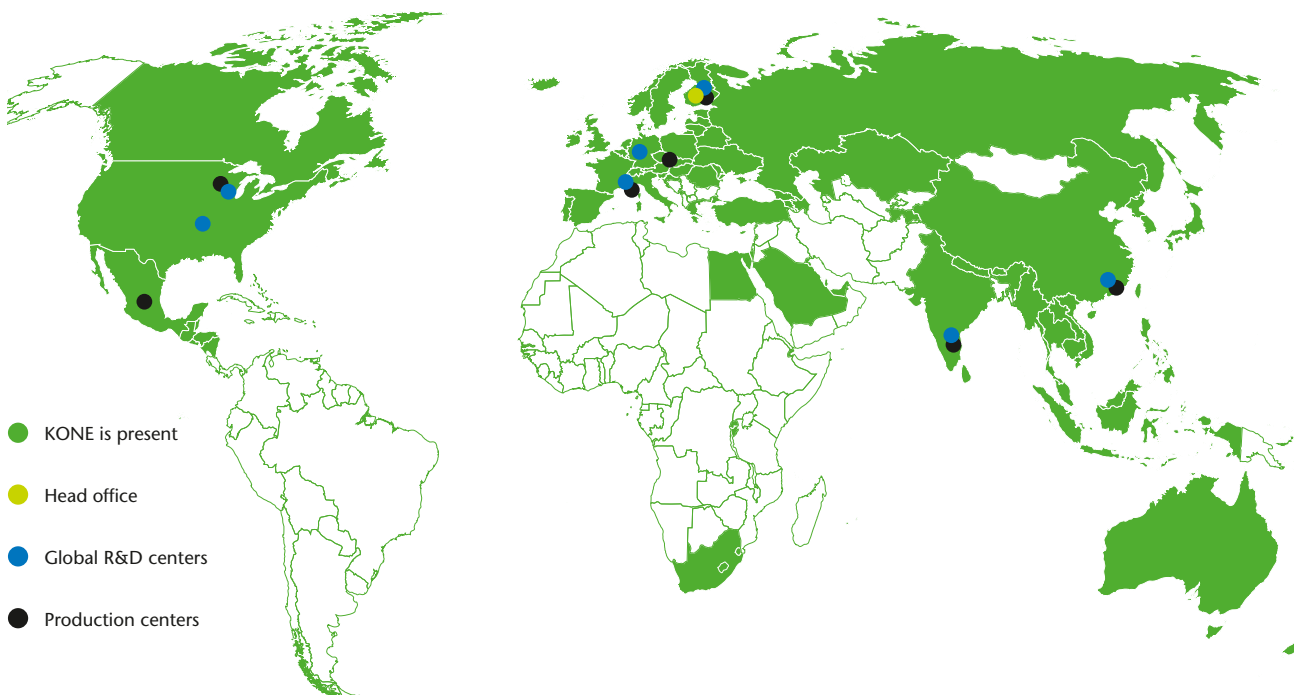
KONE's key customers are builders, building owners, facility managers and developers. In addition, architects, authorities, and consultants are key parties in the decision-making process regarding elevators and escalators.

KONE's product offering is designed to serve the needs of different building types. For example, we have solutions for residential and office buildings, hotels, retail and medical facilities, infrastructure, as well as special buildings such as ships and stadiums.

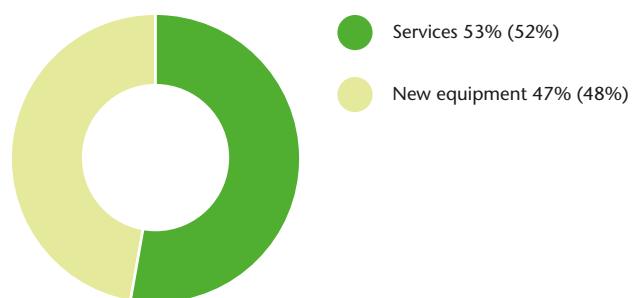
KONE serves approximately 250,000 customers globally, of which the majority are maintenance customers. Maintenance customers vary from housing associations with an annual agreement to large global customers with a several years' service agreement.

KONE is present in approximately 50 countries worldwide. Globally, KONE has seven production units and seven R&D centers. KONE's organization is divided into three key business lines (Major Projects, Service Business and New Equipment Business) and four geographical areas (Central and North Europe, West and South Europe, Asia-Pacific, Americas). KONE's head office is based in Helsinki, Finland.

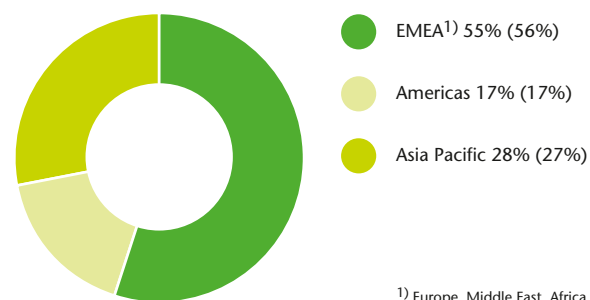
KONE worldwide



Sales 2009 (2008), %

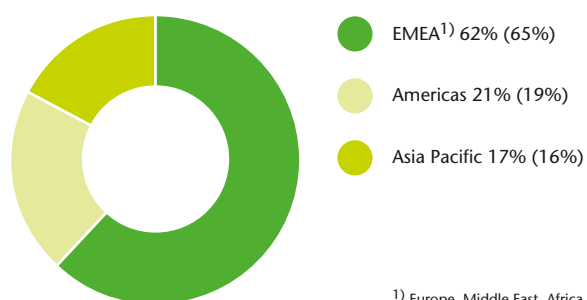


Employees by market 2009 (2008), %



¹⁾ Europe, Middle East, Africa

Sales by market 2009 (2008), %



¹⁾ Europe, Middle East, Africa

Key figures		2009	2008	change %
Orders received	MEUR	3,432	3,948	-13
Order book	MEUR	3,309	3,577	-8
Sales	MEUR	4,744	4,603	3
Operating income	MEUR	600 ¹⁾	558	8
Operating income	%	12.7 ¹⁾	12.1	
Cash flow from operations (before financing items and taxes)	MEUR	825	527	
Net income	MEUR	466	418	
Total comprehensive income	MEUR	450	437	
Basic earnings per share	EUR	1.84	1.66	
Interest-bearing net debt	MEUR	-505	-58	
Return on capital employed	%	34.0	35.9	
Gearing	%	-37.7	-5.6	
Personnel		33,988	34,831	
IIFR (Industrial injury frequency rate)		5.2	6.0	

¹⁾ Excluding a MEUR 33.6 one-time restructuring cost related to the fixed cost adjustment program, which was booked in the second quarter.

Committed to continuous improvement

The world economy and KONE's business environment were challenging in 2009. Overall construction activity weakened, with China being one of the few exceptions where activity remained vibrant. Despite the difficult environment, we managed to improve in many areas. Our performance in 2009 demonstrates our strong commitment to conduct our business in a responsible and sustainable manner at all times.

Our commitment to continuous improvement is clearly evident in the way our global development programs progressed in 2009. We strive towards excellence in all areas of

corporate responsibility, including economic, environmental and social responsibility.

Economic responsibility for KONE means creating value for our stakeholders through long-term growth in sales and profits. Value can only be achieved by continuously developing our competitiveness in a sustainable way.

Increasing urbanization places significant challenges on the environment. KONE wants to be a part of finding solutions to these challenges by aiming to be the eco-efficiency leader in the industry. Our Environmental Excellence devel-



opment program includes actions to strengthen KONE's innovation leadership in the area of eco-efficiency and to minimize KONE's carbon footprint. We also want to ensure that our suppliers comply with the same standards. In these areas we have made major progress in 2009.

Our most significant environmental impact relates to the amount of electricity used by our equipment during a product's lifetime. This underlines the importance of energy-efficient innovations for elevators and escalators. In 2008 we set an ambitious target: 50% reduction in the electricity consumption of new elevators by the end of 2010. During 2009, we already achieved a 30% reduction and are on track to reach our 50% reduction target by the end of 2010.

We have also set an annual 5% carbon footprint reduction target for our own operations. The most significant carbon dioxide impact of our operations relates to our car fleet, electricity consumption and logistics. In 2009, we achieved a 6% reduction in our operational carbon footprint.

KONE's vision is to deliver the best People Flow™ experience. Our objective is to become the company that delivers the best user experience, when people are moving in buildings in an increasingly urbanizing world.

In 2009 we released a number of solutions that exemplify this vision. For example, a new version of KONE JumpLift, where the elevator is already in operation as the building is under construction, enabling a more efficient flow of workers, delivering improved safety and productivity to the job site. Another innovation is the KONE IDE300™ solution that integrates automatic building doors and elevators enabling a safe and easy hands-free access to the building.

The progress we have made is a result of our personnel's commitment and motivation. Investing in people leadership skills and training in general has helped us keep up a good spirit and a can-do attitude. I experience it personally when I meet our people from different parts of KONE. It is also apparent in the results of our employee satisfaction survey, where in 2009 we received all-time high results. I was also pleased to note the strong safety awareness evidenced by the fact that "KONE's commitment to employee safety" had the highest single score in the employee survey.

We strive towards excellence in all areas of corporate responsibility, including economic, environmental and social responsibility.

Despite the fact that the market outlook remains challenging, I look to the future with optimism. Our comprehensive product and service portfolio, the continued good progress in our development programs, as well as the commitment of our personnel, give me great confidence that we are on a good path towards becoming an even more customer focused company.



Matti Alahuhta

President & CEO
KONE Corporation

100 years of responsibility

The year 2010 marks an exceptional year for KONE as we celebrate our centennial. Throughout its history, KONE has demonstrated an ability to adapt to a changing world and to create new opportunities for growth. We have always approached our operations from a long-term perspective and will continue to do so in the future. Our primary objective is to ensure the long-term profitability and growth of our business. By ensuring that our operations are profitable, we also contribute to economic sustainability and the well-being of communities in which we operate by paying taxes and employer social contributions as well as providing jobs for our employees and business opportunities for our suppliers.

We believe that a creative mindset is the key to ensuring success over the long term. We are considered to be an innovation leader in our industry, and we continue to invest in the development of new products and solutions. The foundation of our innovation capability is our talented work force. KONE supports the increase of human capital through the continuous training and development of its personnel. We also work closely with universities and colleges to develop new talent for KONE and society as a whole. Close cooperation with universities has played an important role in stimulating and fostering new ideas throughout KONE's history.

We believe that a creative mindset is the key in ensuring success over the years.

KONE wants to contribute to building a sustainable future for developing nations and countries in transition. With this in mind, KONE's 2010 Annual General Meeting of Shareholders made a decision to establish the KONE Corporation Centennial Foundation. The purpose of the foundation is to advance and support developmental, educational and cultural activities for children and youth around the world. By educating younger generations, we provide them with the tools needed to contribute to the economic, environmental and social development of their nations.



KONE has come a long way in the past 100 years. It has grown from a tiny machine shop in Helsinki, Finland, into one of the largest global elevator and escalator companies. I believe that our long-term commitment and responsible approach to the way we operate in communities around the world are keys to our future success.

I want to thank all our stakeholders for making the past 100 years so successful, and I look forward to our future with enthusiasm!

A handwritten signature in black ink, appearing to read 'Antti Herlin', written in a cursive style.

Antti Herlin

Chairman of the Board
KONE Corporation



CASE

Family business

KONE was founded in 1910. During its 100 years as an industrial engineering company, KONE has been involved in businesses as diverse as textile manufacturing, medical technology and the design of hydraulic piping systems. The company's main focus, however, has always been the elevator and escalator business.

KONE has always been closely linked to the Herlin family. Harald Herlin purchased the company from KONE's parent company, Strömberg, in 1924. His son, Heikki Herlin, served KONE as president (1932–1964), board member (1928–1989), and board chairman (1941–1987). He guided the company through the Great Depression and the Second World War, added cranes and hoists to the product line, and made equipment maintenance and repair central to KONE's business strategy.

Pekka Herlin became the third generation Herlin to head the company when he replaced his father as president of KONE in 1964. Pekka introduced the tools KONE needed to compete in the international market. Within seven years, the company had established itself as a major player in the European market and a worthy competitor for companies such as Schindler and Otis. Pekka's son, Antti Herlin, became the Chairman of the Board in 2003. In the past fifteen years, KONE has continued to evolve from a mainly Eurocentric company into a global corporation.

The interest in the Herlin family and its contribution to Finland's development as a modern industrial nation continues to be strong. KONE's Prince, John Simon's biography of Pekka Herlin, was one of the best-selling non-fiction books in Finland in 2009 and is one of the country's all-time best-selling biographies.

Stakeholder dialogue

KONE recognizes the value of maintaining an active dialogue with its key stakeholders, including our shareholders, customers, suppliers, employees, regulators and non-governmental organizations in the communities in which we operate.

We seek to maintain the trust and respect of our stakeholders. We strive to fulfill our social and environmental responsibilities, alongside our economic responsibilities and goals. With this report, we would like to share our corporate responsibility efforts and achievements with our stakeholders.

Shareholders

Our shareholders and the financial community are important stakeholders in ensuring the sustainability of our economic development such as funding and in supporting the company in its growth. We abide by our responsibility towards these stakeholders by conforming to our disclosure obligations as a publicly listed company and by providing transparent information about our business performance and future outlook, including factors that impact it. In addition to quarterly financial reporting, KONE's senior management and investor relations personnel regularly meet with shareholders and investors. Read more about our shareholders in the Economic responsibility section on pages 48–54.

Customers

KONE's key customers include builders, building owners, facility managers and developers. In addition, architects and consultants are key parties in the decision-making process. The majority of KONE's customers are maintenance customers.

KONE continuously monitors its customer relationships in order to measure customer loyalty and needs. We aim to understand what customers value in order to further improve and strengthen our relationship with our customers. Since 2005, KONE has conducted an annual global customer loyalty survey covering all the countries where the company operates. In 2009, KONE began to conduct the survey twice a year in order to increase its ability to quickly react to customer needs. Nearly 20,000 interviews were conducted with customers from over 40 countries. The survey allows KONE to track trends in performance over time on worldwide, regional and local lev-

els. The findings are systematically reviewed and analyzed to define necessary improvements. In 2009, there was a clear improvement in the customer satisfaction scores.

Employees

Understanding the company's strategy is one of the key elements driving employee engagement. KONE promotes active dialogue with employees to ensure that every KONE employee understands the company's direction and their role in executing the strategy, including our approach to corporate responsibility. Annual performance reviews form a process for continuous dialogue and individual development. They provide an opportunity for employees and managers to openly discuss opportunities and issues, and how performance can be improved. KONE regularly measures how satisfied employees are with KONE as a workplace. Read more about KONE's employees in the Personnel section on pages 40–45.

Suppliers

KONE continuously aims to improve customer value and profit contribution by proactively engaging our organization with best-in-class suppliers in collaborative teamwork. KONE's sourcing organization plays a key role in ensuring that our suppliers are aligned with KONE's approach to corporate responsibility. KONE organizes an annual Supplier Day for strategic suppliers to share objectives, best practices and to recognize performance. In 2009, the annual Global Supplier Day was held in Shanghai, China. The two-day event's theme was Continuous Improvement. Read more about KONE's suppliers on page 55.

Cooperation with educational institutions

KONE actively works with educational institutions and participates in recruitment fairs and various student activities. We share and develop competence through research, traineeships, thesis projects and other forms of cooperation. KONE's local organizations provide internships for technical and economics students in their home countries, while

KONE's International Trainee Program (ITP) enables students to apply for trainee positions abroad. Read more about the ITP program in the Personnel section on page 44.

Authorities, regulators, and non-governmental organizations

KONE is an active member of several codes and standards committees, such as the ISO committee for ISO 25745 series of standards where KONE focuses on developing requirements for the energy efficiency of elevators and escalators. Additionally, we promote dialogue with organizations that promote the interests of individuals with impaired mobil-

ity. In order to drive forward environmental sustainability, KONE has joined the WBCSD (World Business Council for Sustainable Development), ERT (Energy and Climate Change), and the US Green Building Council.

i Additional info
 To read more about how KONE distributes economic value to its different stakeholder groups, see tables on pages 53–54.

Reporting scope

KONE has chosen to report using the Global Reporting Initiative (GRI) guidelines to facilitate easier comparison of our performance with other companies, and streamline our own corporate responsibility reporting efforts. KONE published its first global Corporate Responsibility Report for 2008 and this 2009 report is KONE's second global Corporate Responsibility Report. It follows GRI (G3) reporting guidelines as far as they are applicable. The report covers economic, social and environmental responsibility. A table showing how this report corresponds with GRI guidelines is shown on pages 60–61. Based on our own assessment, KONE has followed the B application level of the GRI guidelines. The application level has been checked by a third party, PricewaterhouseCoopers Oy. The reporting period corresponds with the calendar year and with KONE's financial year of January 1–December 31, 2009.

When choosing indicators, the driver has been the materiality to KONE's operations. The materiality was reviewed by a team representing different organizational units within KONE. We have included all major local and regional organizations and all production units in the reporting scope.

All financial data and a significant proportion of the employee related data has been collected through KONE's enterprise resource management and financial reporting systems. All the financial figures presented in the report are based on KONE corporation's consolidated and audited financial statements for 2009 and 2008. The personnel data is provided by our HR organization and covers the whole KONE Corporation and its subsidiaries, with the exception of personnel by country, years of service and length of service data which covers the countries listed on tables on page 45.

