

The background of the entire page is a photograph of a KONE employee. The employee is a young man wearing a dark blue KONE uniform, including a cap and a jacket with a shoulder patch. He is smiling and looking towards the right. He is standing next to the rear of a white KONE service van. The van has a KONE logo on the back and a blue bar chart graphic. The scene is outdoors with trees in the background.

HELPING CITIES GROW SUSTAINABLY

Sustainability Report 2015

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Sustainability at KONE

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

 **Read more** about our approach to sustainability at www.kone.com/sustainability



KONE IN BRIEF

At KONE, our mission is to improve the flow of urban life. As a global leader in the elevator and escalator industry, KONE provides elevators, escalators and automatic building doors, as well as solutions for modernization and maintenance to add value to buildings throughout their life cycle.

We serve more than 400,000 customers across the globe. The majority of these are maintenance customers. Key customer groups include builders, building owners, facility managers and developers. Architects, authorities and consultants are also key parties in the decision-making process regarding elevators and escalators.

Through more effective People Flow®, we make people’s journeys safe, convenient and reliable, in taller, smarter buildings. In 2015, KONE had annual net sales of EUR 8.6 billion, and at the end of the year close to 50,000 employees. KONE class B shares are listed on the Nasdaq Helsinki Ltd. in Finland.

KONE worldwide



WHAT DOES SUSTAINABILITY MEAN FOR KONE?

“At KONE, we want to contribute to better urban living by helping people move around in and between buildings, in ways that are smooth and safe. A great deal of that is about sustainable practices.”

-Antti Herlin



Chairman Antti Herlin joins President and CEO Henrik Ehrnrooth for a conversation on our progress in 2015.

Sustainability is an integral aspect of how we do business. Can you begin by explaining why it remains a critical area for KONE?

Antti Herlin (AH): Sustainability is part of everything we do; it is not only about environmental performance and safety. It is about how we conduct our business and work in society. Sustainability as a whole has been important for KONE for as long as I can remember, and it is something where we have always looked towards the future.

At KONE, we want to contribute to better urban living by helping people move around in and between buildings, in ways that are smooth and safe. A great deal of that is about sustainable practices.

It is a must for business to operate in a sustainable manner – and we need to understand its different dimensions. For instance, I have seen it going 100% hand in hand with the philosophy of continuous improvement.

My family has been involved in KONE since 1924, and sustainability is something that has been with KONE for generations, which was started by my great grandfather. It runs deep in the KONE culture.

Henrik Ehrnrooth (HE): Yes, sustainability is very broad and it has many dimensions. We embed it in all of our operations, and it is an integral part of our mission to improve the flow of urban life. Every day, our People Flow solutions help to address the challenges created by urbanization, demographic change, the need for improved energy efficiency and increased safety demands.

How does KONE continue to make progress in sustainable development?

HE: First of all, our financial performance in 2015 was strong. We continued to grow on a broad basis and in a sustainable way. We have a strong order book and more importantly, our good financial performance enables continued significant investments in strengthening our competitiveness and in developing sustainable solutions and services.

In the second half of the year we announced our new innovation strategy, which is designed to ensure that we can meet the needs of an urbanizing world, where the pace of technological change is increasing. Digital technologies can help us deliver new value added solutions and services to our customers in a more sustainable way.

Looking back at our progress during 2015, are there any particular highlights which stand out?

AH: I was pleased to see that our growth was geographically broad-based, not only in Asia, which has been a major growth driver over the last 20 years. Another highlight for me is that 2015 marked our 50th consecutive profitable year.

HE: The increasingly broad based growth in both new equipment and in services was an important achievement for us. Other areas include our ability to constantly reduce our carbon footprint. In fact, during the reporting year, our operational carbon footprint is down by over 60%, relative to orders received, compared to 2008. We were also awarded a position on the Climate Performance A-List by CDP, recognized as one of the world’s leading providers of climate change data.

AH: Another aspect where we have made progress is safety, which can have big impacts on sustainable urban living, and our employees.

HE: Yes, safety continues to be important in everything we do. We have an ambition to reach zero accidents and in 2015 the number of incidents decreased again. The industrial injury frequency rate (IIFR) improved further from 2.8 last year, to 2.3 this year.

It is interesting when we look at safety and business performance. Because what becomes clear, when you look at that correlation, is that our business units with the best safety track record tend to have the same track record in business performance. It all goes together hand in hand.

How has KONE improved the integration of environmental, social, and governance issues into its business?

AH: This is really important because integration with the business happens over the long term. We have to consider that we are all sharing a global environment and the resources we have at our disposal are becoming increasingly scarce.

To be a leader in sustainability, efficiency becomes more important. We need to be resource-efficient in everything we do and there are a lot of examples of how we have made our products more efficient and more sustainable.

The same applies to other areas. The less waste material and wasted resources we have, the more efficient we are, and that applies throughout our operations and facilities.

HE: Absolutely, and we should remember that new technology is a significant enabler of improved sustainability. The technology in our products and services can significantly reduce elevator and escalator energy consumption, while reducing waiting time for users. Digitalization also gives us the opportunity to provide new services for our customers, which improve efficiency.

We are, for example, investing significantly in diagnostics for our services which improves the quality and predictability for our customers. The agreement we announced with IBM in 2016, will bring cognitive analytics to our services. In practice, this means that we can resolve issues before they occur, with our analytics platforms constantly learning and becoming better at identifying future needs. Technologies in smart buildings is another example which can help facility owners and managers to improve the overall energy and resource efficiency of their buildings, while improving people flow.

How can customers tell the difference between companies that call themselves sustainable? What are KONE’s differentiators?

AH: I think it comes back to what we talked about at the beginning. We work hard to understand sustainability and all its dimensions, including the environment, safety, quality and continuous improvement. All of that runs deep in the KONE culture. Our track record is very strong and if you look at that, it tells you a lot about our commitment to sustainability.

HE: As I mentioned earlier, our mission is to improve the flow of urban life, for our customers and for the people who use our equipment. Sustainability is embedded in not only what we do, but how we do it and one of our strength is definitely our pragmatic culture.

Our people want to develop themselves and the company all the time. In 2015, we reached a record high response rate of 93% in our global employee survey, and this gives a strong indication of the commitment they have in making KONE an even better company.

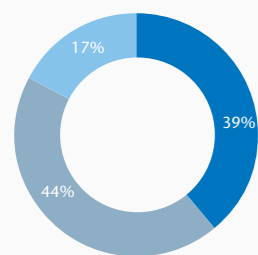
Finally, our people and culture are built on KONE’s values, which are about how we develop as a strong company, contributing to sustainable cities of the future.

“We should remember what new technology can bring to sustainability. Digitalization gives us the opportunity to be more efficient in our operations and improve quality.”

-Henrik Ehrnrooth

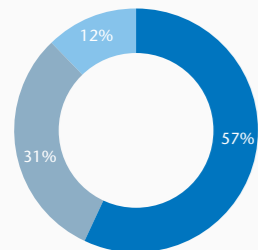
KEY FIGURES 2015

Sales by market, 2015



■ EMEA 39% (44%)
 ■ Asia-Pacific 44% (41%)
 ■ Americas 17% (15%)
 (2014 figures in brackets)

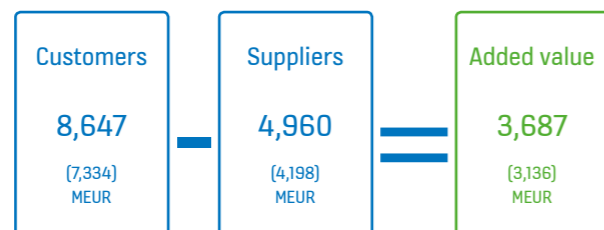
Sales by business, 2015



■ New equipment 57% (55%)
 ■ Maintenance 31% (32%)
 ■ Modernization 12% (13%)
 (2014 figures in brackets)

| Key financial figures | | 2014 | 2015 | change, % |
|--|------|---------|----------|-----------|
| Orders received | MEUR | 6,812.6 | 7,958.9 | 16.8% |
| Order book | MEUR | 6,952.5 | 8,209.5 | 18.1% |
| Sales | MEUR | 7,334.5 | 8,647.3 | 17.9% |
| Operating income | MEUR | 1,035.7 | 1,241.5 | 19.9% |
| Operating income | % | 14.1 | 14.4 | |
| Cash flow from operations (before financing items and taxes) | MEUR | 1,345.4 | 1,473.7 | |
| Net income | MEUR | 773.9 | 1,053.1 | |
| Basic earnings per share | EUR | 1.47 | 2.01 | |
| Interest-bearing net debt | MEUR | -911.8 | -1,512.6 | |
| Total equity/total assets | % | 43.6 | 45.4 | |
| Gearing | % | -44.2 | -58.7 | |
| R&D expenditure | MEUR | 103.1 | 121.7 | |

KONE's economic impacts in 2015

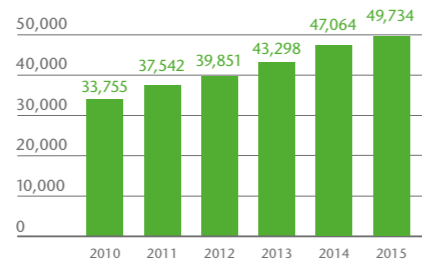


(2014 figures in brackets)

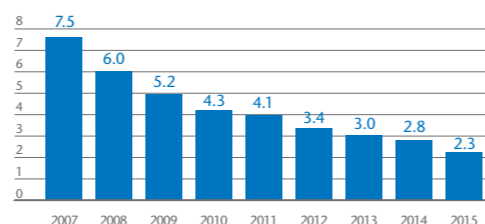
Stakeholders

| | |
|--|--------------------|
| Employees | 1,825 (1,578) MEUR |
| Creditors | -122 (-19) MEUR |
| Public sector | 932 (765) MEUR |
| Shareholders | 718 (616) MEUR |
| Economic value retained in the company | 334 (196) MEUR |

Number of employees, end of year



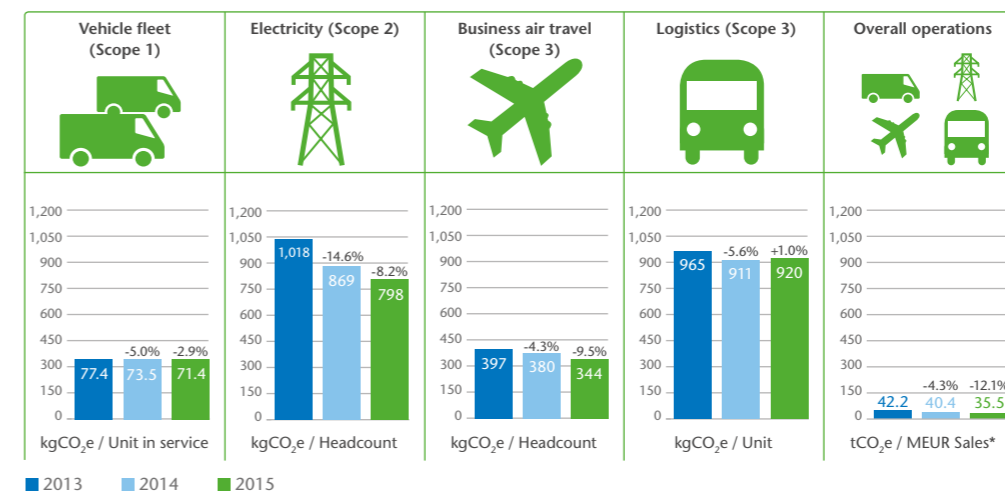
Industrial Injury Frequency Rate development among KONE employees



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

Relative operational carbon footprint

Data assured externally



*4.4% reduction in 2015 with sales growth calculated at comparable exchange rates.

Energy consumption

| Category | Units | 2013 | 2014 | 2015 | |
|----------|---|------|---------|---------|---------|
| Direct | Heating and vehicle fleet fuels (heating oil, natural gas, petrol, diesel, biodiesel; biodiesel consumption was 9,000 MWh in 2014/2015) | MWh | 403,500 | 390,400 | 399,100 |
| Indirect | Electricity* | MWh | 78,300 | 79,900 | 79,800 |
| | District heat | MWh | 15,000 | 15,900 | 15,100 |

*2014 restated

Carbon footprint of KONE's operations, tCO₂e

| Category | 2013 | 2014 | 2015 | |
|-----------------------------------|---|----------------|----------------|----------------|
| Direct (scope 1) | Vehicle fleet* | 86,200 | 85,800 | 88,500 |
| | Heating fuels* | 12,800 | 9,900 | 9,300 |
| | Cooling gases | 1,000 | 1,400 | 1,900 |
| Indirect electricity (scope 2) | Electricity consumption (including district heat)** | 44,100 | 40,900 | 39,700 |
| Other relevant indirect (scope 3) | Logistics*** | 129,100 | 138,200 | 148,000 |
| | Business air travel | 17,200 | 17,900 | 17,100 |
| Waste | | 1,900 | 2,300 | 2,500 |
| Total | | 292,300 | 296,400 | 307,000 |

* 2014 restated **2014 restated; calculated using market-based method ***2013 and 2014 restated

Waste, tonnes

| Category | 2013 | 2014 | 2015 |
|-------------------|---------------|---------------|---------------|
| Recycled waste* | 18,500 | 16,900 | 16,000 |
| Incinerated waste | 1,800 | 2,200 | 2,200 |
| Landfill waste* | 2,700 | 2,700 | 3,000 |
| Hazardous waste** | 700 | 800 | 800 |
| Total | 23,700 | 22,600 | 22,000 |

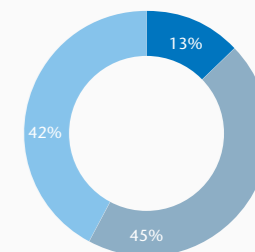
*2013 and 2014 restated **2014 restated

Water consumption

| Category | 2013 | 2014 | 2015 | |
|----------|----------------|---------|---------|---------|
| Total | m ³ | 370,000 | 390,000 | 390,000 |

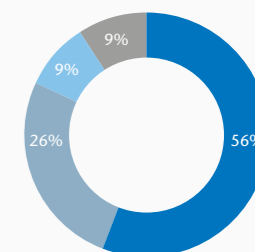
■ Scope 1, scope 2, and scope 3 logistics and business air travel data assured by Mitpro Oy

Employees by market, 2015



■ EMEA: 42% (44%)
 ■ Americas: 13% (12%)
 ■ Asia-Pacific: 45% (44%)
 (2014 figures in brackets)

Employees by job category, 2015



■ Maintenance and modernization 56% (56%)
 ■ New equipment, sales and installation 26% (26%)
 ■ Manufacturing 9% (10%)
 ■ Administration, IT and R&D 9% (8%)
 (2014 figures in brackets)

TURNING OUR VISION INTO REALITY

BRINGING OUR INSIGHTS TO PEOPLE FLOW

At KONE, our vision is to deliver the best People Flow® experience. This means we make sure that the people who use our products and services, the people who live in towns and cities, can move around more easily, more effectively and have more enjoyable experiences.

From low-rise buildings to the world's highest skyscrapers, or the demands of shopping malls, hotels, airports and transit hubs, to cruise ships, stadiums and concert halls, KONE remains focused on delivering the best People Flow® experience, and we are proud to serve some of the world's most well-known buildings and urban complexes.

Our job is to make the best of the world's cities, buildings and public spaces, because we believe that cities are part of the solution for a better future. At KONE, our mission is to improve the flow of urban life.

Through more effective People Flow, we make it possible to live and work in taller, smarter buildings and together with our partners and customers we help cities to become better places to live in.

The world's cities are constantly growing and around 200,000 people move into cities every day. Our equipment moves over 1 billion users each day, with over 1 million elevators and escalators in our service base. All this, while serving more than 400,000 customers around the world.

With this kind of growth and change happening around the world, delivering the best People Flow experience means understanding different types of buildings and the purposes they serve. How, when,

and by whom a building is used determines the optimal location, quantity and type of equipment required at the site. Over the decades, we have amassed extensive knowledge and expertise on different environments, their functionality and how they are connected. At KONE, we provide Ease, Effectiveness and Experiences to users and customers, over the full life cycle of buildings.

Strategic targets

Our strategic targets lead the way towards our vision. We aim to have the most loyal customers, be a great place to work, grow faster than the market, have the best financial development in our industry and be a leader in sustainability. Our development programs are designed to help us turn our strategy into reality and support our efforts to meet our strategic targets. In addition, we give the utmost importance to two high-priority areas in our daily work. These are safety and quality. Our development programs and strategic targets are founded on KONE's core values of delighting the customer, energy for renewal, passion for performance, and winning together.

The world we live in

The direction and shape of the global elevator and escalator industry are driven by four megatrends: urbanization, demographic change, the increasing importance of safety, and concern for the environment.

Urbanization

The world's cities are constantly growing. They attract billions of people and by 2050, more than two in every three people on the planet will live in urban areas. Estimates tell us that around 200,000 people move into cities across the globe each and every day, the same as 140 people every minute (Source: UN World Population Prospects, the 2014 revision).

This makes urbanization the most important megatrend within the global elevator and escalator industry. It is expected to drive demand for years to come. The concentration of people in urban areas increases the importance of moving them efficiently from one point to another, and calls for sustainable innovations.

