

Dedicated to People Flow™

KONE

10:45

Residential building, Düsseldorf

Making life easier for
Julia and her daughter
Emma, and for future
generations.

KONE 2008

CORPORATE RESPONSIBILITY REPORT

Report scope

KONE places high value on sustainable development in its business, which is an essential element in our management approach. Our aim is to create added value for our stakeholders and act in a responsible way towards our people and in the environment where we carry out our business.

This report is targeted towards all KONE stakeholders who have an interest in learning about our business and the drivers behind its development; about KONE's responsible business principles and how we do business on an everyday basis.

KONE's first global corporate responsibility report applies GRI (G3) reporting guidelines and covers economic, social and environmental aspects. A table showing how this report corresponds with GRI guidelines is shown on page 47. Based on its own assessment, KONE has followed application level C of the GRI reporting guidelines. The GRI Application Level has been verified by a third party, PricewaterhouseCoopers. The reporting period corresponds with the calendar year and with KONE's financial year of January 1 – December 31, 2008.

KONE's vision and business strategy and KONE's stakeholders' interest together set the broad frame for this report. Our approach follows the GRI's triple bottom line approach. Thus, this publication reports on all aspects of corporate responsibility.

When choosing indicators, the driver has been relevance to KONE's operations. From a reporting units and entities point of view, we have included all the major local and regional organizations and all production centers so that the report represents and provides a comprehensive and true view of the total corporation.

The data for the indicators has been collected from various business systems. All financial data and a significant proportion of employee-related data have been collected through KONE's enterprise resource management and financial reporting systems.

The environmental data was collected with a customized environmental data collection spreadsheet from local organizations, then consolidated on a country level and further consolidated globally in a combined effort with KONE's global carbon footprint assessment analysis. KONE's global carbon footprint assessment has been carried out in accordance with the Greenhouse Gas Protocol and ISO 14064 guidelines by a third party agency.

The next corporate responsibility report will be published during the first quarter of 2010.

Table of contents

CEO's review	4
Letter from the chairman of the board	6
KONE's business environment	8
KONE in brief	12
Focus on people flow, design and eco-efficiency	18
KONE's economic performance	20
KONE's environmental performance	24
KONE personnel and social performance	36
- GRI index table.....	47

CEO's review

Dear Reader,

You are holding a completely new KONE publication in your hands – the KONE Corporate Responsibility Report 2008. With this report, our company shows new efforts to share how we operate and the ways in which we honor our responsibilities towards our stakeholders. At KONE, we believe our success is measured by the strides we take towards continuous improvement. As such, we explain where we stood last year and how we intend to do better all the time.

The economic climate has changed dramatically and 2008 was a difficult year with higher than expected raw material costs, high increases in salaries and wages and declining new equipment markets. However, KONE made good progress on many fronts. I am very pleased with our overall progress especially in the United States and China. In both of these important markets we were able to clearly increase our market share. Additionally, the development was particularly good in maintenance and modernization. I see good additional potential in these less cyclical service business activities during 2009.

The current year will bring challenges and uncertainties for most companies. Our business focus is more than ever on developing competitiveness, quickly exploring of new opportunities and developing productivity. When the market gets tough, the best companies improve their operations. We see this as an opportunity to put our company into even better shape.

Our development programs will continue to be a crucial part of this work. We have extended our customer focus to include user experience. We have



made a global promise to our customers: we are dedicated to People Flow™. We will continue to develop our know-how and solutions to provide the best people flow experience wherever people need to move smoothly, safely and conveniently, despite the challenges of crowding and congestion.

We also have continuous opportunities to improve our operational excellence. Improving productivity and customer satisfaction in installation and maintenance are important objectives for this year. We will continue to take strong action in our quality improvement initiatives. Improving working capital rotation is also among our key targets.

While the economic situation is creating challenges in the short term, governments worldwide are also putting heightened attention on the negative effects of climate warming and rising energy consumption. There is a growing need to find energy-efficient technologies that will create sustainable development for future prosperity.

Eco-efficiency means smarter business: achieving more with less. We at KONE take the current challenging market situation and these requirements as an opportunity to differentiate ourselves from the competition. KONE can provide customers with real opportunities to save costs with energy and space saving People Flow™ solutions. We have made a tangible promise to help our customers reduce their energy costs and to contribute positively to their carbon footprint by reducing the energy consumption of our elevators by 50 percent by 2010. We are also committed to increasing the eco-efficiency in our own operations as part of putting our company into even better shape. We have set ambitious targets for carbon dioxide reductions. We aim to reduce KONE's operational carbon footprint per unit by 5 percent annually by 2010.

Our success has always been and will be created by our people. We aim to provide fair treatment and equal opportunities in a safe and healthy working environment for all of our employees worldwide. Workplace safety is very high on our agenda in 2009 too, and we are taking measures to continue to reduce the number of injuries suffered by KONE employees while at work.

People leadership is crucial in uncertain times. Team leaders are at the heart of creating a stable and supporting environment. We will continue to develop the leadership skills of our managers through dedicated development programs.

Keeping our long-term goals in sight

We started the journey of transforming KONE into a more customer-focused and globally-aligned company in 2005. We have already successfully made a lot of progress creating common processes and tools, shared vision, values and culture. Now we aim to create more uniform structures and get even closer to customers. Our development programs have improved KONE's competitiveness, and we have increased our market share for four consecutive years. We are committed to growing faster than the market despite the declining economic conditions.

We will also continue our special focus on design, user experience, eco-efficient solutions and good customer service on the journey towards our vision of delivering the best People Flow™ experience.

Matti Alahuhta
President & CEO, KONE Corporation

Letter from the chairman of the board

Dear KONE Stakeholder,

Since KONE's establishment in 1910, the company has steadily grown to become a leading global elevator and escalator company. Over the years, KONE has proven its ability both to adapt to a changing world and to create new opportunities for growth.

KONE was the first Finnish company to go international in the late 1960s and now ranks among the highest-valued companies on the NASDAQ OMX stock exchange in Helsinki. KONE's ownership comprises more than 16,000 shareholders, with equal distribution among international and domestic owners.

While KONE has become increasingly global in its operations, our company's culture has roots in its Finnish beginnings, which is reflected in our values and ways of working. An innovative culture and talented people are the main drivers in moving KONE to the forefront of new technologies. Our 3,000 elevator- and escalator-related patents highlight our technology leadership. Our success is based on our emphasis on fostering innovation through collaboration among our people, key customers, partners and leading universities.

We also have a long tradition of taking an active role in improving the communities in which our people live and work. Our special focus is often on the welfare and education of the youngest members of society, though we are also involved in other charitable efforts that support the needs of local communities. We share a few examples of such local actions in this publication.

KONE has learned during its nearly century-long history to balance the ability to adapt to changing business challenges with an unwavering focus on long-term sustainable growth. Even in today's uncertain economic climate, it is possible to identify one megatrend that is going to drive long-term growth on all continents over the coming decades: urbanization. Particularly in developing economies, successful urbanization is a prerequisite for economic growth.



Our solutions for moving people and goods smoothly and safely in urban environments help foster sustainable urban development with an eye towards energy efficiency and pleasant user experience.

During our first 99 years, KONE employees and management – in close cooperation with our customers, partners and shareholders – have developed this company with long-term commitment and a responsible approach to our business environment. Next year, we will celebrate 100 years of prosperity for our company and its stakeholders, and we look forward to starting another century of steady growth based on the same values.

To all of our stakeholders, thank you for your commitment to KONE!

A handwritten signature in black ink, appearing to read 'Antti Herlin', written over a white background.

Antti Herlin
Chairman of the Board, KONE Corporation



CASE:
Growing to be
a global citizen.

KONE global youth camp

Every summer KONE holds a Global Youth Camp in Finland for the children of KONE employees worldwide.

The summer camp is part of a long tradition at KONE to show the company's appreciation for its employees. It also is a great way for young people from around the world to meet.

The Global Youth Camp celebrated its thirtieth anniversary in 2008. The roots of the camp date back even longer, as the camp tradition started in Finland well before KONE went international in the late 1960s.

Last year the event was held at the Rantalahti campsite in Janakkala, located in southern Finland about an hour's drive from the capital city of Helsinki.

Some 100 participants aged between 14–17 attend the camp each year. Usually, over 25 nationalities and about a dozen languages are represented.

For 16-year-old *Maria*, this diverse mix of nationalities is a great learning experience.

"The camp is very much about thinking globally, meeting new people and cultures, and also about learning through fun games, getting wise coaching from the staff, and finding out how to work with all kinds of people," she says.

"The activities always taught us to raise our awareness about the world and the challenges we face," explains Maria.

KONE's business environment

Global megatrends drive demand for the coming decades

Urbanization is the single most important global megatrend for the elevator and escalator industry and will drive demand in the years to come. As cities become ever more crowded, sustainable urban planning will become one of the prerequisites for successful urbanization and must take into account important environmental and social issues.

Urbanization highlights the importance of efficient movement of people from one place to another

In 2008, the world population reached a new milestone: an equal amount of people live in both urban and rural areas. People living in urban areas worldwide currently amount to three billion, and this number is expected to reach five billion by 2030.

The number of mega cities with over 10 million inhabitants has increased tremendously from 2 in 1950 to 10 in 1990 and is expected to grow to 21 already by 2010. These changes will be most evident in Asia, where long-term population growth is estimated to continue. New equipment sales are heavily concentrated in Asia, with more than one-quarter of new elevators and one-half of new escalators installed in China.

Changing demographics underline the importance of accessibility in buildings.

Rapid urbanization highlights the importance of efficient movement of people. More people need to be transported in the same space, at the same time. This



requires higher vertical travel and higher speeds as well as efficient services to run equipment 24/7 without interruption.

Aging urban infrastructure requires safety upgrades in existing elevators and escalators

In Europe and North America, the busiest decades of urbanization were seen in the 1960s and 1970s. Today, the urban infrastructure, including buildings and public transport solutions, is aging – as are the elevators and escalators that are installed in them. It is estimated that more than two-thirds of all elevators and escalators in operation are over 20 years old and in need of modernization. Increasing requirements for the safety of the aging equipment is a strong driver for the modernization demand in mature markets, such as in Europe and North America.

The safety regulations are well developed on both continents. In Europe, most countries have taken the EU-level safety recommendations into national legislation and have submitted time limits for executing modernizations. Over half of the more than eight million elevators and escalators in operation worldwide are currently located in Europe, and nearly 20 percent are in the United States. The annual global modernization market is estimated to be at about EUR 6 billion in value.

Changing demographics increase demand for accessibility

Changing demographics, especially the increasing share of the aging population, underline the importance of accessibility in buildings and urban infrastructure. Being able to live at home and move around easily and safely are important aspects of improved quality of life. In 2009, more than four million buildings with staircases of three floors or higher in Europe will still be without an elevator. Elevators help elderly residents live in their apartments longer, makes life easier for families with children and helps all residents to move around easily, thus adding value to a property.

Climate change increases demand for energy-efficient technologies

The elevator and escalator industry is being challenged by demands from building owners for more efficient energy utilization. Governmental regulation is also creating increasing demand for energy efficiency of buildings in many countries. Additionally, voluntary sustainability ratings for buildings as well as various national green building ratings are becoming common and are required by some international investors.

Sustainable building refers to building practices that increase energy, water and materials efficiency and reduce their negative impacts on human health and

the environment. Ideally, sustainable building considers the entire life cycle of the building, from sustainable design, construction, operation and maintenance. There are two well-known global sustainable rating systems for building projects: LEED, which stands for Leadership in Energy and Environmental Design, was established in 1993 by the US Green Building Council; and BREEAM, or Building Research Establishment Environmental Assessment method, which is the world's longest established (since 1988) environmental assessment method for buildings.

Trends are driving demand for energy efficiency in elevator and escalator solutions.

Increasing evidence of changes in the global climate has also spurred discussions regarding supra-national regulation and national-level incentives to reduce carbon footprints through more energy-efficient technologies. All these trends are driving demand for energy efficiency in elevator and escalator solutions and for modernizing existing equipment to become more eco-efficient.

High priority on complying with all safety regulations

Safety requirements and compliance procedures for elevators and escalators are part of national legislation in every country. Elevator and escalator safety standards establish the level of safety and provide a means to comply with legislative requirements.

Since the introduction of safety standards nearly a century ago, the safety level of elevators and escalators

KONE's stake in sustainable development



Economic growth goes hand-in-hand with urbanization.

Buildings consume 40% of the world's energy. Urban environments become crowded and jam-packed.

Sustainable urban development means planning that takes into account the environmental and social challenges of an urban environment.

KONE contributes to sustainable urban development with people flow solutions that consider eco-efficiency, energy savings in buildings and the best user experience of moving people smoothly and safely in crowded urban environments.

has improved dramatically and continues to improve due to the evolution of safety requirements and solutions. Ongoing efforts to harmonize codes and safety standards around the world improve the level of safety for all, especially in emerging markets.

KONE seeks to ensure that all equipment under its service meet the highest levels of safety.

Due to the evolution of safety standards, there is a difference in the level of safety of new and existing installations. Safety standards and related regulations for elevators and escalators bring the level of safety for existing equipment closer to the present technology. This is particularly the case in the European Union, where in recent years, strict standards for safety and modernization have been adopted.

Accessibility is another important aspect that is being addressed by safety standards. If you consider changing demographics, with aging populations increasing in developed countries, accessibility is attracting ever greater attention.

Energy-efficiency and the reduction of the environmental impact of elevators and escalators is a priority for the industry. New standards and guidelines are in preparation.

KONE is a major contributor to codes and standards development through active participation in professional associations and standardization committees on national and international levels. We monitor legislative and standardization developments in the industry and contribute our technical know-how to help formulate the best solutions possible to achieve the highest level of safety for elevator and escalator passengers.

Besides safety, we strongly focus on accessibility and environmental aspects, and actively contribute to harmonizing codes and standards around the world.