The environmental data was collected by using a customized data collection spreadsheet from local organizations, then consolidated on a country level, and further consoli-

dated globally in a combined effort with KONE's global carbon footprint assessment analysis. KONE's global carbon footprint assessment has been carried out in accordance with the Greenhouse Gas Protocol and ISO 14064 guidelines by a third party agency.

We have worked to improve our data collection and verification procedures, and it is an area where we aim to make more progress in the future.

We welcome any feedback on this report or our corporate responsibility performance. If you have any comments or suggestions, please send your comments to corporate.communications@kone.com

Honorable mention for the 2008 corporate responsibility report

KONE's 2008 report was awarded an honorable mention for producing a good first report in the review of Finnish corporate responsibility reports in 2009. The report was commended for providing a balanced look at the different aspects of KONE's responsibility and for reporting a diverse number of key indicators. The reporting of KONE's suppliers was also commended.

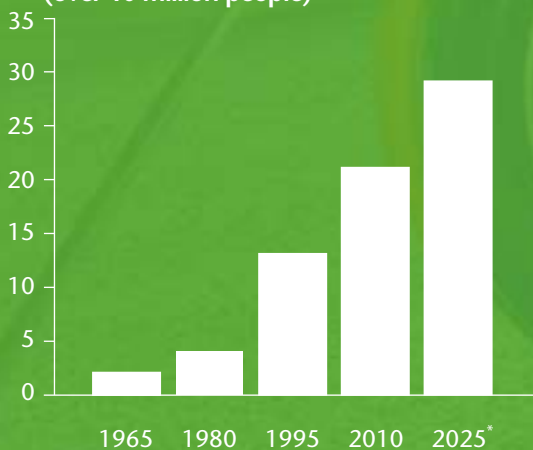


Supporting urban development with People Flow™ solutions

Rise of megacities

The number of megacities with over ten million inhabitants has increased tremendously. In 1950 there were only two megacities in the world, while by the end of 2010 this figure is expected to reach 21 cities. By 2025 it is estimated that there will be 29 megacities.

Number of megacities
(over 10 million people)



* estimated

Source: U.N. World Urbanization Prospects 2009



Dialogue between Si-Lei Yuan, a passenger in an airport, and KONE's Executive Vice President of New Equipment Business, Heikki Leppänen

Heikki: What do you value when traveling within public transportation hubs, such as airports?

Si-Lei: I want to feel safe and move smoothly without unnecessary waiting. I also value clear signs and signalization, and good lighting.

Heikki: These are exactly the kinds of things KONE pays attention to when aiming for the best user experience: we understand end-user needs as well as the requirements set by different building and customer types to ensure the most efficient flow of people. We call this approach People Flow.

Si-Lei: What does KONE do to improve People Flow at the airports?

Heikki: Airports can be crowded and moving through the terminals may take time. We help our airport customers to make their transportation hub attractive by creating solutions to move passengers and goods quickly.

Business environment

KONE contributes to sustainable urban development with eco-efficient solutions that offer energy savings in buildings and deliver the best user experience by moving people smoothly and safely in urban environments.

Urbanization

Urbanization is the single most important megatrend for the elevator and escalator industry and it is expected to drive demand for years to come. In 2008, the world's population reached a new milestone: an equal number of people living in rural and urban areas. By 2030 it is estimated

that the world's urban population will reach five billion – which is two billion more than today. The number of cities with over ten million inhabitants has increased tremendously from two in 1950 to ten in 1990 and is expected to grow to 29 by the end of 2025.



KONE's stake in sustainable development

Sustainable urban development

KONE's eco-efficient People Flow™ solutions

Urbanization

Changing demographic structure

Increasing importance of safety

These changes will be most evident in Asia, where the long-term population growth is estimated to continue. This concentration of people in urban areas will increase the importance of moving people efficiently from one point to another. More people will need to move through the same space at the same time. Buildings will be built higher and the flow of people inside them will need to be managed as efficiently as possible.

Increasingly energy efficient solutions needed

Buildings consume 40 percent of the world's energy. Elevators and escalators can account for 2–10 percent of this consumption. The elevator and escalator industry can contribute to combating climate change by helping to reduce the energy consumption of buildings. Environmental awareness has created a demand for more eco-efficient solutions for people living in cities across the world.

Sustainable urban building refers to building practices that increase energy efficiency, use sustainable materials and reduce a building's negative impacts on human health and the environment. Sustainable building practices consider the entire life cycle of the building, from sustainable design and construction to operation and maintenance. Voluntary sustainability ratings and national green building ratings are becoming increasingly common and they are of increasing importance to our customers. Currently there are two widely recognized global sustainability ratings for building projects. The first assessment method for buildings, Building Research Established Environmental Assessment Method (BREEAM), was established in 1988. The second notable rating system is Leadership in Energy and Environmental Design (LEED), which was established in 1993 by the US Green Building Council.

Aging urban population

The changing demographic structure, especially the growing share of aging population, highlights the importance of accessibility in buildings and urban infrastructure. This presents today and tomorrow's generations with substantial challenges to ensure accessibility for all. For example, in Europe more than four million buildings with staircases of three floors or higher were still without an elevator in 2009. As the rapidly expanding population ages, the need for People Flow solutions that improve accessibility will increase. Offering convenience and accessibility at the touch of a button, an elevator can help elderly residents live in their apartments longer, facilitate the lives of all residents in the building, as well as add value to an existing property.

The elevator and escalator industry can contribute to combating climate change by helping to reduce the energy consumption of buildings.

Increasing importance of safety

Urban infrastructure systems in certain markets are aging – as well as the equipment that is installed in them. In Europe and North America, the most rapid phase of urbanization was witnessed in the 1960s and 1970s. Today, much of the urban infrastructure that was built to support this growth, including buildings and public transportation networks, are aging. Increasing requirements for the safety of the aging equipment in these mature markets are a strong driver for modernization demand. It is estimated that almost two-thirds of all elevators and escalators in operation, more than nine million units worldwide, are over 20 years old and in need of modernization. More than half of these are located in Europe, and roughly ten percent in the United States.

National and international safety codes and standards play a key role in determining the safety level of elevators and escalators. Due to progress in safety and related standards, there is a difference between the level of safety of new and existing equipment. Safety standards and related regulations for existing elevators and escalators help close this gap. Particularly in Europe, some countries have adopted strict standards for safety and modernization in recent years. KONE seeks to ensure that all equipment under its service is in full compliance with safety regulations and meets the highest level of safety in the industry.

KONE is a major contributor to the development of codes and standards through its active participation in professional associations and standardization committees both nationally and internationally. KONE monitors legislative and standardization developments affecting its industry and contributes its technical know-how to help formulate the best possible solutions to achieve the highest level of safety for elevator and escalator passengers, technicians and inspectors. Besides safety, KONE strongly focuses on accessibility and environmental aspects.

Strategy

KONE's strategy supports its vision: to deliver a performance edge to its customers by creating the best user experience with innovative People Flow™ solutions. Simultaneously, KONE's people leadership and processes enable operational excellence and cost competitiveness.

In order to reach our strategic objectives, we need to continuously improve our understanding of our customers' needs and to develop innovative solutions and services to enable the best user experience. We also contribute to sustainable urban development with our solutions that take into consideration the eco-efficiency safety and accessibility needs of our customers and end-users.

Development programs help us reach our vision

KONE develops its competitiveness through key development programs. These development programs help execute KONE's strategy and allow its people to focus on specific development programs in order to ensure profitable long-term growth and to deliver the best People Flow experience. We adjust the focus of our development programs according to our achievements and the changing business environment. In 2008, Customer Focus, People Flow Solutions, Environmental Excellence, Operational Excellence and People Leadership were defined as the new development areas for the next three years. To ensure that we actively develop our competitiveness, these development programs will be reassessed at the end of 2010.

R&D supports sustainable urban development

KONE's technology organization is one of the driving forces behind KONE's innovative People Flow and eco-efficient solutions. In 2009, KONE filed 70 patent applications and invested EUR 62.0 million (58.3) in R&D.

KONE develops its competitiveness through key development programs.

KONE's technology organization develops innovative, eco-efficient and high-quality solutions that offer value to its customers. Each innovation aims to address and respond to the global megatrends shaping the business environment: urbanization, changing demographics, and the increasing importance of safety.



KONE Vision

KONE delivers the best People Flow™ experience.

KONE Strategy

KONE delivers a performance edge to its customers by creating the best user experience with innovative People Flow solutions. Simultaneously, KONE's people leadership and processes enable operational excellence and cost competitiveness.

KONE Development Programs

<p>Customer Focus Our customer relationships and insight are driving KONE's growth, profitability and innovation. We achieve this by developing customer competencies, processes and tools.</p>	<p>People Flow Solutions We develop and deliver high quality solutions that create the desired user experience with the best life cycle performance.</p>	<p>Operational Excellence We will streamline our processes to ensure cost efficient, complete on-time and high quality delivery of all KONE solutions to meet customer expectations.</p>	<p>Environmental Excellence Our actions and innovations in eco-efficiency drive sustainable development and provide the customer benefits during the whole life-cycle.</p>	<p>People Leadership We will improve our leadership capability to inspire, engage and develop people for outstanding performance.</p>
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KONE Values

<p>Delighting the customer</p>	<p>Energy for renewal</p>	<p>Passion for performance</p>	<p>Winning together</p>
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People Flow

Urbanization creates new challenges and demands for rapidly growing cities. KONE contributes to sustainable urban development with eco-efficient People Flow™ solutions.

With People Flow we mean transporting individuals, large crowds of people, as well as goods in urban environments in a smooth, quick, efficient, and safe manner.

KONE understands People Flow from three different perspectives. Firstly, to improve end-user experience, we focus on solutions that make it easier for people to move in and through buildings. Secondly, we want to understand the challenges that our customers face and help them achieve their targets by optimizing people flow in their building. Thirdly, in order to offer the appropriate solutions for different building types, we aim to understand their functionality and connections as well as the use of the building during its entire life cycle.

People Flow for the end-users

KONE aims to understand end-user needs when moving within a building. The best experience is smooth, safe, and enjoyable. Elevators, escalators, and automatic doors should operate correctly and be integrated seamlessly into a building's other systems. Is the elevator ride a comfortable experience? Is the signaling clear? Does the elevator decelerate smoothly? Is the lighting appropriate?

KONE's People Flow solutions combine design and technology to create the best possible experience for end-users. KONE ensures functional connections within and between buildings, for example by positioning equipment such as elevators, escalators and autowalks in a manner that minimizes queuing and blocking.

Design for all

People Flow is about providing high-quality accessibility for everybody. Our solutions are designed so that they not only conform to tightening safety requirements but also improve accessibility within buildings. These improvements are sometimes small, but they often improve the convenience for the end-user significantly. Automatic doors that stay open longer and elevators that have accurate landing make entry and exit easier for all users. Elevators can also be

equipped with seats for elderly and disabled persons and hooks to hang bags for the duration of the ride. Mirrors are installed to help individuals with wheelchairs move safely by providing better visibility. This way they can back out of elevators safely, if the elevator cabin is too small to turn in. The best way to improve accessibility, however, is preventative maintenance that keeps the elevator in good condition for daily users, and modernizing the elevator to meet the latest safety and accessibility standards.

In Europe alone, more than 100 million individuals are estimated to have special needs related to a disability. KONE recognizes the opportunities for its elevator solutions to help improve accessibility for people with impaired mobility. Many solutions that make our elevators safer for the end-user also improve the accessibility of the elevator. The space of the elevator cabin is a critical factor when improving accessibility. Increased cabin size provides more convenient building access, allowing for easier transportation, for example for baby carriages, wheelchairs, furniture, and other large objects. Spacious elevators make it easy for everybody to move within a building.

To further improve accessibility, KONE conducts studies of end-users to ensure that its solutions provide accessibility for all. In 2009 we conducted a large series of studies to test the usability of our solutions by persons with reduced mobility as well as people who are visually and hearing impaired. We maintain an active dialogue with associations that promote the interests of individuals with impaired mobility to understand how we can improve our products to serve groups with special needs. In order to ensure that our solutions provide the best accessibility, our service technicians pay attention to the overall accessibility and people flow in the building on-site.

Safety is of utmost importance

Safety is a cornerstone of our operations and we systematically work to develop the safety of our products. KONE makes no compromises regarding the safety of its solutions for end-users, and its own employees.



CASE

Enhancing accessibility with People Flow solutions

When VVO, a public company providing housing services in Finland, wanted a differentiator in order to increase the value of their buildings, the company turned to KONE. VVO's services range from development and construction to the renting and sale of apartments. The company was looking for a solution which would make normal everyday usage of its buildings as easy and seamless as possible.

We were able to use our People Flow expertise in moving people in a smooth, safe, and comfortable manner to develop a solution together with VVO. The solution was KONE IDE300™ which integrates automatic building doors and elevators enabling safe and easy hands-free access to the building for all users. Using a special keycard, the KONE IDE300 recognizes the resident, opens the entrance door, turns on the lights, and calls the elevator to the lobby. The elevator automatically recognizes the floor of the resident's home and takes them to that specific floor. This increases the convenience and accessibility for residents, attends to their individual needs, and as a result adds value to the building.

VVO has found the IDE300 solution, and the collaboration with KONE, to be successful and continues to develop accessibility solutions for their buildings.

In order to continuously enhance product safety, KONE thoroughly analyzes the risks related to using its equipment and promotes safe practices for the service technicians, owners of the equipment and end-users. Safety is firmly established in the design and development of new products, as well as in the production and maintenance processes. Safety risks are systematically identified and analyzed as part of KONE's product development processes before products are released. The elimination of potential hazards to end-user safety, as well as the safety of our employees and subcontractors installing and maintaining our equipment, are integral parts of the product development process.

KONE actively develops and supports industry-wide initiatives that enhance the safety of elevators and escalators. Together with other players in the industry, we are involved in the development of codes and standards that improve product safety.

The safety of elevator and escalator users can be substantially improved by several means. Elevators that stop precisely at the landing floor level make it safer for passengers – including those with baby carriages and wheelchairs – to enter and exit. Automatic elevator doors that remain open longer can also improve safety and accessibility. In elevators, safety can also be improved by a two-way communication system to the service center which operates around-the-clock. The KONE Remote Monitoring Service™, for example, automatically alerts the KONE Customer Care Center™ in the event of a malfunction.

For escalators, the installation of brushes to the escalator's skirt may significantly reduce the risk of something being caught between skirt and step. In addition, barriers can successfully prevent end-users from stepping on to the escalator using, for example, shopping carts. KONE has also developed safety mechanisms that automatically bring the escalator to a standstill, in case of component breakdown. Read about KONE employee safety on pages 46–47.

People Flow for our customers

KONE provides a wide range of customers from different segments with superior quality equipment, expert advice in project planning, high-class maintenance services and innovative solutions for modernization. For our customers People Flow™ means that we understand the challenges they face and provide them with the best solutions throughout the life cycle of our products. KONE believes that by working with the customers from the design phase throughout the equipment's entire life cycle, we can help our customers achieve the best People Flow experience inside their building. We help our customers in the design phase, support them in the building phase, provide maintenance solutions to ensure smooth operation, and offer modernization solutions for aging equipment.

People Flow gives us a direction for developing our offering to meet our customers' needs and enables us to offer, deliver and maintain complete solutions. Adopting a People Flow mindset marks a shift from product-driven organization to a more customer and end-user driven approach. We have refocused our way of thinking to place greater attention on our customers' perspective. Our goal, however, remains unchanged: we want to provide a performance edge to our customers by providing innovative services and solutions.

People Flow solutions for different building types

KONE delivers holistic People Flow solutions for a vast range of customers and buildings. KONE provides solutions for residential, office and retail buildings, public transportation systems, airports, medical facilities, hotels and special buildings such as stadiums and cruise ships. We have extensive knowledge and expertise in understanding different building types, their functionality and connections. Different types of buildings have different traffic patterns, within and between buildings, including both vertical and horizontal people flow. These traffic patterns determine the optimal location and amount of equipment required. Specific usage of the building and peak times of the day or of the year are other key determinants.

Our People Flow experts take into account the requirements of various customer segments. In the residential segment, for example, buildings must offer safe and easy people flow for their occupants at all times. Aging populations, particularly in Europe and North America, create a demand for improved accessibility and a positive end-user experience.

In public transportation, on the other hand, the most important task of KONE's solutions is to manage the requirements of masses of travelers and commuters over short time frames. Our maintenance and modernization services must ensure 24/7 uninterrupted people flow throughout a building's life cycle.

Design is a key element of a building's architecture

The elevator car design is part of the total People Flow experience and building design – the combination of reliability, smooth ride, and pleasing aesthetics that add value to the building. An extensive range of professionally designed or customizable car designs means that KONE's elevators can be designed for different types of architecture. With a wide range of colors, materials, and styles to choose from, the elevator is designed to match the overall look and ambiance of the building.

In 2009, KONE was awarded a GOOD DESIGN award for its sleek KONE Design Signalization series. The company is still the only elevator and escalator company to have ever received a GOOD DESIGN award in 60 years. Founded in 1950, GOOD DESIGN is renowned as one of the most recognized design award programs in the world.



CASE

End-user safety training in local communities

In 2009, KONE's Chengdu office in China and the Sichuan Bureau of Quality and Technical Supervision designed and organized the "You are in safe hands" training day in the surrounding community to increase the public's awareness of safe behavior while using elevators and escalators.

