

Dedicated to People Flow™



San Francisco, 9:30 A.M.

## Expertise that keeps cities running smoothly

Art is one of about 20,000 KONE service technicians who take care of more than a million units of equipment maintained by KONE in close to 60 countries worldwide. He and his colleagues share the task of making sure that equipment works safely and efficiently 24/7. Their skills and dedication help make cities better places to live for people like Jenny and her family.

# Sustainability Report

KONE 2014



# CONTENTS

Letter from the Chairman of the Board.....	4
Letter from the CEO.....	5
Key figures 2014.....	6
Our strategy.....	8
Megatrends .....	9
Innovations .....	10
Managing sustainability .....	12
Materiality analysis.....	14
Economic responsibility .....	16
Environment .....	20
Delivery chain .....	32
Safety .....	36
Our people .....	40
Reporting scope.....	46
Independent assurance report.....	47
Global Reporting Initiative index.....	48

## 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. It is in the end user and customer focus of our vision to deliver the best People Flow® experience. We see sustainability as a source of innovation and a competitive advantage. KONE is committed to conducting our business in a responsible and sustainable way and we expect the same commitment from our partners.



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





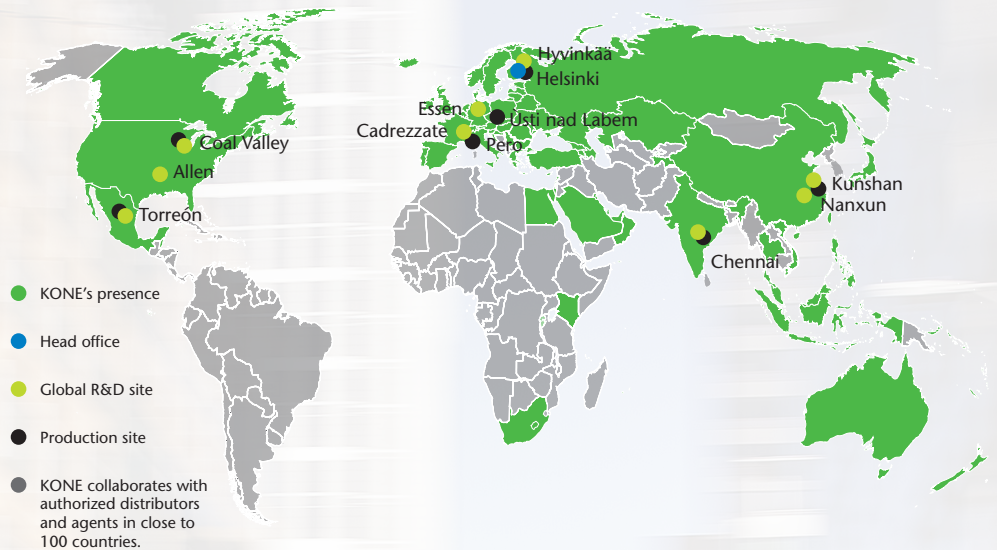
# KONE IN BRIEF

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

We serve more than 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.

In 2014, KONE had annual net sales of EUR 7.3 billion and at the end of the year over 47,000 employees. KONE Corporation's class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland.

## KONE worldwide





## Delivering on our promises

“KONE is an agile company that has changed along with the global trends that are shaping our industry. In a little more than 100 years, we have grown from a small Finnish machine shop into a global company.”



At the heart of sustainability is continuous improvement and trust. KONE has a great track record of delivering on its promises. It's built into our company culture. For example, when we set the target of reducing the energy consumption of our volume elevators significantly, we created a robust roadmap to guide us in attaining that target. Through hard work, we reached it within our planned schedule. And then we set another target to reach even further. This continuous cycle of improvement is what KONE is all about.

### Innovation-driven company

KONE is an agile company that has changed along with the global trends that are shaping our industry. In a little more than 100 years, we have grown from a small Finnish machine shop into a global company. Today our products are available in close to 160 countries, and we service more than a million elevators and escalators.

Our rapidly urbanizing world demands a continuous flow of innovations. Cities are soaring to greater heights and becoming more densely populated. Just ten years ago no one could have dreamed of a building stretching up to one kilometer – and now the Kingdom Tower, set to be the World's tallest building, is rising in Jeddah, Saudi Arabia. It will make use of the KONE UltraRope™ solution, one of our latest elevator technologies.

### Contributing to communities

We also want to make a positive contribution to continuous improvement in the communities where we operate. One of our social initiatives is the KONE Centennial Foundation, founded in 2010 to help young people at the margins of society gain the knowledge and skills they need to participate in improving their lives and their communities.

The foundation's first project in 2011 was the creation of what we believe to be China's first mobile library, and certainly the first designed specifically for children. It serves children of migrant workers in China's rapidly growing cities. Its second project, in 2012, supported the Rotary Nagar Youth Center located in a slum in Chennai, India. Here, underprivileged local children gain the educational support that children in other parts of the world routinely receive as part of their normal schooling. In South Africa, the foundation has been instrumental in planning and enabling the creation of a youth center with a truly challenging goal – to turn a drug- and crime-ridden area with desperately high levels of unemployment into a safe and productive community through the leadership of its young people.

### Focused on the long term

KONE's success relies on the people who support us by buying our products, investing in us, promoting our point of view, and delivering on our strategy. In order for them to do these things, they need to trust that we will deliver on our promises.

I would like to thank you, our stakeholders, for the trust you have given us. I look forward to the challenges and opportunities in store for us in the future, and I am confident that with your support, we will continue to deliver on our promises.

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

### Antti Herlin

Chairman of the Board  
KONE Corporation



# Contributing to sustainable urbanization



Looking back at our progress in 2014, we can be pleased with our overall strong performance. KONE's global market share increased in both new equipment business as well as in services, and we continued growing profitably. Our operating profit exceeded one billion euros for the first time in KONE's history and our cash flow was very strong. Continued profitable growth provides us with a strong basis on which we can further strengthen KONE's competitiveness for the future.

KONE's success is based on a clear strategy. It guides our economic, social as well as environmental responsibility. Our commitment to continuous improvement is evident in our strategic targets and development programs. In 2014, we introduced new three-year development programs and made strong progress in each of them.

## Engaged employees and satisfied customers

The success of our business and our ability to serve our customers depends on KONE being a great place to work. We aim to inspire, engage, and develop our employees to deliver great results. One of the key indicators we use to measure this is our employee engagement score. The response rate in our Pulse employee survey in 2014 was over 90% and the trend of improvement in employee engagement continued. The overall results surpassed external benchmarks. In addition, we received positive feedback in our annual global customer loyalty survey, especially in the area of product quality and improvement initiatives on service communications.

## Significant improvements in energy efficiency

Environmental excellence is at the core of our sustainability approach. For us, environmental responsibility is a combination of offering our customers innovative solutions that are both energy and cost-efficient, and reducing the adverse environmental impacts of our own operations. We have made significant reductions in the energy consumption of our equipment. For example, our current volume elevators are up to 75% more energy efficient compared to our 2008 offering, and up to 90% more energy efficient than our elevators from the 1990s.

## Safety is our highest priority

Safety is another key factor where we aim to set an example in our industry. We participate actively in the creation of safety standards and guidelines, and we work continuously with our customers and employees to promote the safe use of equipment and safe working practices.

These efforts take us closer to reaching our ultimate goal of zero accidents. In 2014, our industrial injury frequency rate (IIFR) improved by 9% and was 2.8.

## Leader in sustainability

External organizations have also acknowledged our achievements in sustainability. Most recently, Newsweek magazine ranked KONE as the 12th greenest company in the world. KONE's leadership in sustainability has also been recognized by the Carbon Disclosure Project (CDP), which gave us the highest possible score of 100 for our reporting in 2014. KONE supports the ten principles of the United Nation's Global Compact on human rights, labor, environment and anti-corruption. We are committed to conducting our business in a responsible way and expect the same commitment from all of our partners. We continue to set ambitious sustainability targets, and it is inspiring to witness the dedication our employees all over the world have shown in meeting them. Our systematic work in sustainability will be an important factor in building KONE's success going forward.

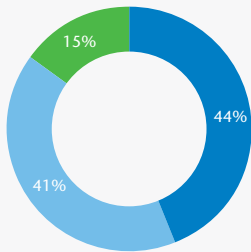
**Henrik Ehrnrooth**  
President & CEO  
KONE Corporation

“We continue to set ambitious sustainability targets, and it is inspiring to witness the dedication our employees all over the world have shown in meeting them.”



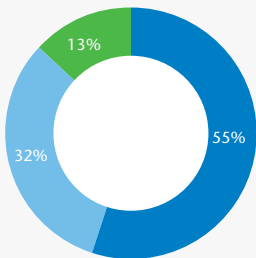
# Key figures 2014

## Sales by market, 2014



■ EMEA 44% (46%)  
 ■ Asia-Pacific 41% (38%)  
 ■ Americas 15% (16%)  
 (2013 figures in brackets)

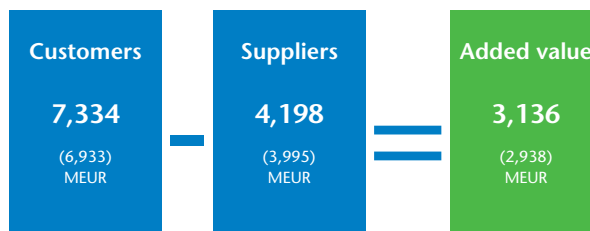
## Sales by business, 2014



■ New equipment 55% (54%)  
 ■ Maintenance 32% (32%)  
 ■ Modernization 13% (14%)  
 (2013 figures in brackets)

Key financial figures		2013	2014	change, %
Orders received	MEUR	6,151.0	6,812.6	10.8%
Order book	MEUR	5,587.5	6,952.5	24.4%
Sales	MEUR	6,932.6	7,334.5	5.8%
Operating income	MEUR	953.4	1,035.7	8.6%
Operating income	%	13.8	14.1	
Cash flow from operations (before financing items and taxes)	MEUR	1,213.1	1,345.4	
Net income	MEUR	713.1	773.9	
Basic earnings per share	EUR	1.37	1.47	
Interest-bearing net debt	MEUR	-622.0	-911.8	
Total equity/total assets	%	43.7	43.6	
Gearing	%	-36.1	-44.2	
R&D expenditure	MEUR	96.5	103.1	

## KONE's economic impacts in 2014

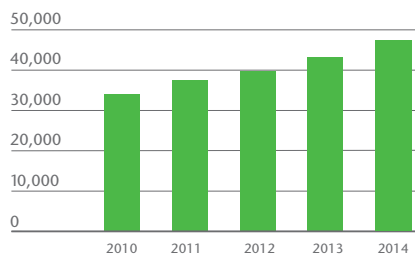


(2013 figures in brackets)

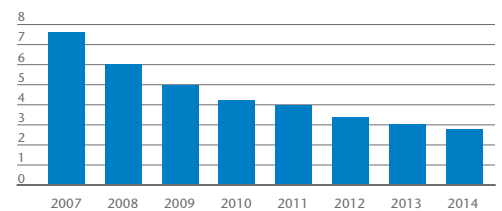
### Stakeholders

Employees	1,578 (1,473) MEUR
Creditors	-19 (-6) MEUR
Public sector	765 (758) MEUR
Shareholders	616 (512) MEUR
Economic value retained in the company	196 (201) 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

Vehicle fleet (Scope 1)				Electricity (Scope 2)				Business air travel (Scope 3)				Logistics (Scope 3)				Overall operations			
2012	2013	2014	YoY	2012	2013	2014	YoY	2012	2013	2014	YoY	2012	2013	2014	YoY	2012	2013	2014	YoY
83.1	77.4	73.7	-4.8%	1,055	1,018*	863	-15.2%	335*	397*	380	-4.3%	1,088	1,039	1,023	-1.6%	47.2*	45.7*	44.9	-1.8%
kgCO <sub>2</sub> e / Unit in service				kgCO <sub>2</sub> e / Headcount				kgCO <sub>2</sub> e / Headcount				kgCO <sub>2</sub> e / Unit				kgCO <sub>2</sub> e / KEUR Sales			

\* Restated

Energy consumption		Units	2012	2013	2014
Direct	Heating fuels*	m <sup>3</sup>	1,300	1,100	700
	Natural gas*	m <sup>3</sup>	5,631,000	7,016,000	5,557,800
Indirect	Electricity, including district heat*	MWh	92,400	93,200	93,800

\* 2013 restated

Carbon footprint of KONE's operations, tCO <sub>2</sub> e		2012	2013	2014
Direct (scope 1)	Vehicle fleet	88,400	86,200	86,000
	Heating fuels	14,100	12,800	9,500
	Gases for cooling systems*	900	1,000	1,400
Indirect electricity (scope 2)	Electricity consumption* (including district heat)	42,000	44,100	40,600
Other relevant indirect (scope 3)	Logistics	116,800	130,800	140,800
	Business air travel**	13,300	17,200	17,900
	Employee commuting*	18,000	21,700	27,000
	Waste**	2,700	1,900	2,300
Total**		296,200	315,700	325,500

\* 2013 restated \*\* 2012 and 2013 restated

Waste, tonnes	2012	2013	2014
Recycled waste*	20,700	17,800	16,200
Incinerated waste**	3,800	1,800	2,200
Landfill waste*	2,400	3,400	3,400
Hazardous waste*	700	700	900
Total**	27,600	23,700	22,700

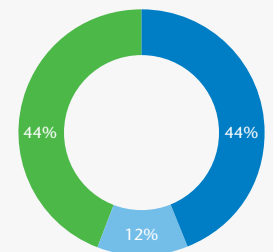
\* 2013 restated \*\* 2012 and 2013 restated

Water consumption	2012	2013	2014
Total*	m <sup>3</sup> 390,000	370,000	390,000

\* 2013 restated

█ Scope 1, scope 2, and scope 3 logistics and business air travel data assured by Ecobio Oy

### Employees by market, 2014



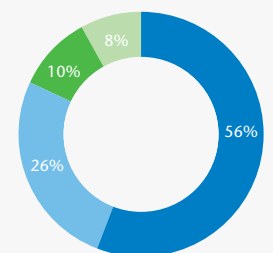
■ EMEA 44% (47%)

■ Americas 12% (13%)

■ Asia-Pacific 44% (40%)

(2013 figures in brackets)

### Employees by job category, 2014



■ Maintenance and modernization 56% (56%)

■ New equipment sales and installation 26% (25%)

■ Manufacturing 10% (10%)

■ Administration, IT, R&D 8% (9%)

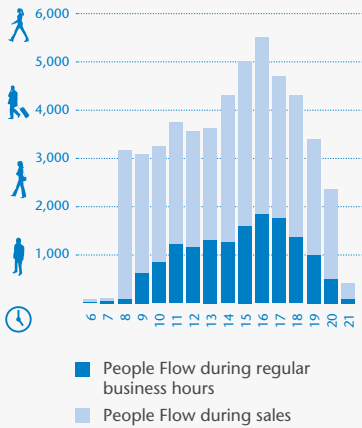
(2013 figures in brackets)



# Shaping tomorrow's cities for the better

## Keeping people and goods on the move in retail environments

Smooth and safe people flow plays a major role in creating the optimal user experience. In retail centers, peaks in traffic vary across weekdays and busy seasons, and the number of daily visitors can triple during sales. A trouble-free flow of people and goods at all times keeps both visitors and tenants happy. It can also mean the quickest possible return on investment for our customers.