Demographic change

The global demographic structure is changing. Economic growth translates into higher standards of living for a larger part of the world's population. The number of people classified as middle-income earners is expected to grow to nearly 5 billion by 2030 (Source: Pew Research Center, Global Attitudes and Trends, 2015). Middle income earners expect more spacious and better equipped apartments, which drives higher demand for elevators. At the same time, an increasing value is being placed on well-being.

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

Safety

Urban infrastructure is aging. In Europe alone, equipment aged over 20 years is expected to increase from 2.2 million units to 3.2 million units by 2020, representing 60% of the equipment base (Source: European Lift Association ELA). The well-functioning of the equipment used daily by over one billion people is becoming increasingly important for authorities and equipment users around the world. This makes safety one of the key drivers for our industry.

Environment

Today's cities take up about 2% of the world's land mass, but account for 75% of global energy consumption and 80% of manmade carbon emissions (Source: UN Habitat, New Cities and Climate Change: Global Report on Human Settlements 2011). Reducing the impact urban areas make on the environment is essential for a more sustainable future. This is a challenge that has driven KONE to develop numerous eco-innovations over the past decades.

GROWING INTEREST TOWARDS GREEN BUILDINGS

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

INNOVATIONS FOR MODERNIZATION

Optimizing the urban environment requires new approaches to modernization and maintenance as much as solutions for new buildings. As our population matures, the buildings we depend on also grow older. Cities – namely buildings and transportation hubs – need to be designed and built in a way that enables all people, including elderly persons, to move around easily. Here, elevators and escalators play an important role.

For example by modernizing an elevator, the space inside the car can increase by even up to 50%, making it easier to access the elevator with a wheelchair or a walker. Reduction of energy consumption is another benefit. Over time, a new elevator can save up to 70% of energy consumption.



INNOVATING FOR TOMORROW'S CITIES

DIGITALIZING OUR INDUSTRY

Digitalization is changing the face of where we live and how we work. Rapid advances in the capabilities of sensors, connectivity, analytics and mobile technologies are redefining many industry sectors. For our business at KONE, it means using real-time data and analytics as preventive maintenance gets smarter. It also means improving customer experience through real-time transparency. Or it can mean sustainable, smart buildings making better use of energy and resources. For users, it means a better, personalized experience through the whole elevator and escalator journey.

At KONE, innovations in urban development have an important role in tackling issues like social progress, climate change, and economic prosperity. As a company, we have always maintained that our towns and cities are made up of a combination of complex infrastructure systems, flows of people, transport networks, and of course, a variety of buildings.

At a time when markets and technologies are changing, competition is intensifying and urbanization is happening faster than ever, at KONE, we have mapped our innovation focus areas by carefully understanding universal needs for sustainable and smart urban development. We have defined six of the most important needs as:

1. Providing innovative, affordable vertical housing to facilitate better living for aging populations as well as the changing needs of inhabitants.
2. Maintaining safe and reliable infrastructure as populations grow, the design of infrastructure needs to be modernized and made more efficient.
3. Improving living standards and convenience, especially as the global middle classes increase their income and develop increased expectations.
4. Putting more of a premium on eco-efficiency and sustainability, to reduce energy consumption, manage waste and pollution and use materials smartly.
5. Smart cities are evolving, buildings and complexes are getting bigger and more complicated; so for instance, heating, cooling and utilities all need to work together. Digital technologies and connectivity can also enable better public services for citizens, better use of resources and increased comfort and reliability.
6. Finally, addressing the growing value placed on well-being and better living standards, as people increasingly want to live in harmony with their surroundings.

If we can understand the demands and the changing trends of urbanization, then we believe we will have a great opportunity to add value to our customers and society at large, making a contribution to rising living standards, in the most sustainable ways.

Searching for new ideas

The needs which arise from urbanization play a large role in the development of our Research & Development (R&D). For the past century, we have made systematic, long-term investments into our R&D capabilities. Today we have eight global R&D competence centers which are located in Finland, China, Italy, India, the United States, Mexico, Germany, and the Netherlands, and over 800 dedicated technology professionals working for R&D.

Our R&D process is a continuous search for new ideas and opportunities. Our starting point is a wide variety of sources, the most important ones being our customers and the equipment users. We also make use of opportunities presented by the market, for

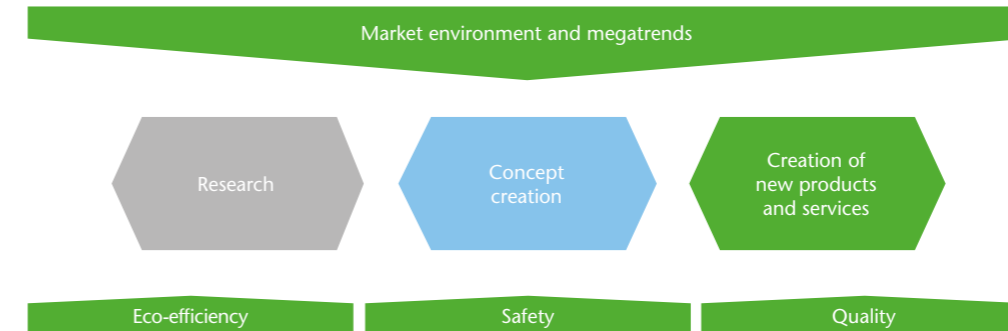
example the demand of ever-higher buildings and their huge, growing populations, and ideas generated through our own innovation processes.

We collaborate closely with our customers, partners, universities, and research centers. For example, we organize design and innovation labs together with academic institutions, and we also encourage our own people to share their inspirations and ideas.

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

In the second half of 2015 we announced our new Technology and Innovations unit, which brings together KONE's R&D and IT functions from January 1, 2016. The new unit aims to leverage digitalization opportunities and speed up development in a changing business environment. Digital technologies can help us deliver new value added solutions and services to our customers in increasingly sustainable ways.

KONE's R&D process supports innovations



New innovations across our businesses

In 2015, we further strengthened our high-rise innovation capabilities by opening one of the tallest elevator test towers in the world at our R&D facility in Kunshan, China. At a height of 236 meters, the Kunshan test tower is the tallest among KONE's testing facilities, complementing our testing facility in Tytyri, Finland.

In India, two new elevator models for the residential market were introduced, the KONE I MonoSpace® and the KONE I MiniSpace™. The new elevators are designed for low- and mid-rise apartment buildings, providing customers and users with improved ride comfort and eco-efficiency as well as inspiring design.

In China, KONE extended its offering in the affordable housing segment with the launch of

the KONE Z MiniSpace™ elevator, as well as an updated version of the KONE TransitMaster™ 140 escalator for the infrastructure segment.

In North America, we started sales of the KONE Turnstile 100 and the RemoteCall™ application, which allows the elevator to be called remotely from anywhere in the building with smartphone technology.

During the year, elevator installations began at the Jeddah Tower (formerly known as Kingdom Tower). The world's tallest building, scheduled to be completed in 2018, will be equipped with the latest technologies including KONE UltraRope™ and high-speed elevators which are set to make records for the 660 meter distance they can travel in one journey.



REACHING HIGH

In December 2015, KONE celebrated the opening of one of the world's tallest elevator test towers. The new 36-floor tower reaches 235.6 meters, and is centrally located at the KONE Park manufacturing site, engineering facility and research and development (R&D) center in the Kunshan New and Hi-tech Industrial Development Zone in Eastern China. It demonstrates our strong commitment to developing R&D in mid- and high-rise elevator technology. KONE is the industry leader in China, and this investment will further strengthen our position in a rapidly changing market.



AWARD-WINNING DESIGN

KONE received recognition for its design during 2015. KONE was awarded two design awards, the iF Design Award and the Red Dot Product Design Award, for its KONE Turnstile 100 solution. KONE was recognized in the iF Design Awards already for the third time.



The awarded turnstile is KONE's response to the increasing need for smarter cities and buildings as it is designed to guide people effectively and smoothly from front entrance to desired destination.



KONE ON THE FORBES INNOVATION LIST

In 2015, KONE was ranked 48th out of the 100 most innovative companies in the world by business magazine Forbes (2014: 42nd). Out of all the European companies listed, KONE was ranked fifth. KONE was listed by Forbes for the fifth consecutive year and was the only elevator and escalator company included on the list.

Read more
about KONE's R&D and eco-efficiency on p. 20.

MANAGING SUSTAINABILITY AT KONE

SUPPORTING THE UN GLOBAL COMPACT

KONE signed up to the UN Global Compact in 2014 and remains a committed member today.

“We are dedicated to carrying out business in a sustainable way and we are active on many fronts, with selected organizations, in order to make the best impact,” says Henrik Ehrnrooth, President and CEO, KONE Corporation.

“As a member of the UN Global Compact, KONE is committed to upholding its ten principles which are aimed at promoting sustainability and fairness in the business environment. Our Sustainability Report communicates our progress on some of the specific initiatives across the breadth of our businesses, including KONE’s Code of Conduct, Competition Compliance Policy and our Environmental Excellence Program. Every day, our solutions help to address the challenges created by urbanization, demographic change, the need for improved energy efficiency and increased safety demands,” added Henrik.



In 2015, the UN launched its new Sustainable Development agenda, and as a member of the UN Global Compact, KONE supports the new agenda and its goals.

Read more
about our corporate governance on p. 60–63 of our Financial Statements publication.

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

Sustainability and its management are the responsibilities of KONE’s Executive Board and our President and CEO. Our Quality and Environmental Board and Executive Board, both chaired by the President and CEO, are responsible for the company’s environmental management. Our Chief Financial Officer, who is represented on the Executive Board and reports to the President and CEO, manages KONE’s economic responsibility.

In September 2015, KONE announced the establishment of a new Technology &

Innovation unit bringing together KONE’s R&D and IT functions. Tomio Pihkala was appointed KONE’s Chief Technology Officer to head the new unit as of January 1, 2016. Tomio Pihkala was previously responsible for KONE’s Operations Development. Mikko Korte was appointed Executive Vice President, Operations Development as of January 1, 2016. KONE Operations Development includes KONE’s installation development as well as the quality, safety and environment functions. Mikko Korte was previously responsible for KONE’s new equipment business in the Americas region.

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

| | Management systems and certificates | Management bodies in KONE |
|--|---|--|
| Economic responsibility | Finnish Corporate Governance Code, internal control, internal auditing | Board of Directors, Executive Board, President and CEO, Annual General Meeting, Internal Audit function |
| Social responsibility | KONE Code of Conduct, KONE’s Competition Compliance Policy, KONE Supplier Code of Conduct, OHSAS 18001 Occupational health and safety management system | Board of Directors, Executive Board, President and CEO, Internal Audit function, Global Compliance Committee |
| Environmental and product responsibility | ISO 14001 Environmental management system, ISO 9001 Quality management system, ISO 25745 Parts 2 and 3 Energy performance of lifts, escalators and moving walks, Lifts Directive Module H, KONE’s Supplier Excellence Certification, ISO 50001 Energy Management System, LEED or other green building certification systems | Board of Directors, Executive Board, President and CEO, Quality and Environmental Board |

LISTENING TO OUR STAKEHOLDERS

We work closely with our stakeholders on the various topics of sustainability, and maintain an active dialogue with them. KONE’s main stakeholders are our customers, employees, shareholders, suppliers, distributors, media, educational institutions, and local communities.

Keeping an open and continuous dialogue enables us to collaborate efficiently and ensures a predictable business environment for all parties. Read more about this collaboration in the table below.

| Stakeholder group | Channels of dialogue | Assessments and key topics raised |
|---|---|--|
| KONE deals with over 400,000 customers worldwide. Our main customers are builders, building owners, facility managers, and developers | Customer meetings and events, constant dialogue through solution support, seminars and conferences, company reports, brochures and magazines, company website and social media channels | Annual global customer loyalty survey: Continued positive feedback on product quality and offering, as well as competence of KONE personnel. KONE is continuously developing in several areas: competence development, customer centricity and communication. |
| KONE pays wages and salaries to approximately 50,000 employees in over 60 countries | Performance discussions, continuous face-to-face dialogue between employees and managers, European Annual Employee Forum, company intranet, internal employee publications, training events, global learning solutions, innovation creation through Innovation Tool | Pulse employee survey, annual performance discussions, Idea Management System, Innovation Tool. The global Pulse results showed clear improvement in collaboration. Cross-team workgroups continued to drive further development of work processes and collaboration. |
| KONE conducts business with approximately 20,000 suppliers | Continuous one-to-one dialogue, Annual Supplier Day for Strategic Suppliers, trade fairs, steering group meetings, supplier workshops. | Annual supplier survey, supplier performance assessment with the Supplier Excellence Certification Program. No material concerns raised, discussions about day-to-day operational issues, for example on how to further improve the logistic processes and quality. (Read more on pages 26 and 42.) |
| KONE pays dividends to over 56,000 shareholders , ranging from institutional investors and companies to individuals, public institutions, and non-profit organizations | An active and open dialogue: Financial disclosure is provided through stock exchange and press releases, as well as financial and other company reports. In addition, more personal channels of dialogue include management meetings with investors and analysts, annual general meetings, and capital markets days. We have a dedicated Investor Relations team at KONE, which coordinates all of KONE’s Investor Relations activities. This ensures a fair and equal access to company information and to its spokespersons | Some of the most discussed topics with KONE’s stakeholders include current and future business performance, the development of KONE’s end markets as well as KONE’s capital allocation. We receive direct feedback from financial market representatives in discussions and meetings, and we collect feedback from the financial community also through surveys. |
| KONE collaborates with authorized distributors in close to 80 countries | Continuous dialogue through daily contacts, regular country visits, distributors’ meetings and various support tools | Customer survey, monitoring of sales-related activities, and direct feedback from distributors. No material concerns raised. |
| KONE communicates proactively and openly with representatives of the media | Press releases, interviews, background briefings, visits, press events, factory tours, publications and magazines, company website and social media channels | Surveys, media analysis, reputation studies. No special issues raised during the reporting period. |
| KONE collaborates with educational institutions locally and globally | KONE International Trainee Program, CEMS, Singularity University, thesis opportunities, local internships, participation in recruitment fairs, common projects, guest lectures, participation in research programs and social media platforms | Most attractive workplace surveys, online tracking. Efforts for deepening school collaboration and social media visibility have been increased to further strengthen Talent acquisition and employer brand. |
| Society - KONE pays direct taxes, social security, and employer expenses in more than 60 countries | Media coverage, company website and social media channels, reports, stakeholder relations | Sustainability surveys, reputation studies. No special issues raised during the reporting period. |

MEMBERSHIPS AND POSITIONS OF TRUST

KONE is an active participant in organizations developing codes, standards, and guidelines for improving safety, accessibility, energy efficiency, as well as other organizations advancing sustainable development. In 2015, KONE continued to be a member of the following organizations:

- United Nations Global Compact
- The International Organization for Standardization (ISO)
- Standardization Administration of China (SAC)
- The European Committee for Standardization (CEN)
- International Trade Associations, such as the European Lift Association (ELA), the Pacific Asia Lift and Escalator Association (PALEA), and the National Elevator Industry, Inc. (NEII) in North America
- World Business Council for Sustainable Development (WBCSD)
- Green building councils in the United States, Finland, India, Italy, Romania, Singapore, the Netherlands, Sweden, Vietnam and the Czech Republic
- World Alliance of Low Carbon Cities (WALCC)
- European Round Table of Industrialists’ Energy and Climate Change Working Group (ERT)
- Cleantech Finland
- Climate Leadership Council
- Council on Tall Buildings and Urban Habitat (CTBUH)

MATERIAL SUSTAINABILITY TOPICS

DEFINING THE FOCUS AREAS

Altogether 24 GRI G4 aspects were recognized material when mapping the KONE focus area content with GRI G4 definitions. This mapping is presented in GRI table on p. 48, including also the reporting boundaries within KONE value chain by focus area.

In our sustainability reporting, we follow the Global Reporting Initiative's (GRI) G4 guidelines. During 2015, we updated our 2013 assessment of material sustainability topics and focus areas for defining the report content. Back then, an online questionnaire was sent to over 200 respondents, including customers, investors and analysts, industry associations, end users, suppliers, employees, media representatives and KONE's Executive Board. The response rate was 44%, amounting to 94 responses.

In 2015, material topics were recognized by analysing industry and peer group reporting, reporting guidelines and legislation

developments, results of the 2013 materiality and stakeholder analysis, and by interviewing KONE experts.

The identified topics were prioritized by KONE experts based on their impact on the value chain, business implications and stakeholder interest. The KONE sustainability focus areas were updated based on the materiality analysis results and they were approved by selected members of KONE's management.

The results of the materiality analysis and prioritization is presented in the below chart. The structure of this report also corresponds with these focus areas.

RESULTS OF THE MATERIALITY ANALYSIS



The number indicates each topic. The color refers to the importance of the topic based on our materiality analysis: the darker the color, the more mentions the topic in question received from our stakeholders.

SAFETY

- 1 Safety of products and services
- 2 Occupational safety and well-being
- 3 Subcontractor safety

Why material? Elevators, escalators and automatic building doors are everywhere and the safety of the millions of people who use them is our first priority, along with the safety of our employees. KONE employs some 50,000 people and works with thousands of subcontractors globally. At the end of the day, we want everyone to return home injury-free.

