

Dedicated to People Flow™



MARINA BAY SANDS, SINGAPORE, 1:30 P.M.

## Innovative solutions for better cities

Siva and his colleagues are on site at the bustling Marina Bay Sands. The integrated resort is the first in the world to adopt the KONE UltraRope™ elevator hoisting technology. The super-light and durable innovation can reduce elevator energy consumption significantly in high-rise buildings like the resort's soaring hotel tower. KONE is also the maintenance partner of Marina Bay Sands, helping to ensure smooth and safe people flow at the luxury property, which operates 24/7.

# Corporate Responsibility Report

KONE 2013

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## Corporate responsibility at KONE

At KONE corporate responsibility is embedded in our organizational culture. It is how we treat each other and our stakeholders, how we take the environment into account in all of our actions, and how we foster economic performance now and in the future. It is in the end user and customer focus of our vision to deliver the best People Flow® experience. We see sustainability as a source of innovation and a competitive advantage. KONE is committed to conducting our business in a responsible and sustainable way and we expect the same commitment from all our partners.



**Read more** about our approach to sustainability at [www.kone.com/responsibility](http://www.kone.com/responsibility)



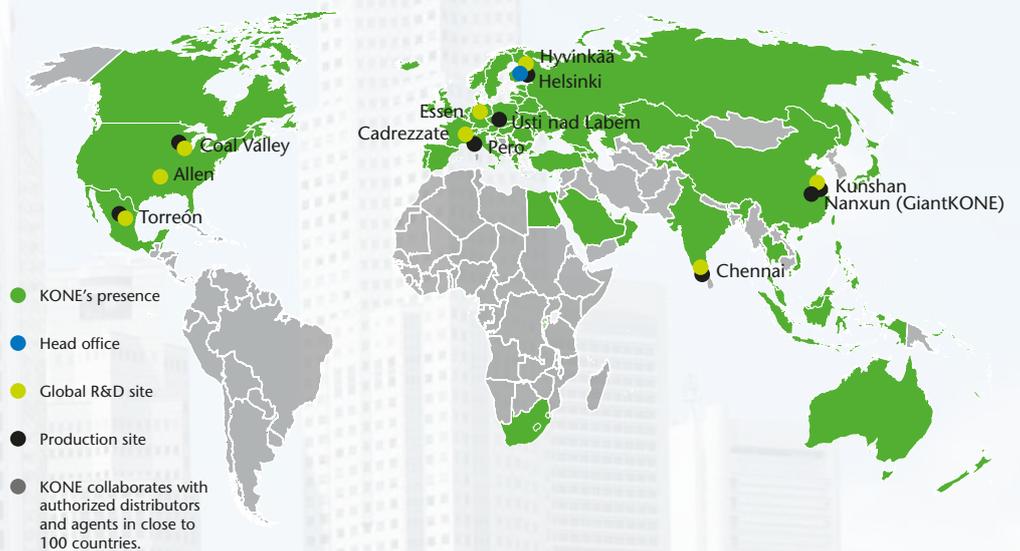
# KONE IN BRIEF

KONE is a global leader in the elevator and escalator industry. We have been committed to understanding the needs of our customers for the past 100 years, providing industry-leading elevators, escalators, automatic building doors and integrated solutions to enhance the People Flow in and between buildings. KONE's services cover the entire lifetime of a building, from the design phase to maintenance, repairs and modernization solutions.

We serve more than 450,000 customers across the globe. The majority of these are maintenance customers. Key customer groups include builders, building owners, facility managers and developers. Architects, authorities and consultants are also key parties in the decision-making process regarding elevators and escalators.

In 2013, KONE had annual net sales of EUR 6.9 billion and at the end of the year over 43,000 employees. KONE Corporation's class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland.

## KONE worldwide



## Developing KONE for the long term

“Our pioneering solutions have made us an industry forerunner for several decades, and in 2013, we brought another set of innovations to the market.”



Innovation is at the core of KONE’s culture and has been one of our success factors. Our pioneering solutions have made us an industry forerunner for several decades, and in 2013, we brought another set of innovations to the market. The competent and creative individuals at KONE have the experience and expertise to identify important problems and find novel solutions for our customers and for the people who use our solutions. Our aim is to deliver the best customer and user experience.

### A long-term mindset

Our business is driven by four megatrends: urbanization, demographic change, the increasing importance of safety, and concern for the environment. KONE contributes to sustainable urban development by creating energy-efficient solutions that move people smoothly and safely in urban environments. We believe KONE’s solutions play an important role in making urban areas better places to live.

To develop KONE in a profitable, responsible and transparent manner, we keep a long-term mindset. Good economic performance creates value for all our stakeholders. It allows

us to serve our customers better, provide employment opportunities, and pursue an active role in the community.

### Supporting local communities

Founded in 2010, the KONE Centennial Foundation is an important part of our initiative to support local and often disadvantaged communities. The foundation is currently funding three projects on a contractual basis and contributes to a number of smaller initiatives. It supports youth centers in Chennai, India and Johannesburg, South Africa, as well as the Joy of Reading Mobile Library in China. The mobile library had another successful year in 2013, when it traveled from Beijing to Yuxi, visiting 14 schools and reaching out to more than 10,000 children.

### Stronger every year

KONE has become a stronger company year by year, and 2013 was no exception. I would like to thank all our stakeholders for the trust and support you have given us this year and look forward to the challenges and opportunities in store for us in the future.

A handwritten signature in black ink, appearing to read 'Antti Herlin'.

**Antti Herlin**

Chairman of the Board  
KONE corporation

## Strong overall progress



I am very pleased with our progress in 2013. Once more, we achieved our objective of making KONE a stronger company, and moved towards our vision "KONE delivers the best People Flow experience". Our global sales grew at a higher rate than the market. Our financial performance was strong. Both customer loyalty and employee satisfaction improved and our good progress in the area of sustainability continued.

KONE was ranked among the top 50 most innovative companies in the world by Forbes Magazine for the third consecutive year. In 2013, we launched two new innovations: KONE UltraRope, which enables future elevator ride up to 1 km, and KONE People Flow Intelligence solutions, which make people flow in buildings increasingly smooth.

### Good progress through development programs

Our achievements are the result of the intense work we are doing in improving our competitiveness through our development programs. Our three-year development programs have proven to be a very effective way to develop KONE. We completed our

third set of these programs at the end of 2013. In 2011–2013, the satisfaction of our customers and employees grew, the quality and competitiveness of our products advanced further, we made good progress in enhancing our service business, and we clearly improved the quality of the whole delivery chain.

### Engaged employees

Employee satisfaction is an important measure of our progress. In 2013, the improvement in our overall employee satisfaction was substantial. Also the participation rate in the survey improved further to a very high level. This means that our people want to contribute to the development of KONE. I am very pleased with this. These developments are outcomes of our focus in fostering a leadership culture that engages, empowers and inspires people. We have continuously increased our investments in developing our people.

We made good progress in safety. In addition to the systematic work in the sharing of best practices, we organized KONE's Global Safety week around the theme "Little things matter in safety". The global People Flow Day event also focused on safety.

### Leader in eco-efficiency

In the area of sustainability our biggest opportunity is to contribute to the positive development by minimizing the energy consumption of our products. In this respect we are a clear leader in our industry. In addition, we succeeded to decrease the carbon footprint of our operations relative to net sales by 3.5%.

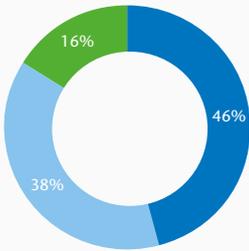
**Matti Alahuhta**

President & CEO  
KONE corporation

"Both customer loyalty and employee satisfaction improved and our good progress in the area of sustainability continued."

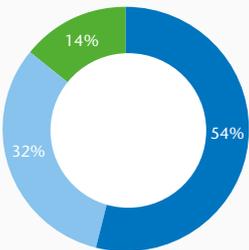
# Key figures 2013

Sales by market, 2013



■ EMEA 46% (49%)  
 ■ Asia-Pacific 38% (35%)  
 ■ Americas 16% (16%)  
 (2012 figures in brackets)

Sales by business, 2013



■ New equipment 54% (50%)  
 ■ Maintenance 32% (34%)  
 ■ Modernization 14% (16%)  
 (2012 figures in brackets)

Key financial figures		2012	2013	change, %
Orders received	MEUR	5,496.2	6,151.0	11.9%
Order book	MEUR	5,050.1	5,587.5	10.6%
Sales	MEUR	6,276.8	6,932.6	10.4%
Operating income	MEUR	828.7 <sup>1)</sup>	953.4	15.1%
Operating income	%	13.2 <sup>1)</sup>	13.8	
Cash flow from operations (before financing items and taxes)	MEUR	1,070.8	1,213.1	
Net income	MEUR	611.0	713.1	
Basic earnings per share	EUR	1.17	1.37	
Interest-bearing net debt	MEUR	-574.0	-622.0	
Total equity/total assets	%	47.1	43.7	
Gearing	%	-31.3	-36.1	
R&D expenditure	MEUR	86.1	96.5	

<sup>1)</sup> Excluding a MEUR 37.3 one-time cost related to the support function development and cost adjustment programs.

## KONE's economic impacts in 2013



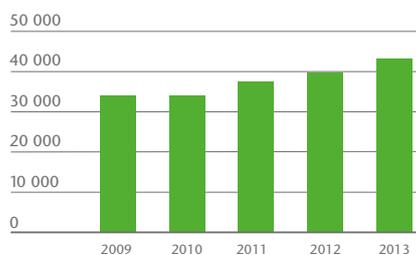
(2012 figures in brackets)

### Stakeholders

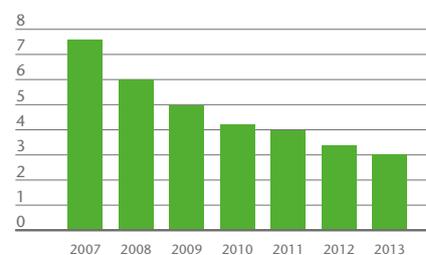
Employees	1,473 (1,375) MEUR
Creditors	-6 (-8) MEUR
Public sector	758 (693) MEUR
Shareholders	512 (781) MEUR*
Economic value retained in the company	201 (-174) MEUR

\*Dividends paid for the financial year. The figure for the financial year 2012 includes a special dividend.

Number of employees, end of year



IIFR development\*



\*Industrial Injury Frequency Rate. KONE tracks the number of lost time injuries of one day or more, per million hours worked, as a key performance indicator. The IIFR covers KONE's own employees.

Relative operational carbon footprint

Vehicle fleet (Scope 1)				Electricity (Scope 2)				Business air travel (Scope 3)				Logistics (Scope 3)				Overall operations			
2011	2012	2013	YoY	2011	2012	2013	YoY	2011	2012	2013	YoY	2011	2012	2013	YoY	2011	2012	2013	YoY
85.6	83.1*	77.4	-6.9%	898	1,055	1,027	-2.7%	226	182	226	+24.2%	1,408	1,088**	1,039	-4.5%	47.4	45.8*	44.2	-3.5%
kgCO <sub>2</sub> e / Unit in service				kgCO <sub>2</sub> e / Headcount				kgCO <sub>2</sub> e / Headcount				kgCO <sub>2</sub> e / Unit				kgCO <sub>2</sub> e / KEUR Sales			

\* Restated  
 \*\* Restated to include GiantKONE and India  
 Data for vehicle fleet, electricity, business air travel and logistics assured externally.

Energy consumption	Units	2011	2012	2013	
Direct	Heating fuels	m <sup>3</sup>	2,500	1,300	800
	Natural gas	m <sup>3</sup>	3,337,000	5,631,000	5,927,000
Indirect	Electricity, including district heat*	MWh	76,934	92,356	92,986

\*2012 restated

Carbon footprint of KONE's operations, tCO <sub>2</sub> e		2011	2012	2013
Direct (scope 1)	Vehicle fleet*	88,500	88,400	86,200
	Heating fuels	13,000	14,000	13,000
	Gases for cooling systems	400	900	800
Indirect electricity (scope 2)	Electricity consumption (including district heat)	32,000	42,000	45,000
Other relevant indirect (scope 3)	Logistics**	95,900	116,800	130,800
	Business air travel	8,000	7,200	9,800
	Employee commuting	12,000	18,000	19,000
	Waste	500	500	600
Total*		250,300	287,800	305,200

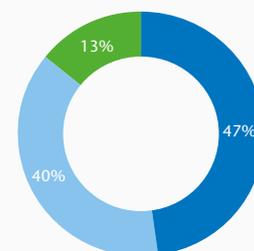
\*2012 restated  
 \*\*2011 excluding GiantKONE in China  
 █ Scope 1, scope 2, and scope 3 logistics and business air travel data assured by Ecobio Oy

Waste, tonnes	2011	2012	2013
Recycled waste**	18,400	20,700	24,300
Incinerated waste	2,300	2,700	2,300
Landfill waste*	2,700	2,400	3,200
Hazardous waste	600	700	900
Total**	24,000	26,500	30,700

\*2012 restated  
 \*\*2011 and 2012 restated

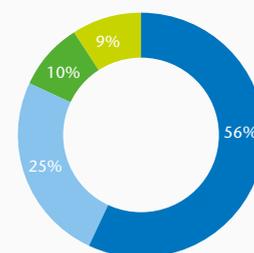
Water consumption	2011	2012	2013	
Total	m <sup>3</sup>	270,000	390,000	440,000

Employees by market, 2013



■ EMEA 47% (48%)  
 ■ Asia-Pacific 40% (38%)  
 ■ Americas 13% (14%)  
 (2012 figures in brackets)

Employees by job category, 2013



■ Maintenance and modernization 56% (57%)  
 ■ New equipment sales and installation 25% (25%)  
 ■ Manufacturing 10% (9%)  
 ■ Administration, IT, R&D 9% (9%)  
 (2012 figures in brackets)

## Delivering the best People Flow experience

We operate through more than 1,000 offices in some 50 countries around the world.

We have seven global production sites located in our main markets, as well as eight global R&D centers. In addition, KONE has authorized distributors in close to 100 countries.

KONE's vision is to create the best People Flow experience which means enabling people to move smoothly, safely, comfortably, and without waiting in and between buildings. Our strategy is to differentiate by delivering the best user and customer experience with innovative People Flow solutions.

Elevators, escalators, and automatic doors should operate correctly and be integrated seamlessly with a building's other systems. Different types of buildings have different uses, traffic patterns and flows of people. How, when and by whom a building is used determine the optimal location, quantity and type of equipment required at the site. We have extensive knowledge of and expertise in understanding different environments and their functionality.

Once the equipment is installed, we provide maintenance solutions that ensure smooth operation and, when appropriate, offer modernization solutions for aging equipment. We are committed to helping our customers achieve the best people flow experience at every stage of their building's life cycle.

We conduct systematic studies of how people move and what they need when they are

traveling within a building. This way we gain a deep understanding of how our solutions can deliver the best possible user experience.

### Development programs support our vision and strategy

We measure our progress toward our vision with strategic targets. In 2013, these targets were serving increasingly loyal customers, making KONE a great place to work, leading the industry in profitable growth, and providing the best user experience.

KONE's efforts to meet its strategic targets are supported by development programs that are designed to help us turn our strategy into reality. These programs are reviewed and redefined at regular intervals in response to both achievements and changes in the business environment. We have also high-priority areas that are of utmost importance in our daily work. These are safety, quality and simplification. The development programs and strategic targets are founded on our core values of delighting the customer, energy for renewal, passion for performance, and winning together.

KONE's strategic targets were updated in 2014. One of them is Leader in sustainability. Read more at [www.kone.com/strategy](http://www.kone.com/strategy)



# Our industry is driven by four megatrends

## URBANIZATION

Urbanization is an important megatrend within the global elevator and escalator industry. It is expected to drive demand for years to come. For the first time in history, an equal number of people live in urban and rural areas. The concentration of people in urban areas increases the importance of moving them efficiently from one point to another.

The growth of urban areas is most evident in Asia, where long-term population growth and migration from rural communities is expected to continue.

Read more on p. 10–11.

## DEMOGRAPHIC CHANGE

The global demographic structure is changing. Economic growth translates into higher standards of living for a larger part of the world's population. The number of people classified as middle-income earners is expected to grow by 2.7 billion by 2030. Middle-income earners expect more spacious and better-equipped apartments, which drives higher demand for elevators.

The world's population is also aging at an unprecedented rate. The growing number of older people raises the importance of accessibility in buildings and urban infrastructure.

Read more on p. 10–11.

## SAFETY

Urban infrastructure systems in certain markets are aging. National and international safety codes and standards play a key role in determining the safety level of elevators and escalators. Particularly in Europe, many countries have adopted strict standards for safety and modernization in recent years.

Millions of people use elevators and escalators every day, and our top priority is to keep them safe.