KONE seeks to ensure that all equipment under its service is in full compliance with safety regulations and meets the highest levels of safety in the industry.

KONE's stakeholders

KONE recognizes the value of maintaining an active dialogue with key stakeholders, including our shareholders, customers, suppliers, employees,

regulators and non-governmental organizations in the communities in which we operate. We seek to maintain the trust and respect of our stakeholders as a company that fulfills its social and environmental responsibilities, alongside our economic duties.

More information about our stakeholders can be found in the *Economic performance* and *Personnel and social performance* sections.

KONE's customers

KONE's customers include builders, building owners, facility managers and developers, as well as marine business customers. In addition, architects and consultants are key parties in the decision-making process. Authorities and regulators are also significant influencers regarding the choice of elevators and escalators.

KONE also serves customers according to the purpose of the building. KONE provides solutions for residential, office and retail buildings, public transport and airports, as well as medical and hotel buildings.

The majority of KONE's customers are maintenance customers. Maintenance contracts vary from one-elevator residential buildings with yearly contracts to large international accounts with long-term service agreements.

KONE continuously monitors its customer relationships in order to measure customer loyalty and needs. We also aim to find out what customers value in order to further improve and strengthen the relationship customers have with KONE.

Since 2005, KONE has conducted an annual global customer loyalty survey covering all the countries where the company operates. The results are collected by asking KONE customers how willing they are to recommend the company.

In 2008, over 21,000 interviews were conducted with customers from 40 countries. The survey allows KONE to track trends in performance over time on worldwide, regional and local levels. The findings are systematically reviewed and analyzed to define necessary improvement targets. For the first time, the results were also uploaded into our customer relationship management system, which helps sales personnel to use the results in order to define targeted improvement actions.

As of 2009, KONE will conduct the survey twice a year in order to increase its ability to quickly react to customer needs.

CASE:

Preparing today's children for life in tomorrow's India.



Supporting a day-care center in India

The local KONE team in India supports a day-care center and consulting service for local mothers in the Ayanambakkam Village, located in the city of Chennai.

The center teaches mothers about nutrition and includes information on vaccination programs and other issues important to the well-being of children.

KONE India also sponsors a local secondary school in the region and supports local infrastructure improvement programs together with other local companies.

During emergencies, such as those caused by typhoons that impacted India this past November, local KONE personnel were involved in volunteer efforts to provide food to flood-affected people living in the surrounding villages.

KONE in brief

KONE at a glance

KONE provides its customers with industry-leading elevators, escalators and innovative solutions for modernization and maintenance. The company also maintains automatic building doors. Our objective is to offer the best People Flow™ experience by developing and delivering solutions that enable people to move smoothly, safely, comfortably and without waiting in buildings in an increasingly urban environment.

KONE's business operations take into account the entire life cycle of the equipment. We serve our customers by providing services and solutions that include installing equipment and providing on-going maintenance. We also modernize and replace equipment that is in operation. Maintenance and modernization of existing equipment form more than half of KONE's business operations.



Key figures				
		2008	2007	change%
Orders received	MEUR	3,948	3,675	7
Order book	MEUR	3,577	3,282	9
Sales	MEUR	4,603	4,079	13
Operating income	MEUR	558	473 ¹⁾	18
Operating income	%	12.1	11.6 ¹⁾	
Cash flow from operations (before financing items and taxes)	MEUR	527	380	
Net income	MEUR	418	180	
Interest-bearing net debt	MEUR	-58	92	
Total equity/total assets	%	39.0	31.7	
Gearing	%	-5.6	12.2	
Basic earnings per share	EUR	1.66	0.72	

¹⁾ Excluding a EUR 142.0 million fine for the European Commission's decision, a EUR 22.5 million provision for the Austrian Cartel Court's fine decision and a EUR 12.1 million sales profit from the sale of KONE Building

Prosperity goes hand in hand with good health and a clean environment.

KONE is one of the global leaders in its industry. In 2008, the company had annual net sales of EUR 4.6 billion and approximately 34,800 employees. KONE delivers about 60,000 elevators and escalators annually and has more than 700,000 elevators and escalators in its maintenance base.

KONE is a public limited company with two classes of shares: the listed class B shares, which trade on NASDAQ OMX Helsinki Ltd. (trading code KNEBV) and non-listed class A shares. KONE has more than 16,000 shareholders.

The long-term growth of the company is traceable to steady organic growth combined with active acquisitions. Today, KONE is a global company with engineering and production centers in nine countries located in proximity to main customer markets and seven global R&D centers. KONE's head office is based in Helsinki, Finland.

KONE is in an excellent position to contribute to sustainable urban development

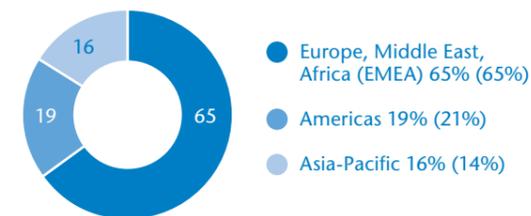
Urbanization is one of the most significant megatrends of our generation. This global phenomenon will drive growth on all continents for the next decades. Successful urbanization is a prerequisite for continuous economic growth in the world. Economic prosperity goes hand in hand with good health and a clean environment.

Some of the challenges of urbanization relate to the user's experience in moving around in increasingly crowded spaces. KONE can contribute to successful urban development by creating unique ways of solving the challenges of growing people flow.

Our responsibility does not end by delivering the highest quality and most technologically advanced elevators, escalators and automatic door solutions. We place significant emphasis on developing ways for our customers to optimize the movement of people in the fastest and most efficient means possible. Accordingly, KONE's vision is to deliver the best People Flow™ experience.

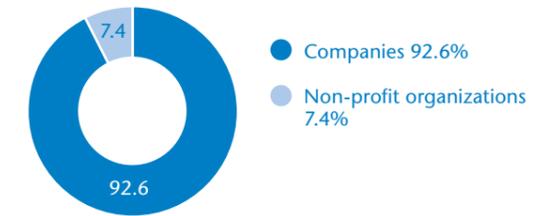
Sales distribution 2008 (2007), %

Sales by market, %



Shareholders, %

Class A shares



Sales 2008 (2007), %



Class B shares



* Includes foreign-owned shares registered by Finnish nominees.

KONE's strategy, development programs and values

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

Since 2005, KONE has defined specific development programs to execute its strategy and make it easier for its personnel to focus their actions on achieving the company's objectives.

KONE People Flow™ solutions comprise our comprehensive understanding of both user and customer needs.

The focus of our development programs has been adjusted according to the accomplishments we have achieved and the changing business environment over time. In 2008, Customer Focus, People Flow Solutions, Environmental Excellence, Operational Excellence and People Leadership were defined as new development areas for the next three years.

The key area in Customer Focus is on increasing

customer orientation in all of KONE's operations. We have placed increased emphasis on understanding the user's perspective. Our objective is to learn how we can improve in delivering solutions that both our customers and the users of our products will value.

People Flow Solutions comprise our comprehensive view towards a broader understanding of both user and customer needs, while seeking to improve our processes in order to maximize value for customers, users and KONE. We aim to ensure that elevators, escalators and automatic door solutions operate properly and seamlessly integrate with other building systems.

Operational Excellence aims at harmonizing our global processes to ensure that the same high quality is perceived in all our operations worldwide. We have already harmonized our logistics and manufacturing, as well as installation and maintenance methods, and will now continue this work with a focus on productivity and quality.

With People Leadership, we want to ensure that we place a very high priority on developing this important capability, and offer sufficient tools to inspire and engage our management. This concerns a broad variety of activities, from training supervisors to coaching and performance management.

In Environmental Excellence, we will continue our long history of developing eco-efficient solutions, and we will invest increasing efforts on maximizing the eco-efficiency of our own operations.

KONE Vision

KONE delivers the best People Flow™ experience.

KONE Strategy

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

KONE Development Programs



KONE Value Statements



Our values guide the behavior of our personnel towards achieving our strategy. KONE's values are:

Delighting the Customer

Our customers' success is our goal. We work for and with them to identify and deliver solutions that exceed expectations. We stay with them for the total life cycle of our products and services and ensure the safety of users and our people.

Energy for Renewal

We are energized by the drive for continuous improvement. We anticipate and adapt to changing requirements and constantly seek ways to work smarter. We welcome new ideas with an open mind.

Passion for Performance

We keep our promises. We drive new ideas to realization with speed and an obsession for customer-driven quality. We thrive on challenges and take pride in our "can do" attitude.

Winning Together

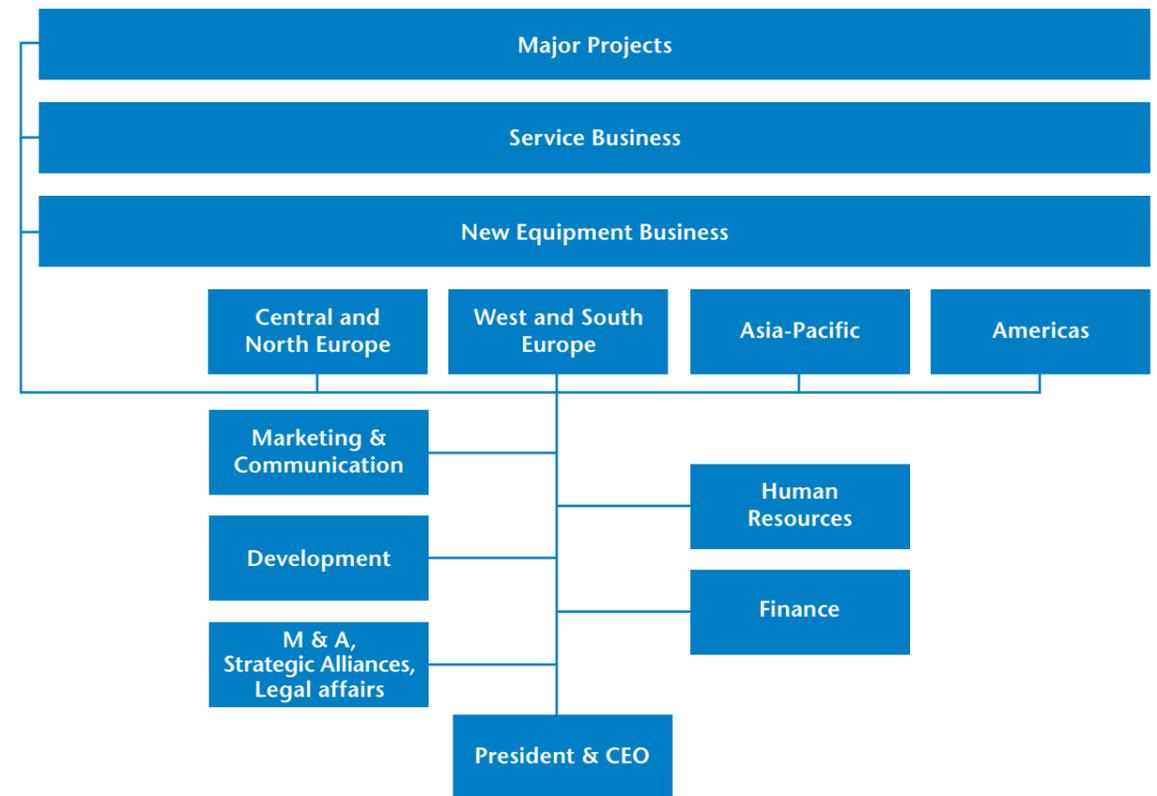
We can win only by working together. We encourage participation, and we share information and ideas. We trust and respect each other and recognize good performance. Our behavior is characterized by the highest ethical standards.

Objectives in 2009

In the challenging business environment that we are likely to face in the coming year, KONE's objective is to continue to gain market share and get the company into even greater shape. We dedicate special attention to quality, maintenance and installation productivity, and working capital rotation. Our service business provides stability in a volatile business environment. KONE will continue the strong development of its maintenance and modernization businesses.

In net sales, KONE's objective is to reach a growth of 5 percent, or at least approximately the net sales level of 2008. In operating income (EBIT), the objective is to reach a growth of 5 percent, or at least approximately the operating income level of 2008.

KONE's organization



KONE's global supply chain

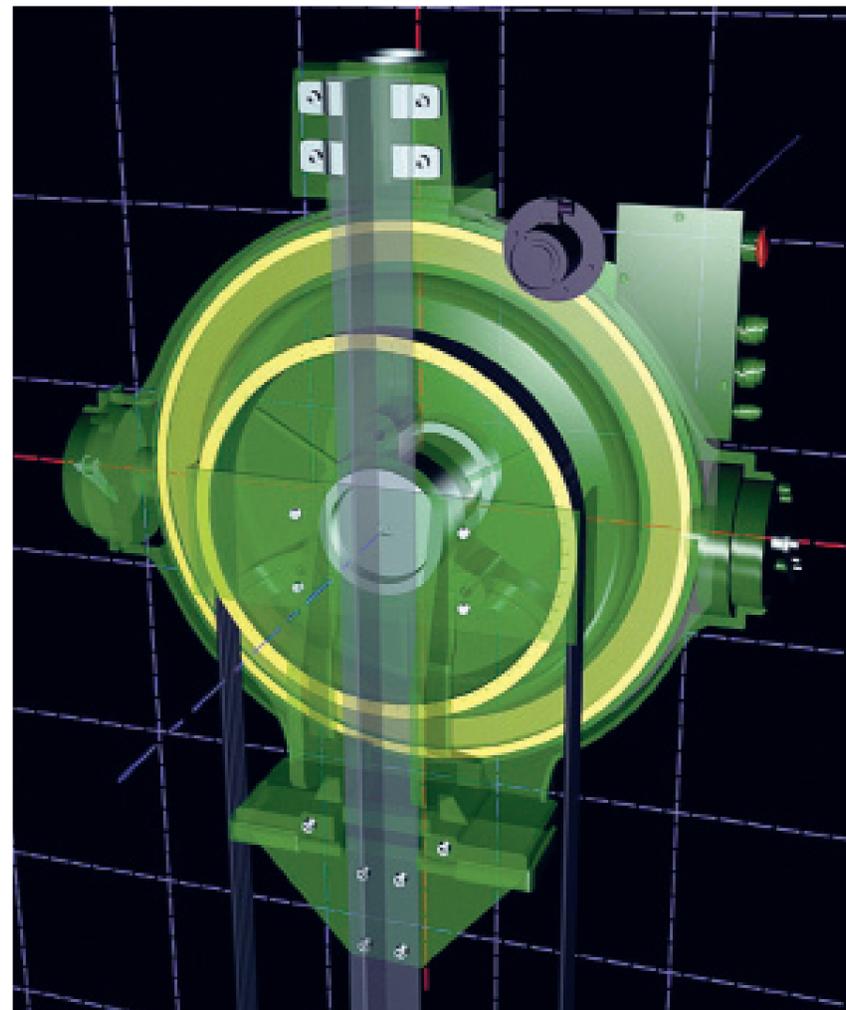
We strive to assure the high quality of all KONE products and services. This is one of the cornerstones of our strategy. We manage the quality of our products continuously in our factories and also monitor the performance of the equipment after installation.