Several interesting games were organized to attract wide public participation and important safety messages were delivered to residents by, for example, letting them evaluate scenarios and answer questions related to the safe use of equipment. "Our objective for these activities was to guide the residents to use the elevator and escalators in a safe manner while equipping them with knowledge of the best possible ways to behave in the event of a malfunction," said George Ma Jia, Communication and PR Director for KONE China.

The activities proved very popular, and community members ranging from infants to elderly people participated. The program has received plenty of positive feedback from the surrounding communities. "Thanks to KONE, I now know how to use elevators and escalators safely," one resident said.

With the rapid growth of China's economy, millions of buildings are emerging around the country, making elevators and escalators very important tools for transporting people from one place to another. Education in safety can help reduce the number of accidents in escalators and elevators. The training day program has been held in communities in several major cities across China, such as Chengdu, Guangzhou, Shenzhen, Zhenzhou, and Chongqing.

People Flow for the building's life cycle

To create the best People Flow™ experience, KONE supports customers every step of the way. By studying the traffic patterns in buildings, we help customers improve the flow of people and advise them on how to match building size and traffic flow with the right solutions. We support our customers on maintenance and modernization to maximize performance and ensure efficient operation throughout the various stages of the equipment's life cycle.

Design and install

The best time for optimizing people flow in a building is when systems for specific building projects are being planned and developed. The work for devising the best transportation plan begins during the early planning phase, in close collaboration with architects, consultants and construction companies. In this way, KONE experts can correctly estimate which solutions are required for the building to be as user-friendly as possible. KONE's proactive maintenance and modernization solutions are just some of the ways that keep the transportation solutions running smoothly during the operational life cycle.

Maintenance for energy efficiency

KONE's maintenance services are based on global standards and quality control. KONE Modular Based Maintenance is optimized for each equipment and usage profile. Thousands of KONE service technicians work on-site daily to ensure that equipment runs efficiently and safely throughout its lifetime. Preventive maintenance together with high-quality spare parts extend the life of the equipment. Our maintenance services also take eco-efficiency into account by minimizing service call-outs, utilizing the latest monitoring technology and optimizing our technicians' routes. KONE's service technicians analyze its equipment systematically, paying special attention to issues of safety, usability, performance and appearance.

Modernization increases safety

An elevator or escalator, like any machine, eventually reaches the end of its life cycle. Even with regular maintenance after decades of constant operation, it may need to be replaced or fully modernized. Modernization solutions range from replacing individual components to full replacement. By replacing only the necessary components, we can reduce costs and shorten installation time. A KONE modernization increases safety, accessibility, and performance, and it also raises the aesthetic appeal of the solution, with minimum interruption of people flow. With more extensive modernization, energy savings of 50–70 percent can be achieved. Mechanical systems such as gears and hoisting machines can last decades, but electronic systems may need updates sooner in the equipment's life cycle. In addi-

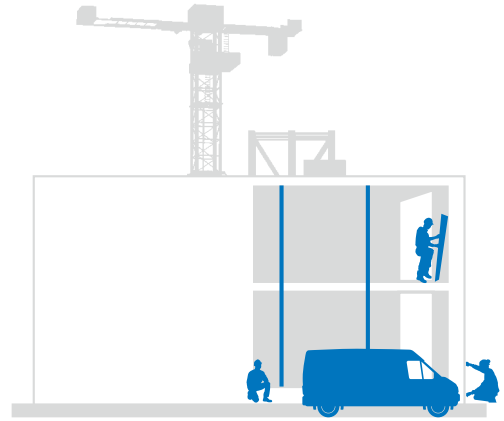
We support our customers on maintenance and modernization to maximize performance and ensure efficient operation throughout various stages of the equipment's life cycle.

tion, safety regulations may have changed considerably compared to when the equipment was installed. For escalators, KONE is the only company that offers a complete escalator modernization solution without the expense and disruption of people flow that result from removing the old truss.



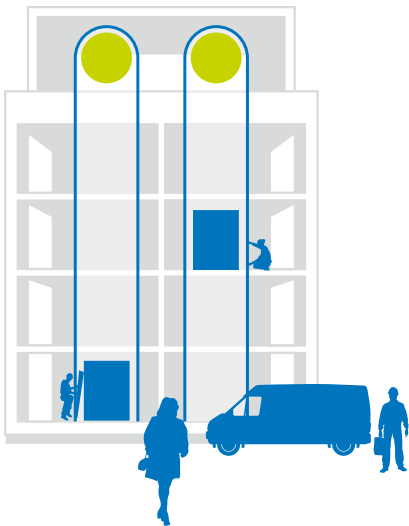
Design services

Project planning and specification: KONE's traffic analysis and planning services and tools help to define the optimal amount of equipment and layout for different building types.



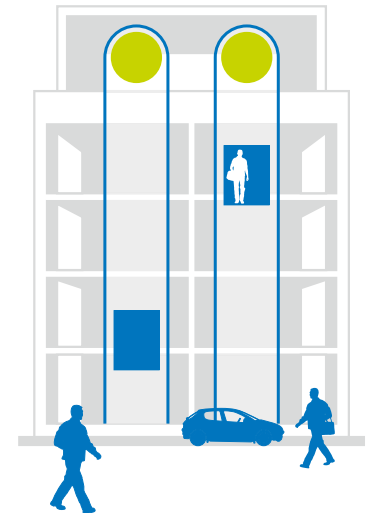
Construction services

Project management and installation services: KONE's experienced project management teams guarantee smooth coordination with all parties involved in the project. KONE's scaffold-less installation methods also save installation time and costs.



Modernization services

Equipment assessments: KONE Care-for-Life™ helps customers determine when and how to modernize equipment with thorough inspections of the safety, accessibility, reliability, energy efficiency, and appearance of a building's escalators and elevators.

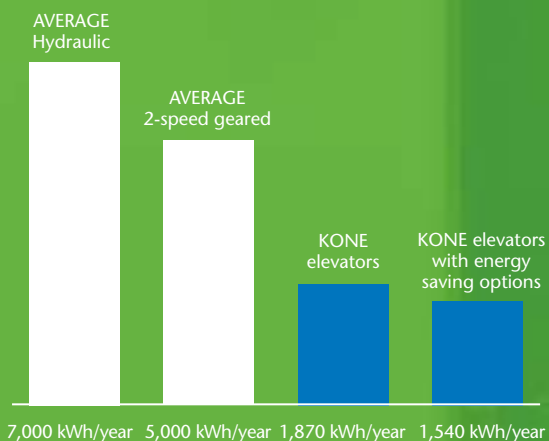


Maintenance services

Maintenance and monitoring: KONE offers maintenance and monitoring solutions that maximize reliability and safety, while minimizing downtime and costs. The 24/7 KONE Customer Care Center™ is equipped with the global KONECT system that tracks operation information, service records and technical data of the equipment.

Average energy consumption of an elevator

The KONE MonoSpace® machine room-less elevator equipped with the KONE EcoDisc® hoisting machine and KONE's latest energy-saving features consumes 50 percent less energy than a geared traction elevator, and 70 percent less than a hydraulic elevator, making it one of the most eco-efficient solutions on the market today.



The basis for the calculation is a residential elevator with a speed of 1.0 m/s (0.63 for hydraulic), a load of 630 kg (8 persons) and 200,000 starts/year.

Ambitious targets to reduce energy consumption

Dialogue between Timo Kuoppala, Skanska's Category Director, and Hanna Uusitalo, KONE's Environmental Director

Hanna: Why does Skanska emphasize environmental responsibility in its business decisions?

Timo: Built environments consume over 40 percent of the world's energy. As a leading international construction and project development company, we feel that reducing the energy consumption of the buildings we develop using environmental solutions is our responsibility.

Hanna: Did you know that the newest elevator technology is up to 70 percent more energy efficient than traditional technologies? KONE focuses on providing energy efficient solutions, and we have set a target of reducing the energy consumption of our volume elevators by 50 percent by 2010.

Timo: How can your solutions help reduce energy consumption?

Hanna: Our elevators are, for example, powered by KONE EcoDisc hoisting machines, as well as regenerative technologies that help to recover used energy. As up to 80 percent of an elevator's energy consumption occurs when the elevator is idle, we have integrated standby solutions into our elevators. Our elevators also use LED lights that consume 80 percent less energy than halogen lamps.

Environmental responsibility

Climate change creates challenges and opportunities for KONE and its business environment. We believe that providing eco-efficient solutions is a smart business decision: the current global environmental and economic situation is an opportunity for KONE to provide its customers with solutions that are both energy and cost efficient.

KONE's environmental responsibility covers the full life cycle of the products, from design and manufacturing all the way to maintaining and modernizing the equipment. KONE's life cycle analysis shows that our greatest environmental impact stems from the energy used by our products during their use.

The future global challenges affecting the construction industry and KONE will be the demand for more energy efficient products, the rise in the price of electricity, concern for the well-being of the environment and the impact of urbanization on the environment. The increasing urbanization and the need for sustainable solutions present KONE with business opportunities. Green building certificates are increasingly important, and governments will continue to develop incentives to create eco-efficient buildings. The importance of moving people smoothly and safely, while improving accessibility, has also increased.

We are pioneers in developing eco-efficient solutions in the elevator industry. With eco-efficiency we mean creating more goods while using less resources and creating less

waste and pollution. For several decades, KONE has led the way in creating innovative solutions that help to significantly cut the energy consumption of buildings. Our maintenance and modernization services help keep equipment operating efficiently throughout its lifetime.

Environmental excellence is a priority

KONE has always placed environmental issues high on its agenda. When launching its current development programs in early 2008, Environmental Excellence was selected as a focus area. For KONE, environmental responsibility is a combination of reducing the environmental impact of its own operations and offering its customers innovative solutions that are both energy and cost efficient. According to KONE's environmental statement "KONE provides safe, environmentally efficient, and responsible high-performance services, modernizations and solutions. We strive for continuous improvement in all our business activities by following or exceeding applicable laws, rules and regulations, and work with our suppliers and customers to prevent or reduce business operations related emissions and waste."

Environmental Excellence		
Key initiatives	2009 achievement	Target for 2010
We continue improving the energy efficiency of our solutions	30% reduction in volume elevators energy consumption in Europe, Asia and the Americas	Energy consumption of volume elevators 50% below 2006 values
We continue to minimize the carbon footprint of all of our operations	6% reduction of the operational carbon footprint and 4% reduction of operational carbon intensity	Annual CO ₂ e reduction of 5% of the operational carbon footprint, and 5% reduction in operational carbon intensity
Our processes fulfill and exceed ISO 14001 requirements	KONE Corporation, 100% KONE production units and targeted country organizations are ISO 14001 and ISO 9001 certified	All KONE production units and targeted country organizations certified by ISO 9001 and ISO 14001
We demand environmental excellence from our suppliers	40% of strategic suppliers are ISO 14001 certified	100% of strategic suppliers meet ISO 14001 requirements
We communicate and gain recognition as an eco-efficient company	Achieved GRI3 C level Corporate Responsibility Report for 2008 and recognized by Finnish accountants for reporting	Achieve GRI3 B level Corporate Responsibility Report

KONE's long-term environmental objectives are to further improve the energy and eco-efficiency of solutions, modernize existing elevators and escalators to be more energy efficient, and to further reduce the environmental impact of our operations, particularly our operational carbon footprint.

Energy efficient solutions

Buildings account for approximately 40 percent of the world's energy consumption, and elevators and escalators can account for 2–10 percent of a building's energy consumption. We see great potential in further reducing the impact of buildings on the environment by offering innovative and energy efficient solutions.

KONE wants to be the innovation leader in eco-efficient solutions for the elevator and escalator industry. A life cycle analysis of KONE's products reveals that KONE's greatest environmental impact is due to the energy consumed by its elevators and escalators during their lifetime.

In 2009 KONE released a range of elevators which reduced energy consumption by 30 percent compared to previous volume models. Powered by the energy-efficient KONE EcoDisc® hoisting machine, the new generation of KONE machine room-less elevators combines new regenerative solutions with standby energy saving capabilities and new lighting solutions. Read more about the energy efficiency of our products on pages 29–33.

KONE's target is to reduce energy consumption of its volume products by 50 percent by the end of 2010.

Minimizing the carbon footprint of our operations

We have set a target of a five percent annual reduction of the carbon footprint of our operations both in 2009 and 2010. Additionally, we have set a target to reduce the operational carbon intensity of our operations by five percent annually. This means that using 2006 as a base year, we aim for a ten percent reduction of greenhouse gas (GHG) emissions by 2010. In 2009 we successfully reduced our operational carbon footprint by six percent.

In 2009 we continued to focus on reducing GHG emissions from our global car fleet, which is one of the largest components of our carbon footprint. Despite the growth of our car fleet in 2009, we achieved a one percent reduction in GHG emissions, equivalent to a six percent reduction in carbon intensity. In addition, we further reduced our travel-related emissions through Project Voyager. We reached a 43 percent reduction of our carbon footprint related to air



Environmental management

KONE continuously develops innovative solutions that support sustainable urban development. We have adopted mechanisms that support continuous improvement in our solutions and operations, as well as developing internal management systems.

KONE's President & CEO is responsible for the company's environmental management. Our CEO and the Executive Board are committed to environmental excellence. They continuously demand improvements in the eco-efficiency of our solutions and operations, driving forward change.

Our CEO reviews the progress regarding environmental issues, including climate change, twice a month: both during monthly Executive Board meetings and during Quality and Environmental Board meetings. The progress reports and future plans are issued and prepared by the Senior Vice President of Technology and by KONE's Environmental Director. The Environmental Director coordinates together with environmental managers that KONE's corporate and local environmental programs are aligned and progressing. The Environmental Director is responsible for ensuring that short-term targets are ambitious in order to enable KONE to reach its long-term objectives.

Each country organization, as well as the production and business units, have an Environmental Manager who is responsible for ensuring that KONE's Environmental Policy is adhered to. The Environmental Manager is responsible for planning, implementing, and monitoring the local Environmental Excellence programs and ensuring that they are aligned with the corporate program. The environmental manager together with the unit's leadership, is also responsible for ensuring that global and local environmental requirements are complied with their respective organizations.

Internal and external environmental audits are carried out regularly. Internally, KONE conducts cross-functional audits where ISO 14001 experts from one unit assess the environmental performance of another unit. The units that have been certified also cooperate with the local authorities and KONE's global legal function, to make sure that they comply with the requirements.

travel, and virtual meeting time increased by 40 percent. Read more on page 34.

Fulfilling and exceeding ISO 14001 requirements

In addition to supporting the design of eco-efficient buildings, KONE has improved the environmental efficiency of its daily operations. By improving the eco-efficiency of our operations, we not only reduce our environmental impact, but also contribute to the bottom line of our business performance. In addition to global initiatives, we can all contribute through better "housekeeping" in our daily work – for example by saving energy and reducing waste. We save resources by doing things right the first time, which also reflects our quality thinking. Therefore, we have set the target of having all of our production units and KONE Corporation ISO 14001 and ISO 9001 certified by 2010. This target was reached in 2009, ahead of schedule. Furthermore, ten country organizations are certified and three more are in the implementation process expected to receive the certification in 2010.

The ISO 14001 certification helps to assure our customers and other external stakeholders that KONE is committed to providing high quality products and solutions that take the environment into consideration. ISO 14001 is an international environmental management standard that specifies requirements determining environmental aspects as well as minimizing harmful environmental impacts of our products and processes and fulfilling legal requirement.

The environmental excellence of KONE's suppliers

KONE expects all its partners and suppliers to comply with a corresponding level of environmental excellence which KONE itself adheres to. Therefore, in 2008 we set the target that all our strategic suppliers should meet the requirements of ISO 14001 by 2010. We want to ascertain the environmental sustainability of our supply chain while optimizing our cost competitiveness. In order to ensure that our suppliers are committed to environmental initiatives, we have implemented a Supplier Excellence Certification Program. KONE also requires that all the suppliers commit to KONE's Supplier Code of Conduct.



Additional info

Read more about the environmental responsibility of our supply chain on page 34 and about subcontractor safety on page 47. More information about our suppliers can also be found in the Economic responsibility section on page 55.

Eco-efficiency of KONE's products

KONE is an innovation leader in energy-efficiency

In 2009 KONE launched a range of elevators that consume 30 percent less energy, compared to previous volume models. This brings us one step closer to our goal of reducing the energy consumption of our volume products by 50 percent by 2010, using 2006 as a base year.

The 30 percent reduction in the energy consumption of our volume products mainly resulted from advancements in hoisting, lighting and standby solutions.

The KONE MonoSpace® elevator, incorporated with the KONE EcoDisc® hoisting machine and other energy saving solutions, consumes less than 1,600 kWh per year (see figure on page 24). Traditional hydraulic and traction drives consume 5,000 and 7,000 kWh per year respectively. This means the KONE EcoDisc consumes 50 to 70 percent less energy in comparison.

Using KONE's regenerative solutions, launched in 2009, customers can save up to 20 percent of energy for low-rise

Four ways to reduce elevator energy consumption

The energy consumption of an elevator can be reduced by utilizing energy-efficient technologies and by operating the elevator in a more efficient way.

1. Efficient hoisting

The KONE EcoDisc hoisting machine made energy-hungry DC gearless and geared hoisting machines obsolete. This permanent magnet synchronous machine, together with a vector-controlled drive system, provides the highest total efficiency and minimizes both mechanical and electrical losses. The KONE EcoDisc contains no oil.

2. Energy regeneration

When the car is descending with a heavy load (or ascending with a light load), it contains potential energy. The regenerative drive recovers this energy, saving up to 20–30% of the total energy consumed, depending on the elevator type.