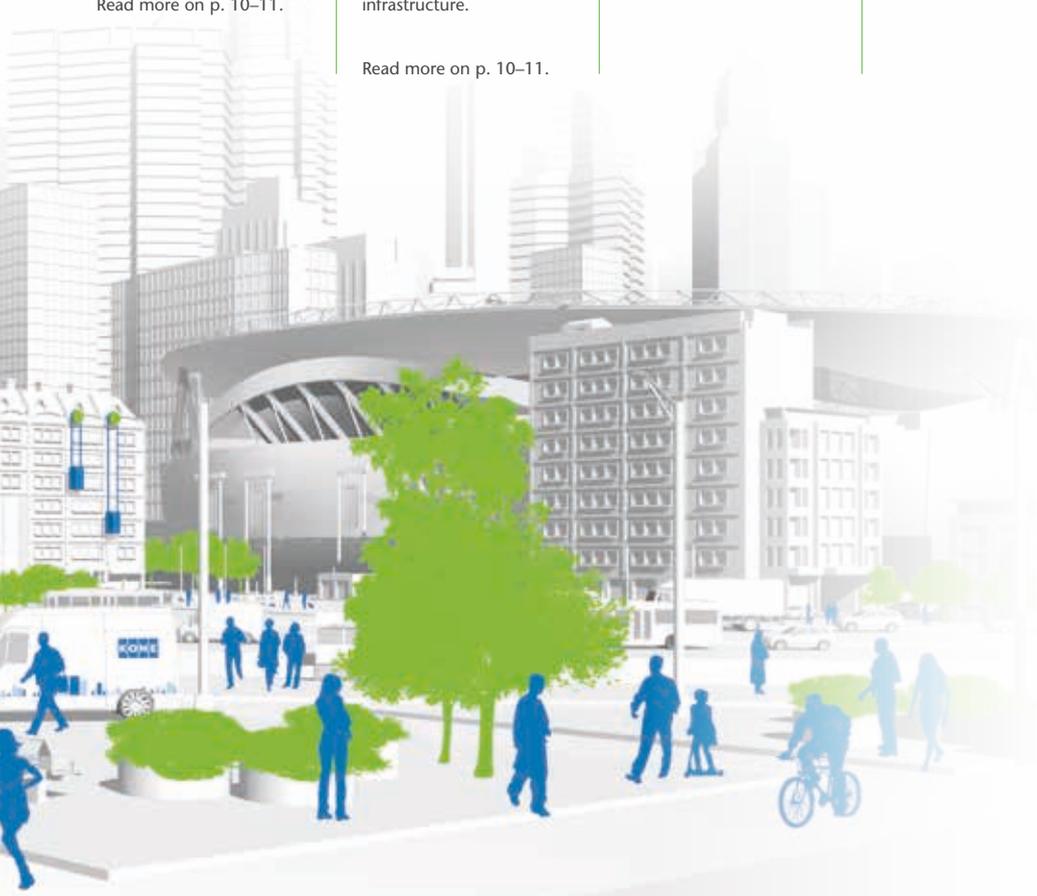
Read more on p. 36–39.

## ENVIRONMENT

The demand for energy-efficient solutions for moving people in and between buildings is driven by voluntary sustainability ratings and national green building ratings. These are becoming more common and are of increasing importance to our customers. Sustainable urban building refers to building practices that improve energy efficiency, use sustainable materials and reduce a building's negative impacts on human health and the environment.

Read more on p. 20–31.

The global elevator and escalator industry is driven by four megatrends: urbanization, demographic change, the increasing importance of safety and the concern for the environment. KONE contributes to sustainable urban development by developing energy-efficient solutions that move people smoothly and safely in urban environments.



# Innovations for future cities

For the third consecutive year, KONE has been ranked among the top 100 most innovative companies in the world by the U.S.-based business magazine Forbes. In 2013, KONE's ranking rose to 37 from 42. KONE has also received GOOD DESIGN awards in 2008, 2009 and 2013, two red dot design awards and two honorable mentions in 2012, and the Council of Tall Buildings and Urban Habitat (CTBUH) Innovation Award in 2013 for KONE UltraRope.



reddot design award winner 2012

Cities currently cover 2 percent of the surface of the planet, yet they already host more than half of the world's population and account for 75 percent of energy consumption and 80 percent of manmade carbon dioxide emissions. An increasingly urban world calls for sustainable innovations. KONE focuses on developing smoother People Flow® solutions that make buildings more intelligent and accessible.

KONE has a long history of innovation and the company's success is founded on its position as industry forerunner. For the past century, we have made systematic, long-term investments into our research and development (R&D) capabilities. We have seven global R&D competence centers which are located in Finland, China, Italy, India, the United States, Mexico and Germany, and over 800 dedicated technology professionals working for R&D.

### Creating solutions from inspiration

KONE's R&D process is a continuous search for new ideas and opportunities. Our starting point is a wide variety of sources, the most important ones being our customers and the equipment users. We also make use of opportunities presented by the market, for example the demand of ever-higher buildings and their huge, growing populations, and ideas generated through our own innovation processes. We collaborate closely with our customers, partners, universities, and research centers. We for example organize design and innovation labs with academic world, and encourage our own people to share their

inspirations and ideas via KONE's Innovation Tool. The tool has approximately 1,500 users globally, with a goal of creating an innovation community.

Throughout the entire R&D process, eco-efficiency, safety and quality are of utmost importance.

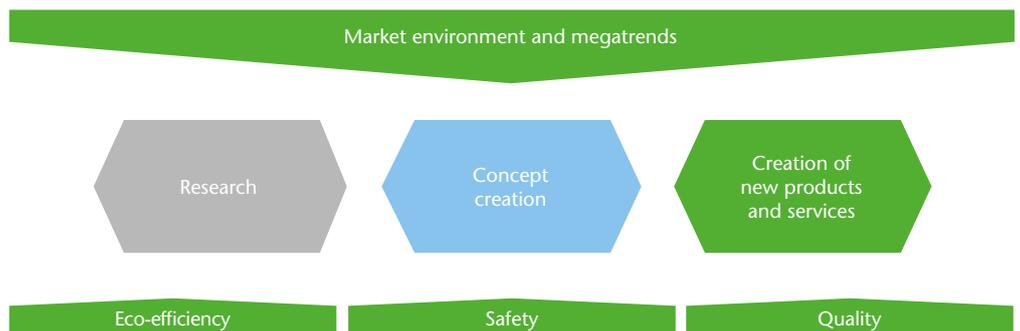
### Award-winning innovations

Optimizing the urban environment requires new approaches to modernization and maintenance as much as solutions for new buildings. Innovations such as the KONE EcoDisc® hoisting machine and the KONE MonoSpace® elevator have been helping building owners to cut their energy consumption and carbon footprint for more than a decade.

KONE revolutionized the industry in 1996 with the world's first machine-room-less elevator – the KONE MonoSpace – and the ground breaking, energy efficient KONE EcoDisc hoisting machine. In 2012, KONE launched a new range of elevators based on years of intensive research into customers' needs and the possibilities of new technology. The result was an eco-efficient elevator range that serves the demands of the buildings and cities of the future.

KONE UltraRope™, launched in 2013, is a completely new high-rise elevator hoisting technology that eliminates the disadvantages of conventional steel rope and enables future elevator travel heights of one kilometer – twice the distance currently feasible. The carbon fiber

### KONE's R&D process supports innovations



**Read more**  
about KONE's R&D and eco-efficiency on p. 22.

core of KONE UltraRope has an exceptionally long lifetime – twice as long as those of conventional steel ropes. The super-light KONE UltraRope technology provides unrivalled elevator eco-efficiency, reliability and durability, while also improving elevator performance.

Many buildings will be kept moving with KONE People Flow Intelligence solutions. This new suite of smart solutions is designed to guide building visitors and tenants effectively and smoothly from front entrance to desired destination, while at the same time improving building security. The KONE People Flow Intelligence portfolio includes four product areas: access control, destination guidance, information communication, and equipment monitoring.

### Better cities for aging population

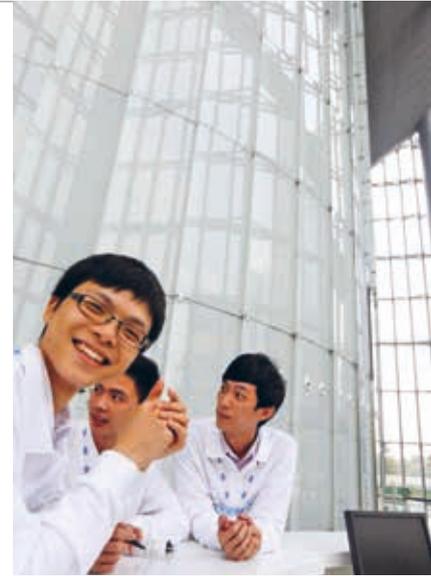
People are living longer due to enhanced living standards and improved medical care. During the next 40 years the share of over 60-year-olds will increase to over 30% in the OECD\*. As populations age, demand for accessible, safe and convenient People Flow solutions increase. As an innovative company, KONE is constantly looking for better modernization solutions for our customers and their tenants. Cities – namely buildings and transportation hubs – need to be designed and built in a way that enables elderly persons to move around easily.

For example in Europe, it is estimated that more than four million residential buildings of over three floors' height are without elevators. This makes it very challenging for elderly people to leave their homes. An environment where it is easy and safe to move around also makes it possible for elderly to live at their homes longer, instead of moving to nursing homes. This improves the quality of life, and might also mean substantial savings for society.

### Many ways to improve accessibility

As our population matures, the buildings we depend on also grow older. In Europe, more than half of the elevators in use are over 20 years old and in need of modernization. Modernization increases safety and accessibility. For example by modernizing an elevator, the space inside the car can increase by even up to 50%. This makes it easier to access the elevator with a wheelchair or a walker. Reduction of energy consumption is another benefit. Over time, a new elevator will save up to 70 percent.

Design of an elevator affects the user experience, including accessibility. Mirrors make it easier to reverse to and out of an elevator with a wheelchair; handrails give support in moving around, and braille signalization makes operating the elevator easy for people with failing eyesight.

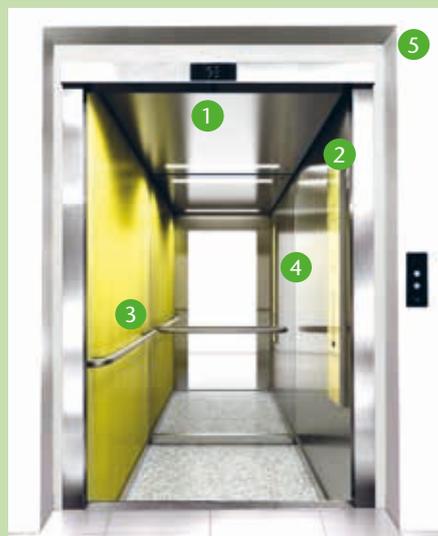


### Turning to the public

Great ideas and innovations often spur from seemingly small observations in real-life situations. One way KONE gathers these important insights is through the annually organized People Flow Day. The KONE researchers-for-a-day observe people's movements and use of the equipment in different types of buildings, and interview customers. The valuable data obtained during the event is passed on to KONE's R&D teams, who use it to develop new solutions. In 2013, the emphasis of research was on safety.

### 5 easy ways to improve accessibility by modernizing an elevator

1. The space inside the car can be increased by as much as 50%
2. Wide opening doors make it easier to enter with a wheelchair or a baby stroller
3. Accessibility can be improved by installing accessories such as handrails and a mirror
4. Braille signalizations and audible announcements are available for people with hearing and vision impairments
5. An elevator can be installed in a building previously without one, in the stairwell or attached to an outside wall



\*OECD (Organization for Economic Co-Operation and Development) Demographic and Labor Force database

# Managing corporate responsibility at KONE

## Memberships and positions of trust

KONE is an active participant and a major contributor to the development of codes, standards, and guidelines for improving safety, accessibility, energy efficiency, and other important aspects of elevator and escalator products around the world. See the list of organizations of which KONE is a member at [www.kone.com/memberships](http://www.kone.com/memberships).

At KONE corporate responsibility is embedded in our organizational culture and our daily operations. It shows in how we treat each other and our stakeholders, how we take the environment into account in all of our actions, and how we foster economic performance now and in the future. Responsible thinking is in the end user and customer focus of our vision to deliver the best People Flow® experience. We see sustainability as a source of innovation and a competitive advantage.

KONE is committed to conducting its business in a responsible and sustainable way and we expect the same commitment from all our partners. We comply with the laws and rules of the societies in which we operate. Our everyday work is guided by KONE’s Code of Conduct and our other company policies and guidelines.

Sustainability and its management are the responsibilities of KONE’s Executive Board and

the President and CEO of KONE. Our Quality and Environmental Board and Executive Board, both chaired by the President and CEO, are responsible for the company’s environmental management. KONE’s economic responsibility is managed by Chief Financial Officer who is represented in the Executive Board and who reports to the President and CEO. In 2013, a new position was established to the Executive Board with responsibility for safety, quality and installation.

Our management and supervisors work to ensure that our employees are familiar with and comply with the legislation, regulations and internal operating guidelines of their respective areas of responsibility and that our products and services are in full compliance with all codes and standards applicable to them.

	Management systems and certificates	Management bodies in KONE
Economic responsibility	Finnish Corporate Governance Code, internal control, internal auditing	Annual General Meeting, Board of Directors, Internal Audit function, Executive Board, President and CEO
Social responsibility	KONE Code of Conduct, KONE Supplier Code of Conduct, OHSAS 18001 Occupational health and safety management system	Board of Directors, Executive Board, Internal Audit function, President and CEO
Environmental and product responsibility	ISO 14001 Environmental management system, ISO 9001 Quality management system, Lifts Directive Module H, KONE’s Supplier Excellence Certification	Board of Directors, Quality and Environmental Board, Executive Board, President and CEO

**Read more**  
about our corporate governance from Financial Statements publication, on p. 60–63.

# Fostering stakeholder relations

We work closely with our stakeholders to maintain an active dialogue. It is our responsibility to ensure that the business we carry out is sustainable and makes a positive contribution to fulfilling our stakeholders' objectives.

We aim to create value for our shareholders, deliver the best People Flow® solutions to our

customers, provide our employees with training and development opportunities, and build long-term and mutually beneficial relationships with our suppliers.

With open dialogue, we can maintain efficient collaboration with our stakeholders and ensure a predictable business environment for all parties.

Stakeholder group	Channels of dialogue	Assessments
KONE deals with over 450,000 customers worldwide. Our main customers are builders, building owners, facility managers, and developers	Customer meetings and events, constant dialogue through solution support, seminars and conferences, company reports, brochures and magazines, company website	Annual global customer loyalty survey, monitoring of sales-related activities
KONE pays wages and salaries to over 43,000 employees in about 50 countries	Performance discussions, continuous face-to-face dialogue between employees and managers, European Annual Employee Forum, company intranet, internal employee publications, training events, global learning solutions, innovation creation through Innovation Tool	Pulse employee survey, annual performance discussions, Innovation Tool
KONE conducts business with 20,000 suppliers	Continuous one-to-one dialogue, Annual Supplier Day for Strategic Suppliers, trade fairs, steering group meetings, supplier workshops	Annual supplier survey, supplier performance assessment with the Supplier Excellence Certification Program
KONE pays dividends to over 45,000 shareholders, ranging from institutional investors and companies to individuals, public institutions, and non-profit organizations	Management meetings with investors and analysts, dedicated Investor Relations team, annual general meetings and capital markets days. In addition, financial disclosure is provided through stock exchange and press releases, as well as financial and other company reports.	Direct investor feedback, feedback through surveys and perception studies
KONE collaborates with authorized distributors in close to 100 countries	Continuous dialogue through daily contacts, regular country visits, distributors' meetings and various support tools	Customer survey, monitoring of sales-related activities, and direct feedback from distributors
KONE communicates proactively and openly with representatives of the media	Press releases, interviews, background briefings, visits, press events, factory tours, publications and magazines, company website	Surveys, media analysis, reputation and perception studies
KONE collaborates with educational institutions locally and globally	KONE International Trainee Program, CEMS and JA-YE Europe in Global Enterprise Project, thesis opportunities, local internships, participation in recruitment fairs, common projects, guest lectures, participation in research programs	Most attractive workplace surveys, online tracking
Society - KONE pays direct taxes, social security, and employer expenses in around 50 countries	Media coverage, company website, reports, stakeholder relations	Sustainability surveys, reputation studies

# Corporate responsibility focus areas

In 2013, we carried out a materiality analysis to continue our work in defining the most important corporate responsibility topics. An online questionnaire was sent to over 200 respondents, including customers, investors and analysts, industry associations, end users, suppliers, employees, media representatives and KONE's Executive Board.

The response rate was 44% resulting in 94 responses. The results were analyzed and grouped in a workshop including participants

from different corporate responsibility areas in KONE and from the Executive Board.

The results are presented in the matrix below, and the most important aspects are covered in this report. A summary of these topics is illustrated on the next page.

## Materiality matrix



 **Read more**  
about our reporting scope on p. 46.



### A long-term perspective

We strive to generate long-term returns for shareholders by conducting our business in a profitable, responsible and transparent manner. Good economic performance not only creates value for our owners, it also allows us to serve our customers better, provide employment opportunities, sustain suppliers, and pursue an active role in the community. Read more on p. 16–19.



### High quality delivery chain

We strive for continuous improvement in the quality, responsiveness and efficiency of our delivery chain. It refers to all of the actions and processes that lead up to the delivery of equipment to the customer's site. KONE delivers 2.6 million packages from distribution centers to the installation sites annually. Read more on p. 32–35.



### Energy efficiency of our products

Buildings consume around 40% of the world's energy, and elevators and escalators account for 2–10% of that power. We help combat climate change and contribute to the development of next-generation green buildings by delivering eco-efficient elevator, escalator, and automatic building door solutions for sustainable and net zero energy buildings. Read more on p. 20–25.



### Safety is our top priority

KONE moves millions of people with elevators and escalators every day, so we pay close attention to our design, manufacturing, installation, and maintenance processes to enhance the safety of our products and services. We have over 43,000 employees, and we work together with thousands of subcontractors. We want them to return home injury free every day. It is our strong belief that all accidents are preventable. Read more on p. 36–39.



### Environmental impact of our operations and services

Logistics is responsible for 43% of our greenhouse gas emissions – the single biggest contributor to our carbon footprint. We optimize our delivery chain and use distribution models that take eco-efficiency into account. Our vehicle fleet is responsible for 28% of KONE's operational carbon footprint. We continuously look for new and innovative ways of reducing the carbon footprint of our vehicle fleet. Read more on p. 26–30.