In order to efficiently serve the needs of customers in different parts of the world, KONE has established a global supply operation that is supported by an optimized distribution and delivery network. The purpose of our supply chain is to deliver our products to the building sites in the most efficient manner possible, fulfilling time and quality requirements, while aiming to minimize the carbon footprint of operations relating to the supply chain.

Equipment production starts with the delivery of raw materials and parts supplies to KONE's engineering and production centers located in nine countries.

KONE has engineering and production centers in Hyvinkää, Finland; Pero and Cadrezzate, Italy; Ústí nad Labem, Czech Republic; Essen, Germany; Keighley, United Kingdom; Kunshan, China; Chennai, India; Torreón, Mexico; and Coal Valley and McKinney, USA. Nearly 3,000 people work for KONE engineering and production operations worldwide.

KONE purchases 80 percent of its raw materials and parts supplies for new equipment production from approximately 100 suppliers located in proximity to our production centers. Suppliers include raw material suppliers, contract manufacturers and component



The power behind KONE's elevators is the energy-efficient KONE EcoDisc® hoisting machine.

manufacturers. Our supplier network has been created to ensure timely, quality and cost competitive supply across our global supply operations.

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

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

different locations, including Keighley, United Kingdom and Coal Valley, USA.

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

Information about KONE's Supplier Code or Ethics can be found in the *Personnel and social performance section*.

KONE supply chain



KONE worldwide

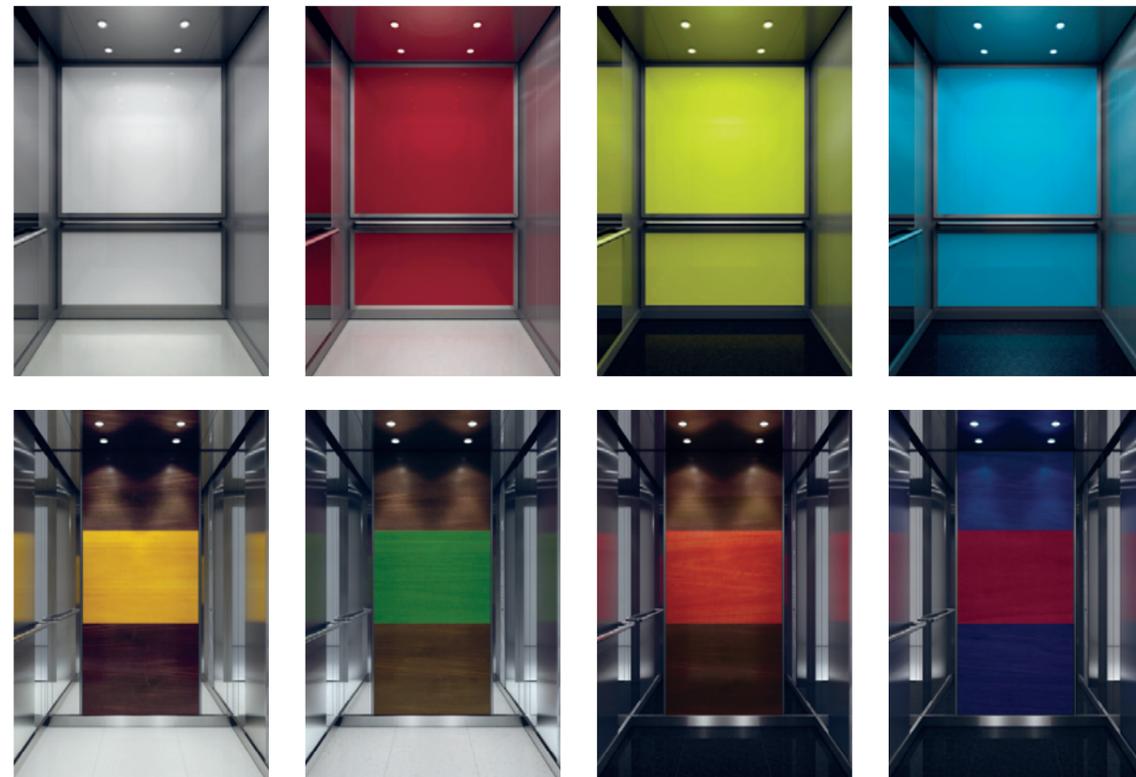


Status on March 31, 2009

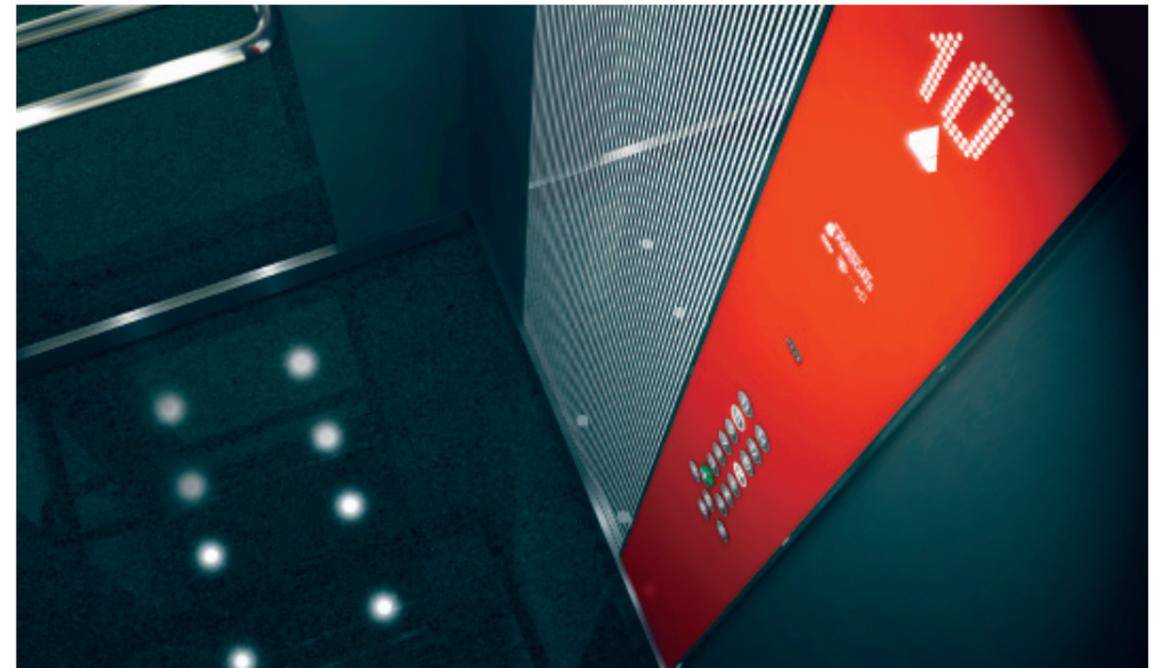
Focus on people flow, design and eco-efficiency

KONE is dedicated to maintaining the culture of innovation that has allowed it to become a recognized technology leader in the industry. KONE builds its competitive strength on the cornerstones of its strategy, strong customer focus and continuous improvement of operations. The company stands out in the industry by focusing on people flow, design and eco-efficiency.

By People Flow™ management we mean moving people smoothly, safely, comfortably and without waiting from one place to another. Traditional KONE capabilities are focal points in this task: safety, quality, reliability and ride comfort. Our mission with the People Flow Solutions development program is to develop high quality solutions based on our traditional strengths, while creating the desired user experience and providing the best life cycle performance.



KONE's FourSeasons™ design collections: spring, summer, autumn and winter.



Design and technology work as a team

For KONE, design is an essential part of research and development. Design and technology work as a team to create the best possible user experience for the passenger. KONE's design concepts create attractive elevator interiors with practical durability and eco-efficient solutions.

With design, KONE brings a new dimension to elevator technology, turning an elevator trip into a pleasurable experience. We seek to create a unique elevator ambiance through the use of light, color, patterns, materials and sounds. We also make sure that the building's architectural appearance continues its flow from the facade, through the lobby, and into the elevators.

KONE is known for its open-minded approach to research and development. KONE explores technologies in other industries and monitors changing markets, trends, customer needs and working methods. In order to identify the latest areas of development, KONE maintains a continuous and systematic dialogue with all its local and regional organizations. This is a joint effort that combines R&D with design, customers and KONE sales, service and installation personnel, and KONE's supply operations with suppliers. Cooperation with universities, research centers and other companies ensures the constant development of our know-how and technology.

This is how KONE creates breakthrough solutions that set new standards for the industry. Take, for example,

Design turns an elevator trip into a pleasurable experience.

the KONE EcoDisc® hoisting machine, a permanent magnet gearless motor innovation that created a completely new elevator segment called machine-room-less elevators when it was launched in 1996. The KONE EcoDisc® hoisting machine consumes 70 percent less energy than a hydraulic drive and 40 percent less energy than a geared traction elevator drive, thus making it one of the most eco-efficient solutions on the market today. The KONE EcoDisc® engine's operations are entirely oil-free, and its compact design is based on recyclable materials.

Key awards 2008

"GOOD DESIGN award"

The award was given by The Chicago Athenaeum and The European Centre for Architecture Art Design and Urban Studies for KONE's global design concept called KONE FourSeasons™.

"Project of the year"

The award was given by an international elevator industry publication, Elevator World, for outstanding work in modernizing 12 escalators at the Morgan Post Office in New York City.

KONE's economic performance

Our economic responsibility

We understand our economic responsibility as creating added value and an economic edge for our shareholders, customers, employees, suppliers and other stakeholders in our company's business environment.

Shareholders and the financial community are important stakeholders for funding and ensuring the sustainability of our economic development. We abide by our responsibility towards these stakeholders by conforming to our disclosure obligations as a publicly listed company and by providing transparent information about our business performance and future outlook, including factors that impact it. In addition to quarterly financial reporting, KONE's senior management and investor relations personnel regularly meet with shareholders and investors.



Added value distributed to KONE's stakeholders			
MEUR		2008	2007
Customers	Sales	4,603	4,079
Suppliers	Costs of goods, materials and services purchased	-2,507	-2,143
	Added value	2,096	1,936
Distribution of added value to stakeholders			
Employees	Wages and salaries	1,161	1,089
Public sector	Taxes and employers' contributions	523	647*
Creditors	Interest on debt and borrowings	5	7
Shareholders	Dividends	164	164
Economic value retained in the company		243	29

* Includes European Commission's and Austrian Cartel Court's fine of MEUR 164.5.

Service, which is less cyclical, represents half of KONE's operations.

Strong financial performance is a prerequisite for taking care of our social and environmental responsibilities. The economic responsibility measurement is based on KONE Corporation's consolidated and audited financial statements of 2007 and 2008.

2008 was a solid year in terms of financial performance. All the main economic indicators improved during the financial year. KONE's operating income was EUR 558.4 (320.8) million or 12.1 (7.9) percent of net sales. Net income over sales was at an all time high of 9.1 (4.4) percent. Return on equity was 46.8 (24.9) percent, equity ratio was 39.0 (31.7) percent and gearing stood at -5.6 (12.2) percent at the end of the year, meaning that KONE is a debt-free company.

A solid 13 percent increase in revenues from equipment and solution sales to customers continued, amounting to EUR 4,603 (4,079) million. Supplier purchases were EUR 2,507 (2,143) million and salaries and wages to employees were EUR 1,161 (1,089) million, an increase of 6.5 percent over the previous year. Taxes and social security payments were EUR 523 (647, including fines of 164.5, see the indicator on page 20) million.

Our service operations – maintenance and modernization – represent approximately one-half of KONE's total business. Service, which is less cyclical, together with a record high new equipment order book, act as a

balancing business contributor and gives stability to economic performance of the corporation.

More information on KONE's economic performance can be found in KONE's 2008 financial statements.