Targets: Our ultimate goal is zero accidents – for all of our employees, partners, and the users of equipment made or serviced by us. Achieving this target means integrating safety into our corporate strategy: it is one of our high priority areas.

ENVIRONMENT

- 4 Low-carbon solutions and operations
- 5 Resource efficiency
- 6 Water use

Why material? Today's cities take up about 2% of the world's land mass, but account for 75% of global energy consumption and 80% of manmade carbon emissions. Reducing the impact urban areas make on the environment is essential for a more sustainable future. This is a challenge that has driven us to develop numerous eco-innovations over the past decades.

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

QUALITY

- 7 Quality of products and services
- 8 Customer satisfaction

Why material? Quality is one of KONE's high priority areas and it is of utmost importance in our daily work. It is embedded in everything we do, from customer interaction and product planning all the way to the services we offer.

Targets: Our objective is to deliver the best customer and user experience. Quality plays a fundamental role in achieving this goal. Our aim is to delight our customers with consistently high quality.

OUR PEOPLE

- 9 Competent management and employees
- 10 Employee engagement
- 11 Diversity and equal opportunity – Non discrimination

Why material? We want KONE to be a great place to work, and to inspire, engage, and develop our employees to deliver great results. Our employees have the right to a safe, healthy working environment where discrimination is prohibited and personal well-being is promoted

Targets: We want KONE to be a great place to work – this is one of our strategic targets. Our personnel strategy aims to ensure the availability, engagement, motivation, and continuous development of employees.

CREATING ADDED VALUE FOR STAKEHOLDERS

- 12 Economic performance
- 13 Community involvement
- 14 Ethical business practices

Why material? KONE directly contributes to the economic development of the over 60 countries in which we operate. As a responsible corporate citizen, we are committed to making a positive contribution to these communities. Our global presence makes it crucial for us to ensure that we have clear rules and guidance in place when it comes to ethical business practices.

Targets: Our objective is to develop our business in a profitable and in an ethically and socially responsible manner throughout our entire value chain.

SUPPLY CHAIN

- 15 Supply chain excellence
- 16 Supply chain compliance

Why material? We work with approximately 20,000 suppliers who provide us with raw materials, components and modules, and logistics and installation services – not to mention other suppliers who provide us with indirect materials. Without them, we could not provide high-quality products and services to our customers.

Targets: We want to develop the best supply chain in the industry, a goal that entails the continuous analysis and improvement of the quality of everything we do.

Read more
about our reporting scope on p. 46.

SAFETY

Elevators, escalators and automatic building doors are everywhere and the safety of the millions of people who use them is our first priority. Our 20,000 service technicians around the world take pride in maintaining the safety of equipment 24/7.

KONE employs some 50,000 people and works with thousands of subcontractors globally. At the end of each and every day, we want everyone to return home injury-free.

It is our strong belief that all accidents are preventable.



EMBRACING A CULTURE OF SAFETY

Safety is at the top of our agenda at KONE. It is embedded in everything we do. We have worked hard to create a culture where people proactively promote safe practices and colleagues look after each other.

And our work is paying off. In the last eight years, the rate of work-related injuries has declined steadily year-on-year, and we have shifted from reactive to proactive action regarding safety. This motivates us to continue developing our processes and promoting a safety mindset among our own employees, our partners, and the general public.

Our ultimate goal is zero accidents – for all of our employees, partners, and the users of equipment produced or serviced by us. Safety is an integral part of our strategy, and it is one of our high priority areas. We have global policies, processes, and guidelines in place to enable that our business activities, including subcontractor operations, are organized and conducted in a structured and globally harmonized way.

Safety is a joint effort that involves everyone from technology and maintenance service providers to building owners and equipment users.

Knowledge is power

Everyone who uses an elevator or escalator needs to be conscious of their own behavior, for example making sure children's hands are held when riding an escalator, not blocking closing elevator doors and stepping away from the doors when they are opening or shutting.

We believe that knowledge is power and we communicate actively about safety to empower everyone who works with or uses our equipment. We organize various activities

in different parts of the world and provide educational material for our customers and the general public to help equipment users stay safe. Our safety mascots, Bob and Max, help teach children about the safe use of equipment through events, leaflets, and an online animation and game.

Building owners and maintenance service providers are responsible for making sure equipment is professionally maintained and kept in good condition. Building owners should, for example, inform service providers if they identify any recognizable hazards, such as broken glass or sharp edges due to vandalism. We work closely with our customers to provide them with the tools to recognize and deal with situations that could lead to safety risks.

Active participant

The safety level of elevators, escalators, and automatic building doors is largely determined by national and international safety codes and standards. KONE contributes actively to the development of codes and standards that aim to further improve equipment safety. We also promote safety through our involvement in industry trade associations. Our experts have, for example, been involved in the planning and development of the extensively revised main European safety standards for elevators (EN 81-20 and EN 81-50) introduced in 2014, and the new European Lifts Directive 2014/33/EU, enforced from April 20, 2016.

A major concern for our industry is the aging urban infrastructure systems in cities around the world. In Europe, several countries have adopted strict standards for improving safety through modernization. Elevator modernization is a critical issue that enhances safety and accessibility by, for example, improving leveling accuracy and the functioning of doors, and providing a voice link to the service center. We work with customers to find the modernization solutions that best meet the requirements of their buildings.

As a technology provider, KONE manufactures equipment that meets applicable codes and standards. Furthermore, our equipment often includes additional safety features that exceed the minimum requirements.

Safe at work

At KONE we have defined safety as our highest priority. This means making sure each of our employees has the necessary competence to perform their work professionally and safely. KONE's Supplier Code of Conduct requires all of our suppliers, including subcontractors, to protect the health and safety of their employees. We require both our employees and subcontractors to follow our globally defined rules and methods to protect their own safety and that of anyone else who may be affected by their activities.

KONE employees receive training on health and safety, and safety is a key element in all of our product and operations trainings. Toolbox talks are used to communicate safety messages to field employees. And for four years running, KONE has organized a Global Safety Week with a range of activities aimed to further boost our safety culture.

Every manager is responsible to provide his or her team with all the necessary means for working safely. Managers perform regular audits to measure compliance with KONE's policies, rules, and defined working methods. Corrective actions are taken if deviations are identified.

KONE also conducts process audits and controls to identify possible obstacles to work safety and if found, the work in question is stopped until a safe method is approved. Members of senior management teams participate in workplace audits regularly.

Incidents, lost days per incident, and the number of near misses are part of each unit's monthly reporting to global functions. The underlying root causes are identified and corrective and preventive actions are implemented to prevent the accident or near-miss from being repeated. Quarterly global safety network meetings are used to share lessons learned from accidents and near misses, and safety managers gather monthly to discuss concerns and share best practices.

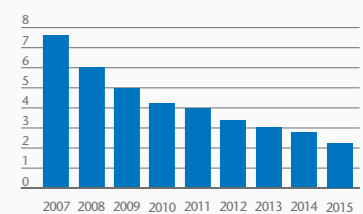
SAFETY TARGETS AND ACHIEVEMENTS

- KONE's ultimate goal is zero accidents
- In 2015 our industrial injury frequency rate (IIFR) was 2.3, down from 2.8 in 2014
- Employees regard KONE as highly committed to employee safety, according to the 2015 results of the annual employee survey Pulse.

IIFR DEVELOPMENT

In 2015 the industrial injury frequency rate (IIFR) among KONE's employees was down by 18% from 2014. As a key performance indicator, KONE tracks the number of lost time injuries of one day or more per million hours worked.

Industrial Injury Frequency Rate development among KONE employees



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

G4 INDICATORS RELATED TO SAFETY

G4 PR1: Percentage of significant product and service categories for which health and safety impacts are assessed for improvement

G4-LA6: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender

Read more at www.KONE.com/safety

SAFETY IS AN INTEGRAL PART OF OUR SOLUTIONS AND OPERATIONS

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

SUPPLIERS

KONE's Supplier Code of Conduct requires all of our suppliers to protect the health and safety of their employees.

KONE has defined clear quality requirements which are continuously measured and followed. (Read more about quality on p. 30-31.) In addition, our quality professionals regularly audit key suppliers to monitor the safety and quality of delivered components and products.

R&D

Safety is embedded in the product development process. Potential safety hazards affecting the products' full life cycle are systematically identified and eliminated before products are introduced to the market.

Existing products are continuously developed to further improve their safety and functionality.

OFFICE

KONE promotes the safety awareness of its employees through health and safety training as well as safety-related internal communication.

Building managers promote and maintain safe and healthy working environments in KONE premises.

PRODUCTION SITE

KONE enhances the quality and safety of all components used in production by carefully controlling raw materials and production processes. All of KONE's major production sites are certified to ISO 9001, 14001 and OHSAS 18008 standards.

We make sure that all our production sites are safe places to work, for example by using the 5S* methodology and by conducting regular safety training.

INSTALLATION

KONE's installation methods and processes are designed to enhance the safety of installers and third parties whilst enabling product quality and reliability. KONE follows the 5S methodology in all of its installation processes.

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

USE

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

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

MODERNIZATION

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

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

MAINTENANCE

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

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

SAFETY IN THE SPOTLIGHT

KONE has organized a Global Safety Week for all employees every year since 2011. As most accidents are caused by things that we don't worry about because they seem too little and too familiar, the focus of the week is on paying attention to the little things that matter when it comes to safety.

The 2015 event included global virtual training sessions on topics such as the new European elevator standards and their impact on safety, various locally organized activities, and family events for employees and subcontractors.

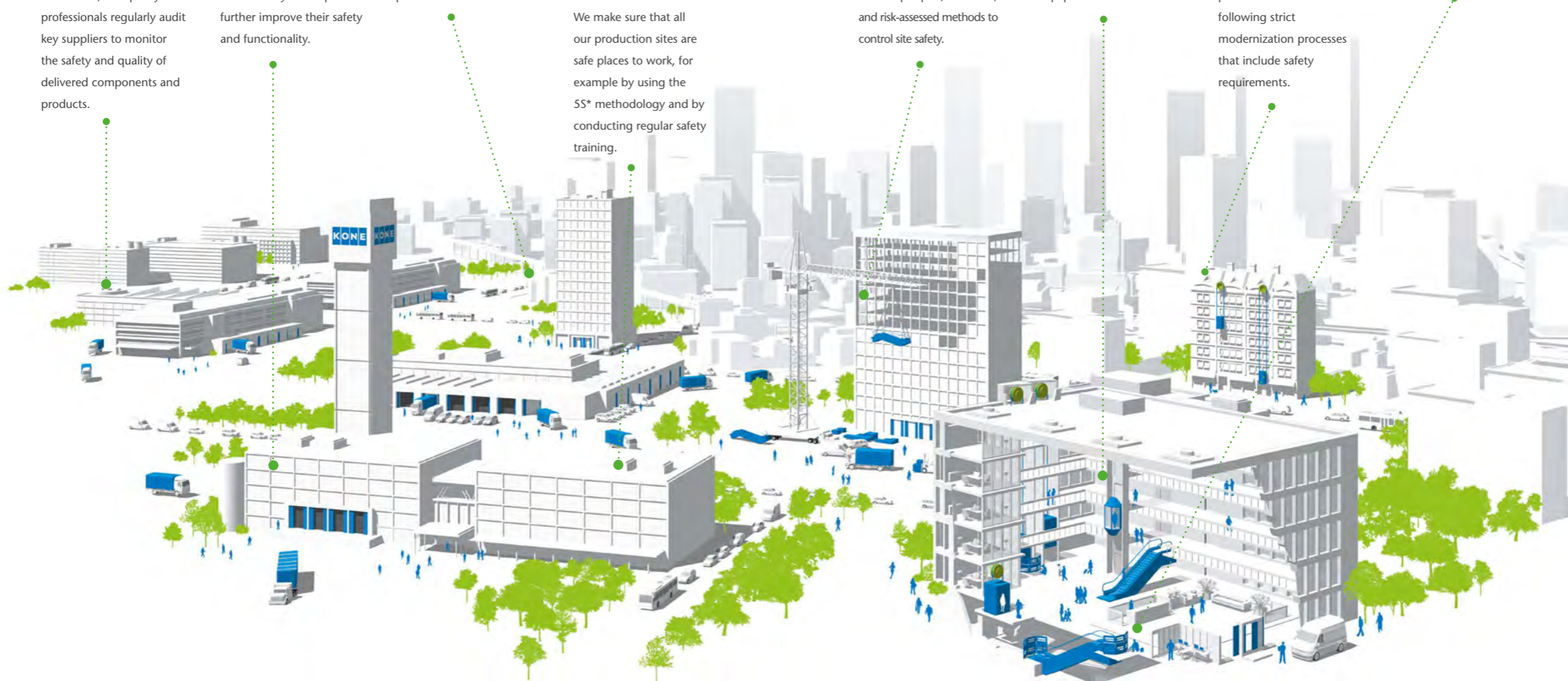
RIDING SAFELY

Habits learned young tend to stick. That is why KONE sees children as an important target group when it comes to using the equipment safely.

Our safety mascots Max the mouse and Bob the elephant teach children how simple, everyday considerations can make a big difference in safety when riding elevators or escalators. The pair have toured safety events around the world and are featured in a safety animation and online game as well as children's workbook.

KONE also works with partner organizations to design our equipment to cater to people with special needs.

And when it comes to customers, we provide guidance on keeping equipment running safely, such as safety manuals, and provide safety education to their employees.



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

ENVIRONMENT

Today's cities take up about 2% of the world's land mass, but account for 75% of global energy consumption and 80% of manmade carbon emissions. Reducing the impact urban areas make on the environment is essential for a more sustainable future. This is a challenge that has driven KONE to develop numerous eco-innovations over the past decades.

DEVELOPING SUSTAINABLE SMART CITIES AND LOW-CARBON COMMUNITIES

KONE aims to be a leader in sustainability. We have ambitious environmental targets for 2014–2016 that focus on further improving the eco-efficiency of our solutions and reducing greenhouse gas emissions from our own operations. Our Environmental Excellence program supports the ongoing green transformation of the built environment into smart eco-cities, low-carbon communities, and net zero energy buildings. It is estimated that the market for smart cities will reach a phenomenal value of US\$ 1.6 trillion globally by 2020*.

In 2015, the United Nations launched its new Sustainable Development agenda, addressing the social, economic, and environmental dimensions of sustainability. As a signatory company of the UN Global Compact, KONE supports the new agenda and its goals. KONE solutions help to address the challenges created by urbanization, climate change, demographic change, and increased safety demands – all covered in the new UN Sustainable Development Goals.

In 2015, KONE also signed the Paris Pledge for Action climate initiative for non-state actors, showing climate leadership and commitment to limiting global warming to under 2 degrees Celsius in accordance with the Paris Climate Agreement.

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

*Source: Benefits of Carbon Neutrality in a Rapidly Changing Business Environment. Frost & Sullivan and SITRA, 2015. Smart cities use the latest intelligent and green initiatives to reduce energy and resource consumption and improve efficiencies in all facets of human life.

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

Energy efficient solutions for greener buildings

The biggest environmental impact of our solutions stems from the amount of electricity elevators and escalators use over their lifetime. This underlines the importance of focusing on energy efficiency innovations.

KONE is a pioneer in developing eco-efficient solutions in the elevator and escalator industry. The KONE MonoSpace® 500, our current machine-room-less volume elevator, is up to 90% more energy efficient than KONE's elevators from the 1990s. This has been made possible by the completely renewed low-rise volume KONE EcoDisc® hoisting machine, a highly efficient drive, enhanced standby solutions, and LED lighting. Our revolutionary KONE UltraRope™ high-rise hoisting technology cuts the energy consumption of a 500-meter elevator ride by 15%.

Elevators and escalators currently in operation are aging at a rapid pace, especially in Europe.

In this market equipment aged over 20 years is expected to increase from 2.2 million units to 3.2 million units by 2020, representing 60% of the equipment base (Source: European Lift Association ELA). Elevator modernization can bring vast energy savings. According to the Energy Efficiency of Elevators and Escalators (E4) study supported by the European Commission, energy savings of up to 63% can be achieved by modernizing elevators installed in 1985 or earlier with the best available technology. On the European level this would amount to 11.6 TWh.

Over the years, KONE has also worked on further improving the safety, quality, and reliability of our escalators. We have set a target of further improving the energy efficiency of KONE solutions in our Environmental Excellence program for 2014–2016 (Read more on page 29).

Eco-efficiency in every phase of a building's life cycle

We provide services that help our customers achieve their eco-efficiency goals in every phase of their buildings' life cycles – from designing and constructing buildings to maintaining and modernizing them. We pay careful attention to the way our services are produced and delivered to ensure that they are environmentally efficient.

1. Supporting green building design

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



2. Eco-efficient installation

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



Up to 70% energy savings by modernizing an elevator

2.9% relative reduction of vehicle fleet emissions

4. Eco-efficiency through modernization

Applying a range of solutions to make the biggest difference with the lowest possible environmental impact. Our modernization solutions range from retrofitting LED lights to a completely new elevator with energy-regeneration technology.