### Our people

In 2013, KONE had 43,000 employees globally. We want to make KONE a great place to work and to inspire, engage, and develop our employees to deliver great results. We follow high ethical principles in all our activities. All KONE employees have the right to a safe, healthy working environment where discrimination is not tolerated and personal well-being promoted. Read more on p. 40–43.

# ECONOMIC RESPONSIBILITY

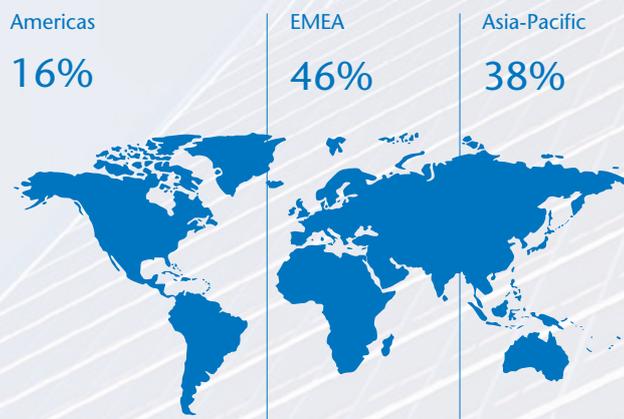
KONE's objective is to achieve sustainable and profitable growth by meeting the needs and expectations of our customers. We provide our customers with solutions for the entire lifetime of their elevators, escalators and automatic building doors, from new equipment installation to maintenance and modernization.

Our main geographic regions include the Europe, Middle East and Africa region (EMEA), North America and Asia-Pacific.

## Sales by business 2013



## Sales by market 2013



# Generating long-term returns

KONE's foremost economic responsibility is to its shareholders. With our solutions, we bring significant added value to our customers and end users. Sustainable economic performance also brings valuable and lasting benefits to other stakeholders, such as employees, suppliers and communities as a whole.

We strive to generate long-term returns for shareholders by conducting our business in a profitable, responsible and transparent manner. At the end of 2013 KONE had over 45,000 shareholders, ranging from institutional investors and companies to individuals, public institutions, and non-profit organizations. KONE's shareholder base expanded significantly during the year, with approximately 14,000 new investors – of which close to 13,000 were households – holding KONE's shares at the end of the year.

## A lifecycle business model for the long term

KONE's business model is based on a life-cycle approach. We provide customers with solutions for the entire lifetime of their elevators and escalators, starting from new equipment installation. Regular maintenance is required to keep equipment running smoothly, and once it ages, modernization is typically also needed.

Our business model is very capital-light. The production of new equipment consists mainly of assembling outsourced components, and the service business requires very little fixed investment. This model enables growth with

a relatively low level of investment, but with a high return on invested capital. Our objective is to maintain a good discipline in our payment terms in order to manage risk and provide financing for our growth. KONE has been able to maintain a strong cash flow and negative working capital.

Following the financial crisis of 2008–2009, new equipment markets in Europe and North America declined significantly and still remain below peak volumes. In contrast, markets have been growing rapidly in Asia-Pacific, driven by China in particular. The impact of the financial crisis has been seen also in modernization. The developed European and North American markets, where the main short-term growth potential in modernization lies, have seen clearly weaker market development compared to the pre-crisis period.

Maintenance is the most stable element of the business model over economic cycles, because even in times of recession, maintenance is required to keep equipment running smoothly. In virtually all over the globe, equipment maintenance is also legally required.

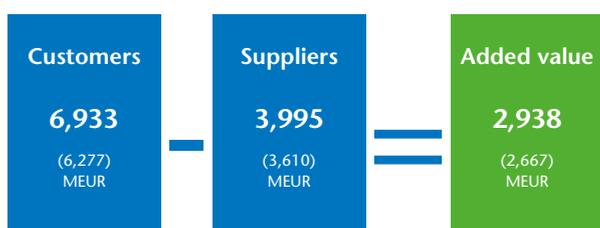
Over the long term, our business has very solid growth drivers. The growth of the elevator and escalator industry is driven by four global megatrends: urbanization, changing demographics, an increased focus on the environment and the growing importance of safety.

We strive to generate long-term returns for shareholders by conducting our business in a profitable, responsible and transparent manner.

### Long-term financial targets

- Growth:** Faster than the market
- Profitability:** 16% earnings before interest and taxes
- Cash flow:** Improved working capital rotation

## KONE's economic impacts in 2013



### Stakeholders

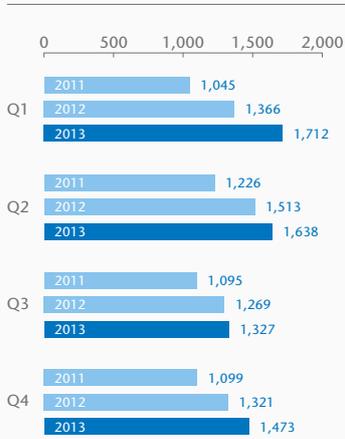
Employees	1,473 (1,375) MEUR
Creditors	-6 (-8) MEUR
Public sector	758 (693) MEUR
Shareholders	512 (781) MEUR*
Economic value retained in the company	201 (-174) MEUR

(2012 figures in brackets)

\*Dividends paid for the financial year. The figure for the financial year 2012 includes a special dividend.

**2013 Orders received:**

Strong growth in Asia-Pacific and the Americas



**2013 Sales:**

Strong sales growth in new equipment and good growth also in maintenance



**2013 Operating income\*:**

Strong new equipment sales growth in Asia-Pacific and positive development in global service business key contributors to EBIT growth



\* excluding one-time items

**A global company**

KONE’s main geographic regions include the Europe, Middle East and Africa (EMEA) region, North America, and Asia-Pacific. In 2013, markets in Asia-Pacific, North America and the Middle East developed positively. In Europe, markets remained uncertain, but uncertainty in the market decreased towards the end of the year. In the EMEA region as a whole, the new equipment market declined slightly in 2013. In North America, the recovery of the market progressed throughout the year. The market in Asia-Pacific grew at a somewhat higher rate than in the previous year driven by rapid growth in China. Globally, the major projects segment grew somewhat, driven by strong activity in Asia-Pacific, the Middle East and North America. The modernization market was relatively stable, with positive development in North America and Asia-Pacific, but a decline in the EMEA region. Maintenance market growth was the fastest in Asia-Pacific, driven by growth in new equipment installations. In the more mature maintenance markets, the growth rate was lower, with many countries seeing a very competitive market environment.

Over the past years, KONE’s geographic presence and sales split has shifted significantly. The share of the Asia-Pacific region out of KONE’s total sales has increased from 12% in 2005 to 38% in 2013. In the same period, the share of EMEA has declined from 66% to 46% and that of North America from 22% to 16%. This is a result of rapid market growth and KONE’s market share gains in Asia-Pacific, at a time when European and North American markets have been weak. At the same time however, good sales growth has been achieved also in more challenging markets in the EMEA region and North America. While the major volumes of new equipment globally have shifted today to the Asia-Pacific region, Europe and North America are important markets in maintenance and modernization.

**Financial performance**

In 2013, KONE’s orders received increased by 11.9% and totaled EUR 6,151 (1–12/2012: 5,496) million. Maintenance contracts are not included in orders received. The margin of the order book was at a healthy level, and the orders received margins improved slightly from the previous year’s good level. Cancellations of orders remained very low. KONE’s new equipment orders received in elevator and

escalator units amounted to approximately 137,000 units (2012: approximately 118,000).

KONE’s net sales grew by 10.4% as compared to the prior year, and totaled EUR 6,933 (1–12/2012: 6,277) million. KONE delivered approximately 120,000 new elevator and escalator units in 2013 (2012: approximately 103,000). In 2013, KONE’s largest individual countries in terms of contribution to sales were China, accounting approximately 30% of total sales, and the United States, exceeding 10% of total sales. KONE’s customer base is large and diverse, with no single customer representing a substantial share of sales.

KONE’s operating income (EBIT) grew and reached EUR 953.4 (1–12/2012: 828.7) million or 13.8% (13.2%) of net sales (1–12/2012 figures exclude a one-time cost of EUR 37.3 million related to the support function development and cost adjustment programs). The growth in operating income was a result of continued strong new equipment sales growth in Asia-Pacific, China in particular, and positive development in the service business globally. The relative operating income was burdened by the significant growth of the share of new equipment sales of total sales, a high level of deliveries of projects that were booked as orders received with lower margins in 2010 and 2011, particularly in North America, and intense price competition. However, in the second half of the year, the relative operating income developed positively due to a strong operational performance on a broad basis as well as a favorable impact of pricing actions taken during the past two years. KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific as well as process development and IT. KONE’s income before taxes was EUR 960.5 (804.3) million.

Taxes totaled EUR 247.3 (193.3) million. This represents an effective tax rate of 25.8% (24.0%) for the financial year. The effective tax rate resulting from the operations for the financial year was 23.6% (23.5%). KONE maintains transparency in its relationship with all tax authorities. We are committed to paying all taxes that are legally due and to meeting all disclosure requirements in the countries where we operate. Every transaction must have a solid business rationale without compromising tax compliance principles. Our objective is to ensure predictability in tax matters.

KONE's financial position was very strong at the end of December 2013. Cash flow generated from operations (before financing items and taxes) was EUR 1,213 (1-12/2012: 1,071) million. At the end of December 2013, net working capital was EUR -611.5 (December 31, 2012: -439.3) million, including financing items and taxes. Interest-bearing net debt at the end of December 2013 was EUR -622.0 (December 31, 2012: -574.0) million. KONE's cash and cash equivalents together with current deposits were EUR 890.6 (873.2) million at the end of the reporting period.

KONE has a strong balance sheet with a positive cash position. A strong balance sheet supports KONE'S growth ambitions. It also enables KONE to react to attractive opportunities should they occur within its scope of business. We have no target for the balance sheet structure and no dividend or share buy-back policy – the dividend proposal by the Board of Directors is determined on the basis of the overall business outlook and opportunities as well as the current and anticipated capital structure. For 2013, KONE distributed in dividends in total EUR 512 million to its shareholders.

**We retain a challenger's mindset**

Between 2005 and 2013, new equipment has been the fastest growing part of KONE's business, and we have improved significantly our market share in this business. In 2013, KONE ranked second globally in new equipment volumes. The share of new equipment out of total sales has grown in this period from 40% to 54%, driven by fast growth in Asia-Pacific. At the same time on the service side, the share of modernization has decreased from 19% to 14% and that of maintenance from 41% to 32%.

Although the fastest growth has been seen in new equipment, we have also achieved good

growth in the service business since 2005. In maintenance, our maintenance base has expanded from 580,000 units at the end of 2005 to over 950,000 units at the end of 2013. The most significant driver of this growth has been conversions: obtaining maintenance contracts for equipment installed by KONE. In addition, the growth of the maintenance base has been supported by acquisitions of small and mid-sized maintenance companies in Europe and North America. At the end of 2013, KONE ranked fourth globally measured by the size of our maintenance base.

Although we have increased our global market share significantly over the past eight years, we continue to develop our business with a challenger's mindset. Our aim continues to be to grow faster than the market in all the different parts of our business.

**Long-term financial targets**

KONE has reached two of the three long-term targets communicated in January 2011. We have grown faster than the market and improved our working capital rotation. The third target, which is yet to be reached, is that of achieving an EBIT margin of 16%. In the short term, the increase of the share of new equipment out of KONE's total sales has been burdening margin development. However, with our negative working capital, and high return on capital in all parts of our business, we do not seek to optimize the sales mix in the short term, but to grow absolute EBIT and to improve profitability in all parts of our business in the long term. Growth in new equipment sales contributes to the long-term growth of the business, and is the best way to secure future growth in the maintenance business through obtaining maintenance contracts for installed equipment.

Development of KONE's share prices versus OMX Helsinki Cap and Euro Stoxx 600



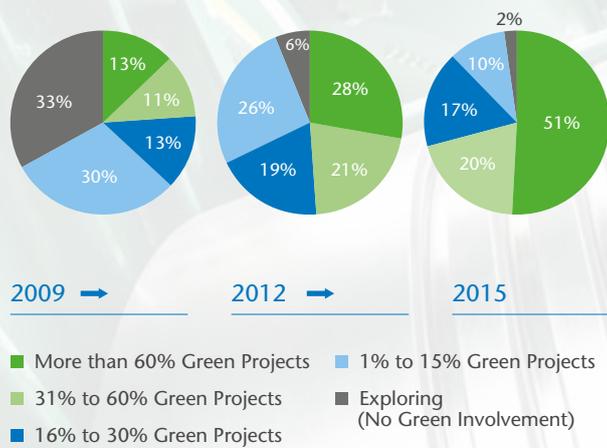
**Read more**  
 about our economic performance  
[www.kone.com/investors](http://www.kone.com/investors)

# ENVIRONMENT

KONE helps combat climate change and contributes to the development of next-generation green buildings by delivering eco-efficient elevator, escalator, and automatic building door solutions for sustainable and net zero energy buildings.

The increasing interest in achieving green building certifications such as LEED, BREEAM, Green Star, 3 Star and Green Mark is one of the factors driving the growing demand for eco-efficient elevators and escalators.

Levels of green building activity by firms around the world (2009–2015 Expected)



Source: McGraw-Hill Construction, 2013

# Developing eco-efficient solutions for future buildings

KONE's environmental strategy is to provide safe, environmentally efficient and responsible high performance solutions and services. We strive for continuous improvement in all of our business activities by complying with or exceeding applicable laws, rules and regulations. Furthermore, we work with our suppliers and customers to prevent or reduce business operations-related emissions and waste.

KONE's long-term environmental objectives are to further improve the eco-efficiency of our solutions, modernize existing elevators, escalators, and automatic building doors to make them more energy efficient, and to further reduce the adverse environmental impact of our operations, particularly with regard to our operational carbon footprint as well as energy, material, and water efficiency.

## Green transformation

Leader in sustainability has been defined as one of KONE's strategic targets. To support this target, we have updated our Environmental Excellence program's key initiatives and targets (read more on p. 31). The program supports the ongoing transformation of the built environment into smart eco-cities, low-carbon communities, and net zero energy buildings. Transformation is not only applicable to newly constructed buildings, but also relates to the renovation of old buildings and the built environment as a whole. Green transformation occurs throughout the life cycle of buildings, from design and construction to maintenance and modernization.



Buildings account for about **40%** of the world's energy consumption\*, and elevators and escalators can represent from 2 to 10% of energy use in an individual building.

\*Source: UNEP

## Enabling eco-efficiency in every phase of a building's life cycle

We provide services that help our customers achieve their eco-efficiency goals in every phase of the building's life cycle – from designing and constructing the building to maintaining and modernizing it.

We pay careful attention to the way our services are produced and delivered to ensure that they create as little environmental impact as possible.

### 1. Supporting green building design

Calculating our products' energy use and enabling green building construction. We publish the environmental impact of KONE products and contribute to developing global energy management standards.



### 2. Eco-efficient installation

Considering the environment when installing new equipment. Our well planned and efficient installation processes minimize the adverse environmental impacts of installation work, and our systems ensure we reduce our chemical use and handle waste efficiently on site.



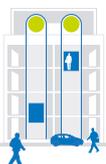
Up to **70%** energy savings by modernizing

**6.9%** relative reduction of vehicle fleet emissions



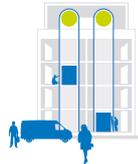
### 4. Eco-efficiency through modernization

Applying a range of solutions to make the most difference for the least impact. Our modernization solutions range from retrofitting LED lights to a completely new elevator with energy-regeneration technology.



### 3. Efficient maintenance processes

Using smart technologies and a green vehicle fleet to minimize emissions and maximize efficiency. Remote monitoring solutions reduce unnecessary technician callouts. By carrying spare part stocks in our vehicles we reduce warehouse visits, further decreasing emissions.

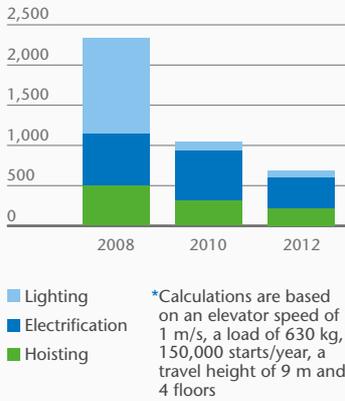


Governments in different parts of the world are taking action in quest of green building. The European Energy Performance of Buildings Directive requires that by the end of 2020 all new buildings constructed are nearly zero energy buildings\*. The government in China recently published an ambitious target for 50% of new buildings to be constructed according to green building standards in 2020\*\*.

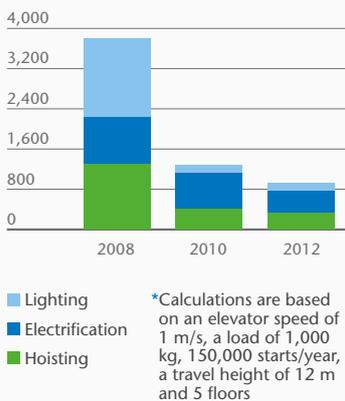
\*A nearly zero energy building is defined as "a building that has a very high energy performance".