Risk management and internal control

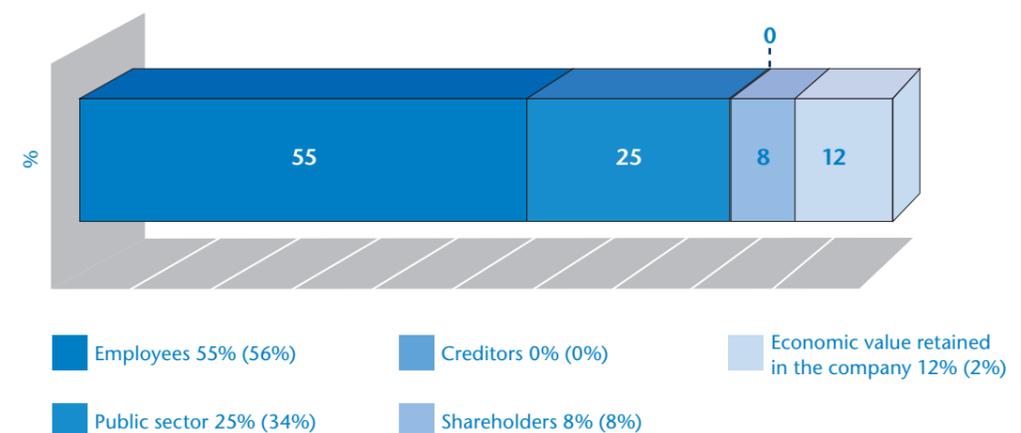
To ensure its profitable operations, KONE regularly controls its activities. The purpose of internal control is to ensure the effective and profitable operations of the company, correct financial reporting and compliance with laws and regulations. KONE has defined corporate-wide policies, as well as ethical business conduct guidelines in the form of a Code of Conduct for its global operations. These policies constitute the foundation of the internal control system.

The Capital and Risk Management Section of KONE's 2008 Financials report covers KONE's principles in managing its capital resources and position, as well as in managing its risks. In the same report, Internal Control Principles provides a description of our internal control system. Finally, Corporate Governance covers extensively the duties and responsibilities of KONE Corporation's various governing bodies that are determined by Finnish law and KONE's corporate governance principles. The same information is available on the Internet at www.kone.com/investors.

Current economic situation and sustainability

During the current year, the world economy will create challenges and uncertainties in the business environment of our key markets. In this business environment, companies in all industries must focus on efficiency, productivity and cost structure.

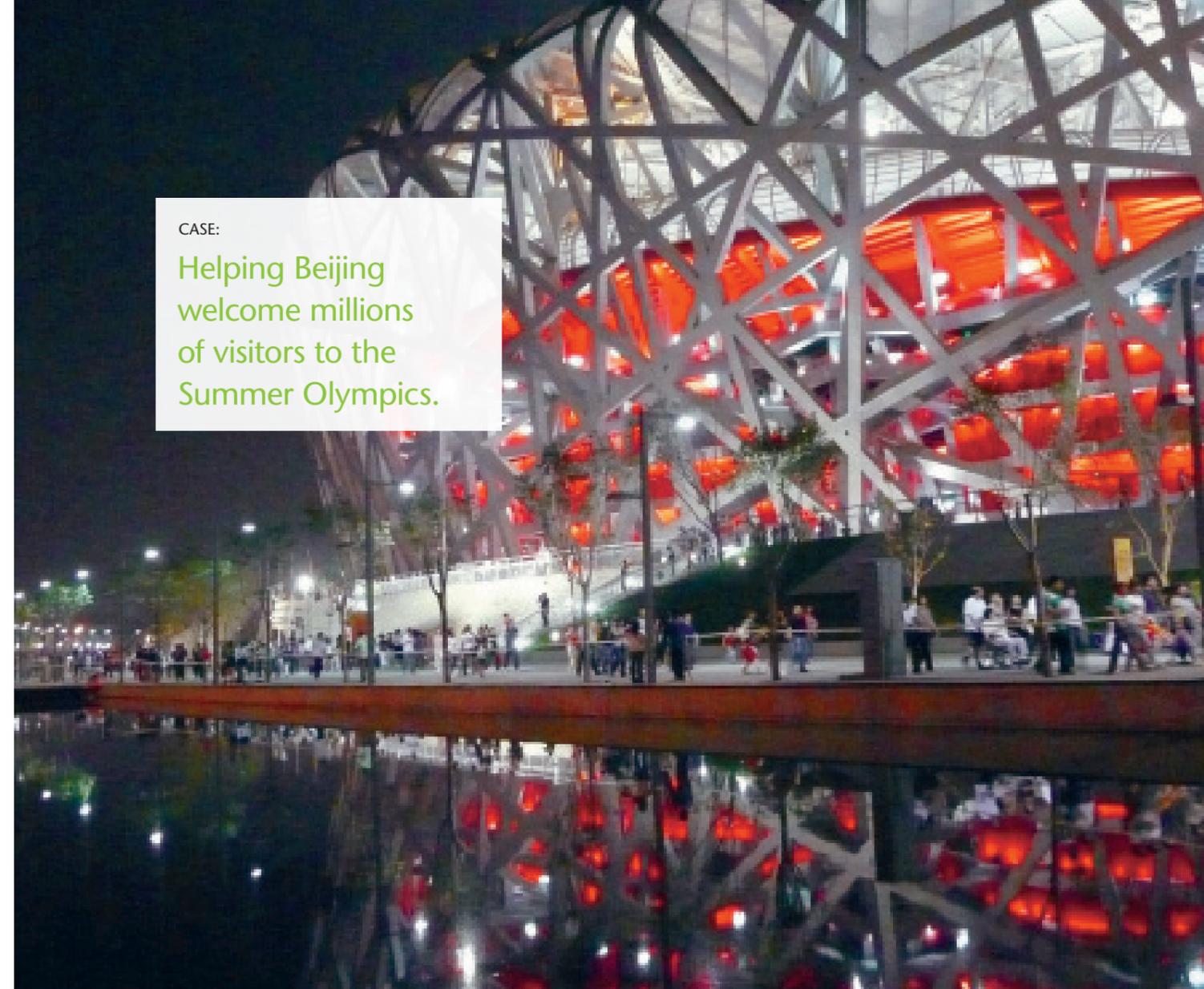
Added value distributed to stakeholders 2008 (2007)



KONE sees the current global economic situation also as a potential opportunity. By improving the eco-efficiency of our products, particularly by continuously reducing the energy consumption of our volume elevators, we can provide our customers immediate savings from the first electricity bill after installing the elevator. In the long term, we can decrease the lifetime cost of ownership of elevators and escalators and contribute towards sustainable management of buildings.

Improving the eco-efficiency of our own operations means the efficient use of resources and reducing costs. We do not only reduce our environmental impact but contribute to the bottom line of our business performance.

We believe that sustainability strategies and the focus on eco-efficiency, in particular, are gaining importance in the current business environment, since it clearly helps both to gain immediate savings and to cut lifetime expenses while reducing the environmental impacts of the products and business operations.



CASE:

**Helping Beijing
welcome millions
of visitors to the
Summer Olympics.**

KONE delivers eco-efficient solutions for the Beijing Olympics

KONE provided eco-efficient elevators and escalators for the Beijing Olympics, further boosting the company's over 20-year presence in the country.

In total, KONE installed more than 50 percent of the elevator and escalator units used in the Beijing Olympics projects, including buildings such as the National Stadium, Beijing Capital Airport and National Grand Theatre.

KONE was involved in project infrastructure every step of the way – from the design of green buildings to improving the environmental efficiency of product delivery, installation processes and operation and maintenance.

The heart of the eco-efficient solutions is the KONE EcoDisc® hoisting machine, which uses significantly less energy than the conventional hydraulic or common gearless traction machine.

It is estimated that KONE solutions can lower elevator and escalator energy consumption by as much as three-quarters over the long term.

KONE's environmental performance

Industry pioneer in eco-efficiency

Buildings use about 40 percent of all energy consumed in the world. Elevators, in turn, consume up to 10 percent of the total energy in a building. Based on a carbon footprint analysis we also know that our most significant environmental impact relates to the electricity use of our products while they are in service. Therefore, our foremost environmental responsibility deals with the energy consumption of our elevators and escalators over their lifetime.

This is why KONE is committed to pioneering the development of energy-efficient products that maximize eco-efficiency over their lifetime. The early credentials of our commitment to environmentally sustainable solutions were created with a permanent magnet gearless elevator motor innovation more than ten years ago. The KONE EcoDisc® hoisting machine



KONE solutions			
Item	Hydraulic	Traction 2 speed	KONE EcoDisc®
Speed (m/s)	0.63	1.0	1.0
Load (kg)	630	630	630
Motor size (kW)	11	5.5	3.7
Main fuse size (A)	50	35	16
Energy consumption (kWh/y)	7,000	5,000	3,000
Carbon footprint (kg CO ₂ /year)	3,395	2,425	1,455
Oil requirements (l)	200	3.5	0
Thermal losses (kW) *)	3.8	3.0	1.0
Weight (kg) **)	650	430	230
Typical machine-room (m ²)	5	12	0

*) 180 starts/h
 **) Hydraulic: pump, motor, oil, container and lift jack included
 Traction 2 speed: hoisting unit and bed plate included
 EcoDisc®: hoisting unit and fixing brackets included

consumes 50 percent less energy than a geared traction elevator drive, and 70 percent less than a hydraulic drive, making it one of the most eco-efficient solutions on the market today.

We have set an ambitious target of cutting energy consumption of our volume products by 50% by 2010.

KONE created a new segment, the machine-room-less elevator, by bringing its KONE MonoSpace® elevator family, powered by KONE EcoDisc®, into the market in 1996. The innovation was driven by customer demand for energy-efficiency and space savings in buildings. KONE has been the innovation leader in the continuously growing machine-room-less elevator segment ever since.

Since its commercial launch, the KONE MonoSpace® elevator family has cumulatively saved the electricity production equivalent of a typical power plant. This figure is equivalent to the consumption of 2,000,000 barrels of oil or the emissions of 100,000 cars driving around the world (40,074 kilometers).

We have set even more ambitious targets for the future: we aim to reduce the electricity consumption of our

volume elevators by another 50 percent by 2010, compared to the 2006 base level.

More efficient use of resources and cutting costs

For KONE, eco-efficiency has two important dimensions. By improving the eco-efficiency of our products, particularly by reducing energy consumption, we can decrease the lifetime cost of ownership of elevators and escalators for our customers, and contribute towards sustainable management of buildings. Eco-efficiency has been integrated into all our technology roadmaps. We aim to develop innovative energy-saving solutions and sustainable designs that take eco-efficiency into account over the entire life cycle of our solutions.

By improving the eco-efficiency of our operations, we not only reduce our environmental impact but also contribute to the bottom line of our business performance.

KONE's car fleet is an example of the global initiatives to increase the eco-efficiency of our operations. Better fuel efficiency is improved through a combination of many actions: more eco-efficient driving, optimizing routes, reducing the number of service calls through advance planning and remote care, and in the longer term, renewing the car fleet by adopting a policy of selecting more efficient car models when buying new cars. These measures reduce KONE's carbon footprint and increase productivity at the same time.



The KONE EcoDisc® hoisting machine reduces energy consumption by up to 70 percent.

We have set ambitious targets for Environmental Excellence.

In addition to global initiatives, we can all contribute through better "housekeeping" in our daily work – for example, by saving energy and reducing waste. We save resources by doing things right the first time, which also reflects our quality thinking.

Eco-efficiency is increasingly important in the current business environment, since it enables both a gain in immediate savings and a decrease in lifetime expenses, while at the same time reducing the environmental impacts of the products and business operations.

Environmental management

Environmental issues are coordinated on the corporate level by the environmental director, who reports to the head of Global Technology. Progress is reported to the KONE executive board on a monthly basis by the owner of the development program, the head of Global Technology.

Most of KONE's country organizations have an organization responsible for environment, quality, health and safety. Similarly, engineering and production centers are responsible for local environmental, quality, health and safety issues.

Planning and steering the environmental development, reporting achievements and corrective actions are integral parts of KONE's Environmental Excellence

management. In the Environmental Excellence program, KONE has five key initiatives, which have ambitious targets. This forms the basic structure for KONE's environmental management system, which clearly aims at continuous development in products and services as well as in everyday operations. KONE's environmental management system is ISO 14001-certified, which is the most well known and globally recognized environmental management system standard. It is also typically respected and required by KONE customers.

Environmental excellence is one of KONE's development programs

In order to further strengthen KONE's leadership in eco-efficiency, Environmental Excellence was selected as one of the five development programs supporting the execution of KONE's strategy in the beginning of 2008. Environmental Excellence aims at the systematic development of KONE's innovation leadership in the area of eco-efficiency, minimizing KONE's carbon footprint, and ensuring that our suppliers comply with corresponding requirements and environmental targets.

We have set ambitious targets for global improvements by the year 2010 in Environmental Excellence. In addition to the 50 percent energy consumption reduction of elevators from the base year 2006, we aim to reduce the carbon footprint of KONE's entire operations, from manufacturing, logistics and travel to installation and maintenance, by 5 percent annually (per unit produced) in 2009 and 2010. We will continue the environmental management system ISO 14001 certification expansion in our local organizations with the aim to be a One ISO company combining quality

Environmental Excellence key initiatives and targets	
Key initiatives	Targets 2010
Innovation Leadership	Cutting energy consumption of volume products by 50% (base year 2006).
Minimizing Carbon Footprint of Operations	Annual carbon footprint reduction of operations 5%/unit produced during 2009–2010 (base year 2008).
ISO 14001 Certification	The entire company has adopted One ISO 9000 and ISO 14001
Suppliers' Environmental Excellence	Strategic suppliers meet 100% ISO 14001 requirements All suppliers have signed Supplier Code of Ethics
Communication	Assured GRI3 level B reporting

and environmental management systems in 2010. We will require the same compliance with environmental and ethical standards from our suppliers as we require from ourselves.

Environmental Statement

"KONE provides safe, environmentally efficient and responsible high performance services, modernizations and solutions. We strive for continuous improvement in all of our business activities by following or exceeding applicable laws, rules and regulations, and working with our suppliers and customers to prevent or reduce business operations related emissions and waste."

Progress in 2008

During 2008, the development of eco-efficient solutions focused on stand-by energy saving solutions, regenerative units for elevators and the integration of environmentally sound design criteria into research and development processes. As a result of these improvement actions, KONE will release a global range of elevators during 2009 that reduce energy consumption by 30 percent compared to the current volume models. This is an important milestone towards the goal of reducing energy consumption by half, compared to the 2006 base level, in 2010.