3. Efficient maintenance processes

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



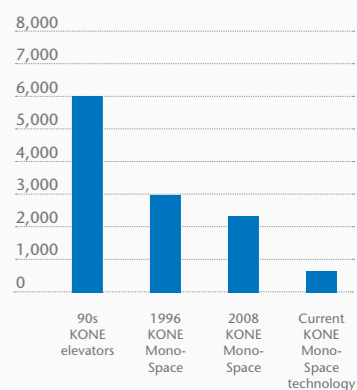
LONG-TERM ENVIRONMENTAL TARGETS

PRODUCTS AND SERVICES: Leader in low-carbon People Flow® solutions for smart eco-cities

OPERATIONS: Efficient low-carbon operations

ENERGY CONSUMPTION OF KONE ELEVATORS

Annual energy consumption (kWh/year)



Calculation is based on: Speed: 1 m/s, load: 630 kg Since 2008 also: 150,000 starts per year, travel height 9 m, 4 floors Due to historical reasons, the data for starts, travel height and floors is not available for the 1990s elevators.

A TOP LEADER IN CLIMATE CHANGE REPORTING AND PERFORMANCE



KONE received the best possible 100 A (2014: 100 A-) score in CDP's climate change program, and was included in CDP's Global A List of 113 (5%) leading companies for the first time, and in the Nordic Carbon Disclosure Leadership Index for the fifth year running.

KONE also made it to CDP's global Supplier A List including the top 71 (2%) of suppliers that have been awarded an A grade for their climate performance.

G4 INDICATORS RELATED TO ENVIRONMENT

- G4-EN1: Materials used by weight or volume
- G4-EN3: Energy consumption within the organization
- G4-EN6: Reduction of energy consumption
- G4-EN7: Reductions in energy requirements of products and services
- G4-EN8: Total water withdrawal by source
- G4-EN15: Direct GHG emissions
- G4-EN16: Indirect GHG emissions
- G4-EN17: Other indirect GHG emissions
- G4-EN18: GHG emissions intensity
- G4-EN19: Reduction of GHG emissions
- G4-EN23: Total waste by type and disposal method
- G4-EN27: Extent of impact mitigation of environmental impacts of products and services
- G4-EN29: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
- G4-EN30: Significant environmental impacts of transport

GREEN LABEL IN SINGAPORE

KONE was the first elevator company to receive the Green Label from the Singapore Green Building Council for its KONE N MiniSpace™ and KONE N MonoSpace® elevators in 2013. In 2015 the labels were renewed and the scoring improved from good to very good. Through the Green Label, the KONE N MiniSpace™ and KONE N MonoSpace® elevators are recommended for Green Mark certified green buildings. Green Mark is a green building certification scheme of the Singaporean Building and Construction Authority, promoting sustainability in the construction and real estate sectors.

A-CLASS ENERGY EFFICIENCY ACCORDING TO VDI 4707*



- KONE EcoSpace®
- KONE MonoSpace® 500
- KONE MonoSpace® 700
- KONE N MonoSpace®
- KONE S MonoSpace®
- KONE E MiniSpace™
- KONE N MiniSpace™
- KONE S MiniSpace™
- KONE MiniSpace™
- KONE Double Deck

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

FIDE ENERGY SAVING LABEL IN MEXICO

In addition to the VDI 4707 and ISO 25745 A-class ratings, KONE is the first and only company to already have achieved the FIDE energy saving label for its elevators in 2011. FIDE is an organization in Mexico that acknowledges companies for their technical and economical efforts to produce energy efficient equipment. The FIDE evaluation is based on VDI 4707.

Top-class energy efficiency

In late 2014 KONE was the first company to achieve the best A-class energy efficiency classification for as many as eight volume elevator installations, according to the new international standard ISO 25745 Energy performance of lifts, escalators and moving walks. In 2015, KONE's ISO 25745 A-class achievements were complemented by an A-class classification for the

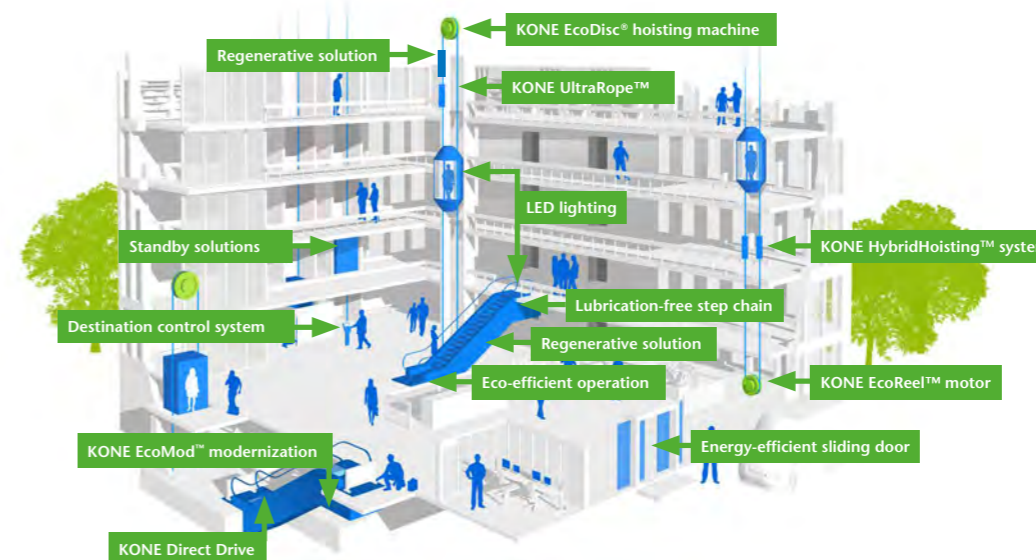
KONE MonoSpace® elevator and the best A+++ escalator classification for KONE TravelMaster™ 110. All the ratings have been granted and measurements made by external third parties at customer reference locations. In addition, KONE is the only elevator company to offer the best VDI 4707 A-class energy efficiency rating for its volume elevator range.

Best-in-class energy efficiency according to ISO 25745

| Elevators | KONE Eco Space® | KONE Mono Space® 500 | KONE E Mini Space™ | KONE S Mini Space™ | KONE N Mini Space™ | KONE Mini Space™ | KONE Mono-Space® | KONE Mono-Space® | KONE Mini Space™ |
|----------------------------------|-----------------|----------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|
| Building type | Office | Residential | Residential | Residential | Hotel | Office | Retail | Office | Hotel |
| Load (kg) | 630 | 630 | 1,000 | 1,000 | 1,000 | 1,000 | 1,150 | 1,150 | 1,200 |
| Speed (m/s) | 0.63 | 1.0 | 2.0 | 2.0 | 2.5 | 2.5 | 1.75 | 2.5 | 4.0 |
| Energy efficiency class (A to G) | A | A | A | A | A | A | A | A | A |



Eco-efficient People Flow solutions



Elevators

- The KONE EcoDisc® hoisting machine delivers the best VDI 4707 and ISO 25745 A-class energy efficiency on the market. Its innovative copper winding system reduces heat losses and the braking system reduces the power consumption during steady run. KONE EcoDisc is compact and lightweight, contributing to material and space efficiency.
- The innovative HybridHoisting™ system of KONE NanoSpace™ incorporates a unique combination of belt and rope technologies, thin balancing weights that enable adaptive balancing and the optimization of energy consumption, and the highly energy efficient and compact KONE EcoReel™ motor.
- KONE's regenerative solutions can provide energy savings of 20–35% by recovering the energy that is released when the elevator is used.
- LED lighting is up to 80% more energy efficient compared to halogen lighting and lasts ten times longer.
- Standby solutions power down the equipment when the elevator is not in use, providing substantial energy savings.
- KONE's destination control system optimizes traffic, reducing the size and number of elevators needed in a building.
- KONE's revolutionary high-rise hoisting technology, KONE UltraRope™, cuts the energy consumption of a 500-meter elevator ride by 15%.

Escalators

- The lubrication-free step chain saves oil, reduces chain wear, and decreases fire risk.
- Eco-efficient operation can cut energy consumption by slowing down or stopping the escalator when it is not in use or by increasing the efficiency of the motor when traffic volumes are low.
- Regenerative solutions reduce energy consumption by recovering the energy that is released when the escalator is running downwards.
- LED lighting consumes up to 80% less energy compared to fluorescent tubes.
- The KONE EcoMod™ solution makes it possible for an escalator to be modernized without removing the truss, saving both construction time and materials.

Automatic building doors

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

MAKING NEW ZEALAND'S ICONIC SKY TOWER MORE ECO-EFFICIENT

KONE UltraRope™, our revolutionary carbon fiber based hoisting technology, was chosen to modernize the iconic Sky Tower in Auckland. The building, at 328 meters high, is the tallest man-made structure in New Zealand. KONE UltraRope was added to the project due to its ability to reduce energy consumption and mitigate the effect of building sway. Thanks to this lightweight solution, the energy consumption of the modernized elevator decreased by 15–30% depending on the usage (calculation based on ISO 25745-2).

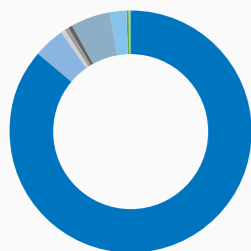
DESIGN FOR ENVIRONMENT IN KONE'S R&D PROCESS

KONE R&D aims to maximize the positive environmental impacts and minimize the adverse ones throughout the life cycle of our solutions. This extends from raw material extraction to end-of-life treatment such as recycling the materials. We focus on:

- reducing energy consumption
- developing new smart technologies for green buildings
- reducing material use, including packaging and waste
- avoiding the use of hazardous substances
- maximizing material durability and recycled content
- maximizing recyclability
- minimizing water consumption
- ensuring that our products meet green building requirements

Read more about our eco-innovations at kone.com/sustainability/environment/eco-efficient-solutions/eco-innovation-milestones

90% of the materials used in elevators and escalators are metals



- Metals
- Electronics
- Other materials
- Plastics
- Glass
- Rubber
- Packaging wood
- Packaging plastics
- Packaging cartonboard
- Other packaging materials

According to KONE's Life Cycle Assessment data and products ordered in 2015, almost 90% of the materials used for manufacturing and packaging KONE elevators and escalators consist of metals that can be recycled at the end of the product life cycle.

Reducing the carbon footprint of our products

KONE's environmental responsibility covers the full life cycle of its products from design and manufacturing to installation, maintenance, modernization, and end-of-life treatment. KONE's life cycle assessments, carried out in accordance with the ISO 14040 standard, show that our biggest environmental impact stems from the energy consumed by our elevators and

escalators during their operational lifetime. By reducing energy consumption we reduce the environmental impact of KONE solutions during their operational lifetime.

KONE is an active member of the European Lift Association (ELA) working group that in 2015 published a set of new Product Category Rules (PCR) for use in Environmental Product Declarations (EPD) of elevators.

Carbon footprint of KONE's elevators and escalators, tCO₂e

| | 2013 | 2014 | 2015 |
|--|-----------|-----------|-----------|
| Production of materials for products (calculated)* | 2,086,000 | 2,295,000 | 2,320,000 |
| Lifetime energy consumption of products ordered from KONE during the reporting year (calculated) | 5,045,000 | 4,554,000 | 5,017,000 |

*2013 and 2014 restated

| Materials used, tonnes | Materials | 2013 | 2014 | 2015 |
|----------------------------------|----------------------------------|----------------|----------------|----------------|
| Manufacturing (calculated) | Metals (steel, aluminum, copper) | 531,600 | 586,700 | 622,900 |
| | Electronics | 27,000 | 28,800 | 29,500 |
| | Other materials | 5,500 | 3,600 | 3,200 |
| | Plastics | 4,100 | 4,000 | 4,100 |
| | Glass | 3,900 | 4,100 | 4,800 |
| | Rubber | 500 | 600 | 700 |
| | Packaging (calculated) | Wood | 39,500 | 37,900 |
| Plywood | | 12,400 | 14,200 | 16,000 |
| Plastics | | 1,100 | 1,100 | 1,200 |
| Cartonboard | | 1,100 | 900 | 800 |
| Other materials | | 500 | 500 | 500 |
| Office consumables (actual data) | Paper | 600 | 700 | 800 |
| Total* | | 627,800 | 683,100 | 722,500 |

*2013 and 2014 restated: manufacturing electronics and rubber, packaging plywood and other packaging materials added

Calculations are based on Life Cycle Assessment data and products ordered from KONE (2013: 137,000; 2014: 154,000; 2015: 161,000)

THE ENVIRONMENTAL IMPACT OF KONE'S OPERATIONS IN 2015

KONE's operational environmental work focuses on reducing our carbon footprint and improving energy and material efficiency, lowering our water consumption and waste amounts, and minimizing our use of hazardous substances. We work with our suppliers and customers to avoid greenhouse gas emissions and other adverse environmental impacts from our business operations whenever possible.

In 2015, KONE's absolute operational carbon footprint amounted to 307 ktCO₂e (thousand tonnes of carbon dioxide equivalent) (2014: 296). The 3.6% increase in our absolute carbon footprint is mainly the result of growth in employee numbers, sales, and production volumes. KONE's operational carbon footprint relative to net sales decreased by 12.1% compared to 2014 (the reduction was 4.4%

with sales growth calculated at comparable exchange rates).

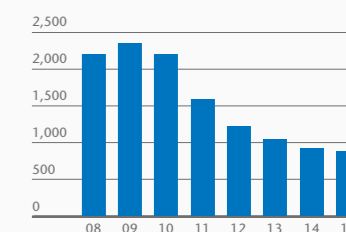
During the year, the absolute operational carbon footprint of externally assured scope 1 and scope 2 greenhouse gas emissions increased by 1.0%. The scope 1 and 2 carbon footprint relative to net sales decreased by 14.4% (6.7% with sales growth calculated at comparable exchange rates).

Logistics operations were the major source of greenhouse gas emissions in KONE's absolute carbon footprint, accounting for 148 ktCO₂e (2014: 138). Other significant contributors were our vehicle fleet at 89 ktCO₂e (2014: 86), electricity consumption at 40 ktCO₂e (2014: 41), and fuels for heating and cooling, which added to the total by 11 ktCO₂e (2014: 11).

REDUCING OUR OPERATIONAL CARBON FOOTPRINT

KONE has been measuring its operational carbon footprint since 2008. Between 2008 and 2015, we have managed to reduce our Scope 1 and 2 carbon footprint relative to orders received by over 60%.*

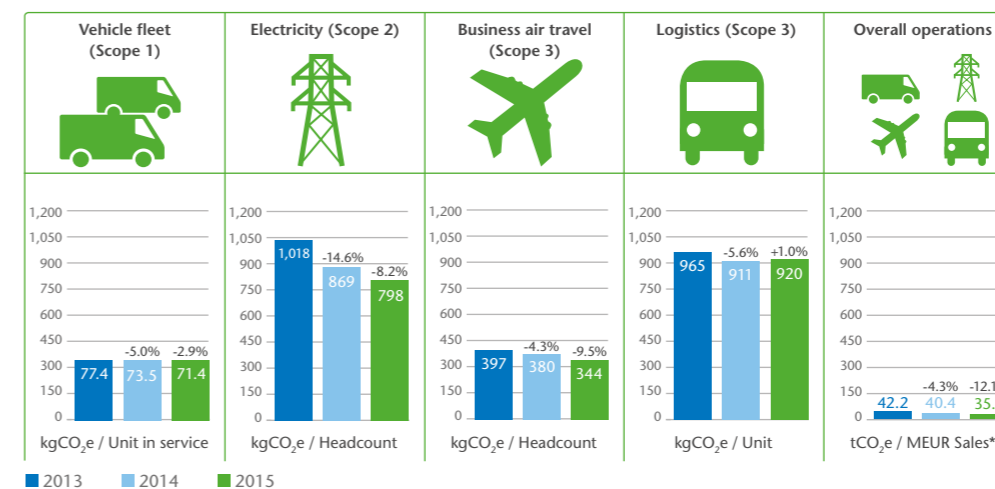
Direct energy and electricity carbon footprint, kgCO₂e relative to orders received



*Calculations include Scope 1 direct energy and cooling gases as well as scope 2 indirect electricity and district heat.

Relative operational carbon footprint

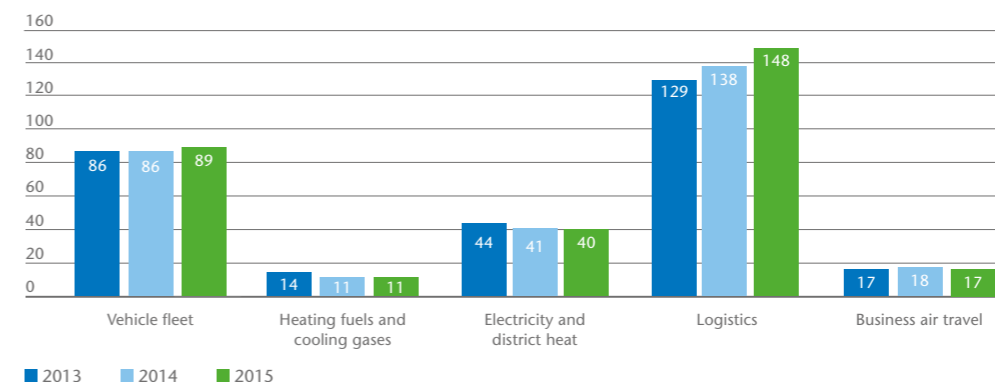
Data assured externally



*4.4% reduction in 2015 with sales growth calculated at comparable exchange rates.