Millions of people use elevators and escalators daily, all over the world. KONE's vision is to create the best People Flow® experience by moving them safely, smoothly, and comfortably in and between buildings. Our strategy is to differentiate ourselves by delivering the best user and customer experience with innovative People Flow solutions.

Our pursuit of this strategy begins with understanding the people who use our equipment, our customers, as well as the different building types. KONE conducts systematic studies of how people move within buildings – an approach that gives us a profound understanding of how our People Flow solutions and services can deliver the best possible user experience. Through innovative design and technology, we strive to make elevator and escalator rides as safe, comfortable, and efficient as possible.

We work closely with our customers to maintain the best possible people flow throughout the lifespan of their buildings – from planning and installing new equipment to servicing, modernizing, and eventually replacing it.

Different types of buildings have different uses, traffic patterns, and flows of people. 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.

## 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.



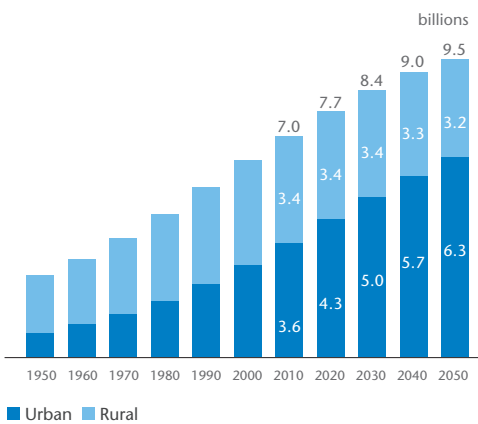
# Megatrends that drive our industry

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

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

Number of people living in urban areas world-wide is expected to reach five billion by 2030

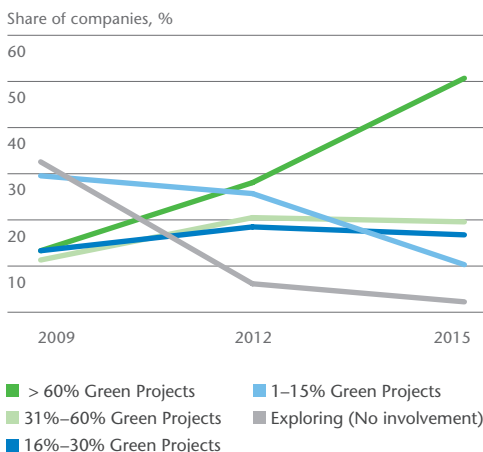


Source: World Urbanization Prospects 2014 Revision

## Environment

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

Levels of green building activity by firms around the world, 2009–2015 expected

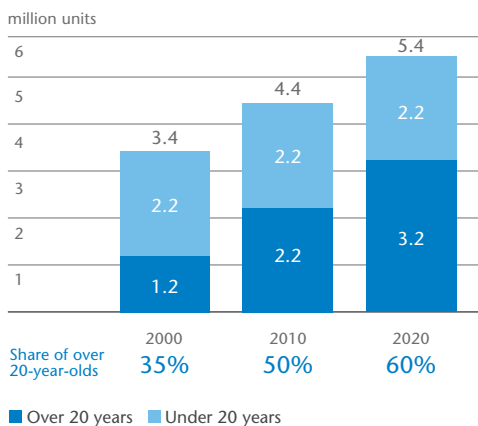


Source: McGraw-Hill Construction, 2013

## Safety

Urban infrastructure in certain markets is aging. In Europe alone, many buildings have old elevators which need to be upgraded. The well-functioning of the equipment used daily by millions of people is becoming increasingly important for authorities and consumers around the world. This makes safety one of the key drivers for our industry.

More than half of all European elevators and escalators are over 20 years old

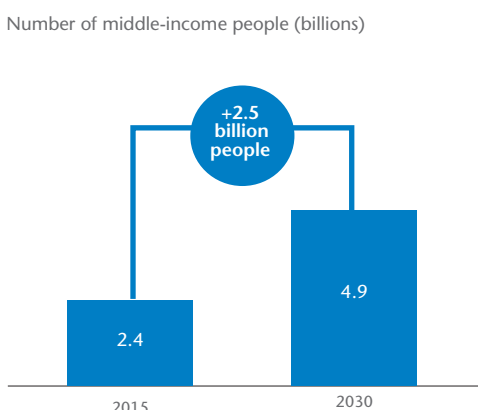


Source: European Lift Association (ELA)

## Demographic change

The global demographic structure is changing. Economic growth translates into higher standards of living for a larger part of the world's population. The number of people classified as middle-income earners is expected to grow by 2.5 billion by 2030. Middle income earners expect more spacious and better equipped apartments, which drives higher demand for elevators. The world's population is also aging at an unprecedented rate. The growing number of older people raises the importance of accessibility in buildings and urban infrastructure.

Higher living standards result in higher demands on housing



Source: UNDP Human Development Report, data from Brookings Institution. The middle income consumer group includes people earning or spending \$10–\$100 a day (2005 PPP).

## Aging population

People are living longer due to enhanced living standards and improved medical care. During the next 40 years the share of over 60-year-olds will increase to over 30% in the OECD\*. As populations age, demand for accessible, safe and convenient People Flow solutions increase.

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



# Urban world calls for sustainable innovations



KONE team observing people flow at the Nice Airport in France.

### Employees acting as researchers

To gain deeper understanding of what our vision means in practice, KONE holds an annual People Flow Day around the world. Teams of KONE employees act as researchers, talking to customers, interviewing the public, making on-site observations and filling in questionnaires. By studying exactly how, where and why people move in buildings during a typical weekday, our employees gather first-hand information on both the user and customer experience. The theme for 2014 People Flow Day was quality.

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

KONE's history of innovation is one of the company's success factors. For the past century, we have made systematic, long-term investments into our research and development (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.

### Creating solutions from inspiration

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

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

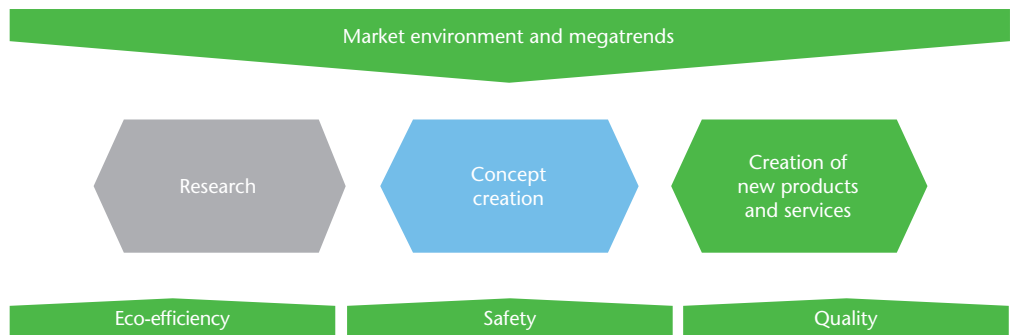
### Innovations in modernization

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.

Over 50% of equipment in Europe and in the US is over 20 years old\* and in need of modernization. Modernization increases safety and accessibility. For example by modernizing an elevator, the space inside the car can increase by even up to 50%. This makes it easier to access the elevator with a wheelchair or a walker. Reduction of energy consumption is another benefit. Our modernization solutions range from retrofitting LED lights to a completely new elevator with energy-regeneration technology. Over time, a new elevator will save up to 70 percent of energy consumption.

In 2014, KONE launched its newest innovation in elevator modernization technology, KONE NanoSpace™. It is a machine-room-less elevator full-replacement solution, where an old elevator is replaced by a modern one with the industry's

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



\* European Lift Association (ELA), National Elevator Industry, Inc. (NEII)

shortest downtime. The new KONE NanoSpace can replace an old elevator in as little as two weeks compared to the industry average of six, significantly improving the comfort of residents living in multi-floor buildings. This is enabled by the new innovative technology, optimized installability and streamlined planning process. In addition, KONE NanoSpace offers maximized space efficiency, best-in-class ride comfort and excellent eco-efficiency.

### Changing the industry

Innovations such as the KONE EcoDisc® hoisting machine and the KONE MonoSpace® elevator have been helping building owners to cut their energy consumption and carbon footprint for more than a decade.

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

KONE UltraRope™, launched in 2013, is a completely new high-rise elevator hoisting technology that eliminates the disadvantages of conventional steel rope and enables future elevator travel heights of one kilometer – twice the distance currently feasible. The carbon fiber core of KONE UltraRope has an exceptionally long lifetime – twice as long as those of conventional steel ropes. The super-light KONE UltraRope technology provides unrivalled elevator eco-efficiency, reliability and durability, while also improving elevator performance.

KONE UltraRope will be featured in Saudi Arabia's Kingdom Tower, the world's tallest building to be. It will feature the world's fastest double deck elevators with travel speed of over 10 m/s as well as the world's highest elevator rise at 660 meters. This order was announced in June, 2014.

With ever-increasing levels of urbanization around the world, there is strong pressure to make cities – and the buildings within them – work smarter. The KONE People Flow Intelligence suite of solutions, designed to guide people effectively and smoothly from front entrance to desired destination while simultaneously improving building security, was launched to address this need. The KONE People Flow Intelligence portfolio includes four product areas: access control, destination guidance, information communication, and equipment monitoring. In 2014, this suite of solutions was complemented by new turnstile offering, KONE Turnstile 100, which is designed to improve security, guidance, and convenience in buildings of all kinds.

### Award-winning design

KONE designs and innovations have been recognized with many prestigious awards. We have ranked on Forbes' list of the 100 most innovative companies in the world for four years in a row. Our materials, designs and accessories have won numerous GOOD DESIGN, iF Product Design and Red dot design awards. In addition, KONE has received a number of awards for its innovative high-rise technology KONE UltraRope.



### Significant energy savings in Marina Bay Sands, Singapore

Marina Bay Sands in Singapore is the first customer premise where KONE UltraRope was installed in 2013. In this elevator modernization project, close to 2,700 kilograms of moving mass was removed when the steel suspension and compensation ropes were replaced. Measurements show that the energy savings are close to 20% when comparing the KONE UltraRope elevator with similar elevators using steel ropes in the same tower.





# Managing sustainability at KONE

## 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 2014, 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)

**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.

As a signatory company of the United Nations Global Compact (UNGC), KONE is committed to making the ten principles related to human rights, labor, environment and anti-corruption an integral part of its business strategy and day-to-day operations and communicating publicly on its sustainability performance. Our membership to the UNGC reinforces our commitment to corporate responsibility and supports our strategic target of becoming a leader in sustainability.

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 in the Executive Board and reports to the President and CEO, manages KONE's economic responsibility.

KONE's Board of Directors appointed Henrik Ehrnrooth as President and Chief Executive Officer as of April 1, 2014. Previously, Ehrnrooth had served as Executive Vice President, Chief Financial Officer of KONE since May 1, 2009. As President and CEO, he succeeded Matti Alahuhta, who led KONE from January 1, 2005 until March 31, 2014.

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 Supplier Code of Conduct, OHSAS 18001 Occupational health and safety management system	Board of Directors, Executive Board, President and CEO, Internal Audit function
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

# Collaborating with various stakeholders

We work closely with our stakeholders and maintain an active dialogue with them. KONE's 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: Positive feedback on product quality, improvement initiatives on service communications. Monitoring of sales-related activities and surveying on customer interactions: KONE is continuously developing in this area in terms of value selling, account management and competence development.
KONE pays wages and salaries to over 47,000 employees in close to 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. Better collaboration was one of the themes raised by employees in Pulse. Cross-team workgroups have been formed to drive further development of work processes and collaboration.
KONE conducts business with 20,000 suppliers	Continuous one-to-one dialogue, Annual Supplier Day for Strategic Suppliers, trade fairs, steering group meetings, supplier workshops	Annual supplier survey, supplier performance assessment with the Supplier Excellence Certification Program. 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 27 and 33.)
KONE pays dividends to approximately 51,000 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 shareholders include current and future business performance, the development of KONE's markets and 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 100 countries	Continuous dialogue through daily contacts, regular country visits, distributors' meetings and various support tools	Customer survey, monitoring of sales-related activities, and direct feedback from distributors. 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 and JA-YE Europe in Global Enterprise Project, 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. No special issues raised during the reporting period.
Society - KONE pays direct taxes, social security, and employer expenses in close to 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.



## Giving back to communities

Corporate conscience is a mindset that shapes KONE's social behavior and drives the company to pursue an active role in communities. One example of a KONE initiative in local communities is the KONE Centennial Foundation. Founded in 2010, the foundation is a non-profit organization whose mission is to advance and support developmental, educational and cultural activities for children and youth around the world.