The energy reduction is achieved through a combination of new lighting technology, regenerative technology and a number of new stand-by energy saving solutions in lighting, drives and signalization systems. The new lighting technology both lengthens the product lifetime, and decreases the number of

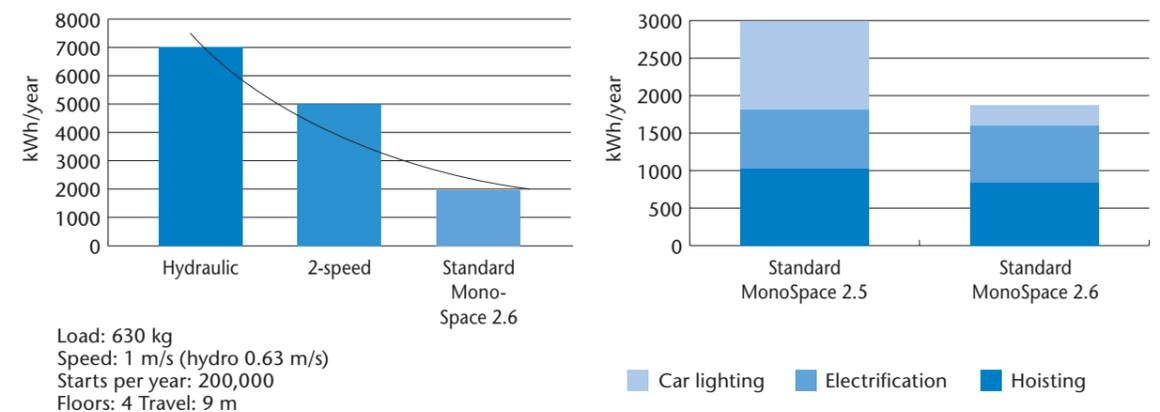
required lamps. These changes increase efficiency and improve lighting design.

In the service business, eco-efficiency aspects have been included in the KONE Care for Life™ analysis, which provides customers with a comprehensive recommendation on how to maintain and modernize their equipment in a cost effective way.

During the year, KONE made good progress with ISO 14001. KONE's global manufacturing network has adopted ISO 14001, and most of the manufacturing facilities hold the certificates. Seven country organizations had ISO 14001 certificates in 2008. KONE Corporation complied with ISO 14001 in early 2009 and seven more local organizations are expected to comply with ISO 14001 by the end of 2009.

In 2008, the company also implemented supplier environmental requirements and a Supplier Code of Ethics. KONE's updated list of restricted substances was created and shared with suppliers.

Energy consumption comparison, new KONE MonoSpace® vs. old technology



KONE's life cycle analysis provides a full chain assessment.

KONE products' environmental impacts

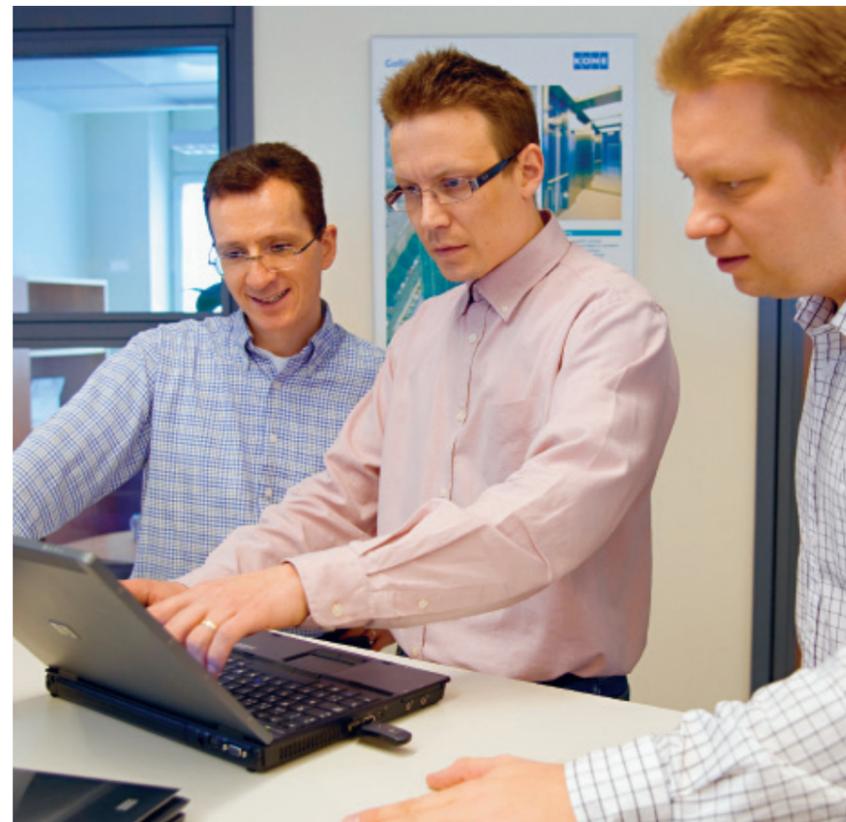
According to the global assessment of KONE's carbon footprint (carbon dioxide and other greenhouse gas emissions), the environmental impact of our elevators and escalators throughout their lifetime use is about ten times bigger than the impact of our own operations while manufacturing and installing them. The life cycle assessment (LCA) of elevators has indicated the same: most of the environmental impacts of an elevator relate to its use during its lifetime in a building, which averages 25 years.

Consequently, the most effective way of reducing KONE's environmental impact relates to developing eco-efficient solutions for our products and for servicing. We also work with our customers to design, plan and implement people flow solutions that optimize the usage of our elevators and escalators.

A life cycle analysis investigates and evaluates the environmental impacts of a product or service through its lifetime. It is carried out by a third party based on information gathered from the product manufacturer and service provider. The procedure of LCA based on the ISO 14040 standard is part of the ISO 14000 environmental management standards family.

KONE's LCA covers the essential environmental aspects for different stages of the lifetime from raw material production, component manufacturing, transportation, installation, use, maintenance and end of life treatment.

KONE has analyzed the environmental impacts of its volume products in Europe. The analyzed products represent about 80 percent of all new elevators in Europe. During 2009, these assessments will be extended to cover KONE's new elevators in Asia and in North America. All KONE's elevators are based on the same technology platform; they use the same components and are powered by the KONE EcoDisc® hoisting machine. Our expectation is that the volume elevators in North America and Asia will largely follow the same pattern.



KONE has analyzed the environmental impacts of its volume products in Europe. The analyzed products represent about 80 percent of all new elevators in Europe.

KONE is developing systems that can recover up to 35 percent of the energy used.

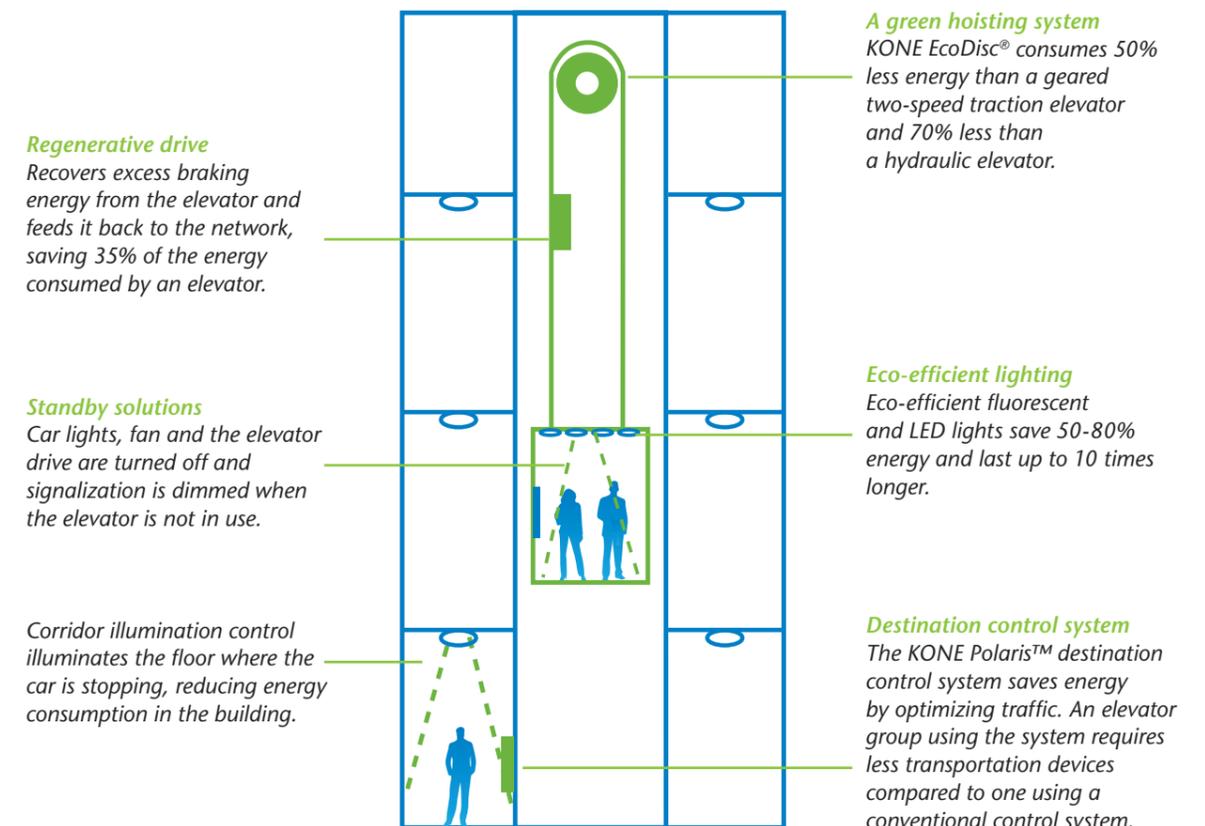
Energy-saving solutions

The life cycle assessment shows that most of the environmental impacts of an elevator are due to the electricity used for operating the elevator during its long lifetime use. Electricity is consumed in moving passengers and goods, illumination and control of the equipment. However, the energy consumption depends on the speed, load and travel distance of the elevator.

In a high-rise building, 85–90 percent of the energy of an elevator is consumed to transport people up and down. Therefore, in high-rise buildings KONE has focused on developing innovative regenerative systems that can recover up to 35 percent of the total energy used by the elevator. The recovered energy can be converted and used as a source for a building's energy needs, such as lighting.

In a lower building with less frequent travels and smaller loads, up to 70–80 percent of the total electricity can be consumed by car lighting, control panel, doors, fans and signalization. Thus, for lower rise and smaller loads elevators, stand-by energy saving solutions are significant sources of electricity savings.

KONE Eco-efficient™ solutions for elevators

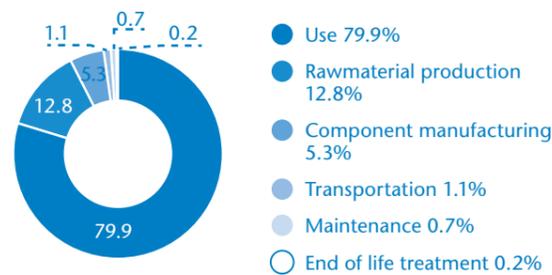


Case study of a typical KONE MonoSpace® elevator's carbon footprint during its life cycle

In the following, we will consider the environmental impacts of one of KONE's MonoSpace® elevators. This elevator type represents more than two-thirds of all elevators ordered from KONE in 2008. Typically, this kind of elevator would be used, for example, in residential buildings with four to six floors. Its travel load would be slightly above 600 kilograms, translating usually into a travel capacity of eight persons at a time. The lifetime is assumed as 25 years. Only one-third of the total electricity consumption of this kind of elevator would be consumed by the elevator travel (its use), the rest would be consumed by the lighting and stand-by electricity needs.

Typical KONE elevator: Environmental impacts during the life cycle stages

The stage of the life cycle Eco-Indicator99 value in %



The life cycle analysis of this elevator shows that the most significant environmental aspects of the elevator are fossil fuels, particularly natural gas and crude oil needed to produce electricity, and air emissions, particularly carbon dioxide, nitrogen oxides, sulfur oxides and particulates, according to the Eco-Indicator 99 method. The Eco-Indicator 99 method is a commonly used application for environmental impact assessment.

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

Materials and recyclability of the typical KONE elevator

KONE volume elevator platforms are mainly composed of steel and cast iron. As the life cycle analysis confirms,

the products do not contain asbestos, lead and cadmium pigments in paints, condensators containing PCBs or PCTs, ozone layer depleting chemicals such as CFCs and chlorinated solvents, mercury in applications other than lighting and batteries, and cadmium stabilizers in plastics, which are listed on KONE's list of restricted substances.

While metals make up to 93 percent of the elevator's material weight, they are all recyclable.

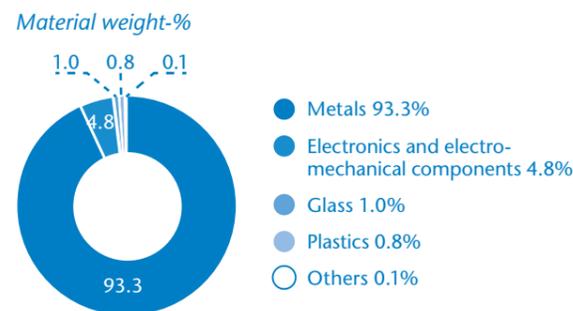
Metals, which are 93 percent of the elevator's weight, are all recyclable.

At the end of the life of the elevator, the equipment is dismantled and, 55 percent of the material weight (steel and cast iron components) can be sorted and directly reused even without pre-processing.

Any possible hazardous materials (may contain lead battery and, depending on selection of lighting, standard fluorescent lamps that contain mercury) are dismantled and handled according to hazardous waste management procedures. The KONE EcoDisc® hoisting machine contains no oil. All electronics and electro-mechanical components waste is collected and treated separately.