Absolute operational carbon footprint per category, ktCO₂e

Data assured externally



ITALIAN MANUFACTURING UNIT CERTIFIED FOR EXCELLENT ENERGY MANAGEMENT

KONE's Italian manufacturing unit has achieved the ISO 50001 Energy management systems certification as the second KONE unit in addition to the Czech manufacturing unit certified already in 2013. Receiving the certification shows awareness of and commitment to energy reduction activities. Thanks to actions agreed during the certification process such as installing indoor and outdoor LED lighting, acquiring a new chiller for the offices, and improving the energy efficiency of machinery use practices, significant energy and monetary savings have been achieved.

LEED PLATINUM FOR THE NEW HEAD OFFICE OF FINNISH COUNTRY ORGANIZATION

The office building housing the new head office of KONE's country organization in Helsinki, Finland has been awarded LEED Platinum green building certification. In the design phase, particular attention was placed on energy- and cost-saving solutions, such as placing solar panels on the roof of the building. The building is also very well located with direct access to multiple public transportation routes. KONE Park in Kunshan, China, the People Flow Center showroom in Hyvinkää, Finland, the KONE Centre in Moline, USA, and ITEC in Chennai, India, have already been certified earlier.

Read more about our supply chain on p. 42.

Logistics

Logistics accounted for 148 ktCO₂e, or 48% of KONE's operational carbon footprint, making it the biggest contributor in terms of greenhouse gas emissions. KONE's logistics greenhouse gas emissions data has been externally assured since 2013. In 2015 KONE's logistics carbon footprint relative to units delivered to customers increased by 1.0%. The main reasons for not meeting the 3% reduction target are increased intercontinental deliveries, the ramp-up phase of the distribution center in India, and the challenges posed by volume growth in North America. The logistics data covers the transportation of products from KONE's manufacturing units to customers and the transportation of those modules that are delivered straight from our suppliers to our distribution centers and onward to customers. The relative logistics carbon footprint excludes spare parts deliveries.

During the year, KONE delivered over 3.3 million packages from distribution centers to installation sites, and around 1.2 million packages of spare parts from distribution centers to customer sites. The biggest changes in KONE's delivery chain in 2015 related to the further optimization of our network of distribution centers. We moved the existing North American distribution center in Illinois to Ohio at the end of 2014 and saw the

benefits of this change during 2015. The new Chengdu distribution center in China was also fully operational during 2015. In Europe the logistics flows between the distribution centers were further enhanced according to optimization calculations. Additionally, the first practical results were visible from our latest IT systems update, allowing us to route material from suppliers to customers in a more optimal way. All these actions have allowed KONE to limit the increase in absolute emissions from logistics.

KONE has strict requirements concerning the eco-efficiency of its service providers' operations. From the reporting perspective, we have improved our collaboration with logistics service providers by improving our reporting methods and tools. During 2015 we also developed a new in-house calculation system for our logistics emissions data. Both the accuracy and coverage of greenhouse gas emissions data collection and calculations have thus been further improved during 2015.

KONE's logistics operations are based on accurate and timely information at all phases of the delivery chain, and on using distribution models that take eco-efficiency into account. Special attention is paid to reducing the impact of transportation through route and shipment optimization, as well as through careful analysis of alternative transportation models.

How KONE reduces the environmental impacts of transportation

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

How KONE reduces packaging-related emissions and waste

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

Vehicle fleet

Of KONE's operational greenhouse gases in 2015, 29% was emitted by our global vehicle fleet, making it the second biggest contributor in terms of our greenhouse gas emissions. The total size of our fleet during the year was around 15,300, out of which 14,300 (93%) were in the scope of KONE's environmental reporting globally. Service vehicles made up two-thirds of the fleet while employee benefit cars accounted for the rest. In total, KONE's vehicle fleet emitted 89 ktCO₂e (2014: 86) in 2015.

The absolute carbon footprint of our vehicle fleet increased by 3.2% compared to 2014. The reporting scope was extended during the year by adding Turkey to the reporting countries, and by the end of the year the reporting scope covered 22 countries. The relative carbon footprint per units in service (elevators/escalators/building doors under

KONE's maintenance contracts) decreased by 2.9% in 2015 (2014: 5.0% decrease). We continuously search for new and innovative ways to reduce the carbon footprint of our vehicle fleet.

Business air travel

Business air travel accounted for 6% of KONE's operational carbon footprint in 2015. The greenhouse gas emissions related to air travel decreased by 4.5% to 17 ktCO₂e (2014: 18). The relative carbon footprint decreased by 9.5%, which is well above the 3% reduction target. In order to reduce the need for travel and to facilitate global collaboration, KONE invests in virtual meeting tools such as video conferencing equipment. In 2015, virtual meeting time increased by 2% compared to 2014. This has been achieved by encouraging KONE personnel to use virtual meeting tools as the first option instead of travel.

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

| | |
|---|--|
| Compliance with KONE vehicle fleet policy | KONE continued to manage its vehicle fleet in compliance with the global vehicle fleet policy, which defines maximum CO ₂ emission limits and encourages employees to select vehicles with lower CO ₂ emissions for benefit cars. Typically best in class vehicles in each segment (vehicle size) are listed in the local vehicle policies. |
| Fuel-efficient vehicles | KONE continued its cooperation with internationally preferred suppliers Ford, Renault and Fiat, who comply with the Euro 6 emission standard for light passenger and commercial vehicles. Both passenger and commercial vehicles taken out of use were replaced by new, significantly more fuel-efficient models. In Finland, the United Kingdom, the Netherlands, and Austria, we have benefited from Ford's new product line of vans with improved fuel efficiency. Ford Transit Courier, a new compact van, was introduced to our fleet in the United Kingdom. In Italy, Spain, Portugal, the Czech Republic, Slovakia, and Poland, we continued working mainly with Fiat Fiorino with stop-start technology. France, Belgium and Sweden continued with Renault vans, especially with Renault Kangoo which is among the best ones in terms of fuel efficiency in the medium vans segment. |
| Introduction of electric vehicles | Piloting full electric vehicles continued in France, and the piloting of hybrid electric vehicles continued in the United States and in the Netherlands. In the US, KONE currently has 145 hybrid sedans on the road. |
| Vehicle rightsizing | The vehicle rightsizing program continued in 2015. KONE has continuously paid attention to selecting correctly sized commercial vans when replacing existing models, which often had larger cargo capacity than required. The proportion of compact and medium-sized vans in the global fleet continues to grow. |
| Monitoring driver performance | The driver performance monitoring program continued in 2015. KONE monitored the driving performance of its service drivers in France, the UK, Belgium, the Netherlands, and the US. Each month, drivers were scored in terms of fuel efficiency and driving behavior. |
| Vehicle sharing program | The vehicle sharing program in France continued. |
| Telematics systems | Telematics systems went live in the UK and Sweden to increase driver safety and security, and to improve fuel efficiency through safer driving. Both countries achieved good results in fuel efficiency by minimizing idling time as well as reducing the number of incidents on the road. |



TAKING CARE OF OVER A MILLION ELEVATORS AND ESCALATORS

Close to 20,000 KONE service technicians are on the road every day, making sure that the million plus units of equipment that are in KONE's service function properly. KONE's fleet of approximately 10,000 service vehicles are managed in compliance with the company's global vehicle fleet policy, which defines environmental criteria such as limits for maximum CO₂ emissions.

100% 

of the electricity consumed at KONE's corporate head offices and the whole manufacturing and R&D site in Finland is produced by wind power. Other KONE units that purchase green electricity are our Belgian, German, Swedish, and Danish country organizations. KONE's manufacturing unit in Slimpa, Italy, has a solar energy system that produces around 5% of the electricity the unit consumes. The LEED Platinum certified KONE US Operations Center in Moline, Illinois, has over 1,300 solar panels that produce around 30% of the electricity consumed by the facility.

0% 

landfill waste at escalator manufacturing unit and GiantKONE in China, manufacturing units in Chennai, India, Hyvinkää, Finland, and Pero, Italy.

Electricity

Electricity and district heat consumption accounted for 40 ktCO₂e (2014: 41) or 13% of KONE's operational carbon footprint in 2015. The electricity was used in KONE's offices, warehouses, and manufacturing facilities. The figures take into account our usage of green electricity produced using renewable sources (market-based calculation method). Without the use of green electricity (location-based method), the electricity carbon footprint would have amounted to 43 ktCO₂e (2014: 44). The share of green electricity increased to 22% in 2015 (2014: 20%). In 2015, electricity consumption was 79,800 MWh (2014: 79,900) and the consumption of district heat 15,100 MWh (2014: 15,900). The absolute electricity carbon footprint decreased by 2.9% and the relative footprint by 8.2%.

KONE's Global Facility Policy includes energy saving targets. During 2015, KONE's manufacturing unit in Italy achieved the ISO 50001 Energy Management System certification as the second KONE unit. Our manufacturing unit in the Czech Republic was the first KONE unit to be certified in 2013. During the year, KONE units falling into the scope of the new Energy Efficiency Directive completed energy audit reports or other related requirements in eight European KONE countries. In two additional countries where the local KONE company would fall into the scope of the directive (Spain and Poland), the directive was not yet implemented locally.

Heating fuels and cooling gases

Heating fuels and cooling gases account for 4% of our operational carbon footprint. In 2015, fuels for heating and cooling generated 11 ktCO₂e (2014: 11) of greenhouse gas emissions.

Material management

In 2015, KONE used 722 k tonnes (2014: 682) of materials for producing and packaging its elevators and escalators. The figures have been calculated based on life-cycle impact assessment data. Higher material consumption figures reflect an increase in production volumes. At KONE, we focus on material management and the optimization of our own operations. Our primary goal is to achieve material efficiency throughout our manufacturing chain, beginning with the product development stage.

Read more
about KONE's product carbon footprint on p. 24.

Waste optimization in the manufacturing chain

In 2015, waste accounted for 2.5 ktCO₂e (2014: 2.3) or 0.8% of KONE's operational carbon footprint. We aim to reduce the waste generated by our manufacturing processes and offices through reduction at the source, reuse and recycling, and by sending waste to incineration. Landfill waste is kept to a minimum. Waste is always handled according to applicable laws and regulations in local KONE organizations, and we aim to exceed legal requirements.

Based on environmental data collected from 12 KONE engineering and manufacturing sites, 91% of the waste generated by KONE's global delivery chain was recycled or incinerated. Only 9% (2014: 8%) was landfilled. All of the waste generated by our escalator manufacturing unit and the GiantKONE manufacturing unit in China and by our manufacturing units in Chennai, India, Hyvinkää, Finland, and Pero, Italy, is either recycled or incinerated – none is landfilled. Only 0.3% of the waste generated by our elevator manufacturing unit in China is landfilled.

Water consumption

Water consumption in KONE's production and maintenance processes is minimal, and we continue to optimize and further minimize our usage of water. KONE uses municipal water, and waste water is released into municipal treatment systems that abide by local regulations. The total amount of water used in our manufacturing and office facilities was 390,000 m³ (2014: 390,000). In 2015, KONE's manufacturing units, excluding GiantKONE, released 17 tonnes (2014: 20) of waste water effluents into the municipal waste water systems.

ENVIRONMENTAL EXCELLENCE PROGRAM 2014–2016

| Key initiative | Achievements in 2015 | Target 2016 |
|------------------------------------|--|--|
| Solutions | <p>The best possible A-class energy efficiency classification according to the new ISO 25745-2* energy efficiency standard received for the following elevators:</p> <ul style="list-style-type: none"> • KONE N MonoSpace® <p>A-class classification achieved already in 2014:</p> <ul style="list-style-type: none"> • KONE EcoSpace® • KONE MonoSpace® 500 • KONE MiniSpace™ (Europe and Asia) • KONE E MiniSpace™ • KONE S MiniSpace™ • KONE N MiniSpace™ • KONE S MonoSpace® <p>KONE TravelMaster™ 110 escalator achieved the highest A+++ classification for escalators according to ISO 25745-3*.</p> <p>The Green Labels of Singapore Green Building Council for the KONE N MiniSpace™ and KONE N MonoSpace® elevators renewed and the scoring improved from good to very good.</p> | <p>Further reduce energy consumption of elevators and escalators compared to 2013, and further improve resource efficiency</p> |
| Green building | <ul style="list-style-type: none"> • KONE solutions delivered to LEED, BREEAM and other certified green buildings. • ISO 50001 Energy management systems certification achieved by KONE's manufacturing unit in Italy as the second KONE unit, in addition to the manufacturing unit in the Czech Republic certified already in 2013. • LEED Platinum green building certification awarded to the building housing the new head office of KONE's country organization in Finland. | <p>Develop solutions to fulfill green building requirements and implement LEED/BREEAM at selected KONE facilities</p> |
| Environmental impact of operations | <ul style="list-style-type: none"> • KONE's relative carbon footprint decreased by 12.1% (4.4% with sales growth calculated at comparable exchange rates). The carbon footprint of externally assured scope 1 and scope 2 greenhouse gas emissions relative to net sales decreased by 14.4% (6.7% with sales growth calculated at comparable exchange rates). | <p>Reduce KONE's carbon footprint relative to net sales by 3% annually</p> |
| OneISO and suppliers | <ul style="list-style-type: none"> • All corporate units, manufacturing units, and R&D units are ISO 14001 and ISO 9001 certified. • 18 major country organizations are ISO 14001 certified (2014: 18), and KONE's manufacturing units in the Czech Republic and Italy are ISO 50001 certified. • 93% of strategic suppliers are ISO 14001 certified (2014: 91%). | <p>Continue to maintain OneISO (ISO 9001/14001) and require ISO 9001/14001 from our strategic suppliers</p> |
| Reporting and communication | <ul style="list-style-type: none"> • KONE 2015 Sustainability Report met GRI G4 requirements. KONE's greenhouse gas emission data for Scope 1, 2 and 3 (excluding waste) was externally assured. • KONE's score in CDP's climate change program further improved to the best possible 100 A (2014: 100 A-) and KONE was included on CDP's global A List of the top 5% of companies for the first time and on the Nordic Carbon Disclosure Leadership Index for the fifth year running. KONE was also included on CDP's global Supplier A List 2015 including the top 2% of suppliers that have been awarded an A grade for their climate performance. • KONE was ranked the world's 28th most sustainable company in the Global 100 index fund managed by investment advisory company Corporate Knights. KONE is the only elevator and escalator company included in the index. | <p>Work to meet GRI G4 requirements and continue to maintain high CDP scores</p> |

*ISO 25745-2 is a new global standard for the energy calculation and classification of elevators. ISO 25745-3 is the corresponding standard for escalators and autowalks.

IMPROVING THE ECO-EFFICIENCY OF OUR FACILITIES

KONE has over 1,000 facilities globally, including office spaces and installation and service operation hubs. KONE has a Global Facility Policy approved by the Executive Board, which aims at a harmonized approach in the selection and management of our facilities. The policy aims at developing fit-for-purpose facilities and eco-efficient operations as well as providing a safe and secure work environment for all KONE employees. Our goal is to reduce our facility-related carbon footprint by 15% by the end of 2016, (base year 2010). This will be implemented by:

- Improving space efficiency at KONE facilities
- Optimizing energy usage in heating, ventilation, air conditioning, and in lighting systems by using proximity sensors and LED lights
- Deploying energy-saving practices for computers and office equipment
- Increasing the share of green electricity
- Improving material efficiency in manufacturing, warehousing, and offices
- Reducing waste and further improving recycling
- Selecting eco-efficient service suppliers
- In addition, new KONE buildings should be designed according to LEED or other green building standards. Green buildings should be chosen when relocating KONE facilities to existing buildings

QUALITY

KONE's objective is to deliver the best customer and user experience. Quality plays a fundamental role in achieving this goal. Our aim is to delight our customers with consistently high quality.

Quality is one of KONE's high priority areas and it is of utmost importance in our daily work. It is embedded in everything we do, from customer interaction and product planning all the way to the services we offer.



QUALITY CULTURE AT KONE

The quality culture we promote encompasses our products, processes, and all the services we offer from design to maintenance and modernization. It includes taking ownership of the quality of our work, strengthening our product quality through our quality improvement programs, and constantly improving our installation processes. We receive feedback from various streams and measure progress, for example, through customer and employee surveys.

We set targets and monitor key performance indicators (KPIs) such as the cost of poor quality, the early failure rate of our equipment, and the callout rate of our products.

Everyone is responsible for quality

Good, solid working practices help us deliver world-class products and services. If there is a quality concern, we look for the root causes and take immediate action to solve the issue.

We listen to our customers closely by using customer surveys and feedback questionnaires. According to the latest customer survey results, the quality and competitiveness of our products have further advanced. Ratings show that quality is among the top reasons for choosing KONE as a partner.

We also support our employees so that they have the attitude and skills to solve quality issues in the most effective way possible. We give practical guidance to our employees and provide them with effective and easy-to-use problem-solving tools. Employees are actively encouraged to take part in improving product quality and processes through an Idea Management System and Kaizen continuous improvement practices.