\*\*Source: Mizuho Securities Asia Limited

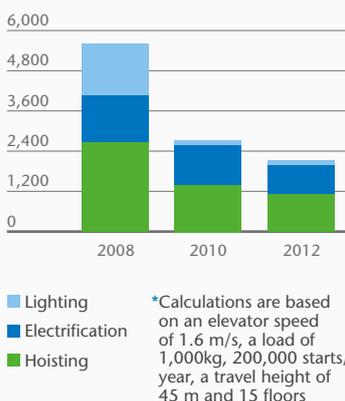
**KONE MonoSpace® 500 for Europe – kWh/year**  
Over 70% reduction 2008–2012\*



**KONE N MonoSpace® for Asia - kWh/year**  
Over 75% reduction 2008–2012\*



**KONE N MiniSpace® for Asia - kWh/year**  
Over 60% reduction 2008–2012\*



Among KONE’s focus areas are green building research projects related to new people flow technologies and pioneering low carbon maintenance concepts that employ remote monitoring and an eco-efficient service vehicle fleet. In addition, we develop efficient installation methods for elevators and buildings, decreasing the installation time and resources needed.

For example, over 50% (2.2 million in 2010) of the elevators and escalators currently in operation in Europe are more than 20 years old. In 2020, it is estimated that this figure will increase to 60% (3.2 million)\*. According to the “E4 study Energy Efficiency of Elevators and Escalators” supported by the European Commission, by modernizing elevators installed in 1985 or earlier with the best available technology, energy savings of as much as 63% can be achieved. On the European level this would mean energy savings of 11.6 TWh.

**Energy efficient solutions that lead to greener buildings**

KONE is a pioneer in developing eco-efficient solutions in the elevator and escalator industry. The biggest environmental impact of our solutions relates to the amount of electricity used by the equipment over its lifetime. This underlines the importance of continuing to develop and improve energy efficient innovations.

KONE seeks to decrease the environmental impact of buildings by continuing to reduce the energy consumption of its elevators and escalators. Our volume elevator models launched in 2012 consume 70% less energy in Europe, 60–75% less in Asia and 40% less in the US compared to the typical KONE elevator configuration from 2008. These improvements have been made possible by the completely renewed KONE EcoDisc® hoisting machine, a highly efficient drive, enhanced standby solutions, and LED lighting. Our escalator offering is 30% more energy efficient than it was in 2010.

**Eco-efficiency drives the R&D process**

Eco-efficiency is one of the key drivers of our R&D process and is at the heart of the entire KONE offering, from low- and high-rise elevators to escalator and automatic building door solutions.

In developing new solutions, we focus on minimizing the environmental impact throughout the lifecycle of the equipment. This focus extends from the extraction of raw materials to end-of-life processes such as recycling, waste treatment, and the reuse of recovered materials.

The KONE R&D process aims to:

- reduce energy consumption
- develop new smart technologies for green building
- reduce material use, including packaging and waste
- avoid the use of hazardous substances
- maximize material durability and recycled content
- maximize recyclability
- ensure that our products meet green building certification requirements
- minimize water consumption

Every product development project at KONE must follow detailed eco-efficiency criteria, verified using prototypes and pilots, with a special focus on minimizing energy consumption. In product management, every new change to a product is evaluated against the existing solution to verify that the new solution delivers improved performance in terms of minimized adverse impact on the environment. To identify and eliminate any product-related risks, including those relating to environmental safety, a risk assessment is made in every project.

KONE’s expertise in eco-efficiency enables us to perform in-depth analyses of traffic patterns, energy consumption, and the potential carbon footprint reduction over the entire operational lifespan of the solutions we offer our customers. The tools used to conduct these analyses are particularly valuable in helping customers design net zero energy buildings and comply with green building requirements.

**Top-class energy efficiency**

In 2013, KONE further increased the number of energy efficient elevator installations globally, especially in Europe and Asia. KONE is the only elevator company to offer the best A-class

\*Source: European Lift Association ELA

energy efficiency rating for its volume elevator range while also fulfilling safety and accessibility codes.

A number of KONE solutions in Europe and Asia ranging from low- and mid-rise to high-rise elevators have received an A-class energy efficiency rating as defined by VDI 4707, the guideline published by the Association of German Engineers (Verein Deutscher Ingenieure). VDI 4707 classifies elevators based on their energy consumption. Commonly used by the elevator industry, the classification ranges from A to G, from the most to the least energy efficient systems.

The A-class certifications have been achieved on customers' sites with measurements conducted by third parties, in building types varying from low-rise residential buildings to high-rise office buildings and hospitals. KONE has also achieved an A-class VDI 4707 certificate for a double deck elevator, which is a special application for buildings with very high traffic volumes. During 2013, KONE elevators' VDI 4707 A-class energy efficiency rating coverage for customer installations was expanded to include KONE N MiniSpace™ and KONE N MonoSpace® as well as an A-class certification for a modernized KONE MonoSpace® 500 elevator.

### FIDE energy saving label

In addition to the VDI 4707 certifications, KONE is the first and only elevator company to achieve the FIDE energy saving label for its elevators. The KONE MonoSpace 500, KONE MiniSpace, and KONE EcoSpace® elevators already gained labeling in 2011. In 2013 the range of labeled elevators was extended to include the KONE MonoSpace 700, KONE N MonoSpace, KONE N MiniSpace, KONE S MonoSpace®, and KONE S MiniSpace™ elevators. FIDE is an official Mexican organization that acknowledges companies for their technical and economical efforts to produce energy efficient equipment. The FIDE evaluation is based on VDI 4707.

### Green Label certification

In 2013 KONE received Green Label certification for the KONE N MiniSpace and N MonoSpace elevators from the Singapore Green Building Council. KONE is the first elevator company to achieve the distinction. Through this certification, KONE's elevators are recommended for Green Mark certified green buildings. Green Mark is a green building certification scheme of the Singaporean Building and Construction Authority, which promotes sustainability in the construction and real estate sectors.

### BGreen Sustainable Supplier of the Year

KONE Middle East was awarded "Sustainable Supplier of the Year" at the BGreen Awards in 2013. The Sustainable Supplier of the Year is awarded to the supplier with the most significant R&D efforts in the creation of eco-friendly products, who offers a significant range of eco-friendly products, and presents the buyer with a sustainable alternative. The award recognizes KONE's new elevator offering for its energy efficiency. BGreen is the Middle East's only magazine dedicated to environmental issues and sustainability.

### Best-in-class energy efficiency

Europe	KONE EcoSpace®	KONE MonoSpace® 500	KONE MonoSpace® 700	KONE MiniSpace™	KONE Double Deck
Building type	Residential	Residential	Hospital	Office	Observation tower
Location	Italy	Finland	Italy	Germany	Austria
Load (kg)	480	630	2,000	4,000	2 x 1,200
Speed (m/s)	0.63	1.0	1.0	3.0	6.2
Energy efficiency class	A	A	A	A	A

Asia	KONE N MiniSpace™	KONE E MiniSpace™	KONE N MonoSpace®	KONE S MonoSpace®	KONE MiniSpace™
Building type	Residential	Residential	Hotel	Office	Office
Location	China	China	China	China	China
Load (kg)	800	1,000	1,150	1,600	1,600
Speed (m/s)	2.0	2.0	1.75	2.5	6.0
Energy efficiency class	A	A	A	A	A

### VDI 4707 energy efficiency classification



#### Read more



about KONE's active participation in different organizations and working groups related to sustainability issues at [www.kone.com/memberships](http://www.kone.com/memberships)



### Setting new benchmarks for high-rise

KONE's new high-rise solution, KONE UltraRope™, will enable future elevator travel heights up to 1,000 meters. The solution cuts energy consumption by 15% for a 500-meter elevator ride. When elevators travel higher in the future, energy savings of as much as 45% will be possible for an 800-meter elevator ride.

KONE UltraRope™ has been developed and tested rigorously both in real elevators and simulation laboratories at KONE's research and development facilities in Finland. Since 2010, it has been tested in operation at the world's tallest elevator testing laboratory, KONE's Tytyri facility built over 300 meters underground adjacent to an active limestone mine. Read more on p. 10–11.

### Carbon footprint of our products

KONE's environmental responsibility covers the full life cycle of its products, from design and manufacturing to maintenance, modernization, and end-of-life treatment. KONE's life cycle assessment, carried out in accordance with the ISO 14040 standard (ReCiPe method), shows

that our greatest environmental impact stems from the energy consumed by our products during their operational lifetime. By reducing energy consumption we consequently reduce the environmental impact of KONE solutions during their operational lifetime.

Carbon footprint of KONE's products, tCO <sub>2</sub> e	2011	2012	2013
Production of materials for products (calculated)	1,313,000	1,761,000	1,991,000
Lifetime energy consumption of products ordered from KONE during the reporting year (calculated)	2,862,000	4,180,000	5,045,000

2011 excluding GiantKONE

Materials used, tonnes	2011	2012	2013	
Manufacturing (calculated)	Metals (steel, aluminum, copper)	349,000	470,000	532,000
	Miscellaneous	9,400	7,800	5,500
	Plastics	3,800	4,200	4,100
	Glass	3,000	3,700	3,900
Packaging (calculated)	Wood	39,600	42,000	39,500
	Carton board	1,300	1,200	1,100
	Plastics	800	1,000	1,100
Office consumables (actual data)	Paper	400	400	600
<b>Total</b>	<b>407,300</b>	<b>530,300</b>	<b>587,800</b>	

Calculations are based on Life Cycle Assessment data and products ordered from KONE (2011: 85 k; 2012: 118 k; 2013: 137 k); 2011 excluding GiantKONE.

# Eco-efficient People Flow solutions

## Elevator solutions

- The KONE EcoDisc® hoisting machine delivers the best VDI 4707 A-class energy efficiency on the market. The innovative copper winding system reduces heat losses by up to 30%. The braking system reduces the power consumption during steady run by 75% compared to the previous model. KONE EcoDisc is compact and lightweight, contributing to material and space efficiency.
- KONE's regenerative solutions can provide energy savings of 20–35% by recovering the energy that is released when the elevator is used.
- LED lighting can reduce energy consumption by up to 80% compared to halogen lighting and lasts ten times longer.
- Standby solutions power down the equipment, when the elevator is not in use, providing substantial energy savings.
- KONE's destination control system optimizes traffic, reducing the size and number of elevators needed in a building.
- KONE's new high-rise solution, KONE UltraRope, cuts the energy consumption of a 500-meter elevator ride by 15%.

## Escalator solutions

- The lubrication-free step chain saves oil, reduces chain wear, and decreases fire risk.

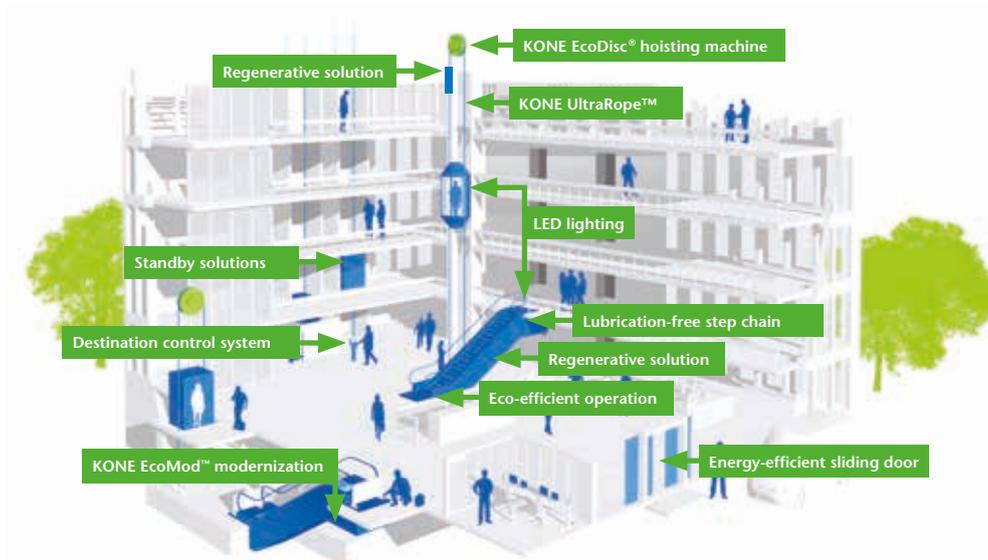
- Eco-efficient operation can cut energy consumption by up to 50% by slowing down or stopping the escalator when it is not in use or increasing the efficiency of the motor when traffic volumes are low.
- Regenerative solutions reduce energy consumption by up to 60% by recovering the energy that is released when the escalator is used.
- LED lighting consumes up to 80% less energy compared to conventional lighting technologies.
- KONE Direct Drive is an innovative and eco-efficient drive system that consumes up to 20% less energy than a conventional worm gear drive.
- The KONE EcoMod™ solution makes it possible for an escalator to be modernized without removing the truss, saving both construction time and materials.

## Automatic building door solutions

- KONE's sliding door solution regulates the door's opening width and opening time based on the outside temperature, wind speed, and pedestrian volumes. This enables savings of up to 4,000 kWh per year in heating and cooling consumption.

## KONE TransitMaster 120 escalator awarded

The KONE TransitMaster 120 escalator targeted at the public transport segment won a 2013 Architectural Products Product Innovation Award (PIA). Its signature attributes include the regenerative solutions and a standby speed operation, which saves up to 16% of energy by reducing the escalator's speed when there are no passengers on the step band. Additionally, the escalator offers a range of attractive LED lighting options that save up to 80% of energy compared to conventional lighting.



# The environmental impact of KONE's operations in 2013

KONE's operational environmental work focuses on reducing our carbon footprint and improving energy and material efficiency, as well as reducing water consumption, waste and the use of hazardous substances. We work with our suppliers and customers to minimize the emissions and other adverse environmental impacts of our business operations and to prevent them altogether whenever possible. In order to address the areas that have the most significant environmental impacts, KONE has been assessing its carbon footprint since 2008.

In 2013 KONE's absolute operational carbon footprint amounted to 305 (2012: 288) ktCO<sub>2</sub>e (thousand tonnes of carbon dioxide equivalent). The increase is mainly a result of increased employee headcount, sales and production volumes.

In 2013 KONE's operational carbon footprint relative to net sales decreased by 3.5% compared to 2012. The operational carbon footprint of externally assured scope 1 and scope 2 greenhouse gas emissions decreased by 9.1% relative to net sales. The absolute scope 1 and 2 carbon footprint decreased by 0.2%, whereas KONE's sales volumes increased by 10%.

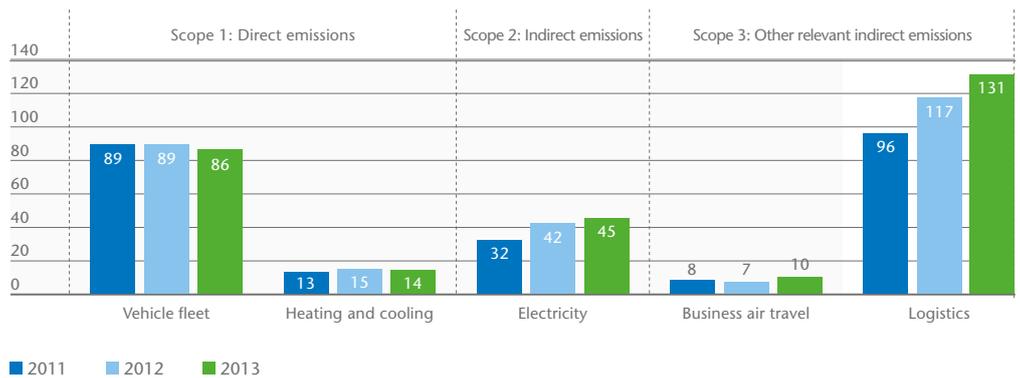
With 131 (2012: 117) ktCO<sub>2</sub>e in 2013, the major source of greenhouse gas emissions was KONE's logistics operations. The other major components are our vehicle fleet with 86 (2012: 88) ktCO<sub>2</sub>e, electricity consumption with 45 (2012: 42) ktCO<sub>2</sub>e, fuels for heating and cooling with 14 (2012: 15) ktCO<sub>2</sub>e, and mobility, including business air travel and employee commuting, with 29 (2012: 25) ktCO<sub>2</sub>e.

## Relative operational carbon footprint

Vehicle fleet (Scope 1)				Electricity (Scope 2)				Business air travel (Scope 3)				Logistics (Scope 3)				Overall operations			
2011	2012	2013	YoY	2011	2012	2013	YoY	2011	2012	2013	YoY	2011	2012	2013	YoY	2011	2012	2013	YoY
85.6	83.1*	77.4	-6.9%	898	1,055	1,027	-2.7%	226	182	226	+24.2%	1,408	1,088**	1,039	-4.5%	47.4	45.8*	44.2	-3.5%
kgCO <sub>2</sub> e / Unit in service				kgCO <sub>2</sub> e / Headcount				kgCO <sub>2</sub> e / Headcount				kgCO <sub>2</sub> e / Unit				kgCO <sub>2</sub> e / KEUR Sales			

\* Restated  
 \*\* Restated to include GiantKONE and India  
 Data for vehicle fleet, electricity, business air travel and logistics assured externally.

## Absolute operational carbon footprint per category, ktCO<sub>2</sub>e



• 2011 excluding GiantKONE • Logistics 2011 excluding GiantKONE and India • 2013 data for all categories assured externally

### Logistics

Logistics accounted for 131 ktCO<sub>2</sub>e, or 43% of KONE’s operational carbon footprint, making it the biggest contributor in terms of greenhouse gas emissions. In 2013 KONE extended the scope of its externally assured environmental data to include the logistics emissions. KONE’s logistics carbon footprint relative to units delivered to customers decreased by 4.5%. The logistics data covers both the transportation of products from KONE’s manufacturing units to customers and the transportation of those modules that are delivered straight from our suppliers to our distribution centers and onward to customers. In 2013, KONE delivered 2.6 million packages from distribution centers to the installation sites.