Packaging includes wood, cardboard, paper and plywood up to 97 percent of the packaging weight, and the rest is plastic. Wood, plywood and cardboard can be recycled or used for energy recovery. Plastics are used for energy recovery or are disposed of in landfills.

Typical KONE elevator: Materials used, as percentage of weight



Project Voyager

In 2006, KONE set out to reduce travel volumes and costs for all employees as part of an effort dubbed Project Voyager (Global Travel Optimization Program).

"Project Voyager is great because it enables KONE to reduce travel costs, improve business efficiency and lessens our impact on the environment," explains Steve Gellatly, Sourcing Category Manager for KONE's global car fleet and travel categories.

The increased use of virtual tools is helping employees to reduce the need to travel. KONE estimates that

travel category spending in 2009 will be 30 percent lower than it was in 2006.

"Virtual tools are perfect for repeat meetings to connect multiple locations or where the relationship between attendees has already developed."

KONE is now in a position to accurately measure emissions from air travel for the first time.

"We measure our total travel category costs on a monthly basis, and in 2009 we will do the same on a quarterly basis for travel related emissions," Steve explains.

KONE's carbon footprint

While KONE's major environmental impact relates to its products, the company is committed to optimizing the eco-efficiency of its operations. In order to focus actions on the most significant impacts, KONE had its carbon footprint initially assessed in 2008 based on 2007 data, and now updated this assessment in early 2009.

KONE is committed to optimizing the eco-efficiency of its products and its operations.

Compared to the initial carbon footprint assessment a year earlier, the environmental data collection provided improvements on the accuracy and completeness of the facts gathered. Electricity consumption data was collected from all reporting organizations. The 2007 initial carbon footprint data on logistics only included logistics operations to and from the production centers to the regional distribution centers. The 2008 data is more complete. It includes also the logistics from the regional distribution centers to the customer sites based on the assessments and data collected from the 11 major local organizations with sales, installation and service operations.

KONE's global GHG impact is 2.6M tCO₂e (million tons of carbon dioxide equivalent). More than 65 percent of KONE's global impact comes from the electricity used by the installed elevators and escalators in their lifetime. This result is in line with the life cycle analysis carried on KONE's volume elevators.

KONE's operational impact is roughly one-tenth of this global impact. The GHG emissions from KONE's own operations stood at 236K tCO₂e (kilotons of CO₂ equivalent). Car fleet and air travel mobility generated half of this, 118K tCO₂e. Car fleet emissions constitute up to 40 percent of the entire operational impact (95K tCO₂e) and air travel 10 percent (23K tCO₂e). Accuracy of the mobility data is precise. It was collected from KONE for the second time, and the visibility improved even from the initial assessment a year earlier. Two global projects were started already in 2008 in order to reduce KONE's mobility carbon footprint, Project Oxygen and Project Voyager described on pages 32 and 33 in this report.

The other major GHG sources emerging from KONE's operations are logistics, accounting for 33 percent (78K tCO₂e), and electricity for 12 percent (29K tCO₂e) of the

total operational impact. Electricity related emissions are impacted by electricity consumption and by the carbon intensity of electricity production within the country of the reporting unit.

In order to enable the year-on-year benchmarking of carbon efficiency in our operations, we at KONE calculate the GHG emissions per unit produced. The operational impact is 3.6 tCO₂e per unit.

Project O₂xygen reduces the car fleet's carbon footprint

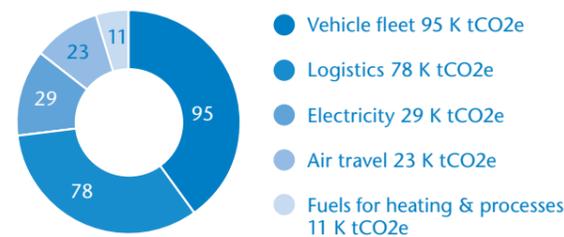
Project O₂xygen is a program KONE initiated in 2008 to reduce the carbon footprint of our operations. It focuses specifically on reducing car fleet emissions. The project embraces three action areas: a car policy focusing on vehicle selection, along with driver rights and duties; harmonization and optimization of the global car fleet; and promoting eco-safe and economical driving as well as route optimization.

Project O₂xygen focuses on reducing the emissions of our fleet of 13,000 vehicles.

Project O₂xygen is a combined global and local effort focusing on all of KONE's 13,000 vehicles. It is at an early stage of implementation in the first half of 2009 and will be executed in the coming years globally.

This year we successfully implemented a pilot project in driving excellence at KONE Netherlands. The pilot eco-safe driving program provided valuable insight into how drivers can reduce air emissions. It also provided valuable safety tips.

KONE's operational carbon intensity 236K tCO₂e, 2008



Project Voyager focuses on air travel

Another ongoing global project, called Project Voyager, focuses on reducing air travel. The project focuses particularly on reducing the amount of air travel during the first year by favoring virtual meetings and careful advance scheduling. During 2009, the aim of the refreshed global travel policy is to reduce the air travel related carbon footprint with smarter connection choices and improved travel planning.

Materials and waste in KONE's own operations

Materials used in our products are an essential topic when considering KONE's environmental impacts. Materials used consist of, for the major part, metals – steel, aluminum, copper – and glass, plastics and cardboard in the production centers, and of paper in the offices. The data concerning the materials used for KONE's products was collected from KONE's global engineering and production centers and cross-checked against the information provided by the life cycle assessments relating to our volume elevators.

Materials used by KONE totaled 342,000 tons. Materials used for elevators and escalators totaled 309,000 tons. Metals account for more than 90 percent of the materials used for the products. Due to their high metal content, KONE's products are more than 90 percent recyclable.

Packaging materials include wood, cardboard, paper and plywood up to 97 percent of the packaging weight, and the rest is plastic. Wood, plywood and cardboard

can be recycled or used for energy recovery. Plastics are used for energy recovery or are disposed of in landfills.

According to the information gathered in the KONE MonoSpace® elevator life cycle assessments, the elevator equipment is dismantled at the end of the life of the elevator and 55 percent of the material weight consisting of steel and cast iron components can be sorted and directly reused even without pre-processing.

Packaging materials can be reused, recycled or used for energy recovery.

Any possible hazardous materials – elevators may contain lead battery and, depending on the selection of lighting, standard fluorescent lamps that contain mercury – are dismantled and handled according to hazardous waste management procedures. The KONE EcoDisc® hoisting machine contains no oil. All electronics and electromechanical components waste is collected and treated separately.

The office materials data collected from the reporting country organizations was incomplete in this first measurement. However, the organizations that reported on office paper use, consumed a total of 600 tons of office paper. We will work on building processes for collecting accurate data in the future.



The KONE EcoDisc® hoisting machine contains no oil.

KONE's overall principle is to minimize waste already at the product development stage. After that, KONE's waste management hierarchy is: reduction of waste at manufacturing and operations, reuse and recycling, disposal for incineration and at last, disposal to landfill. Waste is handled in local KONE organizations according to local laws and regulations. KONE's global supply line as a whole shows a great degree of ability to reduce the amount of waste produced at the manufacturing stage and to recycle the majority of the waste produced at the sites. 98 percent of the total waste by the reporting 9 engineering and production centers forming KONE's global supply line is recycled or taken to incinerators, and only 2 percent goes to landfills.

KONE suppliers' environmental excellence

KONE's environmental responsibility extends to the compliance of its partners. The same environmental requirements and corresponding level of environmental excellence are expected from KONE suppliers. In order to ensure compliance, KONE has developed a Supplier Excellence Certification program, which covers both quality and environmental issues. The certification program is in the global execution phase.

Twenty percent of KONE strategic suppliers are certified according to the ISO 14001 environmental management

system or an equivalent standard. The remaining suppliers are requested to fulfill the ISO 14001 standard via self-assessments. Additionally, KONE will conduct on-site audits in 2009–2010. The ultimate goal is to have all strategic suppliers comply with ISO 14001 by the end of 2010.

Customers are interested in elevators as part of the sustainability of their buildings.

Efforts to reduce hazardous materials

In order to fulfill our safety requirements towards our employees and our customers, KONE maintains and continuously updates a list of restricted substances. Concerning the European Chemicals Regulation, KONE complies with REACH. KONE is a downstream user, not a manufacturer or importer. A project has been initiated to share information and ensure suppliers' compliance with European Regulations, such as the chemicals regulation in REACH, and RoHS (list of restricted substances).



KONE and its suppliers collaborate in order to eliminate the use of environmentally hazardous substances.

KONE environmental data 2008

Material used		
Activities	Materials	Tons
Manufacturing	Metals (Steel, Aluminium, Copper)	288,100
	Glass	3,100
	Plastics	2,500
	Misc.	15,500
Packaging	Wood	27,700
	Cardboard	3,500
	Plastics	900
Office consumables*	Paper	600
		341,900

*All reporting country units except US

Energy consumption			
		Units	Consumption
Direct	Heating Fuel	liters	683,700
	Natural Gas	m ³	3,422,200
	Car fuel consumption	liters	37,136,300
Indirect	Electricity consumption	kWh	90,834,200

GHG emissions		
		tCO ₂ e
Direct	Fuels for Heating & Manufacturing	9,700
	HFCs in HVAC Systems	1,000
	Car fleet	94,600
		105,300
Indirect electricity	Electricity consumption	29,600
		134,900
Other relevant indirect	Air Travel	23,300
	Employee commuting	12,400
	Logistics	77,900
	Production of materials for products	648,300
	Waste	700
		1,701,900
		2,464,500
TOTAL		2,599,400

Waste				
Waste (tons)	Recycling flows	Incinerators	Landfill	Total
Frontline	34,000	1,600	970	36,570
Manufacturing	8,300	1,700	180	10,180
Total	42,300	3,300	1,150	46,750

Environmental data collection in 2008

The collected environmental data represents 60 percent of all employees at KONE. The data was collected from all KONE's 9 production centers, and in 11 major country organizations with sales, installation and service operations. The 9 production centers form KONE's global supply line and thus represent a fully global perspective. The 11 reporting country organizations represent KONE's Asian, European and North-American customer related operations.

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

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

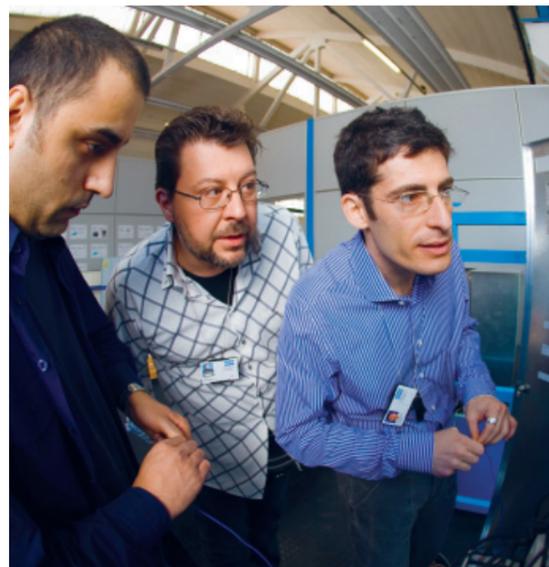
Additionally, all product-related data is founded on the Life Cycle Assessment (LCA) of KONE MonoSpace® elevator. The LCA has been carried out by a third party. The shares of the total environmental impacts of the life cycle stages have been calculated using the Eco-Indicator 99 method. The Eco-Indicator 99 method is a commonly used application for environmental impact assessments.

KONE's personnel and social performance

Making a positive impact

KONE provides employment for nearly 35,000 people worldwide. We aim to make KONE a great place to work by attracting a talented workforce and giving them opportunities to grow and develop. We strive to provide fair treatment, equal opportunity and a safe and healthy working environment for all our employees. KONE's global operations also create jobs for a number of suppliers of raw materials and component parts, as well as subcontractors.

We recognize that the ways in which we manage our operations impact the communities in which we operate. We seek to be the employer of choice and to treat our cooperation partners in a fair and mutually beneficial manner. KONE also participates in local projects that strive to improve the welfare of the surrounding community.



Personnel strategy

The objective of KONE's personnel strategy is to help the company meet its business targets. The strategy also seeks to increase interest in KONE as an employer and to secure the availability, commitment and continuous development of our personnel.

We regularly develop the knowledge and skills of our employees in order to support KONE's current and future business requirements. We also offer our people versatile opportunities that support personal growth and career development.

At the end of 2008, KONE had a total of 34,831 employees representing over 50 nationalities. From 2007 to 2008, the growth in personnel was 7 percent.

Over half of KONE's personnel work in maintenance and modernization. The second largest employee

category comprises new equipment sales and installation.

Focus on leadership

In 2008, KONE chose People Leadership as one of its five strategic global development areas. Through this initiative, we aim to improve our leadership capabilities to inspire, engage and develop our people for outstanding performance.

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

Personnel			
Country	2008	2007	2006
United States	4,603	4,466	4,336
France	3,863	3,781	3,571
China	3,560	3,092	2,387
India	2,913	2,621	1,833
United Kingdom	2,094	1,977	1,946
Italy	1,863	1,807	1,816
Finland	1,780	1,700	1,642
Germany	1,584	1,536	1,508
Australia	1,159	1,103	1,069
Spain	1,067	908	806
Netherlands	1,034	999	998
Canada	823	700	547
Sweden	815	768	768
Belgium	729	732	723
United Arab Emirates	635	503	442

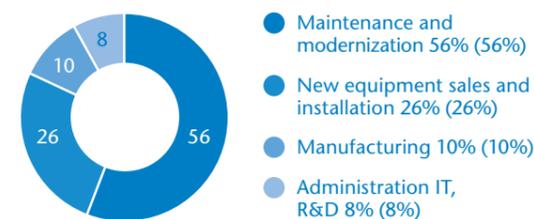
A number of our employees have long tenures with KONE, and many of them have developed their careers by working in different teams or functions.