# Material sustainability topics

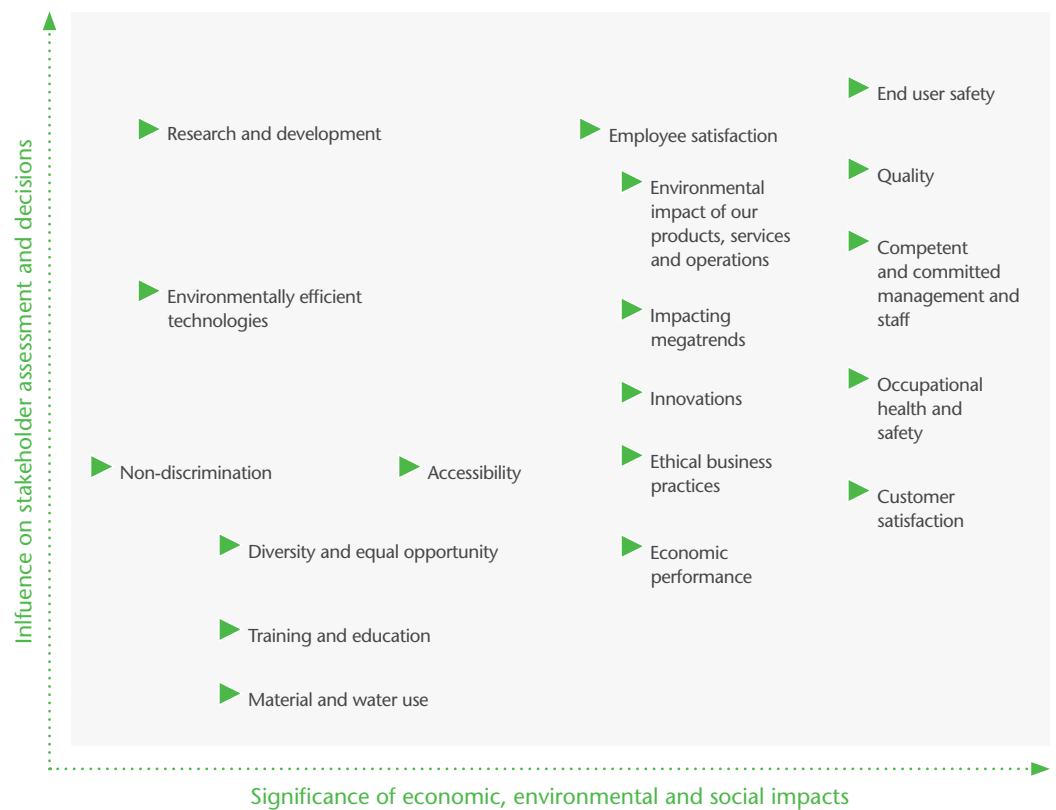
We continuously evaluate the importance of different sustainability topics to KONE by analyzing the impacts of our own operations and related business implications, and also by interacting with our different stakeholders.


In 2013, we carried out a materiality analysis to further define our sustainability focus areas. 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. The results were analyzed and

grouped in a workshop with participants from different corporate responsibility areas at KONE and from our Executive Board.

The results are presented in the matrix below. Among the most important topics are end user and employee safety; the environmental impacts of KONE's products, services and operations; quality and innovations; committed and engaged employees; ethical business practices; and economic performance. A summary of the topics is illustrated on the next page. The structure of this report also corresponds with these focus areas.

## Materiality matrix



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



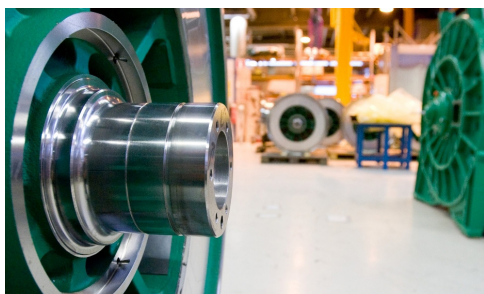
### Creating added value for our stakeholders

KONE's aim is to grow profitably while creating added value for our customers and end users through our competitive solutions, and for shareholders, employees, suppliers and local communities through the positive performance of our business. Our strategic targets include achieving the industry's best financial development and faster than the market growth. Read more on p. 16–19.



### High quality delivery chain

In 2014, KONE's delivery chain comprised eight production sites for elevators, escalators and building doors, 10 global distribution centers for elevators, and four distribution centers for spare parts. Around 4,400 people keep KONE's supply operations running, covering new equipment, modernization, and spares supply. Read more on p. 32–35.



### Energy efficiency of our products

Today's cities take up about 2% of the world's land area, 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. We help combat climate change and contribute to the development of next-generation green buildings by delivering eco-efficient elevator, escalator, and automatic building door solutions for sustainable and even net zero energy buildings. Read more on p. 20–25.



### Our goal is zero accidents

Safety is an integral part of KONE's strategy and a cornerstone of our business. For this reason, we have defined it as our highest priority. Our ultimate goal – for all of our employees, users of our equipment, and partners – is zero accidents. Read more on p. 36–37.



### Environmental impact of our operations and services

KONE's operational environmental work focuses on reducing our carbon footprint and improving energy and material efficiency, as well as decreasing our water consumption and waste and our use of hazardous substances. We have been measuring our operational carbon footprint since 2008, and between then and 2014, we have managed to reduce our energy use carbon footprint relative to orders received by 60%. Read more on p. 26–31.



### Our people

At the end of 2014, KONE had over 47,000 employees in close to 60 countries. We want to make KONE 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 have clear rules and guidance for ethical business practices. Read more on p. 40–45.

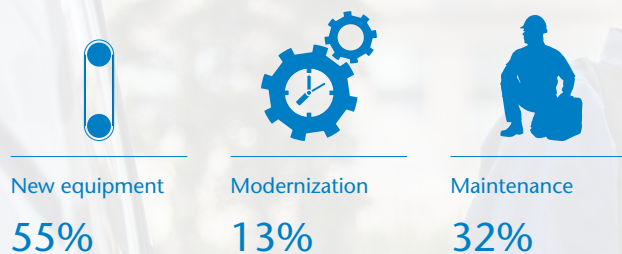


# ECONOMIC RESPONSIBILITY

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

The service business, which consists of modernization and maintenance, accounts for close to half of KONE's revenue, while the new equipment business represents the other half. Our geographic regions are the Middle East and Africa (EMEA), North America, and Asia-Pacific.

## Sales by business 2014



## Sales by market 2014





# Creating added value for our stakeholders

KONE's foremost economic responsibility is to its shareholders. Our aim is to grow profitably while creating added value for our customers and end-users through our competitive solutions, and for our shareholders, employees, suppliers and local communities through the positive performance of our business.

KONE's strategic targets include achieving the industry's best financial development and faster than market growth. They address also the social and environmental aspects of the company's development. Our aim is to constantly improve our employee engagement and customer satisfaction, as well as to lead the industry in terms of the sustainability of our solutions and the way we conduct our business.

Our efforts to meet our strategic targets are aided by KONE's development programs, which reinforce the implementation of our strategy (read more about development programs on page 8).

KONE is a global company with more than 47,000 employees across our geographic regions. Nevertheless, with over 400,000 customers, our business is very local in nature. We have global processes, tools and practices in place, but in the close to 60 countries where we have our own operations, management and field personnel are predominantly local. Therefore, our most direct impacts on local communities relate to the employment and personal development opportunities that we provide to our people. In 2014, the largest number of KONE employees was located in

China, where we employed 13,100 people, followed by the United States with 4,200, India with 3,800, France with 3,100 and Finland with 2,100 (read more on page 42).

We seek to build long-term and mutually beneficial relationships with our suppliers. Our supplier relationships provide business opportunities and income for thousands of suppliers internationally.

We insist on transparency in all our activities, including our relations with all tax authorities. In 2014, KONE paid a total of EUR 242.4 (247.3) million in taxes. This represents an effective tax rate of 23.9% (25.8%) for the financial year. 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.

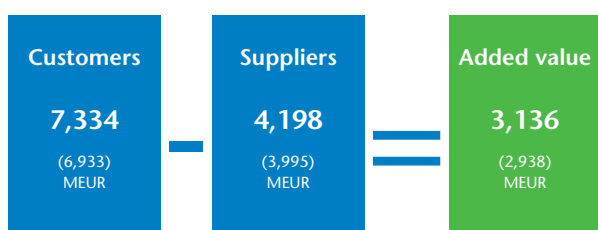
Our shareholder base grew by 12% from the end of 2013, and at the end of 2014, KONE had approximately 51,000 shareholders. Our shareholder base consists of institutional investors, individuals and households, public institutions and non-profit organizations. During the year, about 5,400 new households joined our shareholder base. KONE's largest individual shareholder is Antti Herlin, the Chairman of KONE's Board of Directors, who controls over 20% of the share capital and over 60% of the votes at the company's Annual General Meeting.<sup>1</sup>

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

### Long-term financial targets

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

## KONE's economic impacts in 2014



(2013 figures in brackets)

### Stakeholders

Employees	1,578 (1,473) MEUR
Creditors	-19 (-6) MEUR
Public sector	765 (758) MEUR
Shareholders	616 (512) MEUR
Economic value retained in the company	196 (201) MEUR

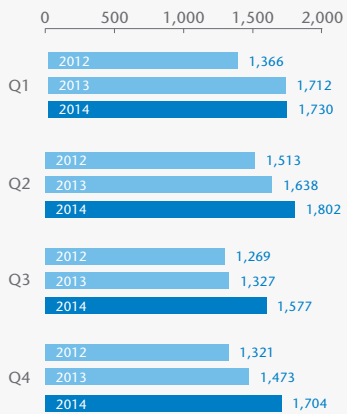
<sup>1</sup>For KONE's domestically registered major shareholders, see monthly updated list at [www.kone.com/en/investors/share-information/shareholders](http://www.kone.com/en/investors/share-information/shareholders).

**Learn more** about KONE's share price development at [www.kone.com/en/investors/share-information](http://www.kone.com/en/investors/share-information)



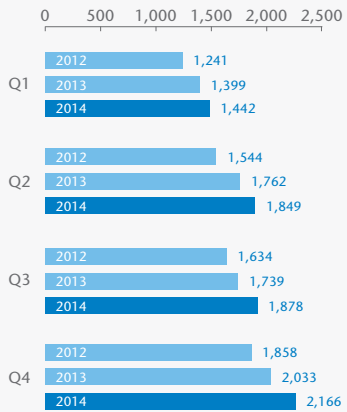
**2014 Orders received:**

Strong growth driven by new equipment in Asia-Pacific and North America



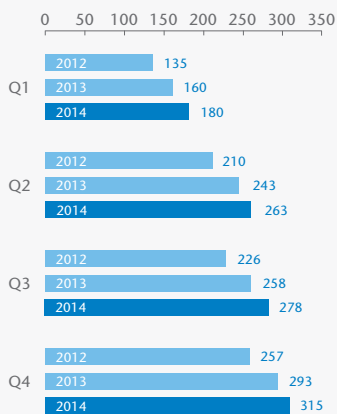
**2014 Sales:**

Clear growth in the Asia-Pacific region and in new equipment



**2014 Operating income\*:**

Growth driven by a good development both in new equipment and services



\* excluding one-time items

**Financial performance in 2014**

In 2014, KONE's orders received increased by 10.8% (at comparable rates 11.9%) and reached a level of EUR 6,813 million (1-12/2013: 6,151 MEUR). New equipment orders grew significantly and with positive development in both the volume and major projects businesses. Orders received in the new elevator and escalator business amounted to approximately 154,000 units (2013: approximately 137,000 elevator and escalator units). In modernization, orders received declined somewhat from the exceptionally high level of 2013. The margin of our order book remained at a healthy level and the margins of orders received were also stable at a good level, despite intense price competition in many markets. Cancellations of orders remained at a very low level. Maintenance contracts are not included in orders received.

In 2014, KONE's net sales increased by 5.8% (at comparable rates 6.7%) as compared to the previous year, and totaled EUR 7,334 million (1-12/2013: 6,933 MEUR). The share of new equipment sales out of total sales was 55%. Of the remaining 45% share of service sales, 32% came from maintenance and 13% from modernization.

In terms of geographical distribution, 44% of net sales came from EMEA, 15% from the Americas and 41% from Asia-Pacific. The countries where KONE achieved the largest net sales were China, the United States and France. China's share exceeded 30% and the United States' share was more than 10% of total net sales in 2014.

KONE's operating income (EBIT) grew, reaching EUR 1,036 million (1-12/2013: 953.4 MEUR) or 14.1% (13.8%) of net sales in 2014. The growth in operating income was a result of positive developments in both our new equipment and service businesses. All businesses developed positively in Asia-Pacific and North America. Europe saw good development in the maintenance business.

Additionally, the pricing actions taken during the past two years positively impacted growth in our operating income by offsetting some of the pressure from the intense price competition seen in many markets. We continued to increase fixed costs in areas that support KONE's growth, namely in the Asia-Pacific region, as well as in R&D activities, process development and IT. KONE's income before taxes was EUR 1,016 million (960.5 MEUR).

KONE's financial position was strong at the end of December 2014. The cash flow generated from operations during January to December 2014 before financing items and taxes was strong at EUR 1,345 million (1-12/2013: 1,213 MEUR). The strong cash

flow was achieved through growth in operating income and an improvement in net working capital before financing items and taxes. At the end of December 2014, net working capital amounted to EUR -749.7 million (December 31, 2013: -611.5 MEUR), including financing items and taxes. The improvement in net working capital was largely due to a good level of advance payments received relative to inventories, especially in Asia-Pacific, as well as an increase in accounts payable and other non-interest-bearing liabilities.

**Developing the company with a long-term mindset**

KONE has three long-term financial targets: to grow faster than the market, achieve an EBIT margin of 16%, and improve working capital rotation. We have reached two of these targets since we announced them in 2011. Specifically, we have been growing faster than the market, and at the same time, we have been able to improve our working capital rotation.