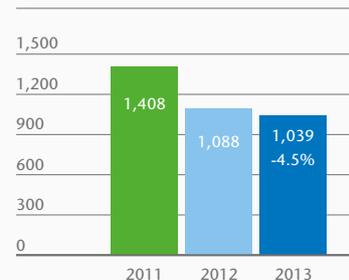
KONE has been able to control the increase of logistics emissions by further optimizing its logistics network and by improving the logistics efficiency per delivered unit. For example, we have further optimized our transportation network in Europe through optimal supplier locations and better utilization of the distribution centers close to KONE locations. We have made transportation improvements such as ocean freight emission reductions

thanks to new, bigger ships and lower sailing speed. The volume increase in KONE’s deliveries has helped us improve transportation efficiency. We have also continued to improve reporting accuracy.

KONE’s logistics operations are based on accurate and timely information at all phases of the delivery chain, and on using distribution models that take eco-efficiency into account. Special attention is paid to reducing the impact of transportation through route and shipment optimization, as well as careful analysis of alternative transportation models. The impact of packaging is managed, for example, by using environmentally conscious packaging design. This applies to both our own packaging and that of our suppliers. Packaging plays a significant role in improving transportation efficiency and full-chain quality.

KONE has strict requirements concerning the eco-efficiency of its service providers’ operations. The environmental reporting methods that KONE rolled out to its main logistics service providers globally in 2012 have been further improved from the perspectives of accuracy and coverage during 2013.

Relative carbon footprint of logistics kgCO<sub>2</sub>e/Unit



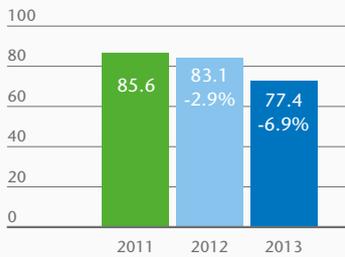
- 2011 Excluding GiantKONE and India
- 2012 restated to include GiantKONE and India

### How KONE reduces the environmental impacts of transportation

Development action	Impact on eco-efficiency
Optimized use of transportation networks	Optimal routing of material through distribution center network and selection of suppliers located close to distribution centers.
Maximized use of railway and waterway transportation, minimized use of air freight	Less CO <sub>2</sub> emissions per tonne-kilometer.
Improved space utilization ratio in loading	Better load planning of outbound trucks and containers resulting in improved container space utilization, optimization of transportation units used and more products delivered per shipment.
Centralized volumes to main suppliers, convenient location of suppliers close to distribution centers	Fewer transportation routes and improved transportation efficiency ratio.
Use of more eco-efficient transportation equipment	Truck equipment selected on the basis of eco-efficiency. Requirement for Euro 4 (European emission standard for light duty vehicles) trucks for European logistics service providers.

**Read more**  
about KONE’s delivery chain on p. 32–35.

Relative carbon footprint of vehicle fleet  
kgCO<sub>2</sub>e/Units in service



How KONE reduces packaging-related emissions and waste

Development action	Impact on eco-efficiency
Optimized packaging to better fit into logistics chain	More products delivered per transportation unit.
Optimized use of packaging materials	Less packaging material used, better waste management, increased recyclability of materials.
Management and development of suppliers' packaging	Less packaging material used, better waste management, improved logistics efficiency.

Vehicle fleet

Altogether, 28% of KONE's operational greenhouse gases are emitted by our global vehicle fleet, making it the second biggest contributor in terms of greenhouse gas emissions. In 2013 the total size of our fleet remained at 14,000. Two-thirds of the fleet are service vehicles, the rest being employee

benefit cars. In 2013 KONE's vehicle fleet emitted 86 (2012: 88) ktCO<sub>2</sub>e in total. The absolute vehicle fleet carbon footprint decreased by 2.4%, whereas the relative carbon footprint (per unit in service) was reduced by 6.9%. KONE continuously looks for new and innovative ways of reducing the carbon footprint of its vehicle fleet.

Key actions taken to reduce the carbon footprint of KONE's vehicle fleet

Compliance with KONE vehicle fleet policy	KONE continued to manage its vehicle fleet in compliance with the global vehicle fleet policy, which defines maximum CO <sub>2</sub> emission limits.
Sourcing focus on fuel efficiency	During 2013 KONE signed global contracts with Renault, Ford and Fiat. One of the key criteria in the selection was competitive fuel efficiency in their fleet offering. In 2013, both passenger and commercial vehicles taken out of use were replaced by new, significantly more fuel-efficient models. Another example of using eco-efficient technology is the selection of vans with start-stop systems.
Introduction of electric vehicles	Piloting the fully electric vehicle models continued in France, Germany, Spain, and in the Netherlands.
Vehicle rightsizing	The vehicle rightsizing program continued in 2013. KONE has continuously paid attention to selecting correctly sized commercial vans when replacing existing models, which often had larger cargo capacity than required. The proportion of compact and medium-sized vans in the global fleet continues to grow.
Monitoring driver performance	The driver performance monitoring program continued in 2013. KONE monitored the driving performance of its service drivers in France, the UK, the Netherlands, Czech Republic, Slovakia, and Poland. Drivers were scored each month in terms of fuel efficiency and driving behavior.
Vehicle sharing program	The vehicle sharing program in France continued.
Telematics systems	Telematics systems were piloted in several countries to dispatch service technicians more effectively.

## Electricity

Electricity consumption accounts for 45 (2012: 42) ktCO<sub>2</sub>e or 15% of KONE's operational carbon footprint. The electricity is used in KONE's offices, warehouses, and manufacturing facilities.

KONE has committed to specific energy consumption and electricity saving programs. For example KONE's Finnish country organization is aiming to reduce the electricity consumption at its facilities by 9% by 2016, with 2008 as the base year. KONE's Global Facility Policy also includes energy saving targets.

In total, 4% (2012: 4%) of the electricity used in our operations is green electricity produced using renewable sources. KONE's German, Swedish, Danish, and Dutch country organizations, our Italian manufacturing unit as well as the new KONE People Flow Center in Finland use green electricity. KONE's Italian manufacturing unit in Slimpa has a photovoltaic system to produce some of the electricity consumed and the eco-efficient KONE US Operations Center in Moline, Illinois combines active and passive energy strategies, including over 1,300 solar panels.

## Fuels for heating and cooling

Fuels for heating and cooling account for 5% of our operational carbon footprint. In 2013 fuels for heating and cooling generated 14 (2012: 15) ktCO<sub>2</sub>e of greenhouse gas emissions. This represents a decrease of 7% compared to 2012.

## Business air travel

Business air travel accounts for 3% of KONE's operational carbon footprint. In 2013 air travel related greenhouse gas emissions increased by 34.8% to 10 (2012: 7) ktCO<sub>2</sub>e. The relative increase was 24.2%. In order to reduce the need for travel and to facilitate global collaboration, KONE invests in virtual meeting tools such as video conferencing equipment. In 2013 virtual meeting time increased by 1.5%. This has been achieved by encouraging KONE personnel to use the virtual meeting tools as the first option instead of traveling.

## Material management and waste optimization

In 2013 KONE used 588 (2012: 530) k tonnes of materials for producing and packaging its elevators and escalators. The figures have

been calculated based on life cycle impact assessment data. Increased product volumes are reflected in higher material consumption figures. KONE focuses strongly on material management and the optimization of our own operations. Our primary goal is material efficiency throughout our manufacturing chain, beginning with the product development stage. KONE also aims to reduce waste in its manufacturing facilities and offices through reduction at the source, reuse and recycling, and by sending waste to incineration. Landfill waste is kept to a minimum.

Waste is always handled according to applicable laws and regulations in local KONE organizations. KONE aims to be as material-efficient as possible, and we aim to exceed legal requirements.

Only 4% (2012: 6%) of the waste generated by KONE's global delivery chain (environmental data has been collected from 11 engineering and manufacturing sites), is sent to landfill. The remaining 96% is recycled or incinerated. All of the waste generated by our escalator manufacturing unit and the GiantKONE manufacturing unit in China and by our manufacturing unit in Pero, Italy is recycled or incinerated – none is sent to landfill. Only 0.3% of the waste generated by our elevator manufacturing unit in China is sent to landfill.

Although the water consumption in KONE's production and maintenance processes is minimal, we continue to optimize and further minimize our usage of water. KONE uses municipal water, and waste water is released into municipal treatment systems that abide by local regulations. The total amount of water used in our manufacturing and office facilities was 440,000 (2012: 390,000) m<sup>3</sup>. The increase is, again, caused by the increased headcount and production volumes. In 2013 KONE's manufacturing units (excluding GiantKONE) released 24.8 tonnes (2012: 26.4) of wastewater effluents into the municipal wastewater systems.

## Improving the eco-efficiency of KONE facilities

KONE has over 1,000 facilities globally, including office spaces and installation and service operation hubs. At the end of 2013, the KONE Executive Board approved a Global

## KONE's Czech manufacturing unit certified for excellent energy management

In 2013 KONE's Czech manufacturing unit became the first KONE unit to receive the ISO 50001 Energy management systems certification. The unit management saw the certification as a powerful tool that fits with KONE's commitment to energy efficiency. Thanks to actions agreed during the certification process such as installing proximity sensors to lighting, installing a new compressor for the site, and improving the energy efficiency of machinery use practices, significant energy and monetary savings have been achieved.

### Read more

about the facility policy in improving the eco-efficiency of KONE facilities on p. 30.



For the third year running, KONE achieved a top position in CDP's Nordic Climate Disclosure Leadership Index.

### Showing the way to eco-efficiency

KONE's facilities in Hyvinkää, Finland entered a new era at the start of 2013 when the newly constructed, eco-efficient People Flow Center welcomed its first customers. The People Flow Center is a new building next to KONE's factory. It includes meeting rooms, a canteen, and a two-floor showroom. Over 2,700 visitors, consisting of customers and partners and KONE employees experienced its amenities in 2013. The facility is a fine example of KONE's commitment to sustainability.

Green building principles and accessibility directed the People Flow Center's design and construction. It was awarded a LEED Gold certification under the US Green Building Council's New Construction & Major Renovations rating system and received a maximum score for water efficiency. Other key eco-efficiency features of the building are energy efficiency and indoor environmental quality. The facility's LEED Gold certification includes Innovation in Design credits thanks to the two energy-efficient KONE MonoSpace® 700 elevators used in the building.



Facilities Policy in order to create a harmonized approach to the selection and management of KONE's facilities. Each KONE unit will have a local sponsor from the management team who will be responsible for the implementation of the policy. Each unit will also appoint a local owner who will monitor and approve all facilities related projects. The key objectives of the facility policy include providing fit-for-purpose facilities and eco-efficient operations as well as providing a safe and secure work environment for all KONE employees. The goal is to reduce the facilities related carbon footprint by 15% by the end of 2016. This will be implemented by:

- Improving space efficiency at KONE facilities
- Optimizing energy usage in heating, ventilating, air conditioning, and in lighting systems by using proximity sensors and LED lights
- Deploying energy-saving practices for computers and office equipment
- Increasing the share of green electricity
- Improving material efficiency in manufacturing/warehousing/office activities
- Reducing waste and further improving recycling
- Selecting eco-efficient service suppliers

In addition, new KONE buildings should be designed according to LEED or other green building standards and green buildings favored in the relocation of KONE facilities to existing buildings.



KONE's new facility in Finland, the People Flow Center, was awarded a LEED Gold certification under the US Green Building Council's New Construction & Major Renovations rating system.

### KONE is the industry leader in CDP reporting

KONE's score in CDP's (formerly known as Carbon Disclosure Project) climate change program further improved to 98/100 in 2013 (2012: 90/100). The program is designed to enable the management of greenhouse gas emissions and the risks and opportunities associated with climate change. For the third year running, KONE achieved a top position in CDP's Nordic Climate Disclosure Leadership Index (CDLI) featuring the best 10% of organizations included in the CDP Nordic report. The CDLI companies have displayed the most professional approach to climate change information disclosure. The minimum score in the CDLI has constantly risen. In addition to carbon disclosure, CDP evaluates companies on their performance in mitigating climate change on a scale of A to E, with scores from A to B considered high performance. KONE's score of A- in 2013, show improved carbon performance from its B score in 2012. CDP is a leading global environmental reporting system, representing over 700 investors and gathering information from thousands of the world's largest companies.

# Environmental Excellence program

Key initiatives	Target 2013	Achievements in 2013
We continue to reduce the energy consumption and increase the eco-efficiency of our solutions.	Further reduction in the energy consumption of volume elevators and escalators	<ul style="list-style-type: none"> <li>• KONE UltraRope™ high-rise technology announced. It offers significantly increased eco-efficiency, durability, and reliability and cuts energy consumption by 15% for a 500-meter elevator ride.</li> <li>• KONE's current volume elevator offering is over 70% more energy-efficient than the 2008 offering in Europe, and 60-75% and 40% more energy-efficient than the 2008 offering in Asia Pacific and in the United States, respectively.</li> <li>• KONE's escalators are 30% more energy-efficient compared to the 2010 offering.</li> <li>• The VDI 4707* A-class coverage for customer installations expanded to include KONE N MiniSpace™ and KONE N MonoSpace®. An A-class certification also given to a modernized KONE MonoSpace® elevator.</li> <li>• The range of FIDE** energy saving labeled KONE elevators extended to include the KONE MonoSpace® 700, KONE N MonoSpace®, KONE N MiniSpace™, KONE S MonoSpace®, and KONE S MiniSpace™ elevators.</li> <li>• KONE was the first elevator company to achieve the Green Label certification by the Singapore Green Building Council, which it received for the KONE N MiniSpace™ and N MonoSpace® elevators.</li> <li>• KONE Middle East awarded "Sustainable Supplier of the Year" at the BGreen Awards. The award recognized KONE's new elevator offering for its energy efficiency.</li> <li>• KONE solutions delivered to LEED, BREEAM and other green buildings.</li> <li>• The KONE TransitMaster™ 120 escalator won an Architectural Products Product Innovation Award. KONE TransitMaster 120 stood out for its innovation in eco-efficiency, safety, and design.</li> </ul>
We continue to minimize the carbon footprint of our operations.	Reduce carbon footprint relative to net sales by 3% from 2010 level	<ul style="list-style-type: none"> <li>• KONE's carbon footprint decreased by 3.5%. The carbon footprint of externally assured scope 1 and scope 2 greenhouse gas emissions relative to net sales decreased by 9.1%.</li> </ul>
Our processes fulfill ISO 14001 and green building requirements.	All corporate units, manufacturing units, and targeted country organizations are ISO 14001 and ISO 9001 certified	<ul style="list-style-type: none"> <li>• All corporate units, manufacturing units, and R&amp;D units are ISO 14001 and ISO 9001 certified.</li> <li>• 18 major country organizations are ISO 14001 and ISO 9001 certified (2012: 17). KONE's manufacturing unit in Czech Republic achieved the ISO 50001 Energy Management System certification.</li> <li>• KONE's People Flow Center in Hyvinkää, Finland achieved a LEED Gold certification.</li> </ul>
We develop environmental excellence jointly with our suppliers.	All KONE strategic suppliers meet ISO 14001 requirements	<ul style="list-style-type: none"> <li>• Currently, 90% of strategic suppliers are ISO 14001 certified.</li> </ul>
We communicate and gain recognition as the most eco-efficient company in our industry.	KONE Corporate Responsibility Report maintains GRI3 B level	<ul style="list-style-type: none"> <li>• KONE 2012 Corporate Responsibility Report maintained GRI3 B level.</li> <li>• KONE's score in the Carbon Disclosure Project improved to 98/100 points (2012: 90) with carbon performance score A- (2012: B). KONE included in the Nordic Carbon Disclosure Leadership Index for the third year running.</li> <li>• In addition to scope 1 and 2 greenhouse gas emissions comprising direct energy use and electricity consumption, KONE's logistics and business air travel emissions from scope 3 were externally assured in 2013.</li> </ul>

\*VDI 4707 is a guideline published by the Association of German Engineers (Verein Deutscher Ingenieure), which classifies elevators based on their energy consumption.

\*\*FIDE is an official Mexican organization that evaluates the energy efficiency of equipment. The FIDE evaluation is based on VDI 4707.

## Environmental Excellence Program 2014–2016

Key initiatives	Solutions	Green building	Environmental impact of operations	OneISO and suppliers	Reporting and communication
<b>Targets for 2016</b>	Further reduce energy consumption of elevators and escalators compared to 2013, and further improve resource efficiency	Develop solutions to fulfill green building requirements and implement LEED/BREEAM at selected KONE facilities	Reduce KONE's carbon footprint relative to net sales by 3% annually	Continue to maintain OneISO (ISO 9001/14001) and require ISO 9001/14001 from our strategic suppliers	Work to meet GRI4 requirements and continue to maintain high CDP scores

### KONE employees voiced their opinion on environmental excellence

To give KONE employees a voice in environmental excellence, a follow-up to an employee survey conducted in 2009 was arranged in 2013. Almost 400 KONE employees responded and the survey was complemented by interviews of KONE people worldwide. Useful insights were received to assist in planning KONE's environmental excellence targets for 2014-2016. The survey results are encouraging and show that in general, KONE employees are very proud to work for a company that is committed to environmental excellence. Two main focus areas for further development were identified: practical guidance on environmental issues in daily work and requiring high environmental standards from suppliers.

**Read more**  
about KONE's environmental key figures on p. 6-7.

# DELIVERY CHAIN

We at KONE strive for continuous improvement in the quality, responsiveness and efficiency of our delivery chain. It refers to all of the actions and processes that lead up to the delivery of equipment to the customer's site. The chain ends when the customer accepts the installation. Leading up to this point, KONE works to ensure that in all phases of manufacturing, distribution, installation, and in the processes of our suppliers, the right items are delivered to the right place at the right time, and with the right quality.

Our aim is to develop the best delivery chain in the industry.