Personnel (%) by years of service Dec 31, 2008				
Country	0 – 5 years	6 – 10 years	11 years and above	Total Dec 31, 2008
United States	48.0	17.6	34.4	100.0
France	50.4	15.7	33.9	100.0
China	77.8	19.9	2.3	100.0
India	75.9	7.9	16.2	100.0
United Kingdom	59.5	16.5	24.0	100.0
Italy	27.9	16.2	55.9	100.0
Finland	40.3	16.1	43.5	100.0
Germany	24.2	17.8	58.0	100.0
Australia	59.0	15.0	26.0	100.0
Spain	60.5	22.8	16.7	100.0
Netherlands	38.3	18.2	43.6	100.0
Canada	69.7	11.2	19.1	100.0
Sweden	42.3	9.0	48.7	100.0
Belgium	37.5	30.2	32.4	100.0
United Arab Emirates	89.9	4.6	5.5	100.0

Average length of service Dec 31, 2008	
Country	Average length of service (years)
United States	9.6
France	9.5
China	3.2
India	5.2
United Kingdom	7.9
Italy	13.7
Finland	11.5
Germany	14.4
Australia	7.6
Spain	5.1
Netherlands	10.4
Canada	5.8
Sweden	14.3
Belgium	12.1
United Arab Emirates	2.6

Employees Dec 31, 2008 (2007)

Employees by job category, %



Employees by market, %



We have a longstanding tradition of investing in people development.

KONE aims to have the best possible professional in each position. We look for a diverse workforce to create a dynamic and inspiring work environment to produce the best results in everything we do.

Most of KONE's management has risen through the ranks within the company. We also actively seek external candidates for key positions to promote a continuous renewal of the way we approach our business operations.

In order to find out how career opportunities appear for women working at KONE, we conducted a glass ceiling study in three countries in 2005. The results showed that although the share of women in some units and functions was fairly high, women were mostly working in support, administration and specialist functions. In addition, the number of women in the KONE talent pool was low, and the management and HR practices were not considered to provide enough support for women.

After this study, KONE stated a goal of increasing the amount of women in management teams by 20 percent by the end of 2006 and by 50 percent by the end of 2009, as compared to the figures calculated in 2005. KONE reached these goals ahead of schedule, and women currently account for some 18 percent of management teams compared to 9 percent in 2005.

Learning on the job

We have a longstanding tradition of investing in people development and providing cross-functional and cross-unit assignments. In order to support the career development of our people and to ensure the optimum use of the company's resources, KONE aims to continuously increase internal job rotation and encourages employees to use these possibilities to develop themselves. We also see coaching as an essential part of professional development.

In addition to learning on the job, we arrange global and local learning programs that cover a wide range of professional skills. KONE's training centers in various parts of the world are responsible for technical training.

Global development programs are designed to strengthen the common operating models, to promote collaboration and cross-cultural knowledge sharing and to ensure the development of current and future managers. The contents are aligned with KONE's strategy and key leadership competences.

In 2008, KONE started a global Supervisor Development Program as part of the Leadership Excellence program. The program aims to improve the leadership capabilities of our supervisors. The training involves all supervisors at KONE and is arranged locally in our country organizations worldwide.

KONE works with top business schools to develop its competence. Since 2006, KONE has worked with IMD in Switzerland for top management development.

KONE provides versatile career opportunities worldwide.

Sharing of best practices

A key element of human resources management is to ensure that all KONE people know and understand the company's strategy and its impact on their own work. KONE regularly communicates business results, progress in development programs and future outlook in letters from the CEO. We also communicate to employees through an internal personnel magazine, intranet, and electronic newsletters. In addition, most of our local organizations have local bulletins and meetings.

KONE further involves its personnel in sharing best practices and success stories. KONE's extranet-based tool enables our employees worldwide to share stories about local successes and initiatives taken to boost progress in our development programs.

A reader-friendly approach

KONE's internal magazine MOVE is published three times a year, in nine languages. Articles in the magazine provide a reader-friendly approach to KONE's business objectives, while introducing the individual talents who work for us. Success stories and best practices from around the world are also shared.

CASE:

Training Rex and dozens of dogs to guide people safely and smoothly.



KONE France Foundation supports guide dog training center

The KONE France Foundation has provided support to a training center for guide dogs that is located in a small village outside of Paris, France.

Dogs are naturally afraid of escalators due to the vibrations and instability they experience while on moving steps.

This special training is vital to helping blind people move around in places with escalators. Without the training, guide dogs are resistant to getting on escalators.

Construction of the training center will avoid the need for dogs and trainers to travel some 45 minutes to a shopping center that is reserved on certain weekends to train the dogs.

The training center will also allow more dogs to be trained. The center now trains about 15 dogs each year, however, this number could increase to about 50 once the new training center is operational.

Construction of the training center is expected to be complete in May 2009. The KONE France Foundation supplied an escalator used at the center at a discounted price and provided direct financial assistance to train the dogs.

We ask employees for feedback

KONE regularly tracks employee satisfaction with KONE as a workplace. This year KONE initiated its fourth employee survey, KONE Pulse, which was undertaken in 76 units, 26 languages and included results from about 24,000 employees. The global response rate has improved survey to survey and is now the highest ever at 73%. (+9, 6%-points improvement compared to the previous survey).

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

The main areas in the survey are job satisfaction, working for KONE, customers, management style and leadership and communication. The latest surveys also cover issues related to strategy and values.

The surveys have provided KONE with the highest rankings in the areas of employee job satisfaction, especially in the dimension that measures employee commitment to the company. KONE employees have expressed strong pride in working for KONE and strong commitment to helping KONE succeed. They have also

shown high advocacy with KONE as an employer, and a strong desire to continue working for KONE.

In the latest survey, a vast majority of the measured indicators improved and were close to the external global norm. For example, results in safety and engagement exceeded the external benchmark. The improvement areas in the 2008 survey related to the follow-up from the previous survey as well as cross-functional collaboration and the further development of our ability to quickly address customer needs.

KONE involves employees in developing successful work practices.

In addition to the global employee survey, KONE conducts a 360 degree feedback for all supervisors and managers every other year. The review is built on KONE values and leadership competences. The feedback process enables the employee, direct subordinates, immediate supervisor and a few peers to provide insights into the leadership behavior of the assessed person. A 360 degree evaluation is also done for all KONE managers, right up to the CEO and executive board.



At KONE, we learn from experience and we learn from each other. Through an internal magazine, intranet and electronic newsletters, KONE employees share their best practices and success stories.

Since July 2007, KONE has conducted over 620 anonymous exit interviews of full-time employees in 19 countries in order to collect feedback on KONE as an employer and to understand the reasons for an employee's voluntary termination of employment with our company.

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

Employee motivation and satisfaction are highly valued by KONE.

Evaluating achievement of common goals

KONE runs a performance management process. Each year, our employees review their individual development plan with their managers to agree on individual goals, evaluate achievement of past targets and to set up a plan for future development. The purpose of annual personal development discussions is to ensure each employee's awareness of, and commitment to, these goals. Individual goals are linked to the corporate values and goals.

The annual reviews form a process for continuous dialogue and individual development. The reviews provide an opportunity for employees and managers to openly discuss issues in the workplace and how performance can be improved in certain targeted areas. It also provides a means for employees to address any workplace concerns or issues they may have and to share ideas or best practices to improve the working environment.

Employee engagement, motivation, satisfaction and commitment are highly valued by KONE. This is why, in line with results from employee feedback, KONE uses a Total Reward Framework comprising tangible (monetary) and intangible (non-monetary) rewards to provide an attractive reward package for our employees.

KONE's reward commitment to its employees goes beyond base salary and includes health and well-being employee benefits, which, depending on the country of employment, may include different kinds of benefit plans such as health insurance, maternity and paternity leave, disability insurance and flexible work practices.

Through the Total Reward Framework, KONE is also committed to the clear identification of each employee's role and responsibilities, the regular use of recognition and reward schemes for outstanding achievement and the involvement of employees in developing successful work practices.

Cooperation with educational institutions

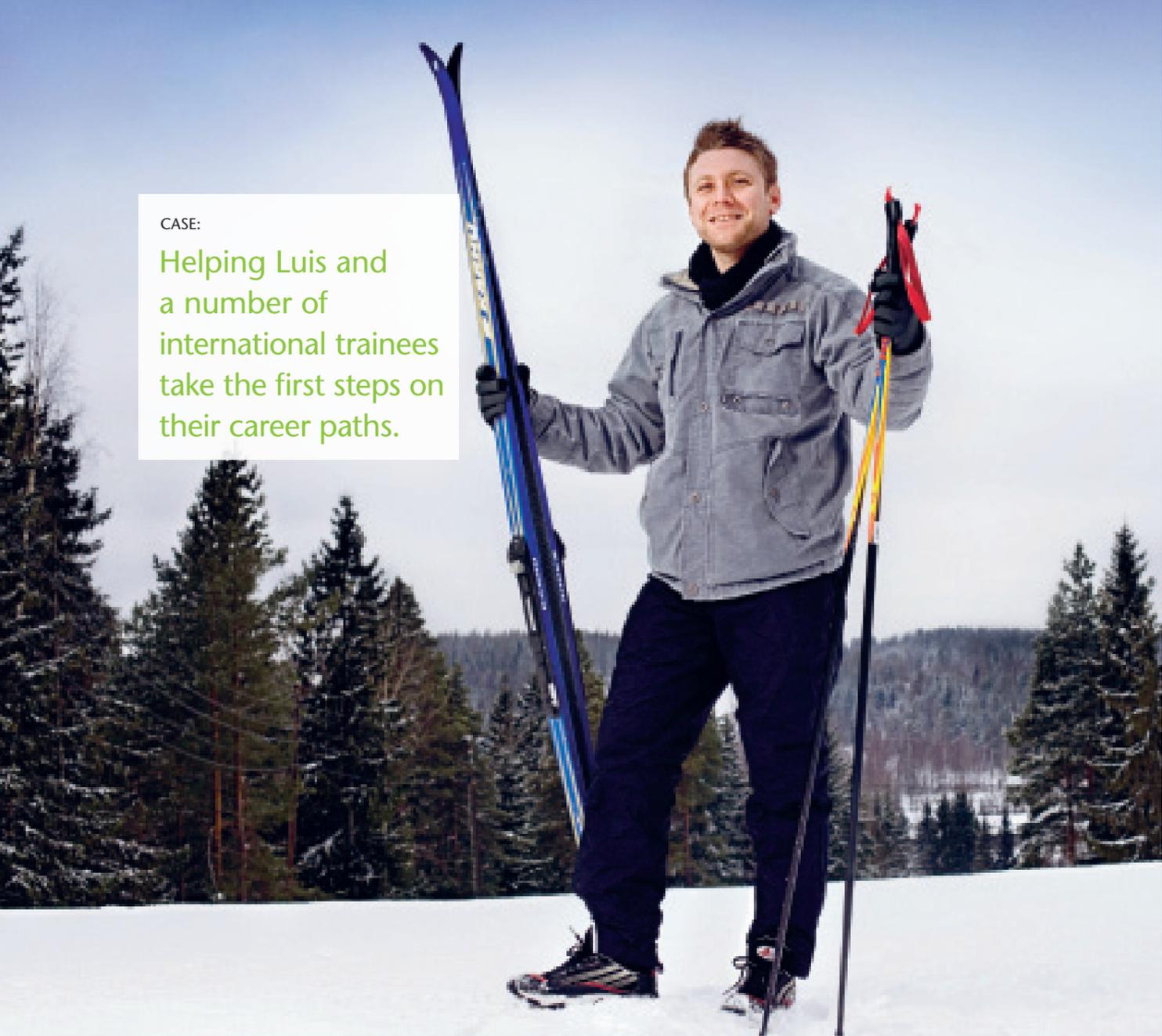
KONE actively works with educational institutions and participates in recruitment fairs and various student activities. We share and develop competence through research, traineeships, thesis projects and other forms of cooperation.

KONE's local organizations around the world provide internships for technical and economics students in their home countries, while KONE's International Trainee Program (ITP) enables students to apply for trainee positions abroad. The KONE International Trainee Program is for university students who are at least halfway through their studies and recent graduates. The traineeship lasts from three to six months, depending on the position, and offers students interesting challenges in a real working environment. It also functions as an excellent means for students to develop a future career with KONE.

One of the world's most reputable companies

For the second time, KONE was ranked in a survey of the world's most reputable companies conducted by the Reputation Institute. Forbes magazine published the report, which ranked KONE number 26 in the survey. KONE was also the highest-ranked company on the list based in Finland.

The Reputation Institute, a New York consulting firm, surveyed 30,000 people worldwide about how they viewed the world's 600 largest companies.



CASE:

Helping Luis and a number of international trainees take the first steps on their career paths.

KONE International Trainee Program

Every year KONE offers promising students and recent graduates the opportunity to work abroad for local KONE organizations in some seven to ten countries.

"I found out about the KONE International Trainee Program from university mates," explains Luis Garcia, a native of Madrid, who works as an eco-efficiency engineer at the KONE Global R&D unit in Hyvinkää, Finland.

"I work as a coordinator in the Key Technologies unit for eco-efficiency issues, and I develop the energy calculation methodology for elevators," he says.

Luis was one of 27 young professionals representing eight nationalities who participated in the KONE International Trainee Program in 2008.

"Thanks to the opportunity that the managers offered me, I got into the selection process for my current position. I signed a new contract one month before the end of my trainee period."

"I believe science will meet the needs of the future without compromising the principle of sustainable development, and this challenge never ceases to inspire me," says Luis.

More information about the program can be found at kone.com/careers.

Workplace safety

KONE places a high priority on safety. In 2008, the company continued its rigorous efforts to improve safety awareness and promote safe working practices across KONE.

We are working towards the ultimate goal of zero accidents.

KONE has a business policy for safety to ensure that all KONE business activities are organized in a globally harmonized and structured way to enable work to be performed in a professional and safe manner, to protect the well-being of all our people and others affected by our products and services. This policy sets the global framework of requirements and is applied to all KONE organizations, business partners and their employees. The policy is authorized by KONE's executive board.