At KONE, each of us is responsible for quality. It is about caring to take action, not accepting less than the expected level of quality, and caring about what we pass on to our colleagues and customers.

Solution creation quality

KONE's new solutions are screened during the early stages for quality, using quality management tools and thorough verification processes. In the design stage we define critical quality parameters that all solutions must fulfill in order to proceed to production.

Delivery and manufacturing quality

KONE is working to continuously improve its delivery chain in terms of quality, responsiveness, and efficiency. We make sure that we deliver to the highest quality standards.

In 2015 KONE started a project aimed at improving in-house production quality. The 10x Better Factory project will harmonize process control activities in our own production lines further. As part of the project, solid and up-to-date process control plans will be created for each workstation, and critical standard processes will be governed through real-time statistical process control. The project enables production unit employees to improve their quality-related competences.

During the review year we carried out thorough analyses of all of our production lines and established global, in-depth production quality guidelines to direct our production units on their quality improvement journey.

In 2016 we will build production quality competencies through eLearning materials and local classroom trainings at all of our production sites.

We have high standards for supplier quality. We focus on ensuring our suppliers have excellent manufacturing processes and process controls in place.

KONE's installation process quality enables us to monitor the installation quality at different stages of the process. We take corrective

KONE's processes fulfill ISO 9001 quality management system requirements.

All KONE's corporate units, manufacturing units and R&D units are ISO 9001 certified

28 of KONE's major country organizations are ISO 9001 certified

97% of KONE's strategic suppliers are ISO 9001 certified

action if needed during installation, and conduct thorough quality tests to monitor the outcome.

Maintenance quality

At KONE we are constantly working to maintain the highest quality of service, and to keep equipment in top condition for the best possible user experience. KONE maintenance delivers industry-leading customer value and quality. We service close to 1.1 million elevators and escalators. We offer our expertise throughout the entire lifecycle of a building as maintenance and modernization are tailored to maximize equipment performance.

KONE develops a unique maintenance plan for each piece of equipment. Each technical module is maintained at appropriate intervals. This enhances quality and end-user safety, and minimizes equipment downtime.

Clear procedures for call handling, strong, real-time support from the KONE Customer Care Center, and detailed reporting and quality control on every site visit guarantee quality in everything we do. About 50 training hours per person per year give KONE service technicians the latest technical knowhow of the equipment they maintain.

QUALITY ACHIEVEMENTS

- In our annual employee survey, Pulse, the questions about quality received high scores and improved from the previous years.
- We audit all of the main suppliers that deliver direct materials to KONE distribution centers or factories on a regular basis.

COMPREHENSIVE RIDE COMFORT TEST

KONE elevators are tested for ride quality, a service that is unique to KONE. The test measures noise as well as lateral quaking and vertical vibration levels inside the car, and ensures that our elevators provide a smooth ride with minimum disturbance to building occupants. After test results are analyzed, improvements are made if needed. This thorough testing reduces the need for unplanned maintenance callouts.

G4 INDICATORS RELATED TO QUALITY

G4-PR5: Results of surveys measuring customer satisfaction.

G4-PR9: Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

Read more about KONE's
- supply chain on p. 42
- suppliers on p. 44

OUR PEOPLE

We want KONE to be a great place to work, and to inspire, engage, and develop our employees to deliver great results. Our employees have the right to a safe, healthy working environment where discrimination is prohibited and personal well-being is promoted. We see diversity as a strength.

KONE employed approximately 50,000 people at the end of 2015. Most of our employees are in the field every day, serving customers in more than 60 countries.

A GLOBAL TEAM OF TRUE PROFESSIONALS

At KONE, we strive to foster a collaborative culture where co-workers trust and respect each other, and leaders inspire people to deliver the best results. Our personnel strategy aims to ensure the availability, engagement, motivation, and continuous development of employees. We want KONE to be a great place to work – this is one of our strategic targets.

For us, creating a great place to work means treating every employee fairly and providing him or her with a safe working environment. High ethical principles guide all of our activities. As an employer, KONE is committed to an equal opportunities approach that places people in the positions that best suit their abilities.

We see diversity as a strength and prohibit discrimination of any kind. We do not differentiate between job applicants based on their gender, race, or other aspects of their personal backgrounds. To strengthen our global approach and our insights on multicultural ways of working, we have set goals for cultural diversity in our headquarter teams.

During the reporting year, 117 nationalities were represented throughout KONE's workforce. The majority are male, which represent nearly 90% of our employees globally. Nevertheless, women accounted for 18%* of management team members in 2015, a slight improvement on the year-ago figure, and a step closer to our target of 20%.

A winning team

KONE defined A Winning Team of True Professionals as one of its five development programs at the beginning of 2014. The program aims to enable all employees to perform at their best, to develop field competencies, and to attract the best talent

to KONE. It builds on earlier Employee Engagement and People Leadership programs.

During 2015 we continued the program by further improving the coverage and the quality of individual development plans, by expanding access to a wide selection of online learning courses to the majority of KONE personnel, and by strengthening country specific field training capabilities as well as apprentice programs and employer branding activities.

Job rotation is an important way for KONE employees to develop their skills and knowledge. In 2015 we developed the Visit a job concept to support short-term job rotation across units and countries.

We continued rolling out our global learning management system (konelearning.com), making training options more visible, and simplifying the management of certifications, training requirements, and personnel development.

Konelearning.com also supports our online and field trainings, and facilitates better collaboration and material sharing. At the end of the reporting year, 86% of KONE personnel were covered by konelearning.com, making the management of their learning and certifications possible online.

KONE continued to carry out global learning programs for leaders. These programs cover all leaders at KONE, from executives to our first line managers. Key programs in 2015 include the Supervisor Development Program, the Service Management Program, and Project Management certifications for our installation projects.

Performing at our best

At KONE, we want to have the best possible professional with the right competencies in each position. We emphasize this by organizing performance discussions between each employee and their supervisor at least twice a year. In 2015 over 97% of eligible staff and over 95% of eligible operatives took part in performance and career development reviews.

In addition to using these discussions to set targets and review job content, KONE

managers are advised to talk about employee well-being, as well as career development and growth opportunities. The quality of performance discussions was further improved during the reporting period, and we actively encouraged all employees to have their individual development plans in place.

KONE's well-being and safety programs continued during the reporting year, and good progress was made in expanding the Elevate Your Health program globally. These well-being programs cover topics ranging from taking care of joints and muscles to weight loss initiatives, walking campaigns, and building stress resilience.

Attracting new talent

KONE has apprentice programs in key countries, and these are an excellent way to recruit new professionals. KONE also collaborates actively with schools. In 2015 we continued our promoters program and trained more employees to talk about the company in schools, universities, and other relevant sites.

The KONE International Trainee Program offers students and graduates opportunities to work on projects at different KONE units around the world. In 2015 we received over 2,100 applications and had trainees representing 8 nationalities pursuing their internships at 6 different KONE locations.

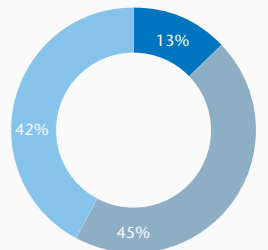
KONE also offers various summer traineeships and thesis opportunities in several countries.

Measuring workplace satisfaction

We conduct our Pulse survey every year to measure employees' level of workplace satisfaction. The survey offers employees an opportunity to give feedback and provides insights into their engagement with KONE's core values. In the reporting year 42,590 employees provided feedback, and we reached a record high response rate of 93%.

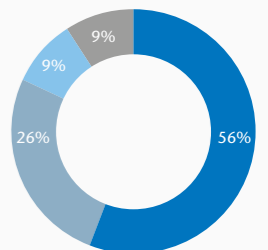
The survey covers areas such as employee engagement, performance enablement, sustainability, strategy and values, leadership, communication and involvement, customer relationships, and growth and development

Employees by market, 2015



■ EMEA: 42% (44%)
 ■ Americas: 13% (12%)
 ■ Asia-Pacific: 45% (44%)
 (2014 figures in brackets)

Employees by job category, 2015



■ Maintenance and modernization 56% (56%)
 ■ New equipment sales and installation 26% (26%)
 ■ Manufacturing 9% (10%)
 ■ Administration, IT and R&D 9% (8%)
 (2014 figures in brackets)

G4 INDICATORS RELATED TO OUR PEOPLE

G4-LA1: Total number and rates of new employee hires and employee turnover by age group, gender and region.

G4-LA10: Programs for skills management and lifelong learning.

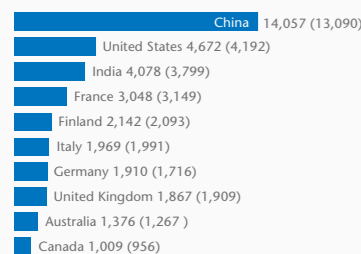
G4-LA11: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.

G4-LA12: Composition of governance bodies and breakdown of employees per employee category according to gender and age group.

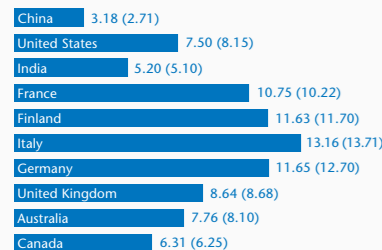
*The figure excludes data for the Americas.

Read about workplace safety on p. 17.

Personnel by country
Dec. 31, 2015
10 largest countries
(2014 figures in brackets)



Average Workforce Tenure
in years
(2014 figures in brackets)



opportunities. In addition, the survey examines how respondents view their jobs, managers, and performance reviews.

In 2015, KONE's employee engagement score maintained its upward trend and also surpassed external benchmarks. As in the previous year, none of the survey scores declined.

Questions related to career opportunities, collaboration, opportunities to show initiative, and the perceived quality of KONE products and services were among those whose scores improved most.

Rewarding performance

Our reward framework is intended to inspire, motivate and engage employees through easy-to-understand policies, guidelines, and practices that are aligned with our business strategy and development programs.

We invest significantly in the range of monetary and non-monetary rewards offered to employees, and we call this total reward. This framework focuses on pay for performance and our aim is to make it transparent and to communicate about it clearly. While reward policies are consistent across KONE, the practices are flexible to meet local needs.

The compensation and other benefits of the Board of Directors, President and CEO, and the Executive Board are disclosed in KONE's Financial Statements 2015 (p. 62–63).

Listening to employees

KONE organizes the European Employee Forum every year to bring together employee representatives and top management to discuss issues ranging from safety to business development. A smaller working group meets 2–4 times a year to ensure

continuous consultation and communication on important developments affecting KONE employees.

In 2015 the theme of the Forum was service business development in a changing environment. 20 employees from 14 European countries participated.

Employee agreements are managed on a national level, and there are differences in national legislations. Approximately 40% of KONE's employees are covered by collective bargaining agreements.

Encouraging interaction

At KONE, we believe employee engagement is built on open and timely communication about the company's goals and ways of doing business. We use multiple channels to interact with employees, to motivate them, and to encourage collaboration.

KONE's global intranet, for example, acts as both a news channel for all the latest news and events and a virtual teamwork site. This KONE Collaboration Workplace improves document sharing and supports interaction.

The latest KONE news is also shared through employee magazines and both global and local newsletters. In 2015 KONE published 2 editions of its global employee magazine Move in nine different languages.

Employees, 2015

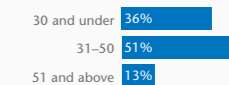
| | |
|--|--------|
| Total number of employees, year end | 49,734 |
| Share of women in employees, % | 12 |
| Share of women in management teams (top 492*), % | 18 |
| Share of women in the Executive Board, % | 14 |
| Share of women in the Board of Directors, % | 38 |
| Total turnover rate, %, compared to 12 month average headcount | 6.88 |

*Excluding United States.

Employees per contract type, 2015

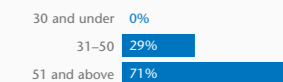
| | |
|--|----|
| % of employees with Permanent contract | 98 |
| % of females with Permanent contract | 97 |
| % of males with Permanent contract | 99 |

Age distribution, Dec. 31, 2015
All KONE employees*

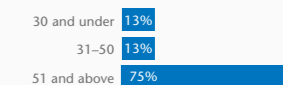


*Excluding United States

Age distribution of Executive Board



KONE Board age distribution



Gender distribution per market, 2015*

| Region | Men | Women |
|--------------|-----|-------|
| EMEA | 86% | 14% |
| Asia Pacific | 89% | 11% |

*Excluding Americas



CREATING ADDED VALUE FOR OUR STAKEHOLDERS

KONE directly contributes to the economic development of the over 60 countries in which we operate. All together, KONE's solutions, including our distributors, are available in around 140 countries. Our objective is to develop our business in a profitable and sustainable way.

As a responsible corporate citizen, we are committed to making a positive contribution to the communities where we operate. Our global presence makes it crucial for us to ensure that we have clear rules and guidance in place when it comes to ethical business practices.

ECONOMIC RESPONSIBILITY

Our business model is based on a lifecycle approach. This means we provide solutions for our customers' needs during each phase in the lifetime of elevators, escalators and automatic doors. We offer solutions in new equipment, maintenance and modernization.

This lifecycle business model is one of our strengths. The new equipment business is more cyclical in nature and fuels the growth of our maintenance business in the long term. Maintenance, on the other hand, brings stability to the business over economic cycles and in turn, the aging equipment in maintenance creates potential for modernization.

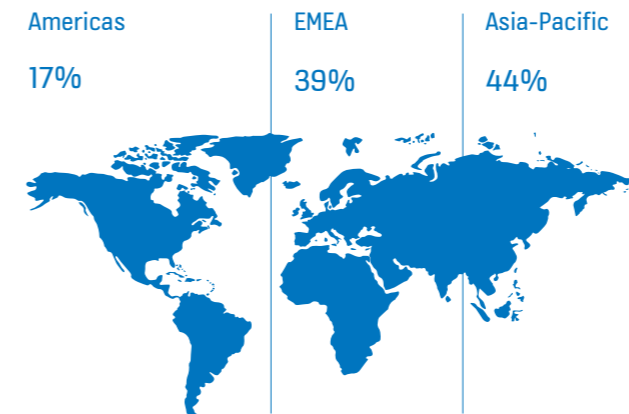
Over time, we believe that megatrends such as urbanization, aging population and the emergence of a global middle class will provide a strong backdrop for the continued demand of our solutions.

Financial performance in 2015

In 2015, KONE's orders received increased by 16.8% (at comparable rates 5.6%), and reached a level of EUR 7,959 million (1-12/2014: 6,813 MEUR). New equipment orders received grew somewhat. In modernization, orders received grew significantly. Orders received in the new equipment business amounted to approximately 161,000 units (2014: approximately 154,000 elevator and escalator units), whereas our maintenance base was close to 1.1 million units at the end of 2015 (2014: exceeded one million units).

In 2015, KONE's net sales grew by 17.9% (at comparable rates 8.3%) as compared to the previous year, and totaled EUR 8,647 million (1-12/2014: 7,334 MEUR). The share of new equipment sales out of total sales was 57%, whereas maintenance accounted for 31% and modernization 12%.

Sales by market 2015



Our geographic regions are Europe, the Middle East and Africa (EMEA), Americas, and Asia-Pacific. The service business accounts for around 40% of KONE's revenue, while the new equipment business represents the remaining close to 60%.

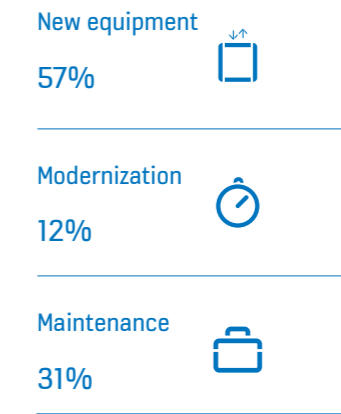
In terms of geographical distribution, 39% of net sales came from the EMEA region (Europe, Middle East and Africa), 17% from Americas and 44% from Asia-Pacific. China, the United States and France were the largest individual countries in terms of sales. China's share was close to 35% and the United States' share was close to 15% of total net sales in 2015*.

KONE's operating income (EBIT) increased, reaching EUR 1,241 million (1-12/2014: 1,036 MEUR) or 14.4% (14.1%) of net sales in 2015. Operating income grew driven by positive development in both the new equipment and service businesses. The growth was driven by broad-based positive development across geographical regions. Favorable translation exchange rates clearly contributed to the growth in operating income with a positive impact of approximately EUR 120 million.

KONE's financial position was strong at the end of December 2015. The cash flow generated from operations in 2015 during January to December 2015 before financing items and

*For a list of KONE's top 10 countries by sales, please see page 38.

Sales by business 2015



taxes was strong at EUR 1,474 million (1-12: 2014: 1,345 MEUR). The cash flow was driven by growth in operating income and continued favorable development in net working capital.

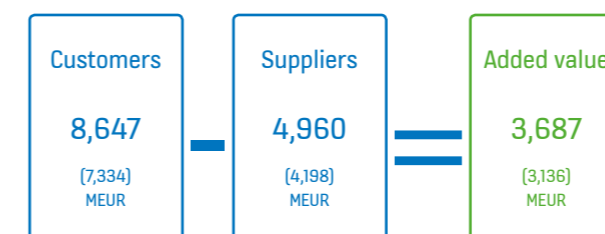
Creating stakeholder value

Our strong financial performance in recent years has enabled us to generate stakeholder value for our customers, suppliers, employees, local communities and shareholders alike.