3. Energy-saving car lighting

KONE elevators are equipped with modern fluorescent tubes and LED lights that can last up to 10 times longer and use up to 80% less energy than conventional lighting solutions.



4. Energy-efficient standby operation

- Automatic car light operation turns off the lights when the car is not in use and on again when the car is called.
- The power stage of the drive is set to sleep mode when not in use.
- Signalization displays are dimmed when not in use.
- The car fan is turned off when the elevator is not in use.
- Corridor illumination control automatically adjusts the light on the destination floor.

elevators, up to 30 percent of energy for mid-rise elevators, and up to 35 percent of energy for high-rise elevators. Read more about KONE's regenerative drives on page 31.

KONE has developed elevator car solutions utilizing LED lights. LED lights use up to 80 percent less energy and last up to ten times longer than halogen lights.

The KONE Polaris™ Destination Control System saves energy by optimizing traffic as passengers select their destination floor when ordering the elevator. This way the system requires smaller or fewer elevators compared to one using a conventional control system. Elevators can serve more people and more floors in a building.

Supporting green building

KONE has developed tools to estimate the energy consumption of customer-specific solutions in the design phase of each project. These tools are especially helpful for customers working on green building certified (e.g. LEED, BREEAM) projects. KONE follows the latest green building trends through its involvement in green building associations around the world.

KONE elevators have achieved excellent energy efficiency ratings in measurements performed by independent third parties. In Europe, for example KONE's MonoSpace® and MiniSpace™ elevators have received the A label as defined by VDI 4707. The VDI 4707 is a guideline published by the Association of German Engineers (Verein Deutscher Ingenieure), which aims at classifying elevators based on their energy consumption.

Internationally recognized standards are an important means of evaluating the progress in improving the energy efficiency of our products. We are focusing on the ongoing development of standards such as ISO/DIS 25745, Energy Performance of Lifts and Escalators, which will define globally agreed criteria for measurement and comparison between different technologies and products in terms of energy consumption.

KONE elevators' energy efficiency performance according to VDI 4707*			
	KONE MonoSpace	KONE MonoSpace	KONE MiniSpace
Type of building	KONE facilities**	Residential	Office
Load (kg)	1,000	630	4,000
Speed (m/s)	1	1	3
Number of floors	4	14	48
Travel (m)	14	37	167
Starts/year	37,000	110,000	290,000
Usage Category	1	2	5
Energy demand class for travel	B	A	A
Energy demand class for standby	A	B	D
Energy efficiency class	A	B	A

Energy efficiency class



Starts/year calculated using the VDI method.

*Guideline issued by the Association of German Engineers (Verein Deutscher Ingenieure)

** Energy efficiency class provided by TÜV at KONE training center, under optimized conditions



CASE

Regenerative drive improves energy efficiency

The initial investment of an elevator is only part of the total cost. KONE solutions provide a lower total cost of ownership thanks to their energy efficiency. Advanced elevator technology offers excellent opportunities for saving energy and helps keep operating costs as low as possible. A KONE regenerative drive, coupled with a KONE EcoDisc® motor, results in less costly installation, reduced energy consumption on a day-to-day basis, and significant savings over many years of reliable operation. Depending on a building's height and elevator speed, energy savings of up to 35 percent can be achieved.

The regenerative drive converts excess energy that is generated when full cars descend or empty ones ascend into the building's electrical network or grid. This re-uses braking energy that normally goes to waste. Previously, this technology was only available for high-speed elevators in high-rise buildings, but now these benefits have been brought to low- and mid-rise buildings.

In addition to significantly better energy performance, KONE's regenerative solutions offer top-quality ride comfort. The regenerative technology helps reduce the vibration of the elevator and enables more accurate floor leveling.

Life Cycle Assessments (LCA) of our products

The life cycle assessments of a typical KONE MonoSpace® elevator and KONE TravelMaster™ 110 escalator show that the greatest environmental impact of our products stems from the electricity used in operation. Electricity production has a large environmental impact because it is carbon intensive and often requires the use of fossil fuels, particularly in natural gas and crude oil. Energy production also results in air emissions, such as particulates, carbon dioxide, nitrogen dioxide and sulphur dioxide.

The life cycle assessment covers essential environmental aspects in different stages of the product's lifetime from raw material production, component manufacturing, transportation, installation, use and maintenance up to end-of-life treatment. According to the assessment, our environmental impact excludes acidification¹, eutrophication², ozone depletion³, water withdrawal, noise pollution, and impact on biodiversity.

¹ Acidification 9.79E 05 per functional unit

² Eutrophication 0.011 per functional unit

³ Ozone depletion 1.04E 08



Life cycle assessment of an elevator

The life cycle assessment of elevators is based on the KONE MonoSpace elevator, with a load range of 320–1000 kg. The estimated lifetime is 25 years with a frequency of 150,000 starts per year traveling between five floors. This elevator type represents more than two-thirds of all elevators ordered from KONE in 2009.

Approximately 80 percent of carbon dioxide emissions, 67 percent of nitrogen oxide emissions and 72 percent of sulphur oxide emissions are generated during the use of the elevator. By comparison, during material production, carbon dioxide emissions amount to 11 percent, and during component manufacturing, 5 percent of total carbon dioxide emissions. About 92 percent of total primary energy is consumed during the operational stage.

Life cycle assessment of an escalator

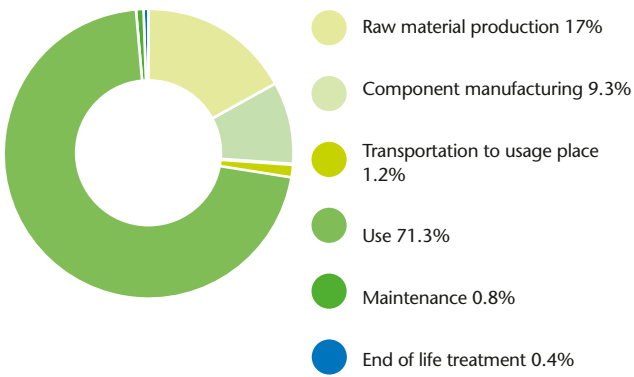
The life cycle assessment is based on an estimated lifetime of 15 years for the KONE TravelMaster 110 escalator operating 14 hours per day, 6 days per week and 52 weeks per year with an equivalent step load of 25 kg.

About 91 percent of carbon dioxide (CO₂) emissions, 91 percent of nitrogen oxide (NO_x) emissions and 86 percent of sulfur oxide (SO_x) emissions are generated during the use stage. By comparison, during material production carbon dioxide emissions are seven percent, and during component manufacturing one percent of the total carbon dioxide emissions. About 90 percent of the total primary energy is consumed during the use stage.

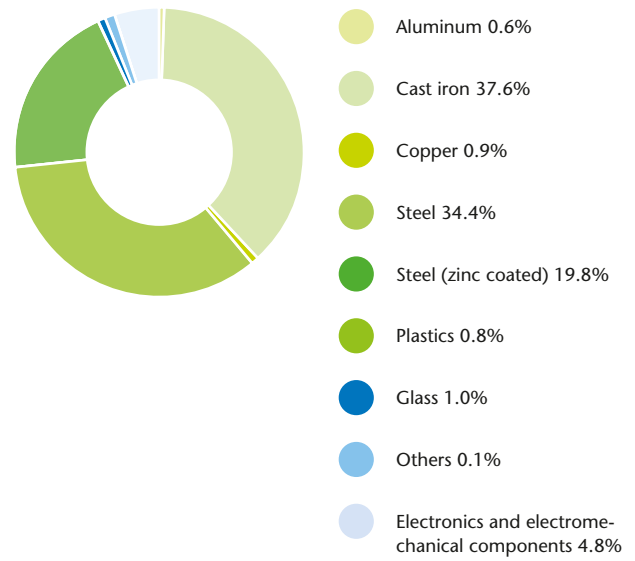


Elevator

The stage of the life cycle Eco-indicator 99 value-%

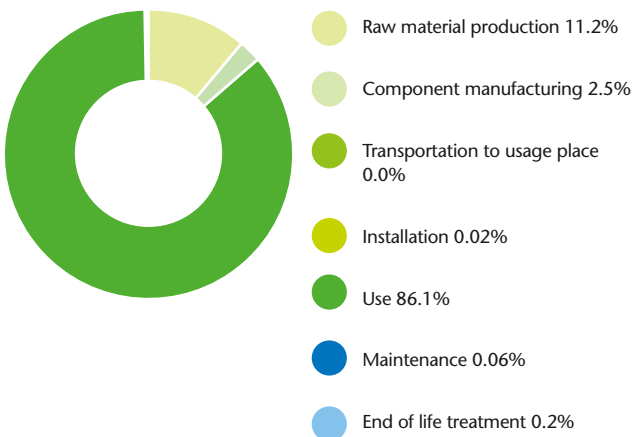


Material weight

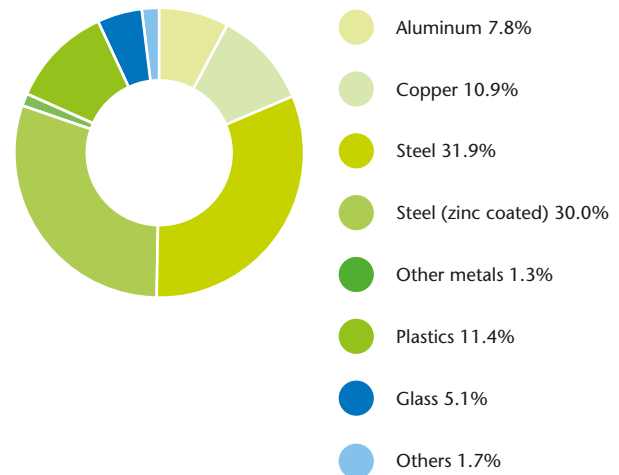


Escalator

The stage of the life cycle Eco-indicator 99 value-%



Material weight



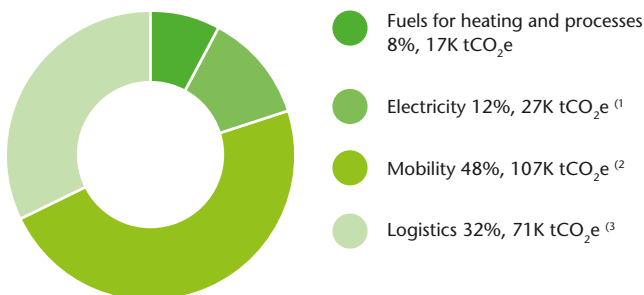
The environmental impact of KONE's operations

KONE's operational environmental work focuses on the following areas: reducing operational carbon footprint, material efficiency, as well as waste, water and hazardous substance minimization. In order to address the areas with the most significant environmental impacts of its operations, KONE has assessed its carbon footprint in 2008 and 2009. According to the 2009 assessment, KONE's global greenhouse gas emissions amounted to 2,7 M tCO₂e (million tons of carbon dioxide equivalent), of which 19 percent were generated by the production of materials used to manufacture our products, and another 72 percent by the production of electricity used to operate them over their lifetime. This result is in line with the life cycle analysis conducted on KONE's volume elevators and escalators.

The carbon footprint analysis reveals that roughly one tenth of KONE's emissions stems from its operations. In 2009 KONE's total annual carbon footprint was 222K tCO₂e (2008: 236K). With 94K tCO₂e (2008: 95K) in 2009, the major source of carbon emissions was our vehicle fleet, which is used by our service technicians. The other major components are our logistics network (71K tCO₂e), electricity consumption (27K tCO₂e), air travel (13K tCO₂e) and fuels for heating and processes (17K tCO₂e).

KONE has set a target to reduce its operational carbon footprint by five percent annually and to achieve a five percent reduction in operational carbon intensity. In 2009 we reduced our carbon footprint by six percent (14K tCO₂e), and the operational carbon intensity (compared to the number of KONE personnel) declined four percent. We consider this to be an excellent achievement. The reduction has been achieved by implementing programs that aim to improve the eco-efficiency of our car fleet, by reducing electricity consumption, rearranging packaging and logistics practices, and by reducing company air travel.

KONE's operational carbon footprint 222K tCO₂e, 2009



¹ Carbon footprint reduction of electricity per person was 12%.
² Carbon footprint was reduced by 6% per vehicle. Carbon footprint of air travel and commuting was reduced by 42% per person.
³ Carbon footprint of the logistics per unit produced remained at 2008 level.

Reducing vehicle fleet emissions

Altogether 42 percent of KONE's operational greenhouse gases are emitted by the vehicle fleet used by maintenance and service personnel. In 2009 our maintenance fleet consisted of 13,300 (2008: 12,800) vehicles emitting 94K tCO₂e.

To reduce vehicle fleet greenhouse gas emissions, KONE initiated Project O₂xygen in 2008. The project continued as the Eco-Safe Driving program in 2009. The program has three different focus areas: a car policy requiring low-emission cars as well as driver rights and duties, the harmonizing and optimizing of the global vehicle fleet, and promoting safe, efficient and economical driving as well as route optimization.

In 2009 KONE reduced its vehicle fleet's greenhouse gas emissions by one percent globally, five percent per car, or a six percent reduction of carbon intensity of the service car fleet. This was an excellent result as the number of cars and kilometers driven increased in 2009. We are targeting an ambitious five percent annual emission reduction per vehicle in 2010–2012.

Eco-efficient delivery network

Logistics account for 71K tCO₂e, or 32 percent of KONE's carbon footprint. KONE continues to further develop an eco-efficient delivery network, which aims to ensure cost effective, eco-efficient delivery of materials and elevator modules to its production units and distribution centers. These same principles are used to deliver KONE products to customers. KONE is improving its reporting practices, implementing more efficient concepts and eliminating unnecessary transportation as well as considering environmental aspects in packaging. We have optimized transportation distances to minimize CO₂ emissions, by starting to use railway in our delivery network, and we aim to minimize airfreight in order to decrease CO₂ emissions. We also favor logistics service providers with ISO 14001 certificates and environmental programs. Efforts have been made to improve the space utilization ratio in loading and to reduce the use of packaging material and the volume of packages.

Local environmental work

The environmental programs of KONE's production units focus on energy and material efficiency as well as minimizing waste and hazardous materials of the production units and facilities. We also pay attention to office and production lighting, as well as optimizing production processes.



CASE

5S aims to make work more efficient

At the first half of 2009, all of KONE's elevator and escalator production units implemented the 5S as the first step of a more efficient supply chain. The name 5S comes from the five words "sort, stabilize, shine, standardize and sustain" and deals with simple improvements in daily routines that help make work easier, safer and more efficient with better quality. Implementing 5S is the first step of Lean Manufacturing, which was originally developed at Toyota's automobile factories in Japan. The Lean Manufacturing program is not merely a one-time restructuring project but it calls for continuously addressing problems by finding solutions that are practical and simple to implement.

"The 5S program is a good starting point for implementing Lean Manufacturing principles," says Juha Räisänen, Head of KONE's Supply Operations. "With Lean Manufacturing the purpose is to make operations more efficient by eliminating processes that are not creating value for the customer. This in turn makes our operations more competitive".

In the production units, 5S means organizing work properly and making sure that all tools are in the correct place in order to maintain an efficient working environment. The 5S program also emphasizes cleaning up work stations regularly to keep them tidy. As the final "s" – "sustain" – implies, a key element of the program is also to ensure that the improvements made in the program are upheld. 5S has already created more efficient working methods while eliminating the need to rush. This has resulted in a safer and less-stressful working environment.

The carbon footprint that results from the use of electricity comprises both electricity consumption and the carbon intensity of electricity production. The production of the electricity used in offices, warehouses and production facilities accounts for 12 percent of KONE's carbon footprint.

KONE's key country organizations have committed to specific energy consumption and carbon intensity targets (carbon intensity of electricity consumption reduced by eight percent). For example, KONE's Finnish country organization aims to reduce the electricity consumption of its facilities by nine percent by 2016, using 2008 as a base year. KONE's German country organization, in turn, has signed a 100 percent renewable energy contract with its energy supplier. In total, 12 percent of electricity used in our operations comes from renewable sources.

Virtual meetings reduce air travel

Air travel accounts for six percent of KONE's carbon footprint. In 2008 KONE initiated Project Voyager, which tackles greenhouse gas emissions resulting from air travel. The project aimed to reduce air travel by favoring virtual meetings, and in cases where travel is necessary, by carefully planning travel schedules in advance. In 2009 the project continued as part of the KONE travel program. In 2009 air travel-related GHG emissions were reduced by 43 percent. KONE encourages use of virtual meeting tools. Virtual meeting time increased by over 40 percent, resulting in a 10K tCO₂e reduction.

KONE focuses on material management and waste optimization

In 2009 KONE used 155K tons of materials for producing its elevators and escalators.

We focus strongly on material management and the optimization of our own operations. KONE's foremost goal is to reduce waste from as early as the product development stage. KONE also aims to reduce waste in its manufacturing and offices, through reduction at the source, reuse and recycling, or by sending waste to incineration.

Waste is always handled in local KONE organizations according to applicable laws and regulations. We aim to be as material efficient as possible, which means that KONE intends to go beyond what is required by law. Only two percent of the waste generated by KONE's global supply line, which comprises ten engineering and production sites, is sent to landfill. The remaining 98 percent is recycled or taken to incinerators.

The water consumption in KONE's production and maintenance processes is minimal. KONE uses municipal water, and waste water is released into community waste water treatment systems that fulfill local regulations. Water used in our production and our office facilities totaled 277K m³.

Water use was reported for the first time in 2009 and therefore we assume that the value is underestimated.