KONE delivers 2.6 million packages from distribution centers to the installation sites, and close to 0.5 million packages of spare parts from our facilities to the customer sites annually.



## Delivery chain tailored to customer needs

Customer experience is at the heart of KONE's delivery chain process, and our global presence makes it crucial for the company to be close to its customers. In 2013, KONE's delivery chain comprised eight production sites, eight global distribution centers for elevators, and four distribution centers for spare parts. KONE's ninth global distribution center is under construction. Located in Chengdu, China, it will be opened during the spring 2014. Over 4,100 people keep KONE's supply operations running, covering new equipment, modernization, and spares supply. In addition, we work closely with a significant number of material suppliers and logistics service providers.

Delivery chain is an important part of KONE's strategy, and Delivery Chain Excellence was one of the five global development programs KONE had in place in 2011–2013 for strategy implementation. Drivers behind the development program were the needs of customers in different segments, global harmonization and the smart integration of processes and systems. During the three-year period for this development program, we managed to increase the effectiveness of delivery chain through Lean methods, and to improve the demand - supply planning.

### Meeting the needs of customers

KONE's delivery chain is able to adapt to different customer requirements. For example our customers with modernization projects value timely delivery of certain components, and in special high-rise projects the role of well-planned and specified delivery is crucial in meeting customers' demanding conditions.

We collect systematically customer feedback on our quality performance, which we analyze using Six Sigma tools before taking corrective action. We set targets and monitor key performance indicators (KPI's) such as the early failure rate of our products. Employees are actively encouraged to take part in the improvement of processes, through an Idea Management System and the Kaizen continuous improvement practices.

In 2013, KONE continued to implement Control Tower, a system developed within the company in which different units integrate their processes to improve delivery accuracy. In practice, the system relies on open communication and common project management processes. Its purpose is to provide a consistent supply forecast to factories and external suppliers and to give the functions that deal directly with customers updated information on material and capacity availability. By synchronizing all delivery process phases on a daily and weekly level, we are able to provide customers with precise and reliable delivery and installation schedules.

### A streamlined network through continuous learning

We are continuously developing our delivery chain by implementing Lean and Six Sigma methods and tools to eliminate waste and reduce process variation. KONE's target is to apply Lean and Six Sigma philosophies throughout the entire delivery chain as well as in product and process transitions.

In 2013, over 3,000 people completed the Lean Passport E-learning Program. Participants included more than 100 supplier representatives. The learning module is available in six languages: Finnish, English, Chinese, Italian, Spanish and Czech. Advanced training for Lean practitioners was conducted during the year with about 20 participants. Furthermore, KONE established a Lean Office to serve as a dedicated resource to implement Lean, provide training and serve as a knowledge center. About 250 people at KONE have been trained in Six Sigma. Majority of them have received certification.

The 5S\* method, which has been employed at all KONE offices and distribution centers, was implemented at all KONE distribution centers during the year. Implementation at installation sites is ongoing.

\*The name of the 5S methodology comes from the words sort, stabilize, shine, standardise, and sustain.



### KONE's largest manufacturing unit

In April 2013, we celebrated the opening of KONE Park manufacturing and R&D site in Kunshan. This new site meets the needs of our customers in China, Asia and other parts of the world. It is located close to the Suzhou-Shanghai Expressway, enabling good connections to suppliers and customers. It was planned according to the Lean manufacturing principle to maximize efficiency and eliminate waste, and constructed according to modern green building standards, aiming to earn a LEED Gold green building certification. China is by far the single biggest market for new elevators and escalators.

### Sharing ideas

To build a culture of continuous learning, employees are encouraged to participate and share their improvement ideas. Idea Management System is in use in all of KONE's factories globally, and by the end of 2013, approximately 18,500 initiatives have been approved for implementation, out of which over 16,000 have already been put into action.

**Read more**  
about our logistics on p. 27.

## Actively developing supplier excellence

Strategic suppliers with ISO 9001 certification:

100%

Strategic suppliers with ISO 14001 certification:

90%

Strategic suppliers audited in 2013:

100%

Our suppliers and their sub-tier suppliers are an integral part of KONE's delivery chain. They play a key role in the task of delivering high-quality solutions to our customers. Just as internal efficiency is essential, so is working effectively with the 20,000 suppliers who provide us with raw materials, manufacture components and modules, transportation services, and install our products.

KONE purchases 80% of its raw materials, components, and systems supply for new equipment production from approximately 100 suppliers located in the vicinity of our production centers. The close location of many of our suppliers has a positive impact on both our flexibility and environmental footprint.

We ensure supplier excellence by auditing our suppliers, assessing and mitigating supplier related risk, employing standardized contractual agreements that include the KONE Supplier Code of Conduct, assessing supplier performance, and certifying key suppliers.

### Supplier Audits

We audit all of the main suppliers that deliver direct materials to KONE distribution centers or factories on a regular basis. All of KONE's strategic suppliers were audited in 2013.

We review our audit plan every year to prioritize and schedule audits according to our business needs. Audits can be scheduled to check on changes in products or production processes, to validate follow-through on improvement initiatives, to assess quality and environmental management systems especially when suppliers are not ISO certified, or to pre-audit the suitability of potential suppliers.

### Assessing supplier risks

KONE's sourcing risk monitoring system is based on a thorough assessment of suppliers, including analyses of their financial and business viability, and their dependence on business from KONE. We also work closely with our strategic suppliers to secure competitive raw material price levels.

### Supplier Code of Conduct

All KONE suppliers must comply with our Supplier Code of Conduct, which sets out KONE's global values. Suppliers are expected to adhere to this Code in their dealings with KONE, their own employees and suppliers, as well as third parties. KONE may terminate all contracts with suppliers who breach this code. KONE prohibits any kind of unethical business practices.

KONE's Supplier Code of Conduct focuses on issues including:

**Ethics** – complying with local laws; intellectual property rights; improper payments; conflict of interest

**Environment** – complying with environmental laws and regulations and obtaining environmental permits; continuously reducing harmful environmental impacts by minimizing the amount of waste, waste water, air emissions, greenhouse gas emissions, chemicals and hazardous substances.

**Labor** – non-discrimination, and fair and equal treatment of all employees; prohibition of child or forced labor; maintaining a safe and healthy working environment; complying with wage-related laws and regulations

**Health and Safety** – managing exposure to potential safety hazards and physically demanding tasks; implementing emergency plans and response procedures; managing occupational injuries and illnesses

**Management systems** – identifying, monitoring and understanding applicable laws, regulations and customer requirements; identifying and controlling supplier risks related to environment, health and safety and labor practices.

### Assessing supplier performance

The performance of KONE's main suppliers for direct production materials is monitored through a monthly KPI measurement and

follow-up process. We also run a supplier scorecard system. It evaluates key suppliers of direct materials to our distribution centers and factories as well as main installation subcontractors within our country organizations. The scorecards combine quantitative and qualitative performance criteria including quality and safety, cost competitiveness, logistics, technical competence and service level. We discuss performance evaluations with suppliers regularly and initiate corrective actions or development projects, and conduct follow-up when performance does not meet KONE's expectations.

### Supplier Excellence Certification

KONE's Supplier Excellence Certification Program assesses key suppliers' sites. It considers environmental and quality management systems, performance scorecards, and supplier audit results, among other aspects. ISO 14001 and ISO 9001 compliance are also assessed. We aim to maintain a supply base that complies with international quality and environmental standards as well as those of KONE. In 2013, 100% of KONE's strategic supplier factories were ISO 9001 certified and 90% of KONE's strategic supplier factories were ISO 14001 certified. We expect all our key suppliers' factories to attain Supplier Excellence Certification.

### Supplier Development Program progresses

KONE launched its Supplier Development Strategy in 2012 to extend the drive for delivery chain excellence to our supplier network. Its objective is to improve quality, reliability and manufacturing efficiency at suppliers, and ultimately improve KONE's market position. A total of 181 supplier development projects were completed in 2013.



We purchase close to 80% of the components, raw materials, and system supply for new equipment production from approximately 100 suppliers located close to our production centers.

**Read more**  
about our Supplier Code of Conduct  
at [www.kone.com/suppliers](http://www.kone.com/suppliers)

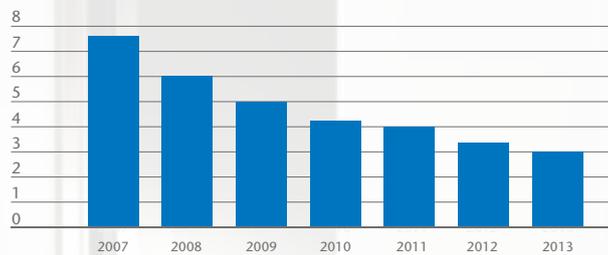
# SAFETY

Millions of people use elevators, escalators and automatic building doors every day, and our top priority is to keep them safe. Our 15,000 service technicians around the world ensure that the equipment maintained by KONE functions properly 24/7.

KONE has over 43,000 employees, and we work together with thousands of subcontractors. We want them to return home injury free every day. It is our strong belief that all accidents are preventable.

In 2013, KONE's industrial injury frequency rate (IIFR) for employees was 3.0; a reduction of 11.4% from the previous year. KONE tracks the number of lost time injuries of one day or more, per million hours worked, as a key performance indicator.

IIFR development



# Safety is our top priority

Safety is an integral part of KONE's strategy and a cornerstone of our business. We strongly believe that all accidents are preventable, and thus our ultimate goal is for zero accidents - for all of our employees, users of our equipment, and partners. We work towards achieving this goal by continuously developing our people and processes, by working together with our partners, and by actively communicating about the safe use of equipment to users.

We enhance the safety of KONE products and services through rigorous attention to our design, manufacturing, installation, and maintenance processes. KONE has global policies, processes, and guidelines to ensure that our business activities, including subcontractor operations, are organized and conducted in a structured and globally harmonized way.

## Safety is a joint effort

Elevator, escalator and automatic door safety is a joint effort that involves technology providers, building owners, maintenance service providers and equipment users. As a technology provider, KONE manufactures equipment that meets applicable codes and standards. Our equipment also often include additional safety features that exceed the minimum requirements.

Building owners and maintenance service providers are responsible for making sure that equipment is professionally maintained and kept in good condition. Customers should for example inform service providers if they identify any recognizable hazards, such as broken glass or sharp edges due to vandalism. We emphasize that elevator, escalator and automatic door users need to be conscious of their own behavior when using equipment, and we communicate actively about safety to both external and internal stakeholders.

KONE contributes to the development of codes and standards that aim to further improve equipment safety. We also promote safety through our involvement in industry trade associations.

## Safe working for employees and subcontractors

Safety is integrated into all of KONE's processes, and we focus on making sure each of our

employees has the necessary competence to perform their work professionally and safely. KONE employees receive training on health and safety, as well as training that is relevant for their respective work roles and tasks.

KONE's Supplier Code of Conduct requires all of our suppliers to protect the health and safety of their employees. Both our employees and subcontractors are required to follow our globally defined rules and methods to ensure their own safety and that of anyone else who may be affected by their activities.

## Monitoring workplace safety performance

Every manager is responsible for ensuring that all necessary arrangements are in place to allow their teams to work safely. We conduct audits to measure compliance with KONE's policies, rules, and defined working methods, and take corrective actions if deviations are identified. Safety is checked in all process audits, and if obstacles to safe working are found, the work in question stops until a safe way to continue has been approved. Members of the senior management teams participate in workplace audits regularly.

To support continuous improvement in KONE's safety performance, a procedure is in place to report and investigate accidents, near miss incidents, unsafe conditions and unsafe behavior. The underlying root causes are identified and corrective and preventive actions are implemented to ensure that the accident or near-miss incident is not repeated. At the start of 2013, KONE began monitoring employee near-miss incidents on a global level, setting targets and gathering feedback. Lost days per accident and the number of near misses are part of each unit's monthly reporting to global functions.

KONE organizes quarterly global safety network meetings to share lessons learned from accidents and near-miss incidents, and also gathers safety managers together on a monthly basis to accelerate the sharing of best practices and to discuss concerns. Toolbox talks are used to communicate safety messages to field employees.

## Boosting safety culture

In 2013, KONE organized its second annual Global Safety Week. The purpose of this global event is to further boost KONE's culture for safety. Activities included for example training modules, virtual sessions, toolbox talks, locally organized activities, and also family events for employees and subcontractors.

## Safety targets and achievements

- The ultimate goal of zero accidents
- In 2013 our industrial injury frequency rate (IIFR) was 3.0 – an 11.4% reduction compared to 2012
- In our annual employee survey, Pulse, the question about KONE's commitment to employee safety again received a very high score in 2013

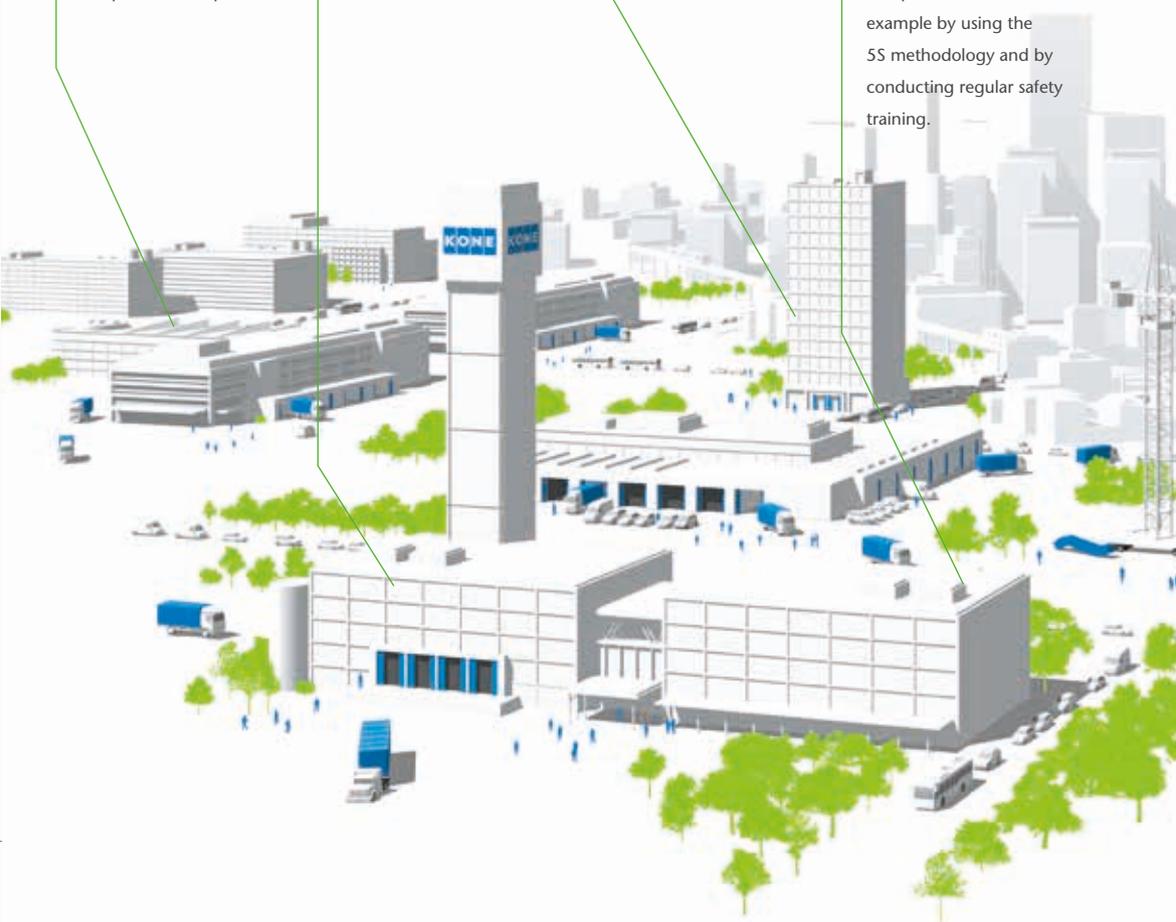
# Safety every step of the way

## Safety highlighted at People Flow Day

Safety was the chosen theme of KONE's fourth annual People Flow Day, which took place on October 30, 2013. KONE employees from around the world met customers and equipment users to gather their views on safety. Findings from the day are published in the global People Flow Day report, read more at [www.kone.com/people-flow-day-report-2013](http://www.kone.com/people-flow-day-report-2013).

We enhance the safety of our products and services through rigorous attention to our design, manufacturing, installation, and maintenance processes. Safe practices are promoted for our employees and subcontractors, as well as for customers and people who use our equipment.

SUPPLIERS	R&D	OFFICE	PRODUCTION SITE
<p>KONE's Supplier Code of Conduct requires all of our suppliers to protect the health and safety of their employees.</p> <p>KONE has defined clear quality requirements which are continuously measured and followed. In addition, our quality professionals regularly audit key suppliers to monitor the safety and quality of delivered components and products.</p>	<p>Safety is embedded in the product development process. Potential safety hazards affecting the products' full life cycle are systematically identified and eliminated before products are introduced to the market.</p> <p>Existing products are continuously developed to improve their safety and functionality further.</p>	<p>KONE promotes the safety awareness of its employees through health and safety training as well as safety-related internal communication.</p> <p>Building managers promote and maintain safe and healthy working environments in KONE premises.</p>	<p>KONE enhances the quality and safety of all components used in production by carefully controlling raw materials and production processes. All of KONE's major production sites are certified to ISO 9001, 14001 and OHSAS 18008 standards.</p> <p>We make sure that all our production sites are safe places to work, for example by using the 5S methodology and by conducting regular safety training.</p>



Safety is one of the megatrends affecting KONE's business. Read more on p. 9.

**INSTALLATION**

KONE's installation methods and processes are designed to protect installer safety whilst enabling product quality and reliability. KONE follows the 5s methodology in all of its installation processes.