KONE's EBIT margin was 14.1% at the end of 2014. The share of new equipment in total sales has been increasing, and this has been burdening the margin development. However, we do not seek to optimize our EBIT margin over the short term. Rather, we prioritize the development of our absolute EBIT, reinforcing profitable and sustainable long-term growth in all parts of our business. Increasing our sales in new equipment enables us to fuel future growth in maintenance sales by securing new maintenance contracts for installed equipment.

KONE has maintained a strong balance sheet with a positive cash position over many years. We do not have a target or a policy for our balance sheet structure, dividends or share buy-backs. Our Board of Directors determines the dividend proposal by considering the overall business outlook and opportunities as well as the current and anticipated capital structure.

Our financial performance has enabled us to offer increasing dividend payments to our shareholders for many years. In 2014, we distributed a total of EUR 616.3 million in dividends to our shareholders (2013: EUR 512.5 million).

**Strong development in new equipment market**

The financial crisis in 2008-2009 burdened new equipment sales in the industry's traditional major markets of Europe and North America. At present, the markets in both regions are still below the peak levels in terms of units sold, however North America has been showing good recovery. The market in Asia-Pacific, however, grew through the

financial crisis and in the following years driven by China in particular. In 2014, the global new equipment market continued to grow. Markets in Asia-Pacific, North America and the Middle East developed positively, while development in Europe was stable.

On the whole, KONE has been able to grow faster than the market. We delivered approximately 130,000 new elevator and escalator units in 2014 (2013: approx. 120,000 elevator and escalator units). KONE's strong development in new equipment markets provides a solid basis for growth in maintenance, since many of the new equipment units installed by KONE will be converted for maintenance contracts by KONE as well.

### Maintenance base growing steadily

In recent years, growth in the maintenance market has been the fastest in Asia-Pacific, driven by growth in new equipment installations. The rapid growth of the new equipment market in the region continues to feed growth in the installed base, with much of the equipment being recently installed. In the more mature maintenance markets, the growth rate has been lower, with intense price competition seen in many countries. Nevertheless attractive opportunities are also seen in Europe and North America, where conversion rates are typically high.

KONE's maintenance base has been growing steadily since 2005, and in 2014, it surpassed 1,000,000 units globally. Conversions from new equipment sold by KONE have bolstered the development of our maintenance base both in mature and emerging markets. Acquisitions of small maintenance companies have also supported continuous growth in mature markets in Europe and North America.

In 2014, the modernization market was on a slightly declining trend overall. Although there was positive development in North America and Asia-Pacific, the large European modernization market experienced a decline as it continued to be burdened by weak economic development on the continent.

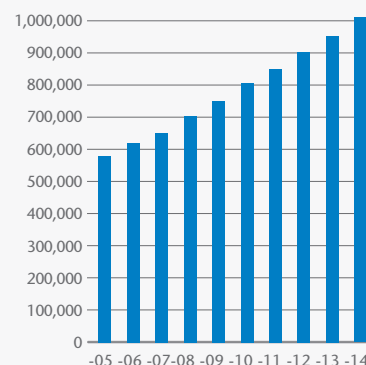
There remains great potential for modernization in the mature markets, where a large base of aging equipment is in operation. In Europe and the United States, it is estimated that over 50% of equipment is more than 20 years old. At the same time, the weak economic environment in Western countries has caused customers to postpone the modernization of their equipment. Yet, around the world, aging populations are heightening the need for better accessibility in buildings. Strong demand in the new equipment market in Asia also promises opportunities for the modernization business in the region over the long term.

### Further strengthening our position in a global growth industry

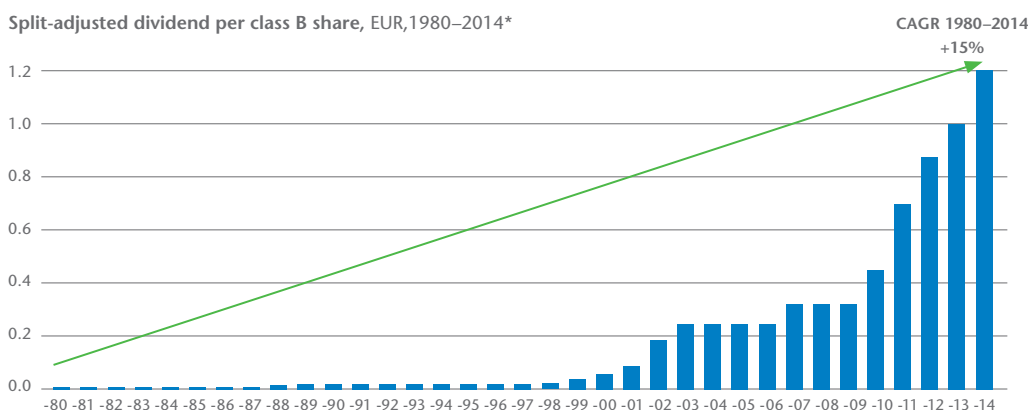
KONE is one of the global leaders in the elevator and escalator industry. Nevertheless, we actively develop our competitiveness and continue to maintain a challenger's attitude. We operate in an industry that is sustained by strong long-term trends such as urbanization, changing demographics, and an increasing focus on the environment and safety.

To support profitable growth, we are focusing on accelerating our development in mature markets as well as capturing growth opportunities in Asia-Pacific. We will do this by continuously developing our people and processes to provide best-in-class customer experience, increasing customer loyalty through greater differentiation, and improving the quality and productivity of our operations.

KONE's global maintenance base exceeded one million units in 2014  
In elevator and escalator units



Split-adjusted dividend per class B share, EUR, 1980–2014\*



\*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.



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



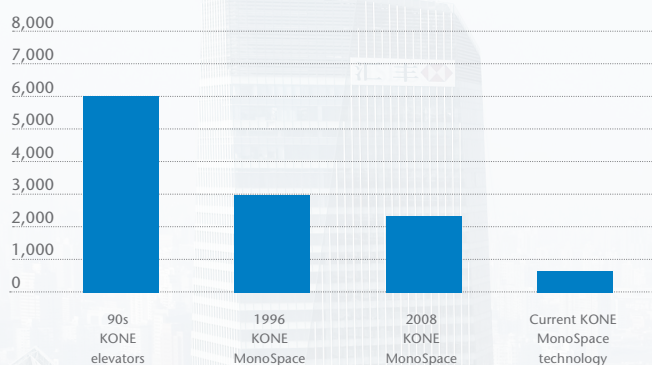
# ENVIRONMENT

Today's cities take up about 2% of the world's land area, 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.

KONE has a long history of enhancing the energy efficiency of its elevators. KONE's current machine-room-less volume elevator, the KONE MonoSpace® 500, is up to 90% more energy efficient than KONE elevators from the 1990s.

## 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.





# Building future cities through green transformation

KONE aims to be a leader in sustainability, and our Environmental Excellence program supports the ongoing transformation of the built environment into smart eco-cities, low-carbon communities, and net zero energy buildings. Green transformation can occur throughout the life cycle of buildings, from design and construction to maintenance and modernization.

KONE's environmental strategy is to provide safe, environmentally efficient and responsible high-performance solutions and services. We strive for continuous improvement in all of our business activities. 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.

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.

## Next generation green buildings

Green buildings help facility owners save energy, water, resources and money – but most importantly they boost human health and wellbeing. Green buildings change the way facilities and communities are designed, constructed, maintained and operated, promoting renewable, clean energy.

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

## 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 create as little adverse environmental impacts as possible.

### 1. Supporting green building design

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



### 2. Eco-efficient installation

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



Up to 70% energy savings by modernizing an elevator

4.8% relative reduction of vehicle fleet emissions



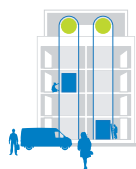
### 4. Eco-efficiency through modernization

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



### 3. Efficient maintenance processes

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



## Rapid urbanization calls for sustainable cities

In China, where more than half of the population already lives in cities, it is estimated that the number of urban dwellers will rise to more than a billion by 2050\*. This means that 100 million more people will be moving to China's cities by that time. To meet the sustainability challenges this megatrend poses, the Chinese government published their Urbanization plan in 2014. One of the plan's ambitious targets is that by the year 2020, 50 percent of the new buildings need to be constructed according to green building standards\*\*.

\*Source: World Urbanization Prospects: The 2014 Revision, Highlights

\*\*Source: Mizuho Securities Asia Limited



**Vast energy savings by modernizing elevators**

Over 50% of the 5.3 million elevators and escalators currently in operation in Europe are more than 20 years old. In 2020, it is estimated that this figure will increase to 60% (3.2 million)\*. According to Energy Efficiency of Elevators and Escalators (E4), a study supported by the European Commission, by modernizing elevators installed in 1985 or earlier with the best available technology, energy savings of as much as 63% can be achieved. On the European level this would amount to energy savings of 11.6 TWh.

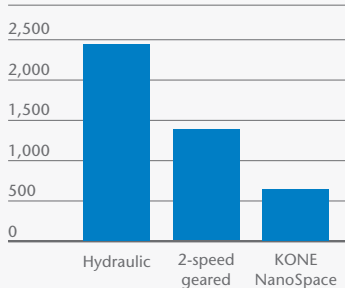


KONE's new modernization solution, KONE NanoSpace™, significantly reduces energy consumption: the new solution is up to 70% more energy efficient compared to old elevators in use.

\*Source: European Lift Association ELA

**KONE NanoSpace™ energy consumption – kWh/year**

Up to 70% more energy-efficient than traditional hydraulic elevators



Calculations are based on  
 Elevator speed 1 m/s  
 Load 400 kg  
 50,000 starts/year  
 Travel height 12 m  
 5 floors

**Energy efficient solutions for greener buildings**

The biggest environmental impacts of our solutions relate to 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 almost 90% more energy efficient than KONE 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.

We have also worked on further improving the safety, quality and reliability of our escalator solutions. We have set the target of further improving the energy efficiency of KONE solutions in our Environmental Excellence program for 2014–2016 (Read more on page 31).

**Design for Environment integrated into the R&D process**

Design for Environment is systematically integrated into KONE's R&D process. In developing new elevators, escalators, and automatic building doors, we focus on maximizing the positive environmental impacts and minimizing the negative ones throughout the lifecycle of our solutions. This extends from the extraction of raw materials to end-of-life processes such as recycling, waste treatment, and the reuse of recovered materials.

KONE's R&D process aims to:

- reduce energy consumption
- develop new smart technologies for green buildings
- reduce material use, including packaging and waste
- avoid the use of hazardous substances
- maximize material durability and recycled content

- maximize recyclability
- ensure that our products meet green building certification requirements
- minimize water consumption

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

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

KONE also participates in green building research projects related to new people flow technologies. In addition, we contribute to the development of low carbon maintenance concepts that employ remote monitoring and an eco-efficient service vehicle fleets. We also develop efficient installation methods for elevators and buildings, decreasing the installation time and resources needed.

**Top-class energy efficiency**

In 2014, KONE further increased the number of energy efficient elevator installations performed globally, especially in Europe and Asia. KONE is the only elevator company to offer the best VDI 4707 A-class energy efficiency rating for its volume elevator range while also fulfilling safety and accessibility codes.

In late 2014, KONE was the first company to achieve an A-class energy efficiency classification for its volume elevators according to the ISO 25745 Energy performance of lifts, escalators and moving walks standard. The measurements were made by external third parties at customer reference locations.

ISO 25745-2 is a new global standard for the energy calculation and classification of elevators, which was published in March 2015. It will eventually supersede current national and regional standards and guidelines. The A-class rating is the highest grade an elevator can receive under the new standard.

**Best-in-class energy efficiency according to ISO 25745-2**

	KONE EcoSpace®	KONE MonoSpace® 500	KONE E MiniSpace™	KONE S MiniSpace™	KONE N MiniSpace™	KONE S MonoSpace®	KONE MiniSpace™
Building type	Office	Residential	Residential	Residential	Hotel	Office	Hotel
Load (kg)	630	630	1,000	1,000	1,000	1,150	1,200
Speed (m/s)	0.63	1.0	2.0	2.0	2.5	2.5	4.0
Energy efficiency class							

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

The A-class certifications have been gained on customers' sites with measurements conducted by third parties, in building types varying from low-rise residential buildings to high-rise office buildings and hospitals. KONE has also achieved an A-class VDI 4707 certificate for a double deck elevator, which is a special application for buildings with very high traffic volumes.

**A-class energy efficiency according to VDI 4707**

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

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

**FIDE energy saving label**

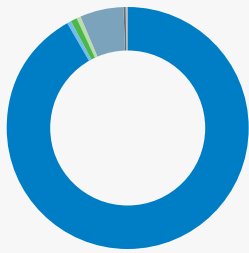
In addition to the VDI 4707 and ISO 25745 ratings, KONE is the first and only company to already have achieved the FIDE energy saving label for its elevators in 2011. KONE has maintained and extended its certification range ever since. FIDE is an official organization in Mexico that acknowledges companies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

**Green Label certification**

KONE was the first elevator company to receive a Green Label certification according to the Singapore Green Building Council. Through this certification, the KONE N MiniSpace™ and the 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, which promotes sustainability in the construction and real estate sectors.



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



- Metals 91.9%
- Miscellaneous 0.6%
- Plastics 0.6%
- Glass 0.7%
- Wood 5.9%
- Cartonboard 0.1%
- Packaging plastics 0.2%

Over 90% of the materials used for manufacturing and packaging KONE elevators and escalators consist of metals that can be recycled at the end of 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 (ReCiPe method), show that our biggest environmental impact stems from the energy consumed by our

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

KONE is an active member of a working group of European Lift Association (ELA) developing a set of new Product Category Rules (PCR) to be used in Environmental Product Declarations (EPD) of elevators.