Shareholders

KONE's strong financial performance has made it possible for the company to offer increasing dividend payments. For 2015, the dividend distributed to shareholders increased by 16.7% compared to the previous year. In total, KONE distributed almost EUR 720 million in dividends for the financial year 2015. Also with a longer term perspective, our track record on dividend distribution has been sustainable. KONE has a strong shareholder base and had over 56,000 shareholders at the end of December 2015. (Dec. 2014: over 51,000 shareholders.)

KONE's economic impacts in 2015



(2014 figures in brackets)

Stakeholders

| | |
|--|--------------------|
| Employees | 1,825 (1,578) MEUR |
| Creditors | -122 (-19) MEUR |
| Public sector | 932 (765) MEUR |
| Shareholders | 718 (616) MEUR |
| Economic value retained in the company | 334 (196) MEUR |

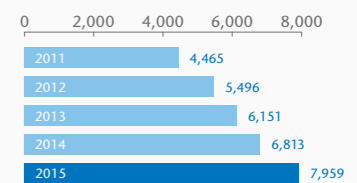
LONG-TERM FINANCIAL TARGETS

GROWTH:
Faster than the market

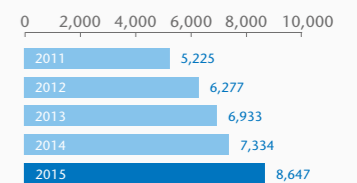
PROFITABILITY:
16% EBIT margin

CASH FLOW:
Improved working capital rotation

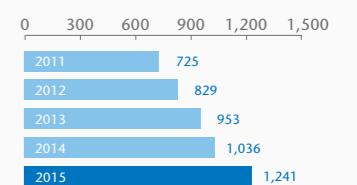
Orders received 2011-2015



Sales 2011-2015



Operating income 2011-2015*



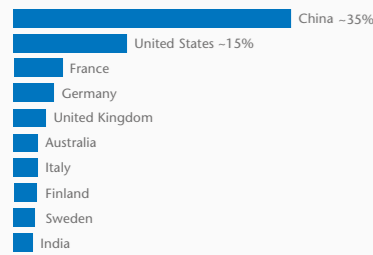
* excluding one-time items

G4 INDICATORS RELATED TO ECONOMIC RESPONSIBILITY AND ETHICAL BUSINESS PRACTICES

- G4 EC1: Direct economic value generated and distributed
- G4-EC6: Proportion of senior management hired from the local community at significant locations of operation
- G4-S04: Communication and training on anti-corruption policies and procedures
- G4-S07: Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes
- G4-S08: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Read more
about KONE's financial performance from our Financial Statements 2015 available at kone.com/en/investors.

10 biggest countries by sales, 2015



We are focused on maintaining our challenger attitude and are constantly developing our competitiveness in order to strengthen our position as one of the global leaders in the elevator and escalator industry.

KONE's largest individual shareholder is Antti Herlin, Chairman of KONE's Board of Directors, who controls over 20% of the share capital and over 60% of votes.

For KONE's domestically registered major shareholders, see monthly updated list on our website.

Customers & Suppliers

We seek to build long-term relationships with our suppliers and customers. Our supplier relationships provide business opportunities and employment for thousands of suppliers globally. Read more about our supplier management on p. 42.

Local communities

KONE is committed to operating as a responsible corporate citizen in all the countries in which we are present.

We are committed to paying all taxes that are legally due, and to meeting all disclosure requirements in the countries where we operate. Our objective is to ensure predictability in all tax matters. In addition, every transaction must have a solid business rationale without compromising tax compliance principles. The location of KONE's group entities is driven by business reasons, such as the location of customers, suppliers, raw materials and know-how. We insist on transparency in all our activities, including our relationships with tax authorities. Since 2015, KONE is participating in an enhanced collaboration with the Finnish Tax Authorities promoting tax transparency.

In 2015 income taxes paid by KONE globally amounted to EUR 311.4 (242.4) million, with the ten largest countries by sales accounting for 75% of the taxes paid. Income taxes paid by the Finnish KONE companies totaled EUR 37.2 (31.0) million in 2015.

Employees

Our biggest direct economic impacts come from the employment opportunities we

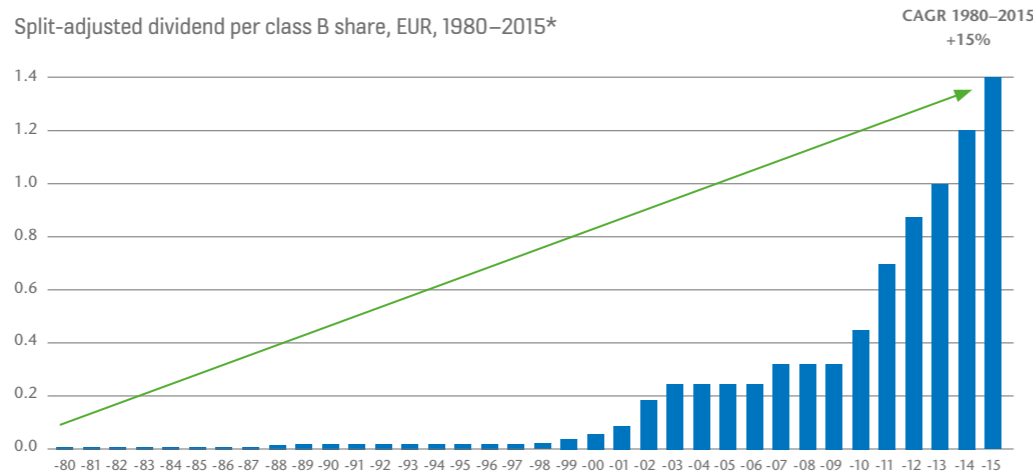
provide. KONE is a global company with global processes and guidelines, but our operations are at the same time very local. In our subsidiaries, management and field personnel are predominantly local.

KONE had close to 50,000 employees in over 60 countries at the end of 2015. KONE's largest countries by employees in 2015 were China, the United States and India. Read more about our people on p. 32 –35.

Ensuring added value in the future

KONE has three long-term financial targets: growing faster than the market, achieving an EBIT margin of 16%, and improving working capital rotation. We have achieved two of these three targets: KONE has grown faster than the market in recent years, and we have improved our working capital rotation at the same time. For the 16% EBIT margin, no target date has been set. With the lifecycle business model, the short-term focus is on growing absolute EBIT while achieving improved relative profitability over time with growth and productivity gains.

KONE's philosophy is to continuously develop the business with a long-term outlook. We are focused on maintaining our challenger attitude and are constantly developing our competitiveness in order to strengthen our position as one of the global leaders in the elevator and escalator industry. With the help of our development programs (read more on page 8), we work towards our vision of providing the best People Flow® experience.



*Note: Includes the basic dividend. Adjusted for share splits in 1999 (1:3), 2002 (1:3), 2005 (1:2), 2008 (1:2) and 2013 (1:2). 1 EUR= 5.9 FIM; not adjusted to constant exchange rate. Additional extraordinary dividends: for 2009, a double dividend was paid; for 2011, an extraordinary dividend of EUR 0.75 was paid and for 2012, an extraordinary dividend of EUR 0.65 was paid.

GIVING BACK TO COMMUNITIES

Having a corporate conscience is more than an add-on strategic initiative. It is a mindset that shapes KONE's social behavior and guides the company to pursue an active role in communities around the world.

The KONE Centennial Foundation (KCF), an independent, non-profit organization founded by KONE in celebration of its 100th anniversary in 2010, is an example of this. KCF's mission is to advance and support developmental, educational, and cultural activities for children and youth around the world. The Foundation gives priority to projects that serve the neediest children and youth. It cooperates closely with strong local partners to plan projects, aiming to ensure efficient resource allocation and respect for local culture and priorities.

The Foundation focuses on innovative services that can be replicated and may one day become self-sustainable. KCF has a long-term commitment to all of its projects and also devotes effort to attracting support from other public and private sources in order to improve sustainability and replicability. The Foundation's projects are located only in countries where they are most needed and where local KONE units can contribute practical support.

The Foundation's latest project is the Xico Arte art against violence initiative in Mexico. Xico Arte are a group of young people interested in art who come from a community on the outskirts of Mexico City burdened by crime and unemployment. KCF is working with local NGO Tanesque A.C. to help Xico Arte become an independent NGO that works closely with

the Xico Museum to bring local art and history to the area's children and youth.

The Xico Museum was founded by local people who realized that their poor neighborhoods were built on land containing archeological treasures. The museum now displays over 5,000 objects unearthed in construction projects in the Valle de Chalco area. Together with Xico Arte, the Museum organizes lessons and workshops for local children and youth on the significance of the museum's objects to local history and traditions. The archeological objects are also used to inspire children's artwork in nearby schools.

At the end of 2015 the Foundation's other core projects included a mobile library initiative in China, a youth center offering educational and health services in an inner-city slum in Chennai, India, and a one-stop shop of opportunities and services for youth in a drug and crime ridden area of Johannesburg, South Africa.

The Foundation also supports other projects that share similar goals with KCF and have a proven level of high performance. These include educational and cultural exchanges and cooperation with universities, as well as matching funds contributed by KONE employees, such as support for the Singhadevi School in rural Nepal.

As the number of refugees globally and in Europe rose and impacted the Foundation's home country, Finland, in an unprecedented way in 2015, the Foundation helped collect winter coats, shoes and other much-needed items from KONE employees for refugee youth in Helsinki.



YOUTH ACTIVATION

KCF helped found the innovative Westbury Youth Center in 2012. Located in a poor Johannesburg community with a history of gang-related crime and drug problems, the center brings nonprofit agencies and skills development programs under one roof to create a one-stop shop where young people can find a wide range of services and opportunities.



Art against violence: Mexican kids taking part in the Xico Arte project, supported by the Foundation.

Read more about our economic performance at www.kone.com/investors

COMMITTED TO FAIR AND ETHICAL BUSINESS PRACTICES

The KONE Code of Conduct is an integral part of the company's corporate culture and values and sets out our commitment to ethical business practices.

KONE has more than 1,000 offices in over 60 countries, and collaborates with authorized distributors in close to 80 countries around the world. As a global corporate citizen, we are fully committed to the laws and regulations of the countries in which we operate. Our global presence makes it crucial for us to ensure that we have clear rules and guidance in place when it comes to ethical business practices. It is equally important that these are easily accessible to all our employees, our suppliers, and our distributors, thereby enabling us to conduct business in an ethically and socially responsible manner throughout our entire value chain. The Code of Conduct sets out our commitment to integrity, honesty, and fair play.

During 2015 KONE renewed its Code of Conduct, Competition Compliance Policy, and Supplier Code of Conduct.

KONE's Code of Conduct

KONE's Code of Conduct (the Code) forms an integral part of KONE culture and defines our standards of ethical conduct. The Code addresses the type of behavior expected of KONE employees and KONE companies. Topics covered include compliance with the laws and rules of society, work environment and human rights, anti-bribery, health and safety, fair competition, risks and conflicts, marketing of products and services, and environment and sustainability. All KONE employees are expected to understand and abide by the Code and to report any violations using the channels available for this purpose. The Code is available in over 30 languages and applies to every employee of KONE and KONE companies.

KONE's Competition Compliance Policy

KONE's Competition Compliance Policy promotes the principles of fair competition that are presented in the Code of Conduct. The policy details our unambiguous position against anti-competitive practices. It sets out the rules and principles that all KONE employees must follow to ensure that we comply fully with competition laws. Also, the Competition Compliance policy is available in over 30 languages.

KONE's Supplier Code of Conduct

KONE's Supplier Code of Conduct sets out the ethical business practice requirements that we expect from our suppliers. It covers areas such as legal compliance, business conduct, anti-bribery, labor and human rights, health and safety, and environment. KONE expects its suppliers to conform to the requirements of the Supplier Code of Conduct in their dealings with KONE, their own employees and suppliers, as well as third parties including government officials and others. The Supplier Code of Conduct is available in over 20 languages and is explained in more detail on page 44 of this report.

New online trainings launched

KONE renewed its Code of Conduct and Competition Compliance eLearning programs and began training employees in 2015 with continued roll-outs during 2016. All KONE employees who have daily access to a computer are required to complete the Code of Conduct online training program which covers topics such as conflicts of interest, fighting bribery, respect for people and assets, and excelling in sustainability. Some employees are also required to complete the Competition Compliance online training program due to their role and position in the company. They include members of KONE's Executive Board and employees involved for example in management, sales, sourcing, and trade association related activities. Individual business units can nominate additional participants when necessary.

Enforcement of Codes and Policies

Dedicated Compliance Officers help employees comply with KONE's Code of Conduct, and global and regional compliance committees oversee the functioning of the compliance management system. Employees have several ways in which they can contact KONE's Compliance Officers. They also have the right to make contact in their native language. This can be done anonymously, if the employee so wishes.



The Code of Conduct is available in **32 languages**

The Code of Conduct and Competition Compliance e-learning are available in **29 languages**

The number of Supplier Code of Conduct language versions is **23**

Topics covered in KONE's Code of Conduct

| | |
|---|---|
| Compliance with laws and rules of society | <ul style="list-style-type: none"> • KONE is committed to full compliance with all applicable laws and regulations • KONE respects prevailing cultural norms and practices, but where there are conflicts KONE's employees are required to follow the KONE Code of Conduct |
| Work environment and human rights | <ul style="list-style-type: none"> • KONE prohibits all forms of discrimination • KONE prohibits offensive behavior, including sexual harassment • KONE does not use child or forced labor and does not do business with suppliers or subcontractors who use these practices • KONE is committed to ensuring a safe and healthy working environment for all employees |
| Risks and conflicts | <ul style="list-style-type: none"> • KONE prohibits direct and indirect bribes and unethical payments as well as excessive gifts and hospitality • KONE has a zero tolerance for corruption of any kind. The Code of Conduct prohibits improper payments or benefits |
| Competition law | <ul style="list-style-type: none"> • KONE is strongly committed to the promotion of fair and healthy competition, and prohibits any violations |
| Environment and sustainability | <ul style="list-style-type: none"> • KONE is committed to minimizing the environmental impact of its solutions, products, services, and operations • KONE employees must avoid all conflicts of interest |
| Handling of information | <ul style="list-style-type: none"> • KONE safeguards the confidentiality, integrity and availability of its proprietary information • KONE is committed to protecting personal data |
| Reporting concerns or violations of the Code of Conduct | <ul style="list-style-type: none"> • There are various channels available for employees to seek advice and report any real or potential violations of KONE's Code of Conduct to local management, the KONE Legal Function or KONE's Compliance Function. KONE shall not retaliate against employees raising concerns in good faith. • Suppliers and distributors can also report concerns to the KONE Compliance Function at compliance@kone.com |

SUPPLY CHAIN

KONE aims to develop its supply chain to be the best in the industry. In 2015 we had 8 production sites for elevators, escalators and building doors, 10 global distribution centers for elevators, and 5 distribution centers for spare parts.

Around 4,500 people keep KONE's supply operations running. The operations cover new equipment production, modernization, and spares supply. We also work closely with several material suppliers and logistics service providers.



G4 INDICATORS RELATED TO SUPPLY CHAIN

G4-12: Describe the organization's supply chain

G4-DMA: Purchasing Practises

G4-EN32: Percentage of new suppliers that were screened using environmental criteria

G4-LA14: Percentage of new suppliers that were screened using labor practices criteria

AIMING TO HAVE THE INDUSTRY'S BEST SUPPLY CHAIN

Quality, responsiveness, and efficiency are the cornerstones of KONE's supply chain. It covers all of the actions and processes that lead up to the delivery of KONE equipment to a customer's site. The chain ends when a customer accepts an installation. Leading up to this, our job is to ensure that the right items are delivered to the right places at the right times throughout all the phases of manufacturing, distribution, installation, as well as in our suppliers' processes.

We want to develop the best supply chain in the industry, a goal that entails the continuous analysis and improvement of the quality of everything we do. As a part of these efforts, we launched the 10x Better Supplier Quality program in 2014. Through the program we aim to define critical to quality parameters, improve process control to ensure that the critical standards are met, and then implement change management practices, wherein each product and process change is first approved by KONE and then implemented in a controlled manner. The program affects the daily work of thousands of KONE employees and hundreds of external partners in all direct material categories. In 2015 we extended the program, which is expected to improve efficiency at factories and installation sites, to cover logistic service providers as well.

In 2015 KONE started another supply chain improvement program, the so-called 10x Better Factory program, targeted at further improving in-house production quality (Read more in the quality section on p. 30–31).

Meeting customer needs

At KONE we believe in listening to customers. Adapting our supply chain to meet the different requirements of different customers is one way we do this. Customers with modernization projects for example, value timely delivery in order to keep elevator downtime to a minimum, while customers with demanding high-rise projects require well-planned and specified deliveries that seamlessly integrate with the whole construction process.

We collect customer feedback on our quality performance systematically and analyze it using Six Sigma tools before taking corrective action. We also set targets and monitor key performance indicators (KPIs) such as the early failure rate of our products.