Highly recyclable materials

At the end of its life cycle, an elevator is dismantled and approximately 55 percent of the material weight can be sorted and reused without pre-processing. The additional end-of-life treatment of an elevator is multimetal scrap recycling. The metals, which make up approximately 93 percent of an elevator and 82 percent of an escalator's material weight, are recyclable. When metals are recycled, there is a clear reduction in environmental impact, primarily because recycling of metals lowers the demand for primary metals as raw materials. Plastics are used for energy recovery or land-filled. Packaging for our products includes wood (77%), cardboard and paper (11%), plywood (9%) and plastics (3%). These materials can be recycled or used for energy recovery. KONE also focuses on using wood, cartonboard and paper materials from sustainable sources and provides customers with origin of wood certificates upon request.

Hazardous materials are treated with care

KONE elevators are mainly composed of steel and cast iron. In order to fulfill our safety requirements towards our employees and our customers, we maintain and continuously update a list of restricted substances.

An elevator includes a lead battery which, depending on the selection of lighting, may include standard fluorescent lamps that contain mercury. Both require that a dismantling and hazardous waste management procedure is followed. The KONE EcoDisc® elevator hoisting machine contains no oil. Electronics and electromechanical components can be serviced and recycled, or the waste is collected and treated separately at a local certified electronic waste treatment facility.

Our products do not contain asbestos, lead or cadmium pigments in paints, condensators containing PCBs or PCTs, ozone layer depleting chemicals such as CFCs and chlorinated solvents, or mercury, in other applications than lighting and batteries, nor cadmium stabilizers in plastics. All these are listed on KONE's list of restricted substances.

KONE complies with EU's REACH regulation. KONE is considered a downstream user, and is not categorized as a manufacturer or importer of chemicals. KONE also voluntarily complies with RoHS, that is KONE restricts the use of six hazardous materials in the manufacture of various types of electronic and electrical equipment used in elevators and escalators. All waste consisting of electro-mechanical components from our products are collected and treated separately. Over recent years KONE has placed special emphasis on reducing volatile organic compounds (VOC) content of its products and processes.

KONE environmental data 2009

Material used, tons			
Activities	Materials	2009*	2008*
Manufacturing	Metals (Steel, Aluminium, Copper)	131,000	147,000
	Glass	1,400	1,600
	Plastics	1,100	1,200
	Misc.	6,900	7,800
Packaging	Wood	12,600	14,200
	Cartonboard	1,600	1,800
	Plastics	400	400
Office consumables	Paper	500	600
Total		155,500	174,600

* Calculation is based on manufactured product data (2009: 49 K units and 2008: 55 K units) and LCA information.

Energy consumption				
Activities		Units	2009	2008
Direct	Heating Fuel	liters	538,000	683,700
	Natural Gas	m ³	4,357,000	3,422,200
	Service cars fuel consumption	liters	37,000,000	37,136,300
Indirect	Electricity consumption	kWh	64,704,000	90,834,200

GHG emissions, tCO ₂ e			
Activities		2009	2008
Direct	Fuels for Heating & Manufacturing	15,000	9,700
	Gases for cooling systems	2,000	1,000
	Car fleet	94,000	94,600
Indirect electricity	Electricity consumption	27,000	29,600
Other relevant indirect	Air Travel	13,300	23,300
	Employee commuting	9,700	12,400
	Logistics	71,000	77,900
	Production of materials for products	518,000	648,300
	Waste	1,000	700
	Energy during the lifetime use of products	1,974,000	1,701,900
Total		2,725,000	2,599,400

Waste, tons		
	2009	2008
Recycling flows	27,400	42,300
Incinerators	4,700	3,300
Landfill	1,660	1,150
Hazardous	2,160	-
Total	35,900	46,750

Water consumption, m ³		
	2009	2008
Total	280,000*	-

* This is the first occurrence of water measurement. Accuracy will increase with the next occurrences of this report.

The collected environmental data represents 76 percent of all employees at KONE. The data was collected from all KONE's 10 production centres, and in 14 major country organizations with sales, installation and service operations. The 10 production centres form KONE's global supply line and thus represent a fully global perspective. The 14 reporting country organizations represent KONE's Asian, European and Americas customer related operations.

The aim was to collect data concerning the entire operations of the reporting units. Sometimes due to the number of branch offices in the larger countries, a sample of units was used and then extrapolated to 100 percent using the specific and relative background drivers of the corresponding reporting organization. The data collected from the reporting organizations was then extrapolated for the entire KONE organization.

The carbon footprint assessment was performed in compliance with the GHG Protocol reporting standard and guidelines by a third party.

Additionally, all product-related data is founded on the Life Cycle Assessment (LCA) of the KONE MonoSpace® elevator and the KONE TravelMaster™ escalator. The LCA has been carried out by a third party and were applied in compliance with the requirements of the ISO 14040 and ISO 14025 standards. The shares of the total environmental impacts of the life cycle stages have been calculated using the Eco-Indicator 99 method. The Eco-Indicator 99 method is a commonly used application for environmental impact assessments.

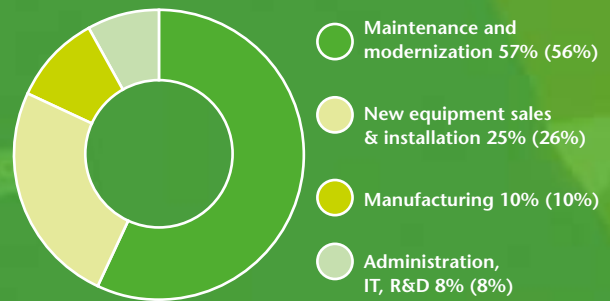


Outstanding
performance
through inspiring,
engaging
and developing
our people

Employment for nearly 34,000 people

Approximately 11,000 of KONE's 34,000 employees work in the field, keeping the equipment running as smoothly and safely as possible.

Employees by job category 2009 (2008), %



Dialogue between Salvatore Bono, KONE supervisor, and Alfio Filetti, KONE service technician

Salvatore: Do you feel that your daily tasks challenge and interest you?

Alfio: Yes, my job is extremely interesting and engaging. I feel that my job challenges me to perform my best and it repeatedly offers me with new learning opportunities. I also enjoy interacting with customers and colleagues.

Salvatore: Do you feel that you understand our People Flow™ strategy in delivering the best end-user experience?

Alfio: Yes, I understand KONE's People Flow strategy, but how do I, as a service technician, deliver the People Flow experience?

Salvatore: KONE's reliable and skillful professionals play a key role in delivering the best People Flow experience every day. For example, if elevators or escalators are out of operation in a retail center, hotel building or in a stadium, this can cause considerable inconvenience to the end-users and to our customers.

Personnel

KONE has nearly 34,000 employees in approximately 50 countries worldwide. It is our objective to provide all our employees with fair treatment, equal opportunity and a safe working environment, as well as to make KONE a great place to work.

The aim of KONE's personnel strategy is to help the company reach its business targets. To do this, KONE needs to attract, retain, lead, and develop the right number of people with the right set of competencies and attitudes to support KONE's current and future business requirements. We must ensure a shared understanding of our business objectives and operating values, a safe and motivating working environment, as well as an inspiring leadership style. We offer our people versatile opportunities that support personal growth and career development. A significant portion of our employees have long tenures with KONE. Personnel key figures are presented on page 45.

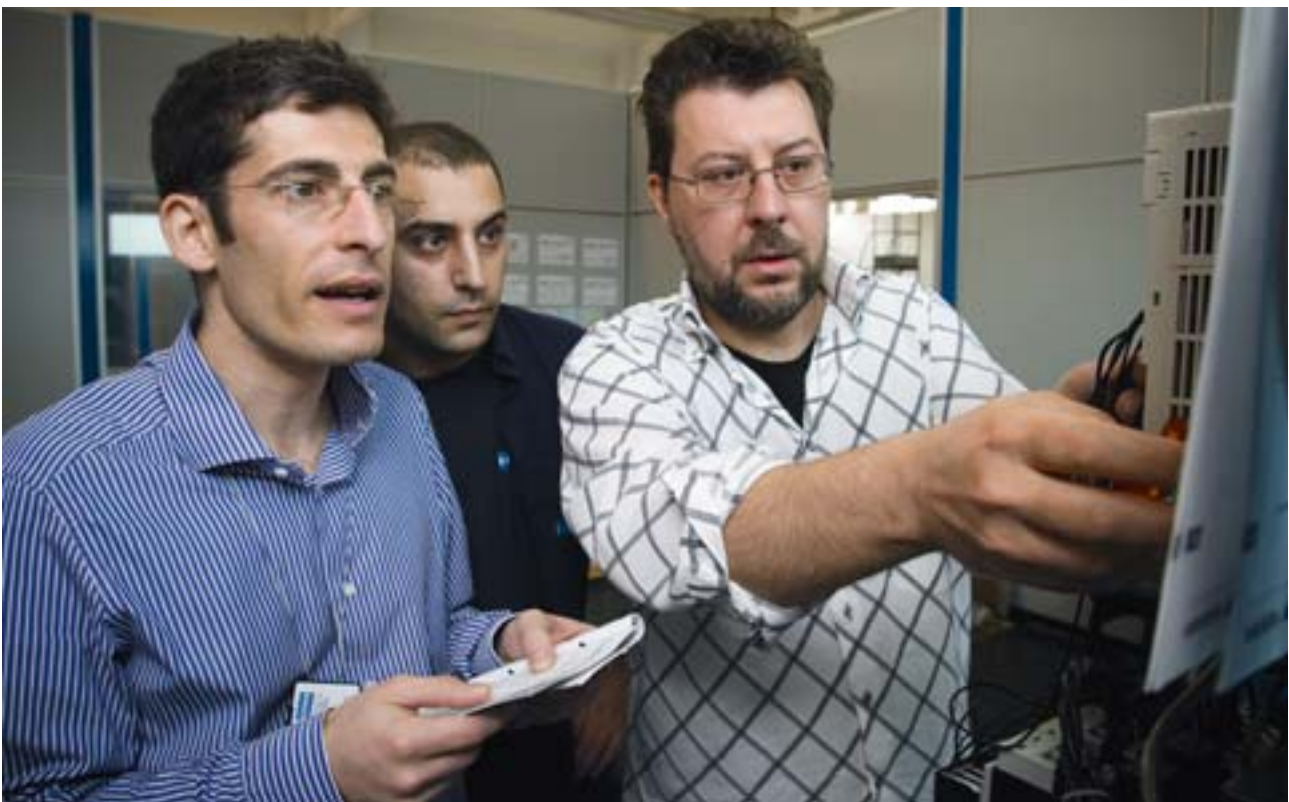
Learning and development

To succeed, KONE will continue to invest in personnel development. We believe that learning first and foremost happens on the job and in collaboration with co-work-

ers. In addition, people can expand their experience and competencies by taking on new projects or by job rotation. Learning can also take place through formal training programs. KONE's global training programs are designed to strengthen common operating models and to promote collaboration and cross-cultural knowledge-sharing. The content of each program is aligned with KONE's strategy.

Despite the challenging economic climate which prevailed in 2009, KONE continued to make further financial investments in personnel development. We believe that our employees are key to our future success.

To achieve its business goals, KONE must know what competencies are needed globally and what possible gaps exist in these competencies. In 2009 KONE finalized a role definition process where 170 different generic role descriptions were defined. Each role has an assigned set of compe-



tencies, which are deemed necessary to successfully carry out the role's responsibilities. KONE has identified a set of 27 generic competencies, such as customer focus, cross-cultural awareness, interpersonal sensitivity, environmental awareness, and openness to ideas.

We have also defined six leadership competencies: decision making, executing, winning through people, collaborating, business acumen and customer focus. These leadership competencies have been integrated into our leadership assessment practices and tools. Our global learning programs aim to close any competency gaps compared to the defined leadership competencies.

People Leadership development program aims to lift leadership skills

In 2008, KONE selected People Leadership as one of its five strategic development programs. This development program aims to improve our leadership capabilities to inspire, engage and develop our people for outstanding performance. As part of the People Leadership development program, KONE has introduced two global training programs: the Supervisor Development Program and the Leadership Lift training program.

The Supervisor Development Program is a formal training program for supervisors. As a majority of KONE's supervisors have risen through the ranks, few have received formal managerial training. This means that while they have in-depth technical knowledge, they often lack leadership practices to support them. The program aims to enable supervisors to lead their teams more efficiently. This in turn results in more effective working methods. The program is built around six modules that focus on basic management and leadership skills. In 2009, the first three modules were run for almost 2,500 supervisors and modules 4–6 were introduced to pilot groups. To gain the best learning results, we organize refresher modules as a part of the program.

In 2009 KONE introduced the Leadership Lift training program for top management. The training program is conducted in collaboration with the IMD (International Institute for Management Development) business school in Lausanne, Switzerland. So far, five rounds of training have been completed for over 200 participants. Both the Supervisor Development Program and the Leadership Lift program will continue in 2010.

Engaging employees

Employee engagement is highly valued at KONE. We believe that truly engaged employees are more productive, dedicated, and conscientious; they are more willing to stay with an organization and can go through periods of change and stay highly committed. Engagement can be defined as a combination of perceptions, attitudes, and behaviors that center around satisfaction, pride, commitment, as well as advocacy and referral.

To reach its business targets, KONE needs to attract, retain, lead, and develop the right number of people with the right set of competencies and attitudes.

Open and timely communication with employees

Understanding the company's strategy is one of the key elements driving employee engagement. KONE promotes active dialogue with its employees to ensure that all KONE people understand the company's strategic direction and their role in executing the strategy. Employees are encouraged to participate in workshops and team events to define actions to reach the required business targets. Unit heads, leaders and managers have the responsibility to ensure that all action plans have a clear connection to the corporate strategy and development programs. The personal contribution of each employee to the strategy's execution is discussed, agreed and reviewed in annual performance development discussions and individual target setting.

Open and timely communication is also an important element supporting engagement. In June 2009, KONE launched the new global intranet, which is an efficient online channel sharing company information with employees all around the world. Over 160 employees globally were trained to edit and update the information, and roughly 12,000 employees are using the service on a weekly basis. In addition to the global intranet, the new platform also integrates local intranet sites. In 2009, the Dutch, Finnish and Australian intranets were integrated to the same system, including channels offering unit specific information in local languages. In 2010, the rollout of the local intranets will continue in over 30 countries.

KONE also publishes internal employee magazines and newsletters on both global and local levels. In 2009, KONE published three editions of the global internal Move magazine in nine languages. The distribution for each magazine was 34,000 copies.

Since 1993 we have organized an annual Employee Forum that brings together management and employee representatives to discuss issues ranging from safety to outsourcing. In 2009, the theme was quality and 21 employees from 15 European countries participated. A smaller working group meets more often, 3–4 times a year, to ensure continuous consultation and communication on important developments affecting the personnel.

KONE regularly tracks employee satisfaction

KONE regularly measures how satisfied employees are with KONE as a workplace. In 2009, KONE initiated the fifth employee survey, KONE Pulse. The survey was conducted in 25 languages and included results from approximately 24,200 employees. The response rate was 73 percent, which is ten percent higher than the previous year.

The KONE Pulse survey helps KONE measure employee engagement and gives an opportunity for employees to provide input into business planning, management decision making, and company strategy development. It also offers insight into how KONE's core values are embraced throughout the company. Results are analyzed and discussed on a team-level to set targets for improvement.

The main segments of the survey are: employee engagement, leadership, culture and values; strategy and change; communication and collaboration; customer; growth and development, and job satisfaction. We also ask if people see actions taken based on the previous survey.

The highest scores in last year's survey relate to KONE's approach to safety and the way our strategy was internally communicated, as well as to involvement and confidence in the future. The greatest room for improvement was considered to be a follow-up from previous surveys and cross-functional collaboration.

Improving organizational performance

Since July 2007, KONE has conducted over 1000 exit interviews with full-time employees in 22 countries. The purpose of these interviews is to collect feedback on KONE as an employer and to understand the reasons behind an employee voluntarily leaving KONE.

The top-three reasons for leaving have been career advancement opportunities, better salary and non-work related reasons that are personal in nature. KONE uses the information provided in the exit interviews to improve staff retention and working climate. The exit interviews also give us information about the success of the recruitment process and help to improve organizational processes, job design, remuneration, as well as career planning and development.

Performance discussions

To ensure KONE business objectives are met now and in the future, and to encourage and support development of our employees, we conduct annual performance discussions. Our performance discussion process is a planned and well-prepared discussion between the manager and the employee. Performance discussions include three parts: goal setting, performance appraisal and an individual development plan.

Our goal is to have two performance discussions annually. The first focuses on goal setting, performance appraisals,

The purpose of the individual development plan is to ensure professional and personal growth.

and reviewing the individual development plan. The second phase acts as a mid-year progress review with follow-up, coaching, as well as expanding upon previously set goals and ensuring their relevance. There is also a strong focus on the individual development plan. The purpose of the individual development plan is to ensure professional and personal growth, while also securing competent resources for KONE's future needs.

In 2009 we also initiated a project to replace the traditional paper-based process with an online tool called the People Leadership Tool, which will be used to document performance discussions globally by 2011.

Insight on personal leadership performance

To develop self-awareness of their leadership practices, managers and supervisors, including the CEO and KONE's Executive Board, conduct a 360 degree survey every second year. The survey has been tailored around KONE's values and leadership competencies. It functions as a tool for self-reflection, as it allows the individual to gain feedback and insight on their personal leadership performance from their direct subordinates, immediate supervisors and peers. The survey can be conducted at any time most convenient for the manager in question.