KONE uses continuous training, installation safety & method passport, site audits, and risk-assessed methods to control site safety.

**USE**

KONE supports customers and building owners in promoting the safe use of elevators, escalators and automatic building doors.

KONE communicates actively about safety issues, and organizes events for end users and customers to promote the safe use of equipment we maintain.

**MODERNIZATION**

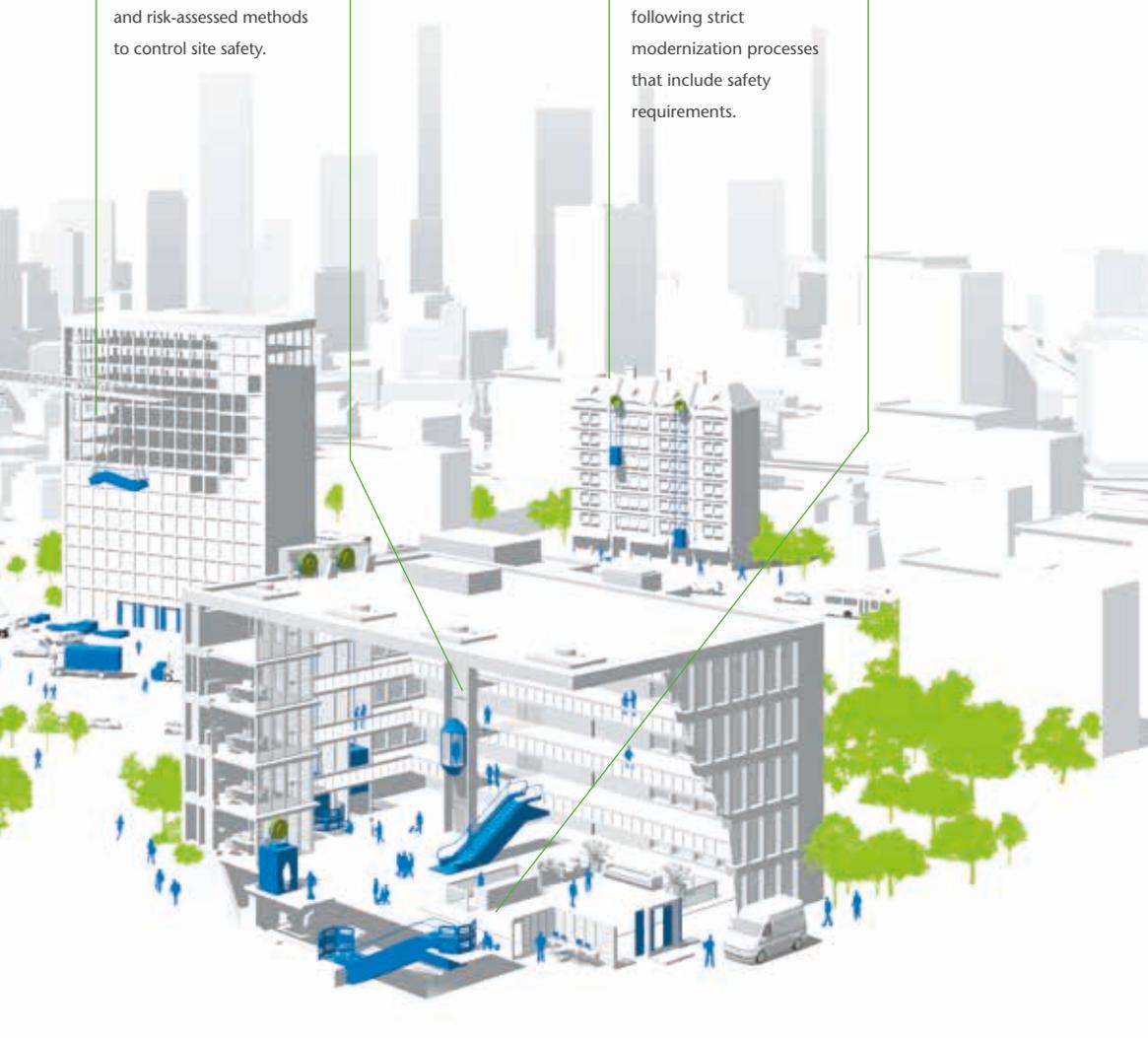
KONE develops modernization solutions for upgrading or replacing existing equipment with new solutions that meet or exceed the latest safety standards, improving equipment reliability and user safety.

Products are installed by professional technicians following strict modernization processes that include safety requirements.

**MAINTENANCE**

KONE maintains the safety of elevators, escalators, and automatic doors using preventive maintenance methods.

We train our maintenance professionals regularly so that they have the required competence to perform their work safely.



**Showing the safe way**

KONE provides educational material to equipment users and organizes global events on safety. In 2013 we continued our work in educating children and for example produced an animation featuring our safety mascots Bob and Max. Read more at [www.kone.com/safety](http://www.kone.com/safety).

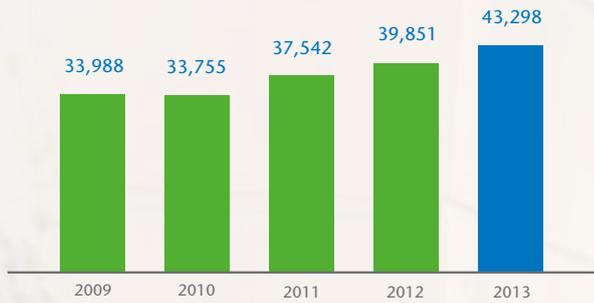


# OUR PEOPLE

KONE follows high ethical principles in all its activities. All KONE employees have the right to a safe, healthy working environment where discrimination is prohibited and personal well-being promoted. Diversity is important to us.

We have clear rules and guidance for ethical business practices and they are easily available to all our employees.

KONE employed over 43,000 individuals in more than 50 countries at the end of 2013.



# An inspiring and collaborative working culture fosters innovation

KONE believes that innovations are born when a working culture is open and engaging, and when the contribution of each individual is valued. This idea is embedded into our aim of making KONE a great place to work, with motivated employees that aspire to deliver great results. It is also embraced in our approach to leadership. KONE leaders are expected to inspire and empower their people to find innovative solutions and perform at their best.

Among the four core values that guide our personnel is that of winning together. This means that in addition to encouraging participation, we promote the sharing of information and ideas. We seek to develop a culture of working together, where co-workers trust and respect each other and good performance is recognized.

## Pursuing an equal opportunity approach

As an employer, KONE is committed to an equal opportunity approach that places people in the positions that best suit their abilities. This increases productivity and fosters creativity and innovation that are the integral elements of our culture.

KONE follows high ethical principles in all of its activities. We treat each employee fairly and provide them with a safe working environment. We value diversity and prohibit all kind of discrimination. During the reporting year, KONE had employees of more than 100 different nationalities working in the company, with people from 33 countries working in our units in Finland alone.

In gender distribution, a slight improvement was achieved in the proportion of women to men in management positions. In 2013, females made up 17% of the members of management teams. KONE's target is 20%. We do not differentiate work applicants based on gender, race or other aspects of their personal backgrounds, however, we have also set goals for cultural diversity in our global teams.

## Employee Engagement development program progressed

KONE's personnel strategy aims to ensure the availability, engagement, motivation and continuous development of our employees. This is a fundamental part of KONE's business strategy and is highlighted in our Employee Engagement development program, which was carried out in 2011–2013. The program focused on three key initiatives: providing growth and development opportunities for employees, developing leadership capabilities, and ensuring well-being and safety at work.

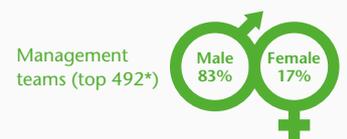
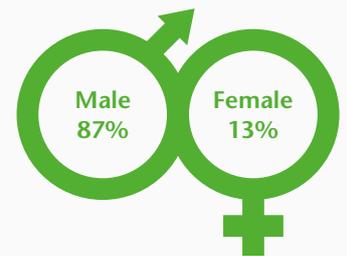
In 2013, we started rolling out our global learning management system, which allows us to manage certifications, training requirements and personnel development more easily. It will also support our online and field trainings, and aims to better collaboration and material sharing. The first region to start using the system was North America and the roll-out continues with China in 2014.

KONE continued to carry out its global learning programs for leaders, such as the Supervisor Development Program for first-level managers. We also launched a program on Managing KONE Business and used mentoring more than ever before.

KONE's goal is to have the best possible professionals with the right competencies in each position. This is emphasized by organizing performance discussions between an employee and his or her supervisor at least twice a year. In addition to target setting and job contents review, KONE managers are advised to discuss employee well-being in these discussions. Career development and growth opportunities are also important topics. During the reporting period, the quality of performance discussions was further improved and we heavily encouraged more people to have their individual development plans in place. By the end of 2013, a majority of the personnel using KONE's performance management tool had a documented plan. The total number of documented plans was twice as high as the number in 2012.

KONE's efforts to meet its strategic targets are supported by development programs that are designed to help us turn our strategy into reality. Read more on p. 8.

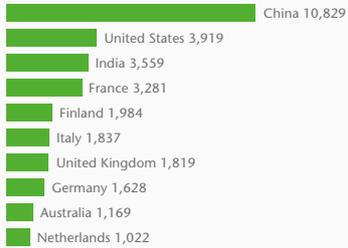
### Gender distribution 2013



\*Excluding United States.

Read about workplace safety on p. 37.

**Personnel by country**  
Dec. 31, 2013  
(10 largest countries)



**Average length of service**  
Dec. 31, 2013  
(10 largest countries)



Job rotation continued to be emphasized as a means of professional development during the year. In 2013, the number of open positions on the KONE intranet was more than double that of 2010, and on average more than 450 open positions were advertised at any given time. In addition to posting all open positions on the intranet, many units advertise vacancies on office notice boards, in pay slips or even as text messages to reach as many employees as possible.

To get fresh insights and to renew the way we approach our business, we also seek external candidates for open positions. In addition, we offer students and graduates opportunities to work on interesting projects in different KONE units around the world through KONE's International Trainee Program. In 2013, we received close to 2,000 applications, and had trainees from five different countries, representing 12 nationalities. KONE also offers various summer traineeships and thesis opportunities in several countries.

Well-being and safety programs continued, and good progress was made in implementing Elevate Your Health programs globally. The well-being programs deal with topics ranging from taking care of joints and muscles to weight loss initiatives, walking campaigns and building stress resilience.

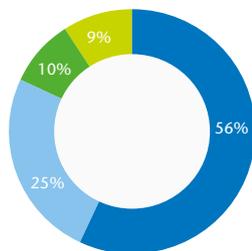
**Measuring workplace satisfaction**

Each year, we conduct our Pulse survey to measure employees' level of workplace satisfaction. It offers our employees the opportunity to give their feedback and provides insight into their engagement with KONE's core values. In 2013, more than 35,500 employees provided feedback, and the global response rate was 92%, exceeding the all-time high achieved in 2012.

The survey covers areas such as employee engagement, performance enablement, corporate responsibility, strategy and values, leadership, communication and involvement, customer relationships, and growth and development opportunities. Additionally, how respondents view their job, managers and performance review is covered.

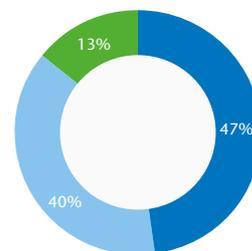
In 2013, KONE's employee engagement score maintained its three-year upward trend and also surpassed external benchmarks. The scores of each of the 47 questions in the survey exceeded those of the previous year. The questions with the most improved scores relate to confidence in KONE strategy, career opportunities, and survey follow-up. The results also show that there has been considerable improvement in employees' belief that they can participate and share their ideas and views freely.

**Employees by job category, 2013**



- Maintenance and modernization 56% (57%)
  - New equipment sales and installation 25% (25%)
  - Manufacturing 10% (9%)
  - Administration, IT, R&D 9% (9%)
- (2012 figures in brackets)

**Employees by market, 2013**



- EMEA 47% (48%)
  - Asia-Pacific 40% (38%)
  - Americas 13% (14%)
- (2012 figures in brackets)

### Rewarding our people

Our reward framework is intended to inspire, motivate and engage employees through easy-to-understand policies, guidelines and practices that align with our business strategy and development programs. While reward policies are consistent across KONE, the practices are flexible enough to meet local needs.

Compensation and other benefits of the Board of Directors, President and CEO, and the Executive Board are disclosed in KONE's Financial Statements 2013 (p. 62–63).

### Open and timely communication

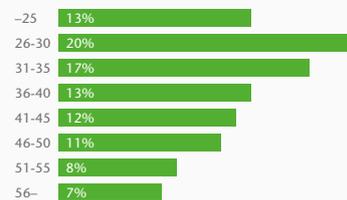
Employee engagement has a lot to do with open and timely communication about KONE's goals and the ways of doing business. We use multiple channels to reach and motivate our employees, and encourage them to collaborate by for example offering everyone the opportunity for language testing and online English training.

In 2013 we rolled out a KONE Collaboration Workplace project to improve teamwork via the intranet. The upgraded intranet improves document sharing and supports interactivity.

Since 1993 we have organized an annual European Employee Forum that brings together top management and employee representatives to discuss issues ranging from safety to business development. In 2013 the theme was learning and development, and 21 employees from 15 European countries participated. A smaller working group meets two to four times a year to ensure continuous consultation and communication on important developments affecting KONE employees.

KONE's latest news and events are published in our intranet, employee magazine and newsletters, which are available both on a global and local level. In 2013, KONE published three editions of its global employee magazine Move, in nine languages.

Age distribution, Dec. 31, 2013  
(All KONE employees)



70% of competence development happens on the job, 20% by learning from others and 10% from training and self study. During the previous reporting year, we created the 70-20-10 learning guide, a practical learning solution with examples on building more effective individual development plans.

## Committed to ethical business practices

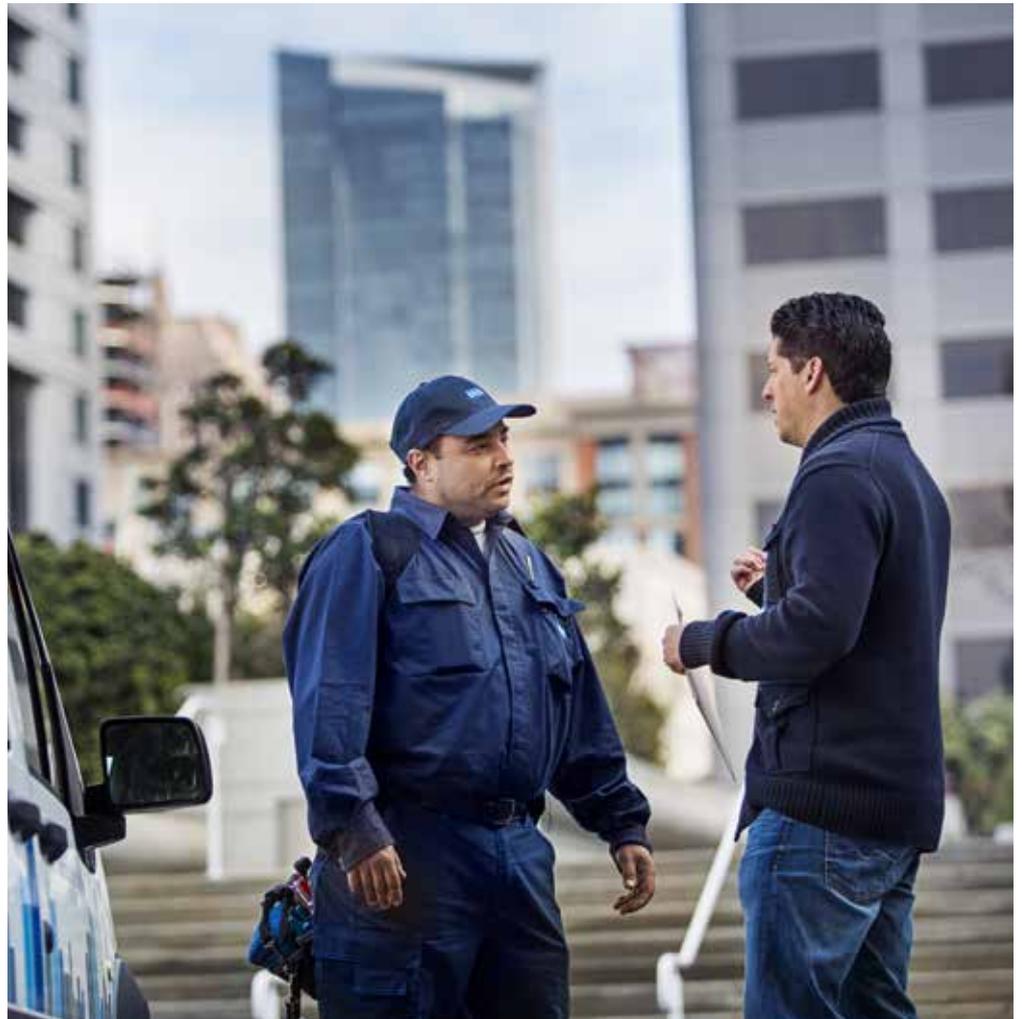
Our global presence makes it crucial to ensure that clear rules and guidance for ethical business practices are in place and easily accessible to all our employees.

KONE has more than 1,000 offices in over 50 countries, and we collaborate with authorized distributors in almost 100 countries around the world. As a global corporate citizen, we are committed to the laws and rules of societies in which we operate. Thus, our global presence makes it crucial to ensure that clear rules and guidance for ethical business practices are in place and easily accessible to all our employees.

KONE's global Code of Conduct sets out our position on ethical business practices. It is supplemented by a detailed Competition Compliance Policy that focuses on competition law.