Carbon footprint of KONE's products, tCO <sub>2</sub> e		2012	2013	2014
Production of materials for products (calculated)		1,761,000	1,991,000	2,194,000
Lifetime energy consumption of products ordered from KONE during the reporting year (calculated)		4,180,000	5,045,000	4,554,225

Materials used, tonnes		2012	2013	2014
Manufacturing (calculated)	Metals (steel, aluminum, copper)	470,000	532,000	587,000
	Miscellaneous	7,800	5,500	3,600
	Plastics	4,200	4,100	4,000
	Glass	3,700	3,900	4,100
Packaging (calculated)	Wood	42,000	39,500	37,900
	Carton board	1,200	1,100	900
	Plastics	1,000	1,100	1,100
Office consumables (actual data)	Paper	400	600	700
<b>Total</b>		<b>530,300</b>	<b>587,800</b>	<b>639,300</b>

Calculations are based on Life Cycle Assessment data and products ordered from KONE (2012: 118,000; 2013: 137,000; 2014: 154,000)

# Eco-efficient People Flow solutions

## Elevator solutions

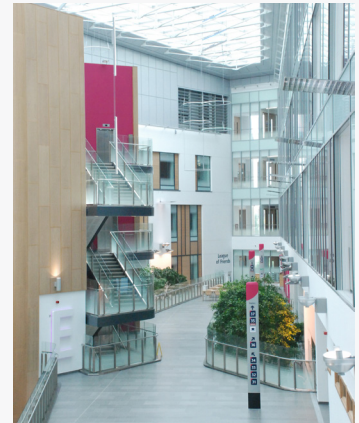
- The KONE EcoDisc® hoisting machine delivers the best VDI 4707 and ISO 25745-2 A-class energy efficiency on the market. The innovative copper winding system reduces heat losses by up to 30%. The braking system reduces the power consumption during steady run by 75% compared to the previous model. KONE EcoDisc is compact and lightweight, contributing to material and space efficiency.
- The revolutionary new 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 can reduce energy consumption by up to 80% compared to halogen lighting and lasts ten times longer.
- Standby solutions power down the equipment, when the elevator is not in use, providing substantial energy savings.
- KONE's destination control system optimizes traffic, reducing the size and number of elevators needed in a building.
- KONE's new high-rise solution, KONE UltraRope, cuts the energy consumption of a 500-meter elevator ride by 15%.

## Escalator solutions

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

## Automatic building door solutions

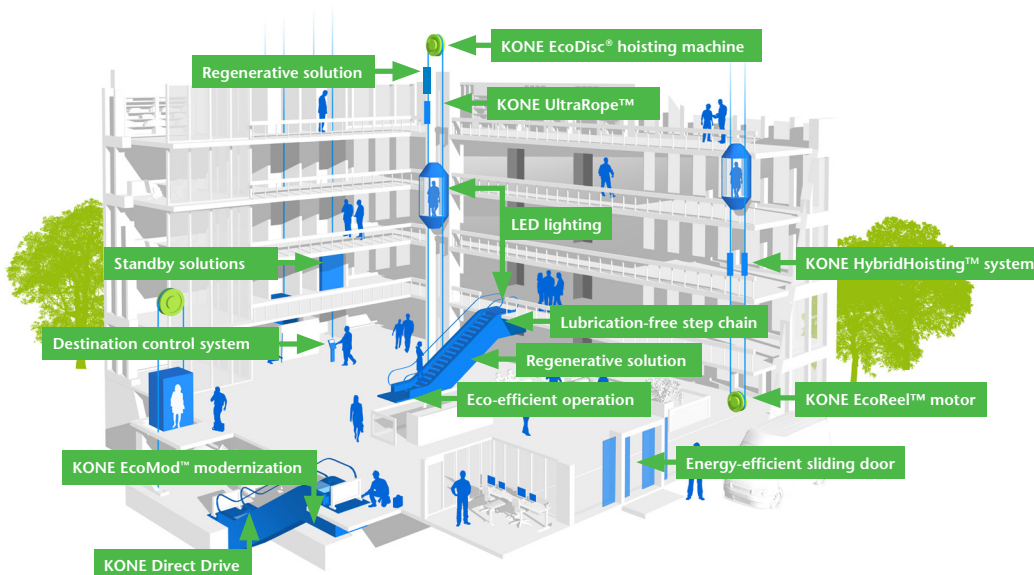
- KONE's sliding door solution regulates the door's opening width and opening time based on the outside temperature, wind speed, and pedestrian volumes. This enables savings of up to 4,000 kWh per year in heating and cooling consumption.



## Europe's most energy efficient hospital

KONE customer, the Brunel Building of the Southmead hospital in Bristol UK, has been recognized as Europe's most energy efficient major acute hospital. Not only has it being awarded BREEAM 'Excellent' status, but it is 20% more energy-efficient than the BREEAM Excellent for Hospitals requires. All the elevators in the Brunel building have KONE regenerative drives and E-Link systems to support Southmead's eco-efficiency and people flow effectiveness.

The construction of Southmead hospital continues, and KONE will be installing further elevators during the second phase.

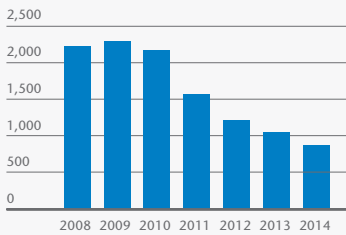


# The environmental impact of KONE's operations in 2014

## Reducing our operational carbon footprint

KONE has been measuring its operational carbon footprint since 2008. Between 2008 and 2014, we have managed to reduce our energy use carbon footprint relative to orders received by 60%.\*

Direct energy and electricity carbon footprint, kgCO<sub>2</sub>e relative to orders received



\*Calculations include Scope 1 direct energy and Scope 2 indirect electricity (including district heat)

KONE's operational environmental work focuses on reducing our carbon footprint and improving energy and material efficiency, as well as lowering our water consumption and waste and our use of hazardous substances. We work with our suppliers and customers to minimize the emissions and other adverse environmental impacts of our business operations and to prevent them altogether whenever possible.

In 2014, KONE's absolute operational carbon footprint amounted to 326 ktCO<sub>2</sub>e (thousand tonnes of carbon dioxide equivalent) (2013: 316). The increase is mainly a result of growth in employee headcount, sales and production volumes.

During the year, KONE's operational carbon footprint relative to net sales decreased by

1.8% compared to 2013. The operational carbon footprint of externally assured scope 1 and scope 2 greenhouse gas emissions decreased by 9.1% relative to net sales. The absolute scope 1 and 2 carbon footprint decreased by 4.8%, whereas KONE's sales volumes increased by 5.8%.

With 141 ktCO<sub>2</sub>e (2013: 131), logistics operations was the major source of greenhouse gas emissions in KONE's absolute carbon footprint. Other significant contributors are our vehicle fleet with 86 ktCO<sub>2</sub>e (2013: 86), electricity consumption with 41 ktCO<sub>2</sub>e (2013: 44), mobility including employee commuting with 27 ktCO<sub>2</sub>e (2013: 22) and business air travel with 18 ktCO<sub>2</sub>e (2013: 17), and fuels for heating and cooling with 11 ktCO<sub>2</sub>e (2013: 14).

## Relative operational carbon footprint

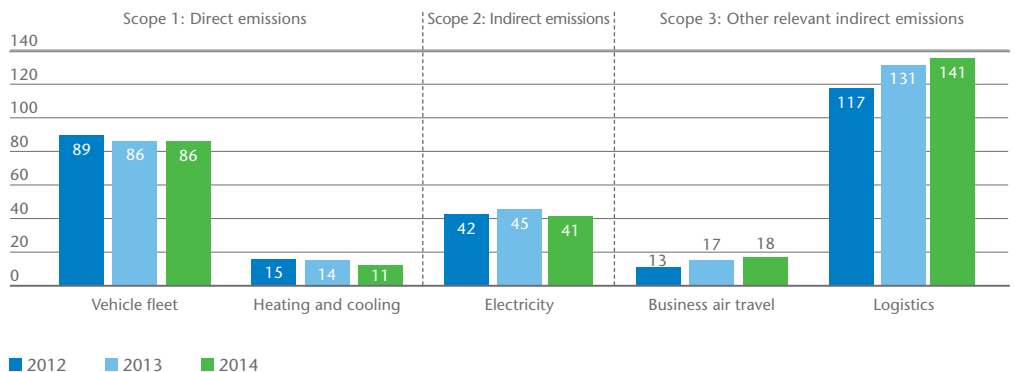
Data assured externally

Vehicle fleet (Scope 1)				Electricity (Scope 2)				Business air travel (Scope 3)				Logistics (Scope 3)				Overall operations			
2012	2013	2014	YoY	2012	2013	2014	YoY	2012	2013	2014	YoY	2012	2013	2014	YoY	2012	2013	2014	YoY
83.1	77.4	73.7	-4.8%	1,055	1,018*	863	-15.2%	335*	397*	380	-4.3%	1,088	1,039	1,023	-1.6%	47.2*	45.7*	44.9	-1.8%
kgCO <sub>2</sub> e / Unit in service				kgCO <sub>2</sub> e / Headcount				kgCO <sub>2</sub> e / Headcount				kgCO <sub>2</sub> e / Unit				kgCO <sub>2</sub> e / KEUR Sales			

\* Restated

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

Data assured externally





### Logistics

Logistics accounted for 141 ktCO<sub>2</sub>e, or 43% 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 2014, KONE’s logistics carbon footprint relative to units delivered to customers decreased by 1.6%. The logistics data covers both the transportation of products from KONE’s manufacturing units to customers and the transportation of those modules that are delivered straight from our suppliers to our distribution centers and onward to customers. During the year, KONE delivered over 2.8 million packages from distribution centers to installation sites, and around 0.5 million packages of spare parts from distribution centers to customer sites.

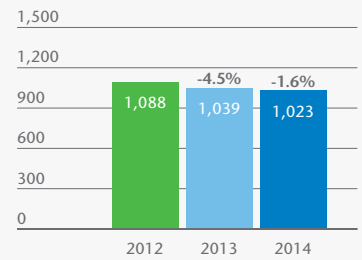
The biggest changes in KONE’s delivery chain in 2014 were related to the further optimization of our network of distribution centers. We opened new distribution centers in Chengdu, China and Chennai, India. In addition, we moved the existing North American distribution center in Illinois to Ohio. Logistics flows were further enhanced in Europe and from our China supply to North America. In addition, our latest IT systems update allows us to route material

from suppliers to customers in a more optimal way. Through all these actions, KONE has been able to control the increase of absolute logistics emissions and to further improve the logistics efficiency per delivered elevator or escalator unit.

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 reporting methods and tools. Both the accuracy and coverage of greenhouse gas emissions data collection and calculations have thus been further improved during 2014.

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. The impact of packaging is managed, for example, by using environmentally conscious packaging design. This applies to both our own packaging and that of our suppliers. Packaging plays a significant role in improving transportation efficiency and full-chain quality.

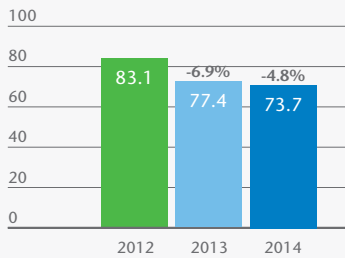
Relative carbon footprint of logistics kgCO<sub>2</sub>e/Unit



#### How KONE reduces the environmental impacts of transportation

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

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



**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 CO<sub>2</sub> emissions.

**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 2014, 26% 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 15,000, out of which 14,000 were in the scope of KONE's environmental reporting globally. Two-thirds of the fleet was made up of service vehicles, while the rest were

employee benefit cars. In total, KONE's vehicle fleet emitted 86 ktCO<sub>2</sub>e (2013: 86) in 2014.

The absolute carbon footprint of our vehicle fleet decreased by 0.3%. The relative carbon footprint per unit in service saw a decrease of 4.8%, just short of the target of a 5% annual reduction per units in service. We continuously search for new and innovative ways to reduce the carbon footprint of our vehicle fleet.

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

Compliance with KONE vehicle fleet policy	KONE continued to manage its vehicle fleet in compliance with the global vehicle fleet policy, which defines maximum CO <sub>2</sub> emission limits.
Sourcing focus on fuel efficiency	In 2014, both passenger and commercial vehicles taken out of use were replaced by new, significantly more fuel-efficient models. During 2014, KONE continued to implement international contracts with Ford, Renault and Fiat. This led to a change of a car manufacturer in several countries (France, Sweden, Poland, Czech Republic, Slovakia, Spain and Portugal) and to an implementation of new, more fuel-efficient models with the incumbent suppliers (Austria, Netherlands, Finland, USA). Another example of using eco-efficient technology is the selection of vans with start-stop systems.
Introduction of electric vehicles	Piloting full electric vehicles continued in France, and the piloting of hybrid electric vehicles continued in the US and in the Netherlands.
Vehicle rightsizing	The vehicle rightsizing program continued in 2014. 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 2014. KONE monitored the driving performance of its service drivers in France, the UK, 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 were piloted in the UK and Sweden to increase driver safety and security, and to improve fuel efficiency through safer driving.



### Business air travel

Business air travel accounted for 6% of KONE's operational carbon footprint in 2014. The greenhouse gas emissions related to air travel increased by 4% to 18 ktCO<sub>2</sub>e (2013: 17). The relative carbon footprint decreased by 4.3%, which is above the general 3% reduction target. In order to reduce the need for travel and to facilitate global collaboration, KONE invests in virtual meeting tools. In 2014, video conferencing time increased by 2%. This has been achieved by encouraging KONE personnel to use the virtual meeting tools as the first option instead of traveling. During the year, KONE improved the reporting accuracy of business air travel emissions by extending the reporting scope to cover the whole KONE organization.

### Electricity

Electricity consumption, including district heat, accounted for 41 ktCO<sub>2</sub>e (2013: 44) or 12% of KONE's operational carbon footprint in 2014. The electricity was used in KONE's offices, warehouses, and manufacturing facilities. In 2014, electricity consumption increased by 0.6% to 93,800 MWh (2013: 93,200 MWh), but the absolute electricity carbon footprint decreased by 8% and the relative footprint by as much as 15.2%, thanks to the increased share of green electricity used. The reduction was also partly due to the updated greenhouse gas emission factors, which on average are 10% smaller than the previous factors.