KONE prepares for succession

KONE carries out an annual leadership and talent review process to ensure that resources are allocated in the right way to meet current and future business needs. In this process, we evaluate our management, identify successors, plan for career development and identify potential candidates for future management positions. KONE aims to have the best possible professional in each position.

The Total Reward Framework aims to motivate and engage personnel

The aim of KONE's reward solutions is to motivate employees by strengthening their daily engagement and long-term commitment to KONE. We want to reward excellent performance and value-based behavior and actions that are aligned with our strategy and which contribute to KONE's success. KONE's remuneration practices aim to be fair and consistent.



KONE

CASE

Lifting the leadership skills of supervisors

As part of our People Leadership development program, in 2008 KONE introduced a formal training for supervisors called the Supervisor Development program. The aim of the program is to lift the leadership skills of KONE's supervisors. One of the countries where the Supervisor Development Program has proved extremely successful is India. By 2009, 300 supervisors had undergone modules 1–3 of the program. In 2010, KONE's unit in India plans to implement modules 4–6 and all new supervisors will be expected to go through the program.

"Thanks to the program, supervisors are able to inspire, effectively communicate and coach their subordinates. The program has also been helpful in bridging the competence gap between young and more experienced supervisors," says HR Manager, B. Natarajan.

The program has received positive feedback from our supervisors. "I joined KONE as a trainee for servicing lifts, and subsequently was promoted as route engineer. I had no experience of managing a team," says route engineer S.H. Aseef. "The training program has improved my leadership skills and within a few months, I could see an improvement in my team's productivity. I am glad that KONE provides appropriate training that enables me to utilize my full potential," adds Aseef.

KONE's reward practices are designed to attract, retain, motivate, and engage the best talent. The Total Reward Framework has been developed for this purpose. In addition to base pay, variable pay and benefits, the framework includes aspects such as employee recognition, competence development, empowering leadership as well as flexibility, trust and respect.

The best talent helps us reach our business targets

In addition to developing KONE's existing talent pool, the company must also focus on recruiting the best talent. Our six different leadership competencies have been integrated into the recruitment and promotion processes.

To support resourcing, KONE has introduced a global resourcing system, which enables line managers to manage recruitments online. Current employees can apply for the open positions, as well as leave open applications in the global database. The tool has now been adopted by all countries, excluding Germany.

Attracting new talent secures our future success

Although KONE always wants to ensure career development opportunities for its current employees, KONE also actively seeks external candidates for key positions in order to ensure that we continuously renew the way we approach our business operations.

KONE aims to be visible in the eyes of potential employees by employer branding actions conducted on both global and local levels. Active collaboration with local schools and universities is important to make sure that we obtain the best talents, and to ensure they are interested in KONE as an employer.

Every year we offer students and graduates opportunities to work on interesting projects abroad through our International Trainee Program (ITP). Most KONE internships require studies in business, engineering, information technology, or law, but there are also positions for students from other disciplines. The internship lasts for approximately six months, and it is an excellent stepping stone for a career at KONE. In 2009 ten trainees participated in the program, while in previous years we have had on average 30 trainees.

Closer to our customers

KONE aims to have a flexible organization that can respond quickly to change. Therefore in 2009, KONE implemented a program called Agile KONE in Europe. The purpose of this program was to increase the speed of decision making and to take management closer to the customer through a flatter organization and wider span of control. The program has resulted in a more uniform organizational model and a better transfer of knowledge. The program was estimated to decrease approximately 500 jobs globally. A majority of this decrease has already been completed.

KONE is committed to creating an environment of equal opportunity that prohibits discrimination of any type.

Diversity is accepted and valued

At KONE, diversity is accepted and valued. KONE is committed to creating an environment of equal opportunity that prohibits discrimination of any type – all decisions regarding an individual employee shall be based on arguments of merit, meaning that factors such as age, sex or ethnic origin are considered irrelevant. Employees should be placed in positions that are best suited to their capabilities.

In order to find out how career opportunities appear for women working at KONE, we conducted a glass ceiling study in three countries in 2005. The results showed that although the share of women in some units and functions was fairly high, women were mostly working in support, administration and specialist functions. In addition, the number of women in KONE's talent pool was low.

After this study KONE stated a goal of increasing the amount of women in management teams by 50 percent by the end of 2009. This goal was achieved ahead of schedule, and women currently account for some 19 percent of KONE's management teams compared to nine percent in 2005.

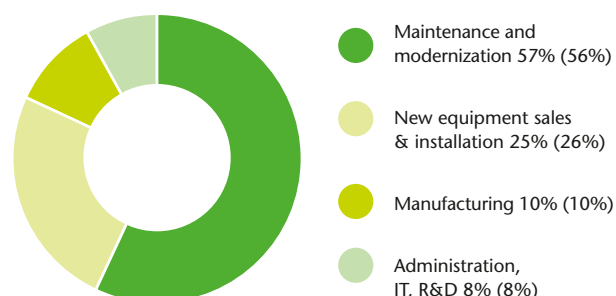
KONE's Board of Directors is diverse

KONE's Board of Directors comprise of individuals with very different backgrounds and experiences. The Board includes individuals with expertise in areas such as politics, business, engineering and the Finnish Defense Forces. Of the total of nine members, three are women. The youngest board member was born in 1984, while the oldest was born in 1939. The Board represents the kind of diversity we strive to have across the organization.

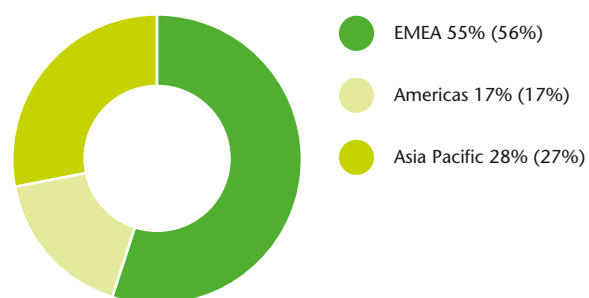
Personnel key figures

Personnel Dec 31, 2009 (15 largest countries)		
Country	2009	2008
United States	4,377	4,603
China	3,781	3,560
France	3,722	3,863
India	2,843	2,913
Italy	1,932	1,863
United Kingdom	1,813	2,094
Finland	1,703	1,780
Germany	1,579	1,584
Australia	1,111	1,159
Netherlands	1,001	1,034
Spain	987	1,067
Canada	825	823
Sweden	797	815
Russia	717	622
Belgium	693	729

Employees by job category 2009 (2008), %



Employees by market 2009 (2008), %



Personnel (%) by years of service Dec 31, 2009				
Country	0–5 years	6–10 years	11 years and above	Total Year-End 2009
United States	49.2	16.8	34.0	100.0
China	77.7	16.8	5.5	100.0
France	50.4	17.3	32.4	100.0
India	74.3	9.0	16.6	100.0
Italy	26.9	14.9	58.3	100.0
United Kingdom	58.1	17.4	24.5	100.0
Finland	34.3	18.2	47.5	100.0
Germany	23.4	16.4	60.1	100.0
Australia	48.5	21.6	29.9	100.0
Netherlands	36.5	16.0	47.6	100.0
Spain	23.0	11.9	65.1	100.0
Canada	77.6	12.8	9.6	100.0
Sweden	37.7	11.2	51.1	100.0
Russia	39.9	15.4	44.7	100.0
Belgium	37.0	18.1	45.0	100.0

Average length of service Dec 31, 2009	
Country	Average length of service (years)
United States	9.4
China	3.3
France	9.8
India	5.5
Italy	13.7
United Kingdom	7.5
Finland	12.5
Germany	15.4
Australia	8.4
Netherlands	12.8
Spain	14.8
Canada	5.95
Sweden	15.5
Russia	11.6
Belgium	13.1

Workplace safety

At KONE, safety has always been a high priority area. We strongly believe that each employee has the right to return home injury-free after each workday. Therefore, KONE has zero tolerance towards unsafe behavior and attitudes.

KONE's goal is to protect the safety and well-being of all its employees and others affected by its products and services. KONE has a Global Business Policy for Safety to ensure that all KONE business activities are organized in a globally harmonized and structured way to enable work to be conducted in a professional and safe manner. This applies to all our employees and subcontractors.

The ultimate target is zero accidents

In 2009 KONE had an industrial injury frequency rate (IIFR) of 5.2 lost time accidents per million man-hours, which is a 13.3 percent reduction compared to 2008. For 2010 our target is an IIFR of 4.4. Our ultimate target is to have zero accidents.

Managing of safety at KONE

We believe that there are no compromises when it comes to safety. We must continuously keep safety on top of our agenda and be constantly reminded to prevent complacency. The managing director or head of a unit is responsible for ensuring the effective implementation of the local safety policies incorporating global policy requirements within their unit and that competent resources are made available. Violations of the Safety Policy may result in cor-

rective and/or disciplinary action as deemed appropriate. Subcontractor violations may result in removal from site and termination of cooperation. Every unit has a person fulfilling the role of a safety manager.

Learning from accidents and near-miss incidents

KONE views safety as an outcome of mindset and activities and strives for continuous improvement in safety culture. To improve KONE's safety performance, the company continuously monitors and investigates both accidents and near-miss incidents. Preventative and corrective actions are devised to ensure they are not repeated. Learnings are shared through the safety managers to the entire organization.

Findings and lessons learned from near-miss incidents and accidents are also shared in KONE's quarterly Global Safety Network Meetings, which are conducted virtually. These safety meetings are led by KONE's Head of Safety and they are mandatory for all unit safety managers. The meetings are often attended by managing directors and key people from global functions. Items on the agenda include reports of serious incidents, near-miss incidents, and injury rates. The meetings also act as a forum for sharing best practices and discussing issues from other areas of KONE that are strongly linked to safety.

Serious incidents are reported to local management and Executive Board levels without delay.

KONE trains employees on safety

All employees at all levels of the organization must have the competence needed to suit their role and to ensure that they can perform their work in a professional and safe manner. In practice, this means that the minimum requirement

IIFR development					
2009	2008	2007	2006	2005	2004
5.2	6.0	7.5	8.4	8.7	11.1

Occupational safety is measured continuously by the industrial injury frequency rate (IIFR). IIFR is the number of lost-time injuries that result in an absence from work of more than one work day or shift per million hours worked.

for all KONE employees and subcontractors is a general level of training in health and safety, which must be regularly refreshed. Additional training relating to respective work roles and tasks must be completed.

Monitoring compliance with the Safety Policy

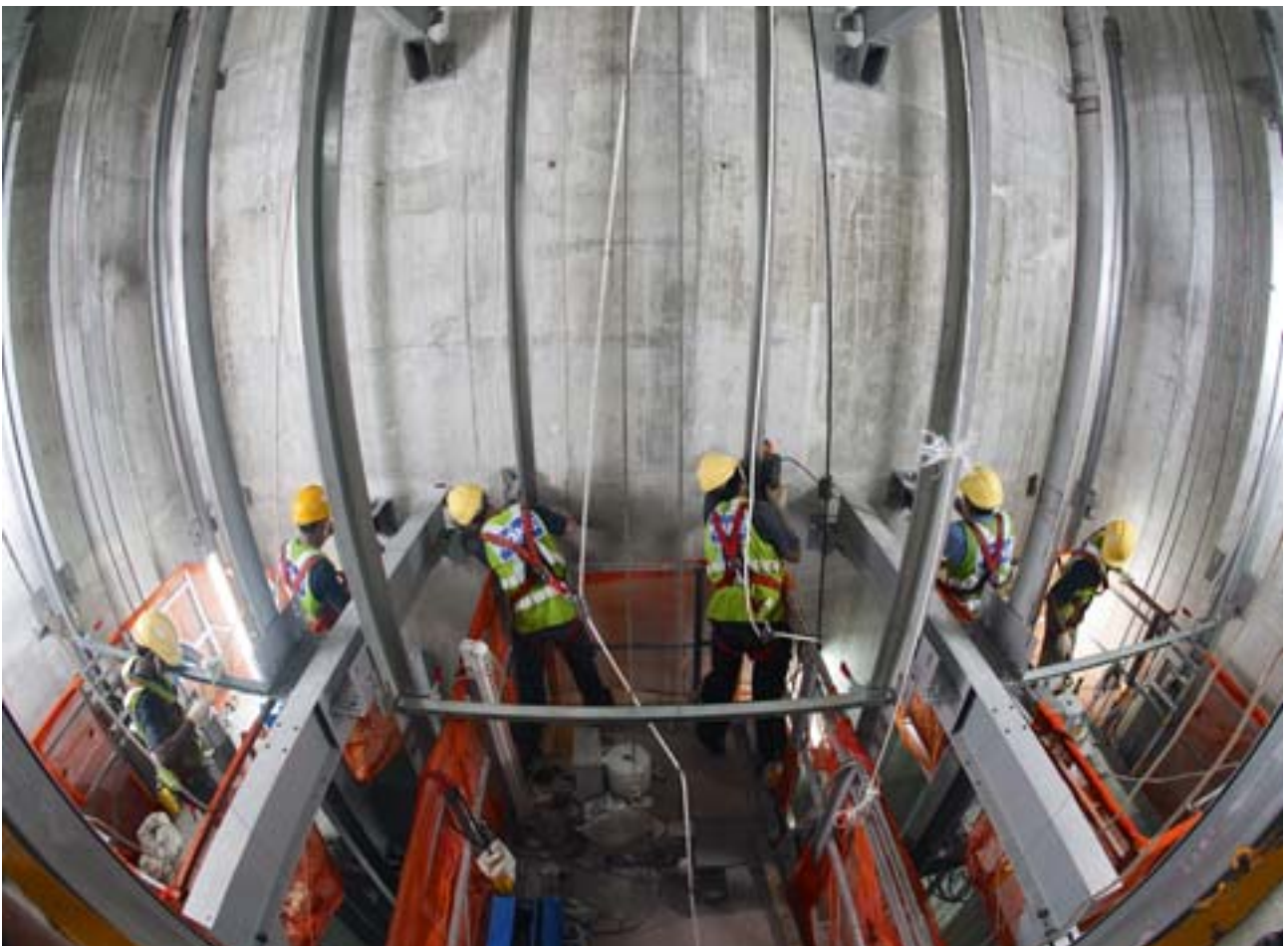
The unit Safety Manager performs safety audits and inspections to ensure compliance to safety policy requirements, to identify best practices, and to areas in need of improvement. Participation of the unit's senior management team in a minimum of one workplace safety inspection or audit per year shows a strong commitment to workplace safety.

KONE's Global Safety function performs support visits and audits to ensure the compliance of the unit's safety management. The focus of these audits is to identify potential safety risks. The processes and procedures of each unit are carefully reviewed and areas of improvement are identified. The audit team helps facilitate, plan and prioritize the necessary corrective actions.

KONE's goal is to protect the safety and well-being of all our employees and others affected by our products and services.

Subcontractor management

We have the same level of requirements for the safety of our subcontractors employees as with our own employees. Our subcontractors use the same KONE tools, equipment and methodology for installation and maintenance.



KONE class B share price development

KONE Corporation class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland. During the 2009 financial year the price of the class B share rose 87 percent, from EUR 16.03 to EUR 29.96.

Jun 1, 2005–Dec 31, 2009, EUR



■ KONE class B share

■ OMX Helsinki Industrials Index

■ OMX Helsinki Cap Index

Creating an economic edge for our stakeholders

Dialogue between business students from the University of Tampere and Henrik Ehrnrooth, KONE's CFO

Students: Corporate responsibility is an increasingly hot topic. Do many investors ask about how it is managed at KONE?

Henrik: There has definitely been an increasing interest towards responsible business practices. Investors are interested in key performance indicators and topics such as injury rates, environmental issues, suppliers, training, management commitment, and our targets for corporate responsibility.

Students: So what exactly does responsibility mean for KONE, from an economic perspective?

Henrik: Economic responsibility for KONE means creating value for its shareholders as well as an economic advantage for its customers, employees, suppliers, and other stakeholders. We believe that the best way to achieve this is by a continuous and systematic development of our competitiveness in order to achieve sustainable and profitable growth in the long term. We believe that megatrends, such as urbanization, changing demographics and the increasing importance of safety offer us new business opportunities.

Economic responsibility

KONE's foremost economic responsibility is to create value to its shareholders through profitable growth. Creating value for shareholders sustainably is achieved by delivering an economic advantage for customers and other stakeholders.

The systematic work in our development programs drives our competitiveness. This enables KONE to become a more customer focused, innovative and productive company. We aim to become an even stronger player in our industry.

KONE's internal control system is a key element in ensuring consistent and sustainable economic performance and in enabling the company to reach its long-term targets. The purpose of internal control is to ensure effective and profitable operations, correct financial reporting and compliance with laws and regulations.

Long-term, sustainable growth

Growth in our industry is driven by significant megatrends: urbanization, an aging population and an increasing focus on safety – urbanization being the most significant one. The increasing urbanization in Asia, particularly in China, places significant challenges on the environment, infrastructure and people flow. KONE focuses on developing solutions that aim to help mitigate these challenges by ensuring that increasing amounts of people are able to move smoothly, safely, comfortably, on time and in an energy efficient manner.

KONE aims to build relationships that last throughout the lifespan of its products with more than 250,000 customers worldwide. We help our customers design, build, and install the appropriate equipment and keep the equipment

The systematic work in our development programs enables KONE to become a more customer focused, innovative and productive company.

in safe working order through maintenance programs and modernization solutions. This life cycle approach creates added value for customers and provides KONE with a strong foundation for stable growth. KONE's global footprint also means that while some customer segments and geographical regions might face challenges, others develop more favorably, providing us with better stability.