At the end of the day, our customers' views on how we are doing are what count. According to the global NPI Customer Loyalty Survey KONE carries out every year, our efforts to achieve supply chain excellence are bearing fruit with the 2015 results for both product quality and installation quality rising.

Continuous learning for better quality

We at KONE employ a set of techniques and tools to improve the productivity and quality of our operations. We apply Lean and Six Sigma philosophies to eliminate waste and reduce process variation throughout the entire supply chain as well as in product and process transitions. We implement the 5S* method in our

offices, factories, installation sites, and distribution centers. We have also developed a Lean manual and management model of continuous improvement on implementing these principles.

By the end of 2015, over 1,800 people had completed the Lean Passport E-learning Program, which is available in 6 languages: Finnish, English, Chinese, Italian, Spanish, and Czech.

Our Lean Practitioners advanced training has been rolled-out globally in all KONE regions, with around 120 participants trained and certified by the end of 2015. Additionally, more than 1,000 Lean projects were completed successfully in 2015.

Over 300 KONE employees have been trained in Six Sigma, and a majority of them have received certifications. Some 120 new Six Sigma projects were successfully started in 2015, and the Six Sigma governance model for supply operations was introduced in Europe and China.

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



KONE Park in Kunshan is KONE's largest manufacturing unit in the world, with an engineering facility, R&D center, three elevator factories and an escalator factory. KONE began operations in China in 1996, and opened its first Chinese factory in Kunshan in 1998.



KONE delivers over 3.3 million packages from distribution centers to installation sites, and around 1.2 million packages of spare parts from distribution centers to customer sites annually. 3.3 million packages correspond to 1,150 million kg and 2.8 million m³.

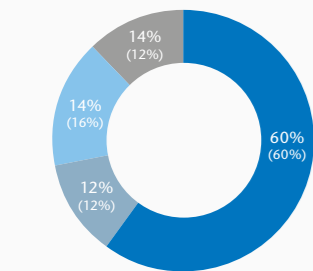
STEP CHANGE IN SUPPLIER QUALITY

In the 10x Better Supplier Quality program, suppliers are expected to install quality control points into their own production lines to monitor the product and process characteristics that are most critical to the quality of the product supplied to KONE. This enables any deviations or changes in the quality of the production process to be captured immediately during production. Counter and adjustment measures can then be initiated before production processes run outside acceptable tolerances, preventing quality issues from impacting later stages of the delivery chain.

In 2015, KONE actively coached and trained suppliers to implement these additional quality management methods through a series of workshops and continuous supplier quality management efforts. We expect the program to significantly further improve the quality of KONE products.

Read more about our logistics on p. 26.

Breakdown of material and service costs



Total 3,853 MEUR

- Direct materials and supplies
- Subcontracting
- Other production costs*
- Other indirect costs**

* Mainly freight and packaging costs as well as other variable costs such as utilities, tools and operatives related costs.

** Relate to for example administration expenses, covering IT, marketing, trainings, and insurances.

TOP 10 SUPPLIER LOCATIONS¹⁾

- China
- Italy
- Finland
- United States
- Austria
- India
- Czech Republic
- Estonia
- Germany
- Mexico

¹⁾ Suppliers that provide products for new equipment to KONE distribution centers and factories

LONG-TERM RELATIONSHIPS WITH SUPPLIERS

Our suppliers and their sub-tier suppliers are a critical part of KONE's supply chain. Without them, we could not provide high-quality products and services to our customers. Just as internal efficiency is essential, so is working effectively with the approximately 20,000 suppliers who provide KONE with raw materials, components, modules, and logistics and installation services – not to mention other suppliers who provide us with indirect materials and services.

We only produce selected components in-house. Our production consists largely of the assembly of sourced components. The main raw materials used in our elevators, escalators, and automatic building doors are various types of steel and stainless steel as well as aluminum and copper.

We purchase approximately 80% of our raw materials, components, and systems supply for new equipment production from approximately 100 suppliers, the majority of which are located in the same countries as KONE factories or distribution centers (see Top 10 Supplier Locations).

Managing the relationships with our suppliers

We work closely with our suppliers to develop our business, and our aim is to build a long-term relationship with them. We manage our suppliers according to a tailored approach that evaluates their importance and criticality to KONE. This is done through the regular, critical assessment of multiple factors such as the business scope and spend with the supplier, the innovation potential of the supplier, the criticality of provided materials or services, the supply chain situation, and the investment or integration level of KONE with the supplier.

Based on supplier status, our management and measurement techniques include audits, assessment and mitigation of supplier-related risk, the employment of standardized contractual agreements that include the KONE Supplier Code of Conduct, the assessment of supplier performance, and supplier certification.

Supplier Audits

All of the main suppliers of direct materials to KONE distribution centers or factories undergo

regular audits. All of KONE's strategic suppliers were audited in 2015. We review our audit plan every year to prioritize and schedule audits according to KONE's business needs. The audits are scheduled to check on changes in products or production processes, validate follow-through on improvement initiatives, assess quality and environmental management systems, especially when suppliers are not ISO certified, or pre-audit the suitability of potential suppliers.

Assessing supplier risks

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

Supplier Code of Conduct

KONE requests all its suppliers to commit to KONE's Supplier Code of Conduct. The code sets forth KONE's global values. Suppliers are expected to adhere to the code in their dealings with KONE, their employees, and suppliers, as well as third parties. KONE may terminate its contracts with suppliers for failure to adhere to the code.

KONE's Supplier Code of Conduct was updated during 2015 and the revised document is the basis of new contract negotiations and contract updates with existing suppliers.

The Supplier Code of Conduct includes the following key element:

Legal compliance – Compliance with local laws and regulations.

Business conduct – Compliance with ethical conduct respecting human rights; zero tolerance for bribery and corruption; avoidance and active disclosure of conflicts of interest; fair conduct of business with regard to competition laws and regulations.

Labor and human rights – Fair and equal treatment of employees; non-usage of child or forced labor; ensuring a harassment-free environment for employees; compliance with any applicable wage-related laws and regulations; respect of employee's rights to



freely associate and bargain collectively in compliance with all applicable laws.

Health and Safety – Provision of a safe and healthy environment to employees; availability of appropriate health and safety information, training, and equipment for employees; active pursuit of safety programs covering at least human safety, emergency preparedness, and exposure to dangerous chemicals and biological substances; ensuring that employees are not working under the influence of alcohol or illegal drugs while working for KONE.

Environment – Efforts to reduce the impact on the environment from operations and products; compliance with environmental laws and regulations and obtaining necessary environmental permits; monitoring, controlling, and treating appropriately wastewater, air emissions, and other waste; taking a systematic approach to considering environmental aspects; adhering to any applicable laws and regulations and KONE requirements regarding the prohibition or restriction of specific substances.

IPR and publicity – Compliance with laws and international treaties on intellectual property rights; refraining from publication of cooperation with KONE or utilizing of KONE trademarks without permission.

Monitoring – Monitoring of compliance with the KONE Supplier Code of Conduct; provision of documentation upon request to KONE; right of KONE to audit the supplier in case of a suspected breach of the Supplier Code of Conduct; active communication of non-compliance towards KONE.

The complete KONE Supplier Code of Conduct can be read at: www.kone.com/suppliers.

Assessing supplier performance

We monitor the performance of the main suppliers of our direct production materials through a monthly KPI measurement and follow-up process. We also run a supplier scorecard system. This system evaluates key suppliers of direct materials as well as main installation subcontractors within our country organizations. The scorecards combine quantitative and qualitative performance criteria, including quality and safety, cost competitiveness, logistics and responsiveness, technical competence and quality maturity.

We regularly discuss performance evaluations with our suppliers. When their performance does not meet our expectations, we initiate corrective actions or development projects and conduct follow-ups.

Supplier Excellence Certification

KONE's Supplier Excellence Certification Program assesses key suppliers' sites. Examined aspects include environmental and quality management systems, performance scorecards, and supplier audit results. ISO 14001 and ISO 9001 compliance are also assessed. We aim to maintain a supply-base that complies with international quality and environmental standards as well as those of KONE.

In 2015, 97% of our strategic supplier factories were ISO 9001 certified and 93% of them had ISO 14001 certification. We expect all our key suppliers' factories to attain Supplier Excellence Certification.

All our new suppliers must sign KONE's Supplier Code of Conduct.

Strategic suppliers with ISO 9001 certification: **97%**

Strategic suppliers with ISO 14001 certification: **93%**

Strategic suppliers audited: **100%**

REPORTING SCOPE

KONE has chosen to report using the Global Reporting Initiative (GRI) guidelines in order to facilitate easier comparison of our performance with other companies and to streamline our own corporate responsibility reporting efforts. KONE has published Sustainability Report annually since 2008. The previous report was published in June 2015.

The report follows GRI (G4) reporting guidelines as far as they are applicable, and covers economic, social, and environmental responsibility. A table detailing how this report complies with the GRI guidelines is shown on pages 48–49. We have self-declared our reporting to be in accordance with the Core level.

The reporting period corresponds with the calendar year and with KONE's financial year of January 1–December 31, 2015. When developing the report content and choosing indicators, the driver has been the materiality to KONE's operations. During 2015, we updated our 2013 assessment of material sustainability topics and focus

areas for defining the report content (see more on p. 14–15). KONE's approach to sustainability has also been described in the Interview with the chairman and the president and CEO on pages 4–5, and in the strategy description on page 8.

All major local and regional organizations and all production units are included in the reporting scope. All financial data and a significant proportion of the employee-related data has been collected through KONE's enterprise resource management and financial reporting systems. All financial figures presented in this report are based on KONE Corporation's consolidated and audited Financial Statements for 2014 and 2015.

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

The environmental data has been collected from KONE's 12 manufacturing units worldwide and from 31 major country organizations with sales, installation, and

service operations in Asia-Pacific, EMEA, and North America. The collected environmental data covers 86% (2014: 87%) of all KONE's employees and 100% of the employees working at our manufacturing units. The facilities related energy data collected from the reporting country organizations has been extrapolated for the entire KONE organization. The goal is to gradually extend our environmental reporting to cover all of KONE.

Business air travel data has been collected from 28 countries and extrapolated to cover the entire KONE organization. Vehicle fleet fuel consumption data has been collected from 22 countries, covering 93% of the total fleet. Product and spare parts logistics data has been collected by KONE's corporate logistics team that also during 2015 developed a new in-house logistics emission calculation system to replace the previous system developed and managed by external consultants. The logistics data covers the transportation of products from KONE's manufacturing units to customers and the transportation of modules that are

delivered straight from our suppliers to our delivery centers and onward to customers. Inbound logistics of materials to KONE's manufacturing sites is excluded from the reporting scope because of its minor impact (KONE prefers material suppliers located close to our manufacturing units, and a large part of the modules are delivered directly from suppliers to KONE distribution centers). The quality and coverage of data provided by our logistics suppliers has over the years continuously improved.

KONE has used an environmental performance software system since 2011. The environmental data has been

collected from branch offices using a customized data collection spreadsheet consolidated on the country level. The country-level data has been entered into the environmental performance system. The data has further been consolidated globally in a combined effort with KONE's global carbon footprint assessment. The environmental performance has been reported in accordance with ISO 14064 and the Greenhouse Gas Protocol Corporate Standard. The Scope 2 emissions for the reporting year 2015 and base year 2014 are calculated according to the dual reporting principles of the GHG Protocol Scope 2 Guidance

(market- and location-based method. RES-GO guarantees of origin subject to EECs (European Energy Certificate System) have been acquired) for the purchased green electricity. KONE's greenhouse gas emissions for scope 1 and scope 2 (direct and indirect energy consumption) and scope 3 (logistics and business air travel) have been assured by Mitopro Oy. The emission factors are based on the data sources of the International Energy Agency, World Resources Institute GHG Emission Factors Compilation, Statistics Finland Fuel Classification, and DEFRA (UK Department for Environment, Food & Rural Affairs).

KONE FOCUS AREAS AND GRI G4 ASPECTS

| KONE Focus Areas | GRI G4 Aspect (G4-19) | Boundary | |
|---|---|--|---|
| Safety: <ul style="list-style-type: none"> Safety of products and services Occupational safety and well-being Sub-contractor safety | <ul style="list-style-type: none"> Aspect: Customer Health and Safety Aspect: Occupational Health and Safety | Within the Organisation (G4-20) <ul style="list-style-type: none"> KONE Operations | Outside the Organisation (G4-21) <ul style="list-style-type: none"> Customers Subcontractors |
| Quality: <ul style="list-style-type: none"> Quality of products and services Customer satisfaction | <ul style="list-style-type: none"> Aspect: Product and Service Labelling Aspect: Product Compliance | <ul style="list-style-type: none"> KONE Operations | |
| Environment: <ul style="list-style-type: none"> Low carbon solutions and operations Resource efficiency Water use | <ul style="list-style-type: none"> Aspect: Materials Aspect: Energy Aspect: Water Aspect: Emissions Aspect: Effluents and Waste Aspect: Products and Services Aspect: Transports Aspect: Compliance | <ul style="list-style-type: none"> KONE Operations (Manufacturing units + 31 Country organisations) | <ul style="list-style-type: none"> Indirect (Scope 3) Energy use and GHG Emission sources |
| Our people: <ul style="list-style-type: none"> Employee engagement Competent management and employees Diversity and equal opportunity | <ul style="list-style-type: none"> Aspect: Employment Aspect: Training and Education Aspect: Diversity and Equal Opportunity | <ul style="list-style-type: none"> KONE Operations | |
| Creating value added: <ul style="list-style-type: none"> Economic performance Ethical business practices Community involvement | <ul style="list-style-type: none"> Aspect: Economic Performance Aspect: Market presence Aspect: Anti-corruption Aspect: Anti-competitive Behaviour Aspect: Compliance | <ul style="list-style-type: none"> KONE Operations | <ul style="list-style-type: none"> Community |
| Supply chain: | <ul style="list-style-type: none"> Aspect: Procurement practises Aspect: Supplier Environmental Assessment Aspect: Supplier Assessment for Labour-Practices | | <ul style="list-style-type: none"> Suppliers/Strategic suppliers |

INDEPENDENT ASSURANCE STATEMENT –KONE'S GHG EMISSIONS 2015

To the Management and Stakeholders of KONE Oyj

Scope and Objectives

The Management of KONE Oyj commissioned us to perform a limited third party assurance engagement regarding greenhouse gas emissions inventory data ("GHG emissions") including Scope 1 and 2 emissions (direct and indirect energy consumption) and Scope 3 emissions (logistics and business air travel) disclosed in KONE's Sustainability Report for the period of January 1st to December 31st 2015. The assurance engagement was conducted in accordance with the AA1000 Assurance Standard (2008).

Responsibilities

KONE is responsible for the collection, calculation and presentation of GHG emissions inventory data according to the Greenhouse Gas Protocol. The Management of KONE has approved the information on GHG emissions disclosed in the Report. Our responsibility as assurance providers is to express an independent conclusion on the GHG emissions disclosures subject to the limited assurance engagement. The reporting criteria used for our assessment include the following guidelines and standards:

- Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard

- Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and
- Global Reporting Initiative's Sustainability Reporting Guidelines (4.0).

Assurance Provider's Independence and Competence

We have conducted our assessment as independent and impartial from the reporting organisation. We were not committed to any assignments for KONE that would conflict with our independence, nor were we involved in the preparation of the GHG emissions inventory data. Our team consists of competent and experienced sustainability reporting experts, who have the necessary skills to perform an assurance process.

Basis of Our Opinion

Assurance providers are obliged to plan and perform the assurance process so as to ensure that they collect adequate evidence for the necessary conclusions to be drawn. The procedures selected depend on the assurance provider's judgement, including their assessment of the risk of material misstatement adhering to the reporting criteria.

Our opinion is based on the following procedures performed:

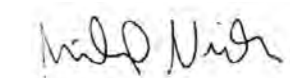
- Interviews with KONE specialists responsible for GHG data collection and reporting at Group level and in selected sites.

- Review of Group-level systems and procedures to generate, collect and report quantitative data on GHG emissions.
- Assessment of Group-level calculations and data consolidation procedures and internal controls to ensure the accuracy of data.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.


Conclusion

Based on the work described in this report, nothing has come to our attention that causes us to believe that the GHG emissions inventory data disclosed in KONE Sustainability Report 2015 is not reliable, in all material respects, based on the reporting criteria.

Helsinki, 23rd March 2016
Mitopro Oy



Mikael Niskala
Independent Sustainability Expert



Tomi Pajunen
Independent Sustainability Expert

GLOBAL REPORTING INITIATIVE INDEX

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| G4-45 Board's role in the identification and management of risks | | Financial Statements 2015, Corporate Governance Statement, p. 61 |
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| G4-48 Formal approval of the organisation's sustainability report | | Sustainability report is reviewed by KONE's management and approved by the President and CEO. |
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| G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | | No significant fines or sanctions regarding non-compliance with environmental laws and regulations. |
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| G4-EN30 Significant environmental impacts of transport | 26-27 | |
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| G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | | No significant fines or sanctions during the reporting period. |
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| G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | DMA: 16-17 | No significant fines during the reporting period |

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