KONE has committed to specific energy consumption and electricity saving programs. For example KONE's Finnish country organization is aiming to reduce the electricity consumption at its facilities by 9% by 2016, with 2008 as the base year. KONE's Global Facility Policy also includes energy saving targets. KONE's manufacturing unit in the Czech Republic has received the ISO 50001 Energy Management System certification as the first KONE unit.

In total, 29% (2013: 4%) of the electricity used in our operations is green electricity produced using renewable sources. The significantly increased share of green electricity in 2014 is due to the fact that KONE purchased green electricity for its corporate head offices in Espoo, Finland and for the whole manufacturing and R&D site in Hyvinkää, Finland. All of

the electricity consumed at these facilities is produced by wind power. Other KONE units that purchase green electricity are our German, Swedish, and Danish country organizations. KONE's manufacturing unit in Slimpa, Italy has a photovoltaic system that produces some of the electricity it consumes. In addition, the eco-efficient KONE US Operations Center in Moline, Illinois combines active and passive energy strategies, including over 1,300 solar panels.

### Fuels for heating and cooling

Fuels for heating and cooling account for 3% of our operational carbon footprint. In 2014, fuels for heating and cooling generated 11 ktCO<sub>2</sub>e (2013: 14) of greenhouse gas emissions. This represents a decrease of 21% compared to 2013.

### Material management

In 2014, KONE used 639 k tonnes (2013: 588) 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 the increase in production volumes. At KONE, we focus strongly 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.

### Waste optimization in the manufacturing chain

In 2014, waste accounted for 2.3 ktCO<sub>2</sub>e (2013: 1.9) or 0.7% of KONE's operational carbon footprint. We aim to reduce the waste generated by our manufacturing facilities and offices through reduction at the source, reuse and recycling, and by sending waste to incineration. Landfill waste is kept to a minimum. Waste is always handled according to applicable laws and regulations in local KONE organizations, and we aim to exceed legal requirements.

Based on environmental data collected from 11 KONE engineering and manufacturing sites, 92% of the waste generated by KONE's global delivery chain is recycled or incinerated. Only 8% (2013: 4%) is sent to landfill. All of the waste generated by our escalator manufacturing unit and the GiantKONE manufacturing unit in China and by our manufacturing units in Hyvinkää, Finland and Pero, Italy is either recycled or



Green electricity at KONE's corporate head offices and at the Hyvinkää manufacturing and R&D site reduced the electricity carbon footprint of these sites by over

**60%**



**0%**

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

#### Read more

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

### Hyvinkää site received an energy efficiency award

In October 2014, KONE's production site in Hyvinkää, Finland, received an energy efficiency award from the City of Hyvinkää, the local Entrepreneurs' Association, and the Riihimäki-Hyvinkää Chamber of Commerce. The site gained positive results after the renovation of its facilities. The annual heating and electricity consumption of the factory has been decreasing since 2010. A new environmentally friendly roof was installed on the factory building, resulting in a 20% decrease in the energy it consumes for heating. Also, the factory's windows have been renewed, the lighting has been modernized and the lighting hours have been optimized. The site also received the award due to the construction of the new eco-efficient and LEED Gold certified People Flow Center, which is located right next to the factory.

incinerated – none is landfilled. Only 0.3% of the waste generated by our elevator manufacturing unit in China is sent to landfill.

### Water consumption

Although the water consumption in KONE's production and maintenance processes is minimal, we continue to optimize and further minimize our usage of water. KONE uses municipal water, and waste water is released into municipal treatment systems that abide by local regulations. The total amount of water used in our manufacturing and office facilities was 390,000 m<sup>3</sup> (2013: 370,000). The increase was caused by an increased headcount and higher production volumes. In 2014, KONE's manufacturing units, excluding GiantKONE, released 20.2 tonnes (2013: 24.8) of waste water effluents into the municipal waste water systems.

### Improving the eco-efficiency of KONE 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 to the selection

and management of our facilities. Each KONE unit is responsible for implementing the policy locally. The key objectives of the facility policy include 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, with 2010 as the base year. 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 office activities
- Reducing waste and further improving recycling
- Selecting eco-efficient service suppliers
- In addition, new KONE buildings should be designed according to LEED or other green building standards. Also, green buildings should be favored in the relocation of KONE facilities to existing buildings.



KONE's People Flow Center in Hyvinkää, Finland, is LEED Gold certified.

# Environmental Excellence program 2014–2016

Key initiative	Achievements in 2014	Target 2016
Solutions	<ul style="list-style-type: none"> <li>KONE NanoSpace™ elevator full replacement solution launched. KONE NanoSpace provides excellent eco- and space efficiency and can be up to 70% more energy efficient than traditional hydraulic elevators.</li> <li>The best possible A-class energy efficiency classification according to the new ISO 25745-2* energy efficiency standard for the following elevators received:                             <ul style="list-style-type: none"> <li>KONE EcoSpace®</li> <li>KONE MonoSpace® 500</li> <li>KONE MiniSpace™</li> <li>KONE E MiniSpace™</li> <li>KONE S MiniSpace™</li> <li>KONE N MiniSpace™</li> <li>KONE S MonoSpace®</li> </ul> </li> <li>The Green Label certifications of the Singapore Green Building Council for the KONE N MiniSpace™ and KONE N MonoSpace® elevators received.</li> </ul>	Further reduce energy consumption of elevators and escalators compared to 2013, and further improve resource efficiency
Green building	<ul style="list-style-type: none"> <li>KONE solutions delivered to LEED, BREEAM and other certified green buildings.</li> <li>KONE's largest manufacturing and R&amp;D unit in Kunshan, China was granted a LEED Gold certification under the U.S. Green Building Council's rating system.</li> <li>KONE's manufacturing unit in Hyvinkää, Finland awarded by the City of Hyvinkää for long-term energy efficiency improvements, including the construction of a LEED Gold certified visitor center.</li> </ul>	Develop solutions to fulfill green building requirements and implement LEED/BREEAM at selected KONE facilities
Environmental impact of operations	<ul style="list-style-type: none"> <li>KONE's carbon footprint decreased by 1.8%. The carbon footprint of externally assured scope 1 and scope 2 greenhouse gas emissions relative to net sales decreased by 9.1%.</li> </ul>	Reduce KONE's carbon footprint relative to net sales by 3% annually
OneISO and suppliers	<ul style="list-style-type: none"> <li>All corporate units, manufacturing units, and R&amp;D units are ISO 14001 and ISO 9001 certified.</li> <li>18 major country organizations are ISO 14001 and ISO 9001 certified (2013: 18), and KONE's manufacturing unit in the Czech Republic is ISO 50001 certified.</li> <li>91% of strategic suppliers are ISO 14001 certified (2013: 90%).</li> </ul>	Continue to maintain OneISO (ISO 9001/14001) and require ISO 9001/14001 from our strategic suppliers
Reporting and communication	<ul style="list-style-type: none"> <li>KONE 2013 Corporate Responsibility Report maintained GRI3 B level. KONE's greenhouse gas emission data for Scope 1 direct energy use, Scope 2 electricity consumption, Scope 3 logistics and business air travel was externally assured.</li> <li>KONE's score in CDP's climate change program further improved to 100/100 points (2013: 98) with carbon performance score A- (2013: A-). KONE included in the Nordic Carbon Disclosure Leadership Index for the fourth year running.</li> <li>KONE ranked the world's 12th greenest company by the American magazine Newsweek. KONE is the only top 50 company representing the elevator and escalator industry in this ranking.</li> </ul>	Work to meet GRI4 requirements and continue to maintain high CDP scores

\*ISO 25745-2 is a new global standard for the energy calculation and classification of elevators, published in March 2015. It will eventually supersede current national and regional standards and guidelines. ISO 25745-3 is the corresponding standard for escalators and autowalks.

## Leader in sustainability

KONE's leadership in sustainability has been recognized by the Carbon Disclosure Project (CDP), which gave KONE the highest possible score of 100 for its reporting in 2014. CDP has included the company in the Carbon Disclosure Leadership Index (CDLI) for four years running. In addition, Newsweek magazine ranked KONE the world's 12th greenest company in 2014. In the list, KONE is the only top 50 company representing the elevator and escalator industry.



## Green means gold for Kunshan

In 2014, KONE received LEED Gold certification for KONE Park, its manufacturing and R&D site in Kunshan, China. KONE Park excelled in many of the LEED categories for green buildings, scoring full points in both water efficiency and innovation & design. KONE Park's performance in the innovation & design category was exceptional, scoring above the requirements set by the LEED rating system. This was accomplished by educating staff on green issues, using local construction materials, achieving water savings of more than 40%, and implementing an exceptional waste management system with a recycling rate of 95%.



# DELIVERY CHAIN

In 2014, KONE's delivery chain comprised eight production sites for elevators, escalators and building doors, ten global distribution centers for elevators, and four distribution centers for spare parts. Around 4,400 people keep KONE's supply operations running, covering new equipment, modernization, and spares supply. In addition, we work closely with a large number of material suppliers and logistics service providers. Our aim is to develop the best delivery chain in the industry.

KONE's production and distribution centers



KONE delivers over 2.8 million packages from distribution centers to the installation sites, and around 0.5 million packages of spare parts from distribution centers to the customer sites annually.





## A streamlined and high-quality delivery chain

At KONE, we strive for continuous improvement in the quality, responsiveness and efficiency of our delivery chain. Our delivery chain encompasses all of the actions and processes that lead up to the delivery of KONE equipment to the customer's site. The chain ends when the customer accepts the installation. Leading up to this point, we work to ensure that throughout all the phases of manufacturing, distribution, installation, and in the processes of our suppliers, the right items are delivered to the right places at the right times, and with the right quality.

We continuously improve the quality of all of our actions and aim to develop the best delivery chain in the industry. To support us in achieving this goal, we launched the 10x Better Supplier Quality program in 2014. The aim of the program is to deliver accurate estimates of product life cycles, more efficient material use, reduced material costs, and less need for troubleshooting by service technicians. 10x Better Supplier Quality program affects the daily work of thousands of KONE employees and hundreds of external partners in all direct material categories, and is expected to result in efficiency improvements at factories and installation sites. In 2015, the program will be extended to cover also logistic service providers.

### Listening to our customers

KONE's delivery chain is able to adapt to different customer requirements. For instance, customers with modernization projects value timely delivery of certain components, while in special high-rise projects, well planned and specified deliveries are crucial in enabling us to meet customers' demanding conditions.

We systematically collect customer feedback on our quality performance, which we

analyze using Six Sigma tools before taking corrective action. In addition, we set targets and monitor key performance indicators (KPIs) such as the early failure rate of our products. Employees are actively encouraged to take part in improving processes through an Idea Management System and Kaizen continuous improvement practices.

### Continuous learning for better quality

KONE actively employs a set of techniques and tools to improve the productivity and quality of our operations. We apply Lean and Six Sigma philosophies in eliminating waste and reducing process variation throughout the entire delivery chain as well as in product and process transitions. We implement the 5S\* method in all our offices, installation sites and distribution centers, and have developed a Lean manual and management model of continuous Improvement to follow these principles. We also use visual management, material flow optimization and process control practices across all of our units.

By the end of 2014, over 1,600 people had completed the Lean Passport E-learning Program, which is available in six languages: Finnish, English, Chinese, Italian, Spanish and Czech. Participants included more than 100 supplier representatives.

Advanced training, Lean Practitioners, is now rolled-out globally in all KONE regions. Around 70 participants have been trained and certified, and in addition more than 500 Lean projects were successfully completed in 2014.

Approximately 250 KONE employees have been trained in Six Sigma, and majority of them have received certifications. Altogether close to 150 Six Sigma projects were successfully completed in 2014.

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



### New global distribution centers opened

In 2014, KONE started up operations at two new global distribution centers in Asia to better meet growing demand. These are located in Chengdu, the central city of western China, and in Chennai, India. In the Americas, the Illinois distribution center was relocated to Ohio, closer to our material suppliers. We also managed to further optimize the material flows in Europe as well. These developments represent improvements in KONE's logistics network. Shorter distances to installation sites and closer proximity to local suppliers are expected to result in reductions to KONE's global greenhouse gas emissions from logistics.

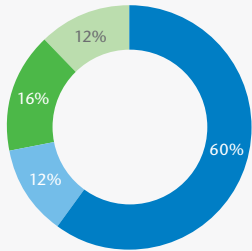
### Light manufacturing unit to Allen, Texas

KONE will expand its current operations in the Americas by adding a light manufacturing facility to Allen, Texas. This centralizes sourcing, engineering and testing, and will simplify logistics, enhance quality and speed delivery. The new facility is expected to be ready and in full function during 2015.

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

# Sustainability is a key criterion in sourcing

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.

Strategic suppliers with ISO 9001 certification:

100%

Strategic suppliers with ISO 14001 certification:

91%

Strategic suppliers audited:

100%

Our suppliers and their sub-tier suppliers are an integral part of KONE’s delivery chain. They play a key role in delivering high-quality solutions 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 and modules, logistics services, and install our products – not to mention other suppliers who provide us with indirect materials and services.

Our production consists largely of assembly of sourced components. Only selected components are produced in-house. The main raw materials that are used in producing our products are various types of steel and stainless steel as well as aluminum and copper.

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

We work closely with our suppliers to develop our business, and our aim is to build a long-term relationship with them. We use several means to ensure supplier excellence: We audit our suppliers, assess and mitigate supplier related risk, employ standardized contractual agreements that include the KONE Supplier Code of Conduct, assess supplier performance, and certify our key suppliers.

### Supplier Audits

We audit all of the main suppliers that deliver direct materials to KONE distribution centers or factories on a regular basis. All of KONE’s strategic suppliers were audited in 2014. We review our audit plan every year to prioritize and schedule audits according to our 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 secure competitive raw material price levels.