All people at all levels in the organization must have the competence needed to suit their position in order to perform their work in a professional and safe manner. A general level of training in health and safety is the minimum requirement for all employees and subcontractors working for KONE. This training is updated regularly, based on an employee's duties and responsibilities. Additional training must be completed related to the work roles and tasks in order to develop and maintain the needed competence for the corresponding job.

tools are in place for the local organization to meet the safety policy requirements and identifying areas in need of improvement. Additionally, KONE safety teams perform safety audits and support visits with the local organization's safety management team in order to ensure compliance.

KONE has processes in place to communicate known or anticipated problems that require action to be taken on delivered equipment within a defined timescale in order to minimize potential safety risks. Also, when incidents occur, all incidents affecting employees, subcontractors or end users at all units must be reported in accordance with the company guidelines.

KONE is committed to continuously improving its work safety record with the ultimate goal of zero accidents. For 2009, the executive board has set a target of zero accidents and a minimum reduction of 15 percent in annual industrial injury frequency rate (IIFR). Each unit must maintain an action plan that defines targets and actions to continuously encourage the improvement of processes, products, the workplace and services to reach the defined targets.

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

Occupational safety is measured continuously by the industrial injury frequency rate (IIFR). IIFR is the number of injuries resulting in absence from work of one day, one shift or more, per million hours worked.

We continue our rigorous efforts to improve safety awareness.

KONE strives to continuously improve KONE's culture of safety through communication, competence development, harmonized processes and sharing of best practices. To enhance safety awareness and knowledge, KONE organizes global safety meetings virtually every three months. Participation in the safety meetings is mandatory for all Safety Managers.

All KONE business units must define and operate an accident and near miss incident report, investigation and follow-up actions process. The unit Safety Manager is responsible for ensuring that necessary means and

Neighbors working together in France

Each year the KONE France Foundation provides support to Neighbors' Day events throughout France.

The events provide a way to foster community cohesion and a good atmosphere among the people living in the buildings. Neighbors' Day events in France form part of an initiative of the European Federation of Local Solidarity, which is supported by the European Union.

KONE France Foundation supports the Neighbors' Day events by providing and distributing KONE kits that contain cups, aprons, stickers and other fun items that are used in the celebrations. About 17,000 KONE kits were distributed in 2008.

KONE Code of Conduct

One of the cornerstones of our good reputation is our dedicated and responsible personnel. Our approach to business is based on honesty, integrity and fair play. KONE's activities are guided by our ethical principles detailed in the KONE Code of Conduct, which applies throughout KONE, including all subsidiaries, branches and other entities where KONE exercises management control.

Our approach to business is based on honesty and fair play.

An employee's rights and responsibilities include the right to a safe and healthy working environment, the right to personal well-being, as well as the prohibition against discrimination. The KONE Code of Conduct addresses what kinds of behaviors are not tolerated, such as the prohibition against all forms of harassment. The Code of Conduct also requires compliance with

competition laws and serves as a guide on how to handle sensitive business information.

Since KONE strives to improve its solutions and services with the environment in mind, every KONE employee is responsible for considering the impact on the environment in everything he or she does. The Code of Conduct asks KONE employees to actively seek ways to work with KONE's suppliers and customers to prevent or reduce business operation-related emissions and waste.

In 2008, KONE revised the global Code of Conduct and its Global Competition Compliance Policy. In 2009, we will encourage our employees to learn more about what is expected of them in the way of ethical conduct and fair business practices through their attendance in two internet-based e-learning programs: one covering our Code of Conduct and the other covering the Competition Compliance Policy.

KONE has a Corporate Compliance Officer whose duties include addressing any employee questions or concerns related to the Code of Conduct. Our Corporate Compliance Officer works with our personnel to ensure



that KONE remains committed to its core value of uncompromising integrity and the development of an ethical working culture.

Supplier Code of Ethics

Our responsibility does not end with our actions. We work with a number of partners, suppliers and sub-contractors, and ask them to commit to environmental efficiencies and ethical behavior.

In 2008, the company issued a KONE Supplier Code of Ethics. It requires all suppliers to commit to ethical conduct, full compliance with all applicable national laws and international treaties and to respect human rights in the spirit of internationally recognized standards. KONE also expects its suppliers to conform to KONE's environmental principles of preserving natural resources and protecting the environment. It means that KONE expects its suppliers to conduct their business operations in such a way as to avoid or minimize any adverse impacts on the environment and continuously strive to improve products and services with the environment in mind.

The KONE Supplier Code of Ethics has been attached to all new supplier agreements as of December 2008. For existing suppliers, KONE will require suppliers to agree to the KONE Supplier Code of Ethics as an amendment to existing supplier agreements next year. KONE has plans to incorporate ethics elements into its checklist during supplier audits.

The full text of the KONE Supplier Code of Ethics is available at www.kone.com.

Supplier audits

In 2008, personnel from the KONE Supplier Quality Management team conducted more than 600 supplier audits worldwide. The purpose of the audits was to inspect supplier production, quality and environmental process capabilities.

In order to foster its close relationship with strategic suppliers, KONE holds an annual Supplier Day event with suppliers. The event provides an opportunity to share KONE's quality and performance expectations as well as to get feedback from suppliers. It also forms part of the continuous dialogue between KONE and suppliers about the importance of operating in a sustainable and ethical manner.

Consultation and communications

In Europe, KONE organizes Employee Forum meetings to promote the mutual communication and dialogue between KONE management and employees. There are three Employee Forum working group meetings and one full Employee Forum meeting per year. The working group meetings include three management representatives nominated by KONE management and four employee representatives nominated by the Employee Forum. In 2008, the full Employee Forum meeting was held in September in Finland with participants from 14 countries. The focus of the meeting was on safety.

In 2008, KONE personnel drafted a safety declaration at the Employee Forum that represents a joint effort of employees and management. The declaration states the commitment to work towards the ultimate goal of zero accidents.

Tackling Lake Cleanup in California

This past June, members of the US management team in KONE's West Region got together to remove litter from the shoreline of Lake Merritt in downtown Oakland, California.

The idea for the clean-up was inspired by a team-building event conducted at the 2008 Americas Leadership meeting in San Diego. There, KONE sales and management personnel from Canada, Mexico and the United States assembled bicycles in 10-member teams and later donated them to children in need affiliated with Casa Familiar, a local non-profit group.

Lake Merritt is in downtown Oakland and has 155 acres of parkland, a tea garden, duck pond, tennis courts, boating center and a children's fairyland. A total of ten people from KONE's management team spent the day cleaning up the park. The event provided an opportunity for KONE personnel to give back to their community and bond with fellow members of the West Region management team.

Glossary

Eco-indicator99 method

The Eco-indicator 99 is a state of the art impact assessment method for Life Cycle Assessment (LCA), and also forms the basis for the calculation of ecoindicator scores for materials and processes. The methodology is highly compatible with ISO 14042 requirements.

GHG (Greenhouse gas)

Greenhouse gases are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of infrared radiation emitted by the Earth's surface, the atmosphere and clouds. This property causes the greenhouse effect. Water vapor (H₂O), carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄), and ozone (O₃) are the primary greenhouse gases in the Earth's atmosphere. Moreover there are a number of entirely human-made greenhouse gases in the atmosphere, such as the halocarbons and other chlorine and bromine containing substances, dealt with under the Montreal Protocol. Beside CO₂, N₂O and CH₄, the Kyoto Protocol deals with the greenhouse gases sulfur hexafluoride (SF₆), hydro-fluorocarbons (HFCs) and perfluorocarbons (PFCs).

GHG Protocol (Greenhouse gas protocol)

The Greenhouse Gas Protocol (GHG Protocol) is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions. The GHG Protocol, a decade-long partnership between the World Resources Institute and the World Business Council for Sustainable Development, is working with businesses, governments, and environmental groups around the world to build a new generation of credible and effective programs for tackling climate change.

Source of GHG emissions

GHG sources are the activities that generate greenhouse gas emissions: energy use, internal processes, people transportation, logistics, use of products sold.

GRI (Global Reporting Initiative)

The Global Reporting Initiative (GRI) produces the world's de facto standard in sustainability reporting guidelines. Sustainability reporting is the action where an organization publicly communicates their economic, environmental, and social performance. The GRI's mission is to make sustainability reporting by all organizations as routine and comparable as financial reporting. The GRI Guidelines are the most common framework used in the world for reporting. More than 1,000 organizations in 60 countries use the Guidelines to produce their sustainability reports. All sorts of organizations report using the GRI Guidelines, such as corporate businesses, public agencies, smaller enterprises, NGOs, industry groups and others.

ISO 14001 (ISO 14000 Environmental Management Standards)

ISO 14001 is the international specification for an environmental management system (EMS). It specifies requirements for establishing an environmental policy, determining environmental aspects and impacts of products/activities/services, planning environmental objectives and measurable targets, implementation and operation of programs to meet objectives and targets, checking and corrective action, and management review.

LCA (Life Cycle Assessment)

A life cycle assessment (also known as life cycle analysis, ecobalance, and cradle-to-grave analysis) is the investigation and valuation of the environmental impacts of a given product or service caused or necessitated by its existence.

tCO₂e (KtCO₂e)

Ton (kiloton) on carbon dioxide equivalent. Quantities of greenhouse gas emissions, expressed in tons (Ktons = 1,000 tons) and reported to the equivalent global warming potential of carbon dioxide over 100 years.

Comparison with Global Reporting Initiative guidelines

	GRI Content	Included	Page	Comments
1.	Strategy and Analysis			
1.1	CEO's statement	Yes	4-6	
1.2	Key impacts, risks and opportunities	Yes	8-10	
2.	Organizational Profile			
2.1, 2.4, 2.6	Name of the organization, location of headquarters, nature of ownership and legal form	Yes	13	
2.2, 2.7	Primary products and services, markets served	Yes	12-13	
2.3, 2.5, 2.8	Operational structure, number of countries and location of operations, scale of the reporting organization	Yes	13,15-17	
2.9	Significant changes regarding size, structure or ownership	Yes		No significant changes
2.10	Awards received in the reporting period	Yes	19	
3.	Report Parameters			
3.1-3.3	Reporting period and cycle	Yes	2	
3.4	Contact point for questions regarding the report	Yes	48	
3.5	Process for defining report content	Yes	2	
3.6-3.8	Report boundary and limitations on the report scope or boundary	Yes	2, 35	
3.9-3.10	Data measurement techniques and bases of calculations, re-statements	Yes	2, 35	No restatements compared to previously reported information
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	Yes		First report
3.12	GRI content index	Yes	47	
4.	Governance, Commitments and Engagement			
4.1-4.11	Governance	Yes	Financials report: 56-58	
4.8	Mission, values, code of conduct	Yes	14-15, 44	
4.14-4.16	Stakeholder Engagement Identification and approaches to stakeholder engagement	Yes	10, 40	Employee survey, 360 degree feedback for supervisors and managers, customer loyalty survey
4.17	Key topics raised through stakeholder engagement	Partly	10, 40	Results from employee survey, 360 degree feedback for supervisors and managers
	Economic Performance Indicators			
EC1*	Direct economic value generated and distributed	Yes	20-23	
	Environmental Performance Indicators			
	Materials			
EN1*	Materials used by weight or volume	Yes	30,35	
	Energy			
EN3-4*	Direct and indirect energy consumption	Yes	35	
EN5	Energy saved due to conservation and efficiency improvements	Yes	27	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Yes	27,29	
EN7	Initiatives to reduce indirect energy consumption	Yes	31-33	
	Emissions, Effluents and Waste			
EN16*	Total direct and indirect greenhouse gas emissions	Yes	32,35	
EN17*	Other relevant indirect greenhouse gas emissions	Yes	32-33, 35	
EN18	Initiatives to reduce greenhouse gas emissions	Yes	32-33	
EN19*	Emissions of ozone-depleting substances	Yes		Products do not contain ozone-depleting substances
EN22*	Total amount of waste	Yes	33-35	
	Products and Services			
EN26*	Mitigating environmental impacts of products and services	Yes	28	
EN27*	Reclaimable products and reuse	Partly	30	
EN29	Environmental impacts of transportation	Yes	32,35	
	Social Performance Indicators			
	Employment			
LA1*	Total workforce by employment type, employment contract and region	Yes	36-37	
LA3	Employee benefits	Partly	41	Benefits described, no difference made to part time and full time employees
	Occupational Health and Safety			
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Partly	43	Absenteeism and occupational diseases not reported
	Training and Education			
LA10*	Training	Partly	38	Training described, training hours cannot be calculated
LA11	Programs for skills management and lifelong learning	Yes	38	
LA12	Performance and career development reviews	Yes	41	
	Diversity and Equal Opportunity			
LA13*	Composition of governance bodies and breakdown of employees	Yes	38	Percentage of women in management
	Human Rights and Product safety			
HR2*	Suppliers' and contractors' human rights screening	Partly	45	Supplier code of ethics and supplier audits
PR5	Customer satisfaction	Yes	10	

* GRI Core indicator

■ Reported ■ Partly reported

KONE Corporation

Head Office

Kartanontie 1
P.O. Box 8
FI-00331 Helsinki
Finland
Tel. +358 (0)204 751
Fax +358 (0)204 75 4309

Corporate Offices

Keilasatama 3
P.O. Box 7
FI-02151 Espoo
Finland
Tel. +358 (0)204 751
Fax +358 (0)204 75 4496

www.kone.com

Publication:

Anne Korhikoski
Executive Vice President
Marketing and Communications

Economic performance

Pekka Sihvola
Senior Vice President
Corporate Controller

Environmental performance

Hanna Uusitalo
Environmental Director

Personnel and social performance

Kerttu Tuomas
Executive Vice President
Human Resources



Design: SEK
Printing: Lönnerberg Print