The new equipment business is driven by construction activity which is cyclical by nature. Due to the global economic and financial crisis, new equipment markets continued to weaken during 2009 and KONE's orders received decreased approximately 13% as compared to 2008. As the year progressed, market conditions became increasingly mixed, with most markets continuing to weaken, but with



CASE

Without barriers

In 2009, the regional government of Madrid passed a regulation which promotes the improvements in energy consumption, accessibility, safety and architectural appearance of buildings by providing subsidies to residents. The primary objective of this plan is to improve accessibility through elevator installations.

These building grants comprise up to 70 percent of initial investment costs and can reach up to EUR 50,000. Although the initial investment for a medium-size building ranges between EUR 70,000–80,000, the improved accessibility of the building is expected to result in increased value for the individual apartments. So far, 50,000 homes have applied for these subsidies, and installation work has begun in over 2,000 buildings.

“Most buildings in Madrid were built in the 1950’s as cheaply as possible. This new regulation will boost the rate of modernization of old buildings, improving the comfort of urban environments. The regulation will also help to create jobs in the current difficult economic climate,” says Jose Antonio Acosta, an Integrated Restoration Unit Manager in the region of Madrid. “The installation of elevators also helps improve accessibility and makes it easier for elderly people to live at home longer.”

Text extracted from “La vivienda en tu comunidad”, a program presented by Tania Lastra in Libertad Digital TV in Spain. This TV program shows the latest current topics of Madrid. The program offers a complete overview of information about services and news regarding real estate property.

a few markets, such as China, showing positive development. In China, our new equipment order intake continued to develop positively and we succeeded to further strengthen our position in the highly competitive new equipment market.

In 2009, KONE's services (maintenance and modernization) totaled 53% (2008: 52%) of sales. The maintenance business, which is less cyclical by nature, provides stability to the more cyclical new equipment market. This brings stability to KONE's economic performance in the long term. While the maintenance and modernization markets were increasingly competitive in 2009, KONE succeeded to grow and develop its services further. Service sales increased by 5% as compared to 2008. Growth was supported by a high conversion of installed equipment into the maintenance base, which was due to strong new equipment deliveries in prior years. Modernization is driven by an aging equipment base as well as tighter safety requirements, such as SNEL (the European Safety Norms for Existing Lifts). Due to our innovative modernization solutions, we performed well in this market.

A strong financial performance

Our strategy and development programs help us reach our financial objectives and ensure the efficiency and long-term profitability of our operations. We promote an inspiring leadership culture and a systematic development approach. Our globally aligned processes are built around best practices created in customer, solution creation, delivery, maintenance, as well as in management and support processes. With these processes we ensure a high standard of quality, good productivity and effective use of capital of our operations in every KONE unit.

In 2009, KONE's results developed well. Operating income grew by 8% as compared to 2008 reaching 12.7% (2008: 12.1%) of sales. The growth in operating income was a result of improved competitiveness in the new equipment business, favourable progress in the maintenance business, installation productivity and better quality. In addition, the reduced sourcing costs and tight cost control contributed to the positive result development.

A strong financial position has allowed KONE to proactively develop its operations. Our operational excellence ensures that capital is used efficiently. Cash flow from operations is the principal source of KONE's funding. KONE's good working capital development in 2009 was a result of efficient management of inventory rotation and continued good payment terms. At the end of 2009, net working capital (after financing items and taxes) was EUR -228.7 (2008: -76.4) million. Cash flow generated from operations (before financing items and taxes) was exceptionally strong and totaled EUR 825.1 (527.4) million. This resulted in a further strengthened financial position for the company. At the end of 2009, interest-bearing assets exceeded interest-bearing debts and the net cash position totaled EUR 504.7

The maintenance business is less cyclical by nature and thereby acts as a balancing business contributor to the more volatile new equipment market.

(58.3) million. In the present weak economic situation, having no debt is considered a strength and allows KONE to capture potential value-creating business opportunities, should they emerge. KONE's current funding is guaranteed by existing committed credit lines and excess liquidity.

The visibility of KONE's near future is relatively good. The order book length and maintenance base give the company, to a certain extent, time to respond to changes in the business environment. Due to the weak new equipment market in 2009, KONE implemented a program aimed at reducing its fixed costs by EUR 40 million annually. The majority of the savings are being achieved through organizational development, which flattens KONE's organizational structure and broadens the span of control for managers. This improves the speed of decision making. Selective actions were also taken with regards to supply chain and outsourcing. In addition to these actions, tighter control of costs continues throughout the company.

Business environment in 2010

The good development is expected to expand in the new equipment market in the Asia-Pacific region. In EMEA and North America, the market will continue to decline in most countries, however stabilization is expected towards the end of the year. The modernization market will be at about last year's level. The maintenance market will continue to develop well, but remain very competitive.

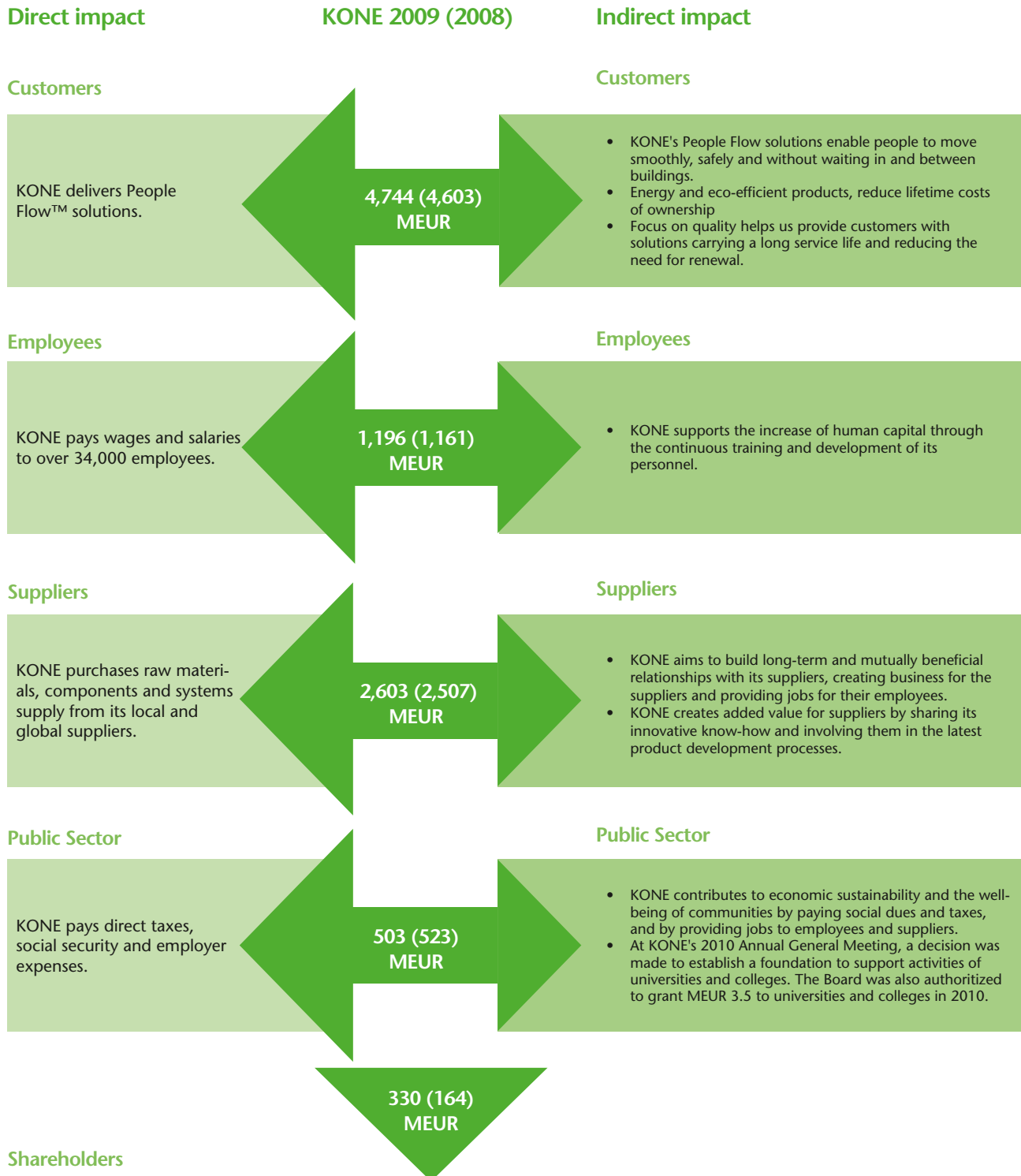
KONE's net sales is estimated to decline by 0–5% compared to 2009. The operating income (EBIT) is expected to be in the range of EUR 580–620 million.

Internal control and capital management ensure sustainable economic performance

The goal of KONE's internal control system is to ensure that the Group's operations are efficient and profitable, that the business risk management is adequate and appropriate, and that the information created is reliable. The control system also makes it possible to oversee that the operating principles determined and instructions given are adhered to.

Value-added to stakeholders

For KONE, economic responsibility is important in order to create shareholder value. We can ensure that our operations are economically sustainable only by generating value to our other stakeholder groups, such as customers, employees, and suppliers. KONE operates, employs people and pays taxes in approximately 50 countries. Through its local and global presence, KONE contributes to the sustainability of a larger economic system.



For the year 2009 a dividend of EUR 1.295 for each class A share and EUR 1.3 for each class B share was paid on March 11, 2010. Half of the dividend was an extra dividend due to KONE's centennial year of 2010.

Added value distributed to KONE's stakeholders			
MEUR		2009	2008
Customers	Sales	4,744	4,603
Suppliers	Costs of goods, materials and services purchased	-2,603	-2,507
Added value		2,141	2,096
Distribution of added value to stakeholders			
Employees	Wages and salaries	1,196	1,161
Public sector	Direct taxes and employers' contributions	503	523
Creditors	Interest on debt and borrowings	5	5
Shareholders	Dividends	330	164
Economic value retained in the company		107	243

KONE's internal control procedures are laid down in carefully defined principles and instructions. A unified and globally harmonized framework provides processes, tools and instructions to cover managerial and external financial reporting.

KONE's monthly management planning and financial reporting process represents a key control procedure that ensures the effectiveness and efficiency of operations. This process includes in-depth analyses of actual performance and deviations to budgets, prior year's performance and latest forecasts for the business. The process covers financial information as well as key performance indicators that measure the operational performance of a business unit and corporate level. The process is designed to ensure that any deviations from plans in terms of financial or operating performance and financial management policies are identified, communicated and reacted to efficiently, in a harmonized and timely manner.

Risk management aims to coordinate and develop a systematic assessment of risks and opportunities within core business planning and decision making processes. KONE continuously assesses the risks and opportunities of its business decisions in order to limit unnecessary or excessive risk in achieving business and financial objectives.



Additional info

More information on our financial performance, capital management, corporate governance and internal control can be found in KONE's Financial Statements 2009 and on www.kone.com.

Global supply chain

Our suppliers play a key role in helping us deliver high quality solutions to our customers. In order to serve the needs of its customers as efficiently as possible, KONE has established a global supply network supported by an optimized distribution and delivery network.

The purpose of our supply chain is to deliver our products to the building sites in the most efficient manner possible, fulfilling time and quality requirements, while aiming to minimize our operational carbon footprint. While we approach our business from a global perspective, our supply chain, particularly in the installation business, is highly localized.

KONE conducts business with close to 25,000 suppliers, of which approximately 100 are considered to be strategic. KONE purchases 80 percent of its raw materials, components and systems supply for new equipment production from approximately 100 suppliers located in proximity to the production centers. Suppliers include raw material providers, contract manufacturers, component manufacturers, as well as subcontractors in the installation phase.

For elevators, key components are assembled by KONE using proprietary technologies. Other components are provided by external suppliers and are sent either to our engineering and production centers or directly to distribution centers. Some suppliers consolidate different elevator components into modules for delivery to KONE's distribution centers, minimizing the amount of packaging and logistics.

Escalators are delivered to the construction site as a complete unit. KONE's commercial escalator manufacturing takes place in China, whereas heavy duty escalators are assembled in different locations.

The final assembly and installation of all elevators and escalators occurs at the building site by KONE technicians or qualified subcontractors in accordance with KONE specifications.

A centralized sourcing organization

In 2006 KONE redesigned its sourcing organization from a highly decentralized structure to a center-led and globally aligned organization. In order to drive leverage opportunities to focus on 'best suppliers', we have reduced our supply base by approximately 45 percent.

We assess risks related to sourcing as part of our risk management processes. Key criteria in the KONE risk monitoring system involve thorough assessments of suppliers, including analysis of financial and business viability as well as their dependence on the business with KONE.

KONE's work to improve the efficiency and sustainability of its supply chain has been globally recognized, and our Senior Vice President of Sourcing, Marc Magistrali, was named the 2009 Procurement Leader of the Year by Worldwide Business Research (WBR).

Improving the sustainability of our supply chain

KONE strives for sustainability in its operations, and expects the same level of commitment to environmental excellence, quality, safety, and ethical business practices from its business partners, which include KONE suppliers and subcontractors. To put this commitment into action, KONE issued the Supplier Code of Conduct in 2008; all our suppliers have been required to sign this code. To read more about how KONE engages in ethical business practices, see pages 56–57. More information on environmental excellence can also be found on pages 26–28 and 34. Sub-contractor safety is addressed in more detail on page 47.

KONE's supply chain adheres to strict quality standards

The Supplier Excellence Certification Program is a key element of KONE's supplier quality management process. The purpose of this program is to monitor and develop suppliers towards total quality excellence. Our supplier certification program assesses each of our supplier sites across four key parameters such as environmental and quality management systems.

KONE's supplier factories are required to attain 'Supplier Excellence' Certification, and there are currently 48 strategic and 18 preferred supplier factories certified. As part of the Supplier Excellence Program, the Supplier Quality Management team annually audits our suppliers, and in 2009, approximately 700 (2008: 600) supplier audits were conducted.

Continuous dialogue with suppliers

We aim to build long-term, mutually beneficial relationships with our suppliers; we want to be a trusted and reliable business partner and 'customer of choice'. Read more about our cooperation with our suppliers on page 10.

KONE engages in ethical business practices

KONE's Code of Conduct addresses matters regarding compliance with laws and rules of society, work environment, the marketing of products and services, fair competition, as well as environment and sustainability.

The objective of KONE's Code of Conduct is to aid employees in complex situations that may arise when conducting business in different cultural settings. We believe that our business should be conducted with honesty, integrity and fairness across the globe. The principles of fair competition presented in the Code of Conduct are elaborated in KONE's Competition Compliance Policy.

KONE's Code of Conduct and Competition Compliance Policy are available in 24 languages on the company's intranet. Continuous training on these principles is also provided.

Each employee is expected to study the Code of Conduct and Competition Compliance Policy carefully and to report any breaches to the Corporate Compliance Officer or to the global or local legal function.

KONE is committed to fair competition

The purpose of the Competition Compliance Policy is to outline KONE's position against anti-competitive practices. It sets forth rules and principles to which all KONE employees must adhere to ensure the company's full compliance with competition laws.

We have taken considerable measures to increase employees' vigilance and to ensure KONE's compliance with competition law.

Enforcing the Code of Conduct and the Competition Compliance Policy

A dedicated compliance officer has been appointed to ensure adherence to the Code of Conduct. The Corporate Compliance Officer provides necessary support for employees and can be reached through multiple channels. Employees have the right to contact the compliance officer in their native language.

Supplier Code of Conduct

KONE's success as a global business is based on reliability, innovation, dedication and responsibility. KONE aims to be an attractive business partner and seeks reliable, fair relations for the mutual benefit of KONE and its suppliers. This is why KONE strives to uphold ethical business practices, and expects the same level of commitment to environmental excellence and ethical behavior from its partners suppliers and subcontractors. To put this com-

Our business should be conducted with honesty, integrity and fairness across the globe.

mitment into action, we issued the KONE Supplier Code of Conduct in 2008. All suppliers are asked to sign this code.

The KONE Supplier Code of Conduct emphasizes the values according to which KONE operates globally. KONE requires its suppliers to be committed to ethical conduct and full compliance with all applicable laws. KONE suppliers should conduct their business operations in a manner which minimizes adverse impacts on the environment. Keeping the environment in mind, we expect our suppliers to strive for continuous improvement in their products and services.

A breach of the Supplier Code of Conduct by a partner may result in the termination of all its contracts with KONE. Read more about our suppliers on page 55.



E-training programs on Code of Conduct

KONE introduced two internet-based training programs on compliance in 2009. The purpose of the training programs is to increase employee knowledge and awareness on all Code of Conduct related matters and to ensure compliance with the Code of Conduct and Competition Compliance Policy. The online trainings complement classroom training, which is provided on a continuous basis.

The Code of Conduct e-training program is directed at all KONE employees who use a computer in their daily work. This means approximately 11,500 people.

A training program similar to the Code of Conduct e-training program has been introduced to enforce the Competition Compliance Policy. The training program targets all KONE employees who have managerial or sales responsibilities. This includes KONE's Executive Board, local management personnel, sales and sales support teams as well as other employees who have access to competitive information. In 2009 the target group included approximately 4,500 employees.

Like the policy documents, both training programs are available in 24 languages. The training programs are carried out online so that all employees can choose to complete the program at a time and place most convenient to them. The e-training programs, which have received positive feedback from KONE employees, utilize an interactive question and answer format that allows employees to apply their knowledge.

Board of Directors

30 April 2010

Antti Herlin

Chairman of the Board

b. 1956, D.Sc. (Econ.) h.c., D.Arts h.c.