### Supplier Code of Conduct

All KONE suppliers must comply with our Supplier Code of Conduct, which sets out our global values. We expect our suppliers to adhere to this Code in their dealings with KONE, with their own employees and suppliers, as well as with third parties. We prohibit any kind of unethical business practices and reserve the right in the Supplier Code of Conduct to terminate all contracts with any of our suppliers who breach our Code.

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

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

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

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

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



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

### Assessing supplier performance

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, technical competence and service level.

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. It examines environmental and quality management systems, performance scorecards, and supplier audit results, among other aspects. ISO 14001 and ISO 9001 compliance are also assessed. We aim to maintain a supply base that complies with international quality and environmental standards as well as those of KONE.

In 2014, 100% of our strategic supplier factories were ISO 9001 certified and 91% of them had ISO 14001 certification. We expect all our key suppliers' factories to attain Supplier Excellence Certifications.

All our new suppliers must sign KONE's Supplier Code of Conduct. Read more about the Code at [www.kone.com/suppliers](http://www.kone.com/suppliers).

### Supplier Day focused on quality

Thirty-nine of our most important direct material suppliers and logistics service providers attended KONE's Annual Supplier Day in April 2014 in Helsinki, Finland. The event served as a forum for sharing information, and a means to engage suppliers in KONE's strategy. Our suppliers play an integral role in helping us achieve our ambitious targets related to quality and safety.

In 2014, Supplier Day was dedicated to the theme "Full-Chain Quality", and customer satisfaction was one of the main topics of the day. Participants shared concrete examples of how KONE's suppliers and their actions have a direct impact on customer satisfaction. All members of the complete supply chain share the responsibility of meeting customer expectations.





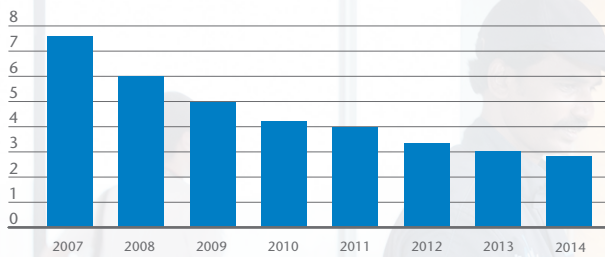
# SAFETY

Millions of people use elevators, escalators and automatic building doors every day, and their safety is our first priority. Close to 20,000 service technicians around the world ensure that the equipment maintained by KONE functions properly 24/7.

KONE employs over 47,000 employees and works with thousands of subcontractor personnel. We want everyone to return home injury-free every day. It is our strong belief that all accidents are preventable.

In 2014, the industrial injury frequency rate (IIFR) among KONE's employees was 2.8; a reduction of 9% from the previous year. As a key performance indicator, KONE tracks the number of lost time injuries of one day or more per million hours worked.

IIFR development



# Our goal is zero accidents

Safety is an integral part of KONE's strategy and a cornerstone of our business. For this reason, we have defined it as our highest priority. Our ultimate goal – for all of our employees, users of our equipment, and partners – is zero accidents. We work towards achieving it by continuously developing our people and processes, working together with our partners, and actively communicating with users about the safe use of equipment.

The zero accident goal calls for a strong safety culture and mindset where safety is embedded in everything we do. Our aim is to create a working environment where colleagues look after each other. We have global policies, processes, and guidelines in place to ensure that our business activities, including subcontractor operations, are organized and conducted in a structured and globally harmonized way.

## Safety involves everyone

Safety is increasingly important for consumers and authorities across the globe. In many markets, urban infrastructure systems are aging. National and international safety codes and standards play a key role in determining the safety level of elevators, escalators and automatic building doors. In Europe, several countries have adopted strict standards for improving safety through modernization in recent years.

KONE actively contributes to the development of codes and standards that aim to further improve equipment safety. We also promote safety through our involvement in industry trade associations. Nevertheless, elevator, escalator and automatic door safety is a joint effort that involves all parties, from technology providers, building owners, maintenance service providers to equipment users.

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.

Building owners and maintenance service providers are responsible for making sure that equipment is professionally maintained and kept in good condition. Customers should, for example, inform service providers if they identify any recognizable hazards, such as broken glass or sharp edges due to vandalism. Also equipment users need to be conscious of their own behavior when using equipment, and therefore we

communicate actively about safety to both external and internal stakeholders.

## Safety at work

Safety is integrated into all of KONE's processes, and we focus on making sure each of our employees has the necessary competence to perform their work professionally and safely. KONE employees receive training on health and safety, 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.

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 ensure their own safety and that of anyone else who may be affected by their activities.

## Monitoring safety performance

Every manager is responsible for ensuring that all necessary arrangements are in place to allow their teams to work safely. We conduct for example audits to measure compliance with KONE's policies, rules, and defined working methods, and take corrective actions if deviations are identified.

Our process controls and audits assess safety, and if obstacles to safe working are found, the work in question stops until a safe method is approved. Members of senior management teams participate in workplace audits regularly.

To support continuous improvement in KONE's safety performance, a procedure is in place to report and investigate accidents, near miss incidents, unsafe conditions and unsafe behavior. The underlying root causes are identified and corrective and preventive actions are implemented to ensure that the accident or near miss is not repeated. KONE monitors serious, lost time and near miss incidents globally, and reporting processes were further developed in 2014. Incidents, lost days per incident and the number of near misses are part of each unit's monthly reporting to global functions. Compared to 2013, the number of serious employee or subcontractor accidents decreased by 16%.

Global safety network meetings are organized quarterly to share lessons learned from accidents and near misses. In addition, safety managers gather monthly to discuss concerns and accelerate the sharing of best practices.

## Safety targets and achievements

- KONE's ultimate goal is zero accidents
- In 2014, our industrial injury frequency rate (IIFR) was 2.8 – a reduction of 9% from the previous year
- In our annual employee survey, Pulse, the question about KONE's commitment to employee safety again received a very high score in 2014

## New safety standards for elevators

The main European safety standards for elevators, EN 81-1 and EN 81-2, have been extensively revised, improving the level of safety for end users as well as workers. The result of the revision was published as two new standards EN 81-20 and EN 81-50 in 2014. KONE experts, as national delegates to European Committee for Standardization (CEN), have been actively involved in the planning and development of those new standards. European standards are widely used around the world, improving the level of safety for all.

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



# 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.

## Safety education

KONE actively organizes safety events and provides educational material to equipment users. Our safety mascots, Bob and Max help educate children on the safe use of the equipment. We have continued our work in providing engaging material targeted to children with the launch of safety animation and online game. Read more at [kone.com/safety](http://kone.com/safety).

We also provide guidance to our customers on how to keep their equipment running safely, and offer safety education to their employees.

## Building safety awareness in Jeddah

KONE educated children from over 200 schools on how to use elevators, escalators and automatic building doors safely in an event organized in Jeddah, Saudi Arabia. The International Day of Civil Defense is a yearly event that aims to increase safety awareness of children from the perspective of sustainable development. KONE sponsored the event and provided a variety of safety materials.



### 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. 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 improve their safety and functionality further.

### OFFICE

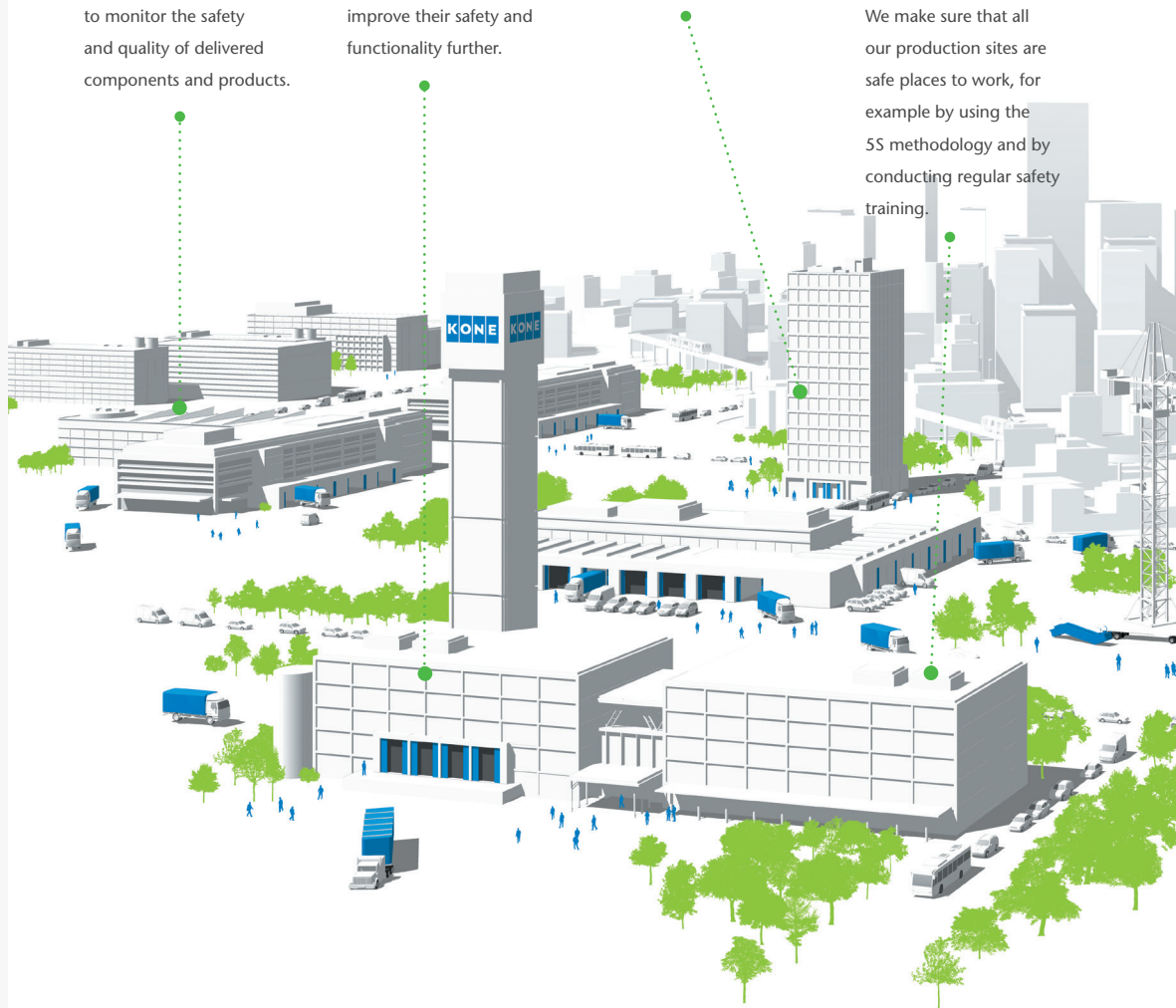
KONE promotes the safety awareness of its employees through health and safety training as well as safety-related internal communication.

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**

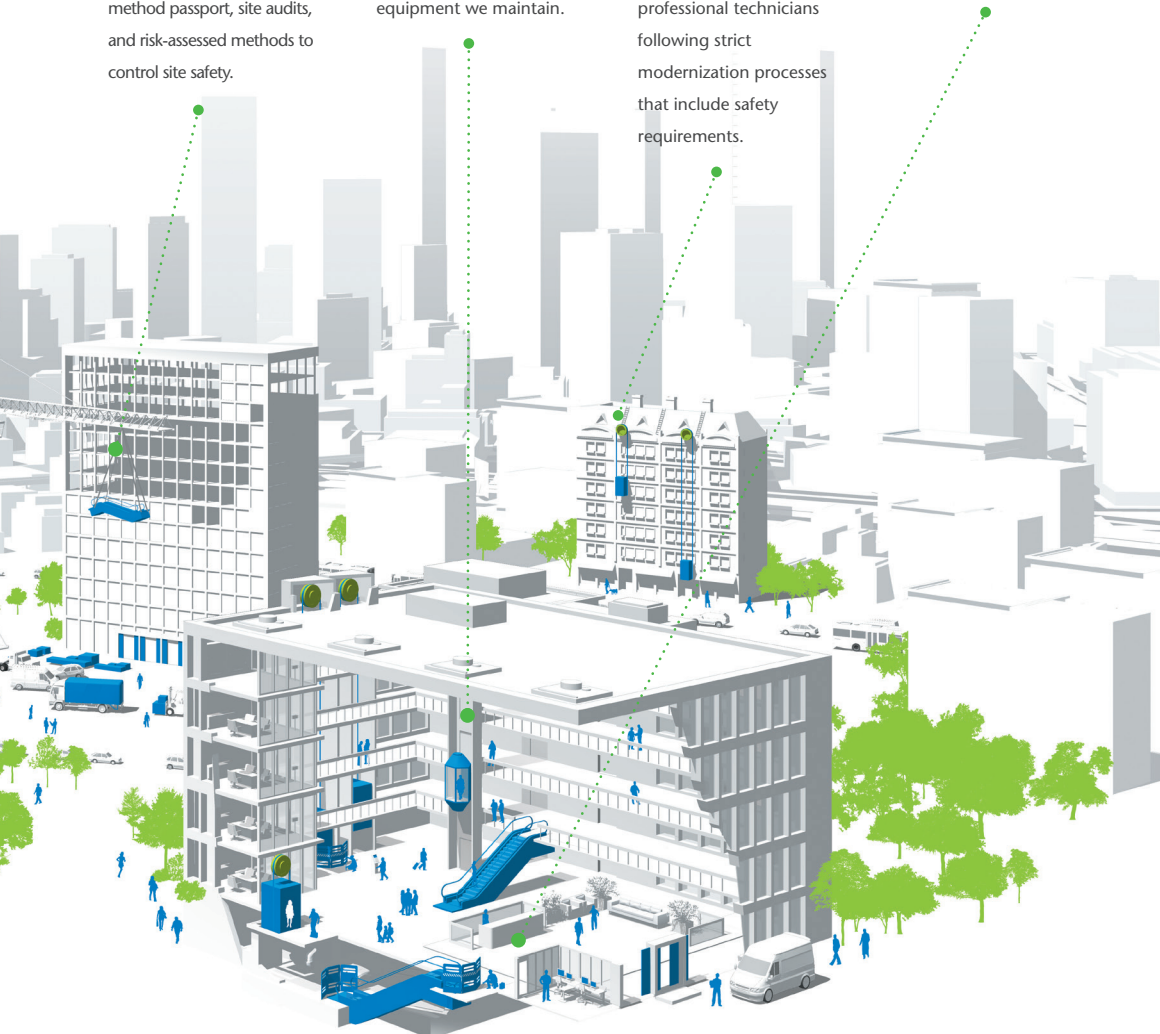
KONE develops modernization solutions for upgrading or replacing existing equipment with new solutions that meet or exceed the latest safety standards, improving equipment reliability and user safety.