### **KONE's Code of Conduct**

KONE's Code of Conduct sets out the standard of behavior that is expected of KONE employees and KONE companies, and gives clear guidance about the kind of behavior that is not tolerated. Topics covered include complying with the laws and rules of society, the work environment, product and service marketing, fair competition, the environment and sustainability. All our employees are expected to read and understand the code, and to report any violations to KONE's Compliance Officers or to the global, or relevant local, legal function.



### Competition Compliance Policy

KONE's Competition Compliance Policy expands on the principles of fair competition presented in the Code of Conduct. The policy details our unambiguous position against anti-competitive practices. It sets out the rules and principles that all KONE employees must follow to ensure that we comply fully with competition laws.

### Online training programs

All KONE employees with personal KONE e-mail accounts must regularly complete the Code of Conduct online training program. Participants for the Competition Compliance Policy program are determined globally and selected on the basis of their role and position. These participants include the members of KONE's Executive Board, local management personnel, sales and sales support teams, as

well as other employees who have access to confidential information. Individual business units can nominate additional participants, where they feel it is necessary.

### Enforcing the codes and policies

Dedicated compliance officers help employees comply with KONE's Code of Conduct. Employees have several ways they can contact KONE's Compliance Officers, and have the right to make contact in their native language.

### Supplier Code of Conduct

KONE's Supplier Code of Conduct sets out the ethical business practice requirements that we expect of our suppliers. The Supplier Code of Conduct is explained in more detail on page 34 of this report.

### Training and information

- Online training programs delivered in 24 languages complement classroom training provided to employees in their respective business units
- Policy documents available in 29 languages to all employees

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### Topics included in the KONE Code of Conduct

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Compliance with laws and rules of society	<ul style="list-style-type: none"> <li>• KONE is committed to complying with all laws and regulations that apply to KONE</li> <li>• KONE respects prevailing cultural norms and practices, but where there are conflicts KONE's employees are required to follow the KONE Code of Conduct</li> </ul>
Work environment and human rights	<ul style="list-style-type: none"> <li>• KONE prohibits all forms of discrimination</li> <li>• KONE is committed to ensuring a safe and healthy working environment for all employees</li> <li>• KONE prohibits offensive behavior, including sexual harassment</li> <li>• KONE prohibits child and forced labor, and does not enter into business with suppliers who use these practices</li> </ul>
Competition law	<ul style="list-style-type: none"> <li>• KONE is committed to fair competition, and prohibits any violations</li> </ul>
Environment and sustainability	<ul style="list-style-type: none"> <li>• KONE is committed to minimizing the environmental impact of its solutions, products, services, and operations</li> </ul>
Risks and conflicts	<ul style="list-style-type: none"> <li>• KONE employees are required to avoid conflicts of interest</li> <li>• KONE prohibits direct and indirect bribes and unethical payments, as well as excessive gifts and hospitality</li> </ul>

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## Reporting scope

KONE has chosen to report using the Global Reporting Initiative (GRI) guidelines in order to facilitate easier comparison of our performance with other companies and to streamline our own corporate responsibility reporting efforts. KONE has published a Corporate Responsibility Report annually since 2008. The previous report was published in June 2013. The reports follow GRI (G3) reporting guidelines as far as they are applicable.

The report for 2013 covers economic, social, and environmental responsibility. A table detailing how this report complies with the GRI guidelines is shown on pages 48–49. We have self-declared our reporting to be Application Level B of the GRI G3 Guidelines. PricewaterhouseCoopers Oy has checked our reporting and has confirmed it to be Application Level B. The reporting period corresponds with the calendar year and with KONE's financial year of January 1–December 31, 2013.

When developing the report content and choosing indicators, the driver has been the materiality to KONE's operations. The materiality analysis questionnaire was conducted for external stakeholders and different organizational units within KONE. The purpose of the analysis was to identify and prioritize the key aspects of KONE's corporate responsibility. The results are described on p. 14 - 15. KONE's approach to corporate responsibility has also been described in the CEO's and Chairman of the Board's reviews on pages 4 - 5, and in the strategy description on page 8. All major local and regional organizations and all production units are included 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 financial

figures presented in this report are based on KONE Corporation's consolidated and audited financial statements for 2012 and 2013.

The personnel data is provided by our HR organization and – with the exception of the data relating to gender distribution in management – covers the entire KONE Group.

The environmental data has been collected from KONE's 11 manufacturing units worldwide and from 31 major country organizations with sales, installation, and service operations in Asia-Pacific, EMEA, and North America. The collected environmental data covers 84% (2012: 85%) of all KONE's employees and 100% of the employees working at our manufacturing units. The facilities related data collected from the reporting country organizations has been extrapolated for the entire KONE organization. The goal is to gradually extend our environmental reporting to cover all of KONE.

Data on business air travel has been collected from 27 countries, covering approximately 75% of all business travel by KONE employees, and data on KONE's vehicle fleet fuel consumption has been collected from 20 countries, covering over 97% of the total fleet. Data related to product and spare parts logistics has been collected centrally by the corporate organization. The logistics data covers the transportation of products from KONE's manufacturing units to customers and the transportation of modules that are delivered straight from our suppliers to our delivery centers and onward to customers. Inbound logistics of materials to KONE's manufacturing sites is excluded from the reporting scope because of its minor impact (KONE prefers material suppliers located close to our manufacturing units, and a large part of the modules are

delivered directly from suppliers to KONE distribution centers).

KONE has used an environmental performance software system since 2011. The environmental data has been collected from branch offices using a customized data collection spreadsheet consolidated on the country level. The country-level data has been entered into the environmental performance system. The data has further been consolidated globally in a combined effort with KONE's global carbon footprint assessment. The environmental performance has been reported in accordance with the Greenhouse Gas Protocol and ISO 14064 guidelines. KONE's greenhouse gas emissions for scopes 1 and 2 (direct and indirect energy consumption) and scope 3 (logistics and business air travel) have been assured by Ecobio Oy.

We welcome any feedback on this report or our overall corporate responsibility performance. If you have any comments or suggestions, please contact corporate communications at [contact@kone.com](mailto:contact@kone.com).

# Independent Assurance Report – KONE's GHG Emissions 2013

## To the Management of KONE Oyj

Insinööritoimisto Ecobio Oy (hereafter Ecobio) has been commissioned by KONE Oyj (hereafter KONE) to perform a limited third party assurance engagement regarding greenhouse gas emission (hereafter GHG emission), including Scope 1, 2 and 3 emissions disclosed in KONE's Sustainability Report for 2013 for the period of January 1<sup>st</sup> to December 31<sup>st</sup> 2013.

## KONE's Responsibility

KONE was responsible for the collection, preparation and presentation of GHG emission disclosures in the Sustainability Report according to the Greenhouse Gas Protocol (GHG Protocol). Ecobio, as an independent assessor, was not involved in the preparation of any GHG emission disclosures, apart from the independent assurance engagement. The Management of KONE has approved the information on GHG emissions provided in the Sustainability Report.

## Practitioner's Responsibility

Ecobio's responsibility was to present an independent conclusion on the GHG emission disclosures subject to the limited assurance engagement. Ecobio disclaims any liability or responsibility for any third party decision based upon this assurance report.

## Methodology

Ecobio based the assurance process on the following guidelines and standards:

- Greenhouse Gas Protocol - A Corporate Accounting and Reporting Standard
- Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines 3.0
- ISO 14064-3 standard (Greenhouse gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions)
- International Standard on Assurance Engagements 3000 (ISAE3000)

Concerning limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained. This assurance engagement was conducted from January to April 2014.

The assurance process included:

- Interviewing personnel responsible for data collection and reporting.
- Evaluating procedures for gathering, analyzing, and aggregating quantitative data on GHG emissions.
- Performing cross-checks on a sample basis concerning the reported GHG emissions.
- Performing cross-checks on a sample basis on fuel, electricity and cooling gas consumption data and data concerning air travel and logistics.
- Evaluating internal guidelines for data collection.
- Evaluating the sufficiency of documentation of the data gathering process.
- Checking the consistency of the reported GHG emissions compared to the guidelines.

## Conclusions

Based on the work described in this report, nothing has come to our attention that would cause us to believe that the GHG emission disclosures in KONE's Sustainability Report 2013 are not fairly stated, in all material respects, or that it would not comply with the reporting guidelines stated before.

## Practitioner's Independence and Qualifications

Ecobio is an independent environmental consulting company with over 20 years of history. Ecobio's assessors are skilled and experienced in environmental assurance and have good knowledge of industry related sustainability issues.

Ecobio has no financial dependencies on KONE beyond the scope of this engagement. Ecobio has conducted this assurance independently, and there has been no conflict of interest.

Helsinki, 3<sup>rd</sup> of April 2014  
Insinööritoimisto Ecobio

Sanna Vaalgamaa (Ph.D.)  
Managing Director

Thomas Andersson (M.Sc.)  
Senior Consultant

# Global Reporting Initiative index

Comparison with Global reporting initiative guidelines			
GRI Content	Included	Page	Remarks
<b>1. Strategy and Analysis</b>			
1.1 CEO's statement	Yes	4–5	
1.2 Key impacts, risks and opportunities	Yes	8–11; 16–19	
<b>2. Organizational Profile</b>			
2.1 Name of the organization	Yes	Back cover	
2.2 Primary brands, products and services	Yes	3, 10–11	<a href="http://www.kone.com/en/company/in-brief/">http://www.kone.com/en/company/in-brief/</a>
2.3 Operational structure	Yes		<a href="http://www.kone.com/en/company/organization/">http://www.kone.com/en/company/organization/</a>
2.4 Location of organization's headquarters	Yes	Back cover	
2.5 Number of countries and location of operations	Yes	8	<a href="http://www.kone.com/en/company/in-brief/">http://www.kone.com/en/company/in-brief/</a>
2.6 Nature of ownership and legal form	Yes		<a href="http://www.kone.com/en/company/in-brief/">http://www.kone.com/en/company/in-brief/</a>
2.7 Markets served	Yes	8, 10	<a href="http://www.kone.com/en/company/in-brief/">http://www.kone.com/en/company/in-brief/</a>
2.8 Scale of the reporting organization	Yes	6	
2.9 Significant changes regarding size, structure or ownership	Yes	46	
2.10 Awards received in the reporting period	Yes	10	
<b>3. Reporting Principles</b>			
Report profile			
3.1 Reporting period	Yes	46	
3.2 Date of most recent report	Yes	46	
3.3 Reporting cycle	Yes	46	
3.4 Contact point for questions regarding the report	Yes	46	
Report scope and boundary			
3.5 Process for defining report content (materiality, prioritizing topics and stakeholders using the report)	Yes	14–15; 46	
3.6 Boundary of the report	Yes	46	
3.7 Limitations on the report's scope or boundary	Yes	46	
3.8 Basis for reporting subsidiaries, joint ventures, leased facilities, outsourced operations and other entities affecting comparability	Yes	46	
3.9 Data measurement techniques and bases of calculations	Yes	46	
3.10 Explanation of re-statements	Yes		Reported in connection with the indicators in question.
3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods	Yes		No significant changes during the reporting period.
GRI content index			
3.12 GRI content index	Yes	48–49	
Assurance			
3.13 Assurance policy and practice	Yes	47	
<b>4. Governance, Commitments and Engagement</b>			
Governance			
4.1 Governance structure of the organisation	Yes	FS 60	
4.2 Position of the Chairman of the Board	Yes	FS 60	
4.3 Independence of the Board members	Yes	FS 62	
4.4 Mechanism for shareholder and employee consultation	Yes	FS 60	
4.5 Impact of organisation's performance on executive compensation (inc. social and environmental performance)	Yes	FS 62–63	Linkage to CR performance not reported.
4.6 Processes for avoiding conflicts of interest	Yes	FS 60	
4.7 Processes for determining Board members' expertise in strategic management and sustainability	Yes	FS 60; FS 64	
4.8 Implementation of mission and values statements, code of conduct and other principles	Yes	8; 34–35	
4.9 Procedures of the Board for overseeing management of sustainability performance, including risk management	Yes	12; FS 61	
4.10 Processes for evaluating the Board's performance	Yes	FS 60	
Commitments to External Initiatives			
4.11 Addressing precautionary approach	Yes	21–23; FS 61	
4.12 Voluntary charters and other initiatives	Yes		No commitments to initiatives as defined by GRI.
4.13 Memberships in associations	Yes		<a href="http://www.kone.com/en/responsibility/our-approach/stakeholder-relations/memberships-and-positions-of-trust/">http://www.kone.com/en/responsibility/our-approach/stakeholder-relations/memberships-and-positions-of-trust/</a>
Stakeholder Engagement			
4.14 List of stakeholder groups	Yes	13	
4.15 Identification and selection of stakeholders	Yes	13	
4.16 Approaches to stakeholder engagement	Yes	13	
4.17 Key topics raised through stakeholder engagement	Yes	13	
<b>ECONOMIC PERFORMANCE INDICATORS</b>			
Management approach to economic responsibility			
Economic Performance			
EC1*	Yes	17	
EC2*	Partly	21–23	
EC3*	Partly	FS 37–39	
Market presence			
EC6*	Partly	34–35	
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>			
Management approach to environmental responsibility			
Materials			
EN1*	Yes	24	

Comparison with Global reporting initiative guidelines				
GRI Content	Included	Page	Remarks	
<b>Energy</b>				
EN3*	Direct energy consumption	Yes	7	Heating fuel and natural gas reported in m <sup>3</sup> .
EN4*	Indirect energy consumption	Partly	7; 29	
EN5	Energy saved due to conservation and efficiency improvements	Partly	29–30	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Yes	20–23	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Partly	27–30	
<b>Water</b>				
EN8*	Total water withdrawal by source	Yes	7; 29	
<b>Emissions, Effluents and Waste</b>				
EN16*	Total direct and indirect greenhouse gas emissions	Yes	26	
EN17*	Other relevant indirect greenhouse gas emissions	Yes	26	
EN18	Initiatives to reduce greenhouse gas emissions	Yes	26–31	
EN22*	Total amount of waste by type and disposal method	Yes	7	
<b>Products and Services</b>				
EN26*	Mitigating environmental impacts of products and services	Yes	20–25	
<b>Compliance</b>				
EN28	Significant fines and sanctions for non-compliance with environmental regulations	Yes		No significant fines or sanctions regarding non-compliance with environmental regulations.
<b>Transport</b>				
EN29	Environmental impacts of transportation	Yes	26–28	
<b>Overall</b>				
<b>SOCIAL PERFORMANCE INDICATORS</b>				
Management approach to social responsibility				
<b>Labor Practices and Decent Work</b>				
Management approach to labor practices and decent work				
Employment				
LA1*	Total workforce by employment type, employment contract and region	Partly	6; 40–42	Not reported by employment type or employment contract.
<b>Labor/Management Relations</b>				
LA5*	Minimum notice period regarding operational changes	Yes		According to local legislation.
<b>Occupational Health and Safety</b>				
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Partly	36	Injury rate reported.
LA8*	Education and prevention programmes regarding serious diseases	Partly	37; 41	
<b>Training and Education</b>				
LA11	Programmes for skills management and lifelong learning	Yes	41–42	
LA12	Employees receiving regular performance and career development reviews	Partly	41	
<b>Diversity and Equal Opportunity</b>				
LA13*	Composition of governance bodies and breakdown of employees	Partly	41	Breakdown by gender reported.
<b>Human Rights</b>				
Management approach to human rights				
Investment and procurement practices				
HR2*	Suppliers and contractors that have undergone human rights screening and actions taken	Partly	34–35	
HR3	Employee training on policies and procedures concerning human rights relevant to operations	Partly	44–45	
<b>Non-discrimination</b>				
<b>Freedom of association and collective bargaining</b>				
<b>Child labor</b>				
HR6*	Operations identified as having significant risk for child labor and measures taken to contribute to the elimination of child labor	Yes		No risks related to the use of child labour have been identified in KONE's own operations.
<b>Forced and compulsory labor</b>				
HR7*	Operations identified as having significant risk for forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor	Yes		No risks related to the use of forced or compulsory labour have been identified in KONE's own operations.
<b>Security practices</b>				
<b>Indigenous rights</b>				
HR9	Incidents involving rights of indigenous people and actions taken	Yes		KONE prohibits all kinds of discrimination, and diversity is valued.
<b>Society</b>				
Management approach to society				
Community				
Corruption				
<b>Public Policy</b>				
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly	Yes	FS 6	
<b>Compliance</b>				
SO8*	Significant fines and sanctions for non-compliance with laws and regulations	Yes		No significant fines or sanctions during the reporting period.
<b>Product Responsibility</b>				
Management approach to product responsibility				
<b>Customer Health and Safety</b>				
PR1*	Assessment of health and safety impacts of products	Yes	37–39	
<b>Product and Service Labeling</b>				
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	Partly	13	
<b>Marketing Communications</b>				
<b>Customer Privacy</b>				
<b>Compliance</b>				

\* GRI Core indicator



**KONE Corporation**

Corporate Offices  
Keilasatama 3  
P.O. Box 7  
Espoo, 02150  
Finland

Tel.: +358 (0)204 75 1  
Fax.: +358 (0)204 75 4496

Business Identity Code: 1927400-1

**KONE Corporation**  
[www.kone.com](http://www.kone.com)  
[contact@kone.com](mailto:contact@kone.com)

**Publication**

Liisa Kivelä  
Director  
External Communications

**Economic performance**

Karla Lindahl  
Director, Investor Relations

**Environmental performance**

Hanna Uusitalo  
Environmental Director

**Personnel and social performance**

Kerttu Tuomas  
Executive Vice President  
Human Resources

Read more about KONE's operations in these publications



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