Member of the Board since 1991.

Chairman of the Board since 2003. Previously served as CEO of KONE Corporation 1996–2006 and as Deputy Chairman 1996–2003.

Current key positions of trust: Chairman of the Board of Security Trading Oy and Holding Manutas Oy, Deputy Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company, Member of the Board of Technology Industries of Finland, Member of the Board of YIT Corporation and Member of the Board of Solidium Corporation.

Sirkka Hämäläinen-Lindfors

Vice Chairman of the Board

b. 1939, D.Sc. (Econ.), D.Sc. (Econ.) h.c.

Member of the Board since 2004.

Previously served as Member of the Executive Board of the European Central Bank 1998–2003, as Governor and Chairman of the Board of the Bank of Finland 1992–1998 and as Member of the Board of the Bank of Finland 1991–1992.

Current key positions of trust: Chairman of the Board of the Finnish National Opera, Member of the Board of Sanoma Corporation and Member of the Board of Investor AB.

Matti Alahuhta

President & CEO

b. 1952, D. Sc. (Tech.), D.Sc. (Tech.) h.c.

Member of the Board since 2003.

Employed by KONE Corporation since 2005. President of KONE Corporation since 2005, and President & CEO since 2006. Previously served as Executive Vice President of Nokia Corporation 2004, as President of Nokia Mobile Phones 1998–2003 and as President of Nokia Telecommunications 1993–1998.

Current key positions of trust: Chairman of the Board of the Aalto University Foundation, and Member of the Board of UPM Kymmene Corporation and of the Foundation Board of the International Institute for Management Development (IMD, Switzerland).

Anne Brunila

b. 1957, D.Sc. (Econ.)

Member of the Board since 2009.

Executive Vice President, Corporate Relations and Sustainability and Member of the Management Team of Fortum since 2009. Previously served as President and CEO of the Finnish Forest Industries Federation 2006–2009, in the Finnish Ministry of Finance (including General Director) 2002–2006 and in several advisory and executive positions in the Bank of Finland and the European Commission 1992–2002.

Current key positions of trust: Member of the Board of Sampo plc, Member of the Board of Aalto University Foundation, Member of the Board of The Research Institute of the Finnish Economy ETLA, Member of the Board of the Finnish Business and Policy Forum EVA, Member of State ownership steering group, Prime Minister's office and Member of Finnish Delegation of International Chamber of Commerce.

Reino Hanhinen

b. 1943, M.Sc. (Eng.), D.Sc. (Tech.) h.c., vuorineuvos

Member of the Board since 2005.

Previously served as President and CEO 1987–2005 and as Group CEO 2000–2005 in YIT Corporation, as Managing Director of Perusyhtymä Oy 1986–1987, as Managing Director of YIT Oy Yleinen Insinööri-toimisto 1985–1986, and as Managing Director of Oy PPTH-Norden Ab 1976–1985.

Current key positions of trust: Chairman of the Board of Rautaruukki Corporation and Member of the Board of YIT Corporation.

Juhani Kaskeala

b. 1946, Admiral

Member of the Board since 2009.

Previously served in the Finnish Defence Forces in several positions during years 1965–2009, as Commander of the Finnish Defence Forces 2001–2009 and earlier for instance as Military Assistant to the President of the Republic of Finland and as a Defence Attaché in London, the Hague and Brussels.

Current key positions of trust: Member of the Board of John Nurminen Foundation, Member of the Board of East Office of Finnish Industries Oy and Member of the Trilateral Commission.

Shunichi Kimura

b. 1951

Member of the Board since 2009.

Served as President and CEO of Toshiba Elevator and Building Systems Corporation, alliance partner of KONE, since June 2008. Previously served in several positions in Toshiba Group since 1975 including Toshiba Corporation's Executive Officer, Corporate Vice President, and as the President and CEO of Social Infrastructure Systems Company of Toshiba.

Sirpa Pietikäinen

b. 1959, M.Sc. (Econ.)

Member of the Board since 2006.

Served as Member of the European Parliament since 2008 and as a negotiation theory lecturer and consultant since 1999. Previously served as a Member of Finland's Parliament 1983–2003 and as Finland's Minister of the Environment 1991–1995.

Current key positions of trust: Chairman of GLOBE EU, Deputy Chairman of the Association Promoting Fair Trade in Finland, and Member of the Board of the World Federation of United Nations Associations (WFUNA).

Jussi Herlin

b. 1984, student at the Helsinki School of Economics.

Deputy Member of the Board since February 26, 2007.

Current key position of trust: Member of the Board of Security Trading Oy.



Additional info

Information regarding the independence of board members can be found in KONE's 2009 Financial Review on page 58.

Executive Board

30 April 2010

Matti Alahuhta

President & CEO, b. 1952, D. Sc. (Tech.), D.Sc. (Tech.) h.c. Member of the Board since 2003. Employed by KONE Corporation since 2005. President of KONE Corporation since 2005, and President & CEO since 2006. Previously served as Executive Vice President of Nokia Corporation 2004, as President of Nokia Mobile Phones 1998–2003 and as President of Nokia Telecommunications 1993–1998.

Current key positions of trust: Chairman of the Board of the Aalto University Foundation, and Member of the Board of UPM Kymmene Corporation and of the Foundation Board of the International Institute for Management Development (IMD, Switzerland).

Klaus Cawén

M&A and Strategic Alliances, Russia, Legal Affairs, b. 1957, LL.M. Member of the Executive Board since 1995. Employed by KONE Corporation since 1983. Previously served as General Counsel of KONE Corporation 1991–2001.

Current key positions of trust: Member of the Board of Oy Karl Fazer Ab, Member of the Board of Sponda Plc, Member of the Board of Glaston Corporation, and Member of the Board of Toshiba Elevator and Building Systems Corporation (Japan).

Henrik Ehrnrooth

CFO, b. 1969, M.Sc. (Econ).

Member of the Executive Board since May 1, 2009. Employed by KONE since 2009. Previously served at Goldman Sachs from 1998–2009, most recently as a Managing Director in the Investment Banking Division and at UBS in various positions from 1994–1998.

Pekka Kempainen

Asia-Pacific, b. 1954, Licentiate in Technology Member of the Executive Board since 2005. Employed by KONE Corporation since 1984. Previously served as Executive Vice President, New Equipment Business, Elevators and Escalators 2001–2004, as Senior Vice President, New Equipment Business and Technology 1995–2001 and as Director of the Research Center 1990–1994.

Current key position of trust: Board Member of Toshiba Elevator and Building Systems Corporation (Japan).

Anne Korkiakoski

Marketing and Communications, b. 1964, M.Sc. (Econ.) Member of the Executive Board and employed by KONE Corporation since 2008. Previously served as Director of Communications of Elisa Corporation 2007–2008, as Nordic CEO of Euro RSCG Worldwide 2003–2006, as CEO of Euro RSCG Corporation 1992–2006 and as Marketing Consultant of Rubinstein Consulting 1989–1992.

Ari Lehtoranta

Major Projects, b. 1963, M.Sc. (Telecommunications) Member of the Executive Board and employed by KONE Corporation since 2008. Previously served at Nokia Siemens Networks/ Nokia Networks as Head of Radio Access (Senior Vice President) 2005–2008, at Nokia Corporation as Vice President of Operational Human Resources 2003–2005, and Nokia Networks as Head of Broadband Division, Head of Systems Integration, Vice President for Customer Services for Europe, and Managing Director of Nokia Telecommunications in Italy, as well as in various other positions 1985–2003.

Current key position of trust: Member of the Board of Elisa Corporation.

Heikki Leppänen

New Equipment Business, b. 1957, Licentiate in Technology Member of the Executive Board since 2005. Employed by KONE Corporation since 1982. Previously served in KONE Corporation as Senior Vice President, Technology 2004–2005 and as Head of Global Research and Development 2000–2004.

Juho Malmberg

Development, b. 1962, M.Sc. (Computer Science) Member of the Executive Board since 2006. Employed by KONE Corporation since 2006. Previously served in Accenture Finland as Managing Director 2002–2005, as Director, Nordic Outsourcing 2005, as Deputy Managing Director 1999–2002 and as Technology Director 1992–1999.

Current key position of trust: Member of the Board of F-Secure Corporation.

Eric Maziol

West and South Europe, b. 1949, M.Sc. (Econ.) Member of the Executive Board since 2005. Employed by KONE Corporation since 1974. Previously served in KONE Corporation as Area Director in West and South Europe 2000–2005, as Managing Director of KONE France 1996–2000 and as Vice President, Marketing & Field Operations 1991–1996.

Peter de Neef

Services, b. 1960, M.Sc. (Organization Psychology) Member of the Executive Board since 2005. Employed by KONE Corporation since 1997. Previously served as Managing Director of KONE Netherlands 2003–2005, as Director, Service and Modernization 1999–2003 and as Manager, IT and Logistics 1997–1999.

Vance Tang

Americas, b. 1967, MBA (Business) Member of the Executive Board since 2007. Employed by KONE Corporation since 2007. Previously served as Vice President and General Manager, Honeywell Building Control Systems 2004–2006, as Global Business Leader, Vice President, Trane Global Controls and Contracting 2002–2004, as Vice President, General Manager, Trane Asset Management Services 1999–2002, and as Business Leader and Manager in different divisions of the Trane Company 1990–1998.

Current key positions of trust: Board Member and Vice President of the National Elevator Industry, Inc. (NEII), and independent director of American Woodmark, Inc.

Kerttu Tuomas

Human Resources, b. 1957, B. Sc. (Econ.) Member of the Executive Board since 2002. Employed by KONE Corporation since 2002. Previously served as Group Vice President, Human Resources of Elcoteq Network Corporation 2000–2002 and as Personnel & Organization Manager of Masterfoods Oy (Mars) 1994–1999.

Current key positions of trust: Member of the Board of JTO School of Management and Kemira Oyj.

Noud Veeger

Central and North Europe, b. 1961, M.Sc. (Econ.) Member of the Executive Board since 2004. Employed by KONE Corporation since 1999. Previously served as Managing Director of KONE Plc (UK) 2002–2004, as Director, New Elevator & Escalator Business, KONE Netherlands 1999–2002, as Director of OTRA Netherlands 1996–1998 and as Managing Director of HCI Central America 1993–1996.

Glossary

BREEAM

Building Research Establishment Environmental Assessment Method – a widely used assessment method to describe a building’s environmental performance developed by BRE Global.

Eco-efficiency

The concept of creating more goods and services while using fewer resources and creating less waste and pollution.

Eco-indicator 99 method

An impact assessment method for Life Cycle Assessment (LCA), and also forms the basis for the calculation of eco-indicator scores for materials and processes. The methodology is highly compatible with ISO 14042 requirements.

GHG (Greenhouse gas)

Greenhouse gases are gaseous constituents of the atmosphere that cause the greenhouse gas effect. Water vapor (H₂O), carbon dioxide (CO₂), nitrous oxide (N₂O), Methane (CH₄), and ozone (O₃) are the primary greenhouse gases in the Earth’s atmosphere. There are also a number of entirely man-made greenhouse gases.

GHG Protocol (Greenhouse gas protocol)

The GHG Protocol is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions.

GRI

The Global Reporting Initiative guidelines are widely used for the reporting of economic, environmental, and social performance.

IIFR (Industrial Injury Frequency Rate)

A measure of occupational safety. IIFR is the number of lost-time injuries that result in an absence from work of more than one work day or shift per million hours worked.

ISO 14001

ISO 14001 is a global standard for corporate environmental management systems developed by the International Organization for Standardization.

ISO 9001

The ISO 9001 is a global standard for organizations’ quality management systems developed by the International Organization for Standardization.

LEED

LEED is an internationally recognized green building certification system, developed by the U.S. Green Building Council.

LCA

Life Cycle Assessment – the investigation and valuation of the environmental impacts of a given product or service, caused or necessitated by its existence.

NO_x

A collective term for the nitrogen oxides produced during combustion and which can contribute to acidification of soil and water. NO and N₂O are considered to be greenhouse gases.

REACH

A European Community Regulation (EC 1907/2006) on chemicals and their safe use. It deals with the Registration, Evaluation, Authorization and Restriction of Chemical substances.

tCO₂e (K tCO₂e)

Tonne (1 000 kg) of carbon dioxide equivalent. Quantities of greenhouse gas emissions, expressed in tonnes and reported to the equivalent global warming potential of carbon dioxide over 100 years.

VOC

Volatile Organic Compounds (VOCs) refer to organic chemical compounds which have significant vapor pressures and which can affect the environment and human health. They include a number of chemicals, some of which may have short-term and long-term health effects.

SO₂

Sulphur dioxide is a gas formed from the combustion of fuels that contain sulphur, such as oil and coal. Sulphur dioxide contributes to the acidification of soil and water.

GRI index

Comparison with Global Reporting Initiative guidelines				
	GRI Content	Included	Page	Comments
1.	Strategy and Analysis			
1.1	CEO’s statement	Yes	6–8	
1.2	Key impacts, risks and opportunities	Yes	14–17	
2.	Organizational Profile			
2.1–2.8	Organizational profile	Yes	4–5	
2.6	Nature of ownership and legal form	Yes	4	Corporate governance statement in KONE 2009 Financial Statements
2.9	Significant changes regarding size, structure or ownership	Yes		No significant changes during the reporting period
2.10	Awards received in the reporting period	Yes	11, 20, 55	

Comparison with Global Reporting Initiative guidelines

	GRI Content	Included	Page	Comments
3.	Report Parameters			
3.1–3.4	Reporting period, date of most recent report, reporting cycle, contact point for questions regarding the report	Yes	11, back cover	
3.5	Process for defining report content	Partly	11	
3.6–3.7	Boundary of the report, limitations on the report's scope or boundary	Yes	11	
3.8	Basis for reporting subsidiaries and joint ventures	Yes	11	
3.9	Data measurement techniques and bases of calculations	Partly	11, 37	The data collection and calculation methods have been reported separately in connection with indicators in question
3.10	Explanation of re-statements	Yes		No re-statements of information provided in earlier reports
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	Yes		No significant changes from previous reports
3.12	GRI content index	Yes		
4.	Governance, Commitments and Engagement			
4.1–4.6	Governance	Yes	FS 56–59	Corporate governance statement in KONE 2009 Financial Statements
4.8	Implementation of mission and values statements, code of conduct and other principles	Yes	17, 56–57	
4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management	Yes	57	
	Commitments to External Initiatives			
4.11	Addressing precautionary approach	Partly	53	Description of risk management
4.12	Voluntary charters and other initiatives	No		
	Stakeholder Engagement			
4.13	Memberships in associations	Yes	11	
4.14–4.16	Identification and approaches to stakeholder engagement	Yes	10–11	
4.17	Key topics raised through stakeholder engagement	Partly	42	
	Management approach to economic responsibility	Partly	50, 52–53	
	Economic Performance Indicators			
EC1*	Direct economic value generated and distributed	Yes	53–54	
	Management approach to environmental responsibility	Yes	26–28	
	Environmental Performance Indicators			
	Materials, Energy and Water			
EN1*	Materials used by weight or volume	Yes	36–37	
EN3*-EN4*	Direct and indirect energy consumption	Yes	37	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Yes	27, 29–31	
EN7	Initiatives to reduce indirect energy consumption	Yes	36	
EN8*	Total water withdrawal	Yes	34	
EN9	Water sources significantly affected by withdrawal of water	Partly	36	KONE uses municipal water
	Emissions, Effluents and Waste			
EN16*	Total direct and indirect greenhouse gas emissions	Yes	34, 37	
EN17*	Other relevant indirect greenhouse gas emissions	Yes	34, 37	
EN18	Initiatives to reduce greenhouse gas emissions	Yes	27–28, 34	
EN19*	Emissions of ozone-depleting substances	Yes	36	
EN22*	Total amount of waste	Yes	36–37	
	Products and Services, Transport			
EN26*	Mitigating environmental impacts of products and services	Yes	29–31	
EN27*	Reclaimable products and reuse	Partly	36	End-of-life treatment of elevators
EN29	Environmental impacts of transportation	Yes	34, 37	CO ₂ emissions of logistics and air travel
	Management approach to social responsibility	Partly	40, 46	
	Social Performance Indicators			
	Employment and Occupational Health and Safety			
LA1*	Total workforce by employment type, employment contract and region	Yes	45	
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Partly	46	Injurious injury frequency rate
	Training and Education			
LA11	Programs for skills management and lifelong learning	Yes	40–41, 43	Description of KONE's development and training programs
LA12	Employees receiving regular performance and career development reviews	Partly	10, 41–42	Description of performance discussions
	Diversity and Equal Opportunity			
LA13*	Composition of governance bodies and breakdown of employees	Partly	44	Composition of KONE's Board of Directors, share of women in management teams
	Human Rights			
HR2	Suppliers and contractors that have undergone human rights screening	Partly	57	Supplier Code of Conduct
	Society			
	Public Policy and Compliance			
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly	Yes	56	
SO8*	Fines and sanctions for non-compliance with laws and regulations	Yes	56	
	Product Responsibility			
PR1*	Assessment of health and safety impacts of products	Yes	18–20, 36	
PR5	Customer satisfaction	Yes	10	

* GRI Core indicator



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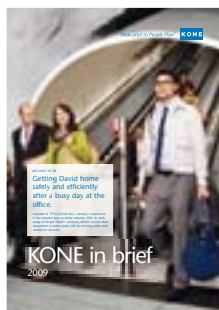
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Corporate
Responsibility report



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KONE
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