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.



**Strengthening our safety culture**

In 2014, KONE organized its third annual Global Safety Week. The purpose of this global event is to further boost KONE's culture for safety. Activities included for example training modules, virtual sessions, toolbox talks, locally organized activities, and also family events for employees and subcontractors.

**Enhanced safety and accessibility via modernization**

Elevator modernization is a critical issue in today's cities where infrastructure is aging. Among the benefits of modernization are safety and accessibility. In elevators, safety means for example accurate leveling, well-functioning elevator doors and a voice link to the service center. Handrails give support and improved lighting and mirrors make reversing in wheelchairs easier. Also, braille signalization or audible announcements assist the visually impaired. Full replacement of an elevator can boost interior car space by 50%, and wider opening doors allow entry with walkers.



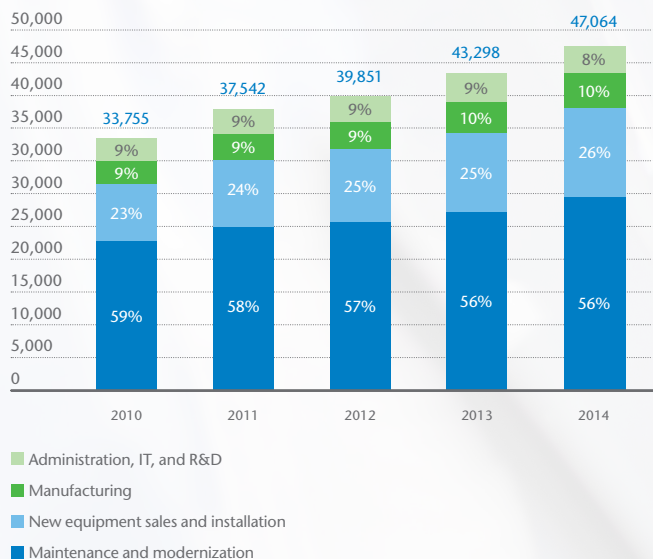
# OUR PEOPLE

We want KONE to be a great place to work and to inspire, engage, and develop our employees to deliver great results. We follow high ethical principles in all our activities. Our employees have the right to a safe, healthy working environment where discrimination is prohibited and personal well-being is promoted. Diversity is important to us. We have clear rules and guidance for ethical business practices, and they are easily available to all our employees.

Most of our employees are on the field every day, serving our customers in close to 60 countries.

At the end of 2014, KONE had over 47,000 employees globally

Employees by job category (%)





## Building a winning team

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

### Pursuing an equal opportunity approach

We follow high ethical principles in all of our activities. We treat each employee fairly and provide them with a safe working environment. As an employer, KONE is committed to an equal opportunity approach that places people in the positions that best suit their abilities. We consider diversity as a strength and prohibit discrimination of any kind. During the reporting year, employees of more than 100 different nationalities worked at KONE.

We achieved a slight improvement in the proportion of women to men who work in management positions at KONE. Females made up 17% of the members of management teams in 2014, taking us closer to our target of 20%. We do not differentiate between job applicants based on their gender, race, or other aspects of their personal backgrounds. However, we have set goals for cultural diversity in our global teams.

### A Winning Team of True Professionals

KONE defined A Winning Team of True Professionals as one of its five development programs at the beginning of 2014. It builds on earlier Employee Engagement and People Leadership programs, and focuses on ensuring that all KONE employees perform at their best, on developing field competences, and attracting the best talent to join KONE.

During 2014, we began putting the program into action by developing learning paths for most of the field roles, publishing more online learning modules, renewing field personnel performance discussion practices, preparing a global apprentice program toolkit and updating guidance for school collaboration.

In 2014, we continued rolling out our global learning management system making training options more visible and allowing us to

manage certifications, training requirements and personnel development more easily. The system, which is called konelearning.com, also supports our online and field trainings, and aims to facilitate better collaboration and material sharing. The roll-out of konelearning.com has already been completed in the US, Canada, China and other Asian countries and will continue with European countries in 2015. In its first year of operation more than 44,000 online courses have already been completed in konelearning.com.

KONE continued to carry out its global learning programs for leaders, such as the Supervisor Development Program and Installation and Service Manager programs. Also, a new program on general management was introduced.

### Performance discussions twice a year

Our goal is 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 2014, over 90% of eligible staff and over 82% of eligible operatives took part in regular performance and career development reviews.

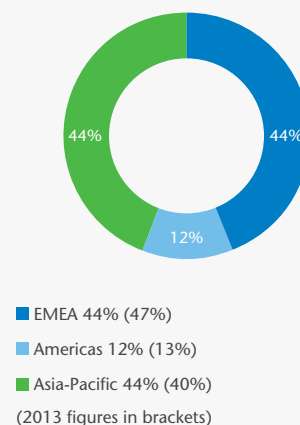
In these discussions, KONE managers are advised to talk about employee well-being, in addition to target setting and reviewing job contents. Career development and growth opportunities are also important topics. The quality of performance discussions was further improved during the reporting period, and we actively encouraged all our employees to have their individual development plans in place.

### Offering interesting job opportunities

Job rotation continued to be an important part of developing KONE employees. In 2014 we launched a new possibility for employees to view internal job openings also outside of the office environment. This is especially helpful to field workers and others who are not regularly connected to the KONE intranet and are interested in accessing the internal job openings.

To introduce fresh insights and to renew the way we approach our business, we also seek external candidates for open positions. The apprentice

Employees by market, 2014



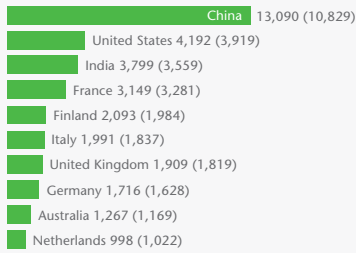
With konelearning.com, KONE employees can take advantage of a wide range of learning opportunities – from online training modules to informational videos and quizzes on a variety of topics. They can also keep track of their training records and certifications. The system can be accessed from outside the KONE network, allowing employees to complete their learning sessions at their own convenience.

Read about workplace safety on p. 37.

**Personnel by country**

**Dec. 31, 2014**

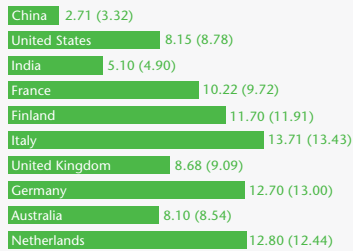
10 largest countries  
(2013 figures in brackets)



**Average length of service**

**Dec. 31, 2014**

10 largest countries  
(2013 figures in brackets)



programs that have been established in key KONE countries are an excellent way for us to recruit new professionals into KONE teams. KONE also collaborates actively with schools. In 2014 we trained 90 employees to act as KONE promoters and talk about the company in schools, universities and other relevant places. In addition, we offer students and graduates opportunities to work on interesting projects at different KONE units around the world through KONE's International Trainee Program. In 2014 we received over 1,700 applications and had trainees representing nine nationalities pursuing their internships at seven different KONE locations.

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

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

**Measuring workplace satisfaction**

Each year, we conduct our Pulse survey to measure employees' level of workplace satisfaction. It offers our employees an opportunity to give their feedback and provides insight into their engagement with

KONE's core values. In the reporting year, 38,420 employees provided feedback, and the global response rate remained at a very high level of 91%.

The survey covers areas such as employee engagement, performance enablement, sustainability, strategy and values, leadership, communication and involvement, customer relationships, and growth and development opportunities. In addition, the survey examines how respondents view their jobs, managers and performance reviews.

In 2014, KONE's employee engagement score maintained its four-year upward trend and also surpassed external benchmarks. For the second consecutive year, the scores of each of the 47 questions exceeded those of the previous year. Three new questions were introduced related to engagement, process simplification and collaboration. The questions with the most improved scores were those relating to employee engagement, utilizing customer feedback for process improvement, and confidence in KONE strategy.

**Rewarding for performance**

Our reward framework is intended to inspire, motivate and engage employees through easy-to-understand policies, guidelines and practices that align with our business





strategy and development programs. We make a significant investment in the range of monetary and non-monetary rewards that we offer to our employees, and we call this total reward. This framework focuses on pay for performance and aims to be transparent and clearly communicated. While reward policies are consistent across KONE, the practices are flexible enough to meet local needs.

Compensation and other benefits of the Board of Directors, President and CEO, and the Executive Board are disclosed in KONE's Financial Statements 2014 (p. 62–63).

### Good collaboration

Every year KONE organizes European Employee Forum that brings together top management and employee representatives to discuss issues ranging from safety to business development. In 2014 the theme of the forum was new development programs, especially the ones related to maintenance and modernization. Altogether 23 employees from 16 European countries participated. A smaller working group meets two to four times a year to ensure continuous consultation and communication on important developments affecting KONE employees.

Employee agreements are managed on a national level, and there are differences in

national legislations. Approximately 41 percent of KONE's employees are covered by collective bargaining agreements.

### Encouraging interaction

We believe that open and timely communication about KONE's goals and ways of doing business is important in building employee engagement. We use multiple channels to interact with our employees, motivate them, and encourage them to collaborate. For example, we offer everyone the opportunity to participate in English language testing, and online language studies are available for all KONE teams.

KONE's global intranet acts as a news channel, where all the latest news and events are published, but also as a virtual site for teamwork. KONE Collaboration Workplace, an interactive intranet platform launched in 2013, improves document sharing and supports interactivity.

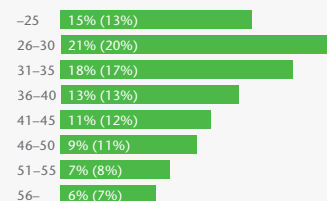
The latest news about KONE is also shared through the employee magazine and newsletters, which are available both on a global and local level. In 2014, KONE published three editions of its global employee magazine Move, in nine languages.

### Employees, 2014

Total number of employees, year end	47,064
Permanent contract, % of the total number	99
% of females	97
Share of women in employees, %	13
Share of women in management teams (top 492*), %	17
Share of women in the Executive Board, %	14
Share of women in the Board of Directors, %	40

\*Excluding United States.

Age distribution, Dec. 31, 2014  
All KONE employees\*  
(2013 figures in brackets)



\*Excluding United States

Age distribution of Executive Board



Gender distribution per market, 2014\*

Region	Males (%)	Females (%)
EMEA	86%	14%
Asia Pacific	88%	12%

\*Excluding Americas.

## Ethical business practices directed by clear rules and guidance

KONE's Code of Conduct sets out the standard of behavior that is expected of KONE employees and KONE companies, and gives clear guidance on the kind of behavior that is not tolerated.

KONE has more than 1,000 offices in close to 60 countries, and collaborates with authorized distributors in close to 100 countries around the world. As a global corporate citizen, we are committed to the laws and rules of the societies in which we operate. Our global presence makes it crucial for us to ensure that we have clear rules and guidance in place with regard to ethical business practices. It is equally important that these are easily accessible to all our employees, and also to our suppliers, thereby enabling us to conduct business in a socially responsible manner throughout our whole value chain.

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

### KONE's Code of Conduct

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

### Competition Compliance Policy

KONE's Competition Compliance Policy expounds on 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.

### Online training programs

All KONE employees with personal KONE e-mail accounts must regularly complete the Code of Conduct online training program. Participants in the Competition Compliance Policy program are determined globally and selected on the basis of their role and position. These participants include the members of KONE’s Executive Board, local management personnel, sales and sales support teams, as well as other employees who have access to confidential information. Individual business units can nominate additional participants should they feel it is necessary.

### Enforcement of codes and policies

Dedicated Compliance Officers help employees comply with KONE’s Code of Conduct. Employees have several ways through 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 wishes.

### Supplier Code of Conduct

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

### Topics included in the KONE Code of Conduct

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

### Training and information

- Online training programs delivered in 29 languages complement classroom training provided to employees in their respective business units
- Policy documents available in 29 languages to all employees
- Supplier Code of Conduct available in 18 languages
- Distributor Code of Conduct available in English

### Investing in face-to-face training

On top of the online training programs that we offer globally, each frontline can organize face-to-face trainings to complement their knowledge on ethical business practices. In China, KONE trained more than 1,000 people in face-to-face compliance training sessions organized during 2014. Participants were our own employees from management, sales and sourcing functions, but also our agents, distributors, subcontractors and suppliers.

**Read more**  
about KONE’s risk management from our Financial Statement, p. 8 and 16.

## 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 2014.

The report follows GRI (G3) 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 Application Level B of the GRI G3 Guidelines. PricewaterhouseCoopers Oy has checked our reporting and has confirmed it to be Application Level B.

We are transferring to the G4 guidelines, and most parts of the report already cover the new indicators 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, 2014. When developing the report content and choosing indicators, the driver has been the materiality to KONE's operations. The materiality analysis questionnaire was conducted for external stakeholders and different organizational units within KONE in 2013. The purpose of the analysis was to identify and prioritize the key aspects of KONE's sustainability. The results are described on p. 14–15. KONE's approach to sustainability has also been described in the CEO's and Chairman of the Board's reviews on pages 4–5, and in the strategy description on page 8.

All major local and regional organizations and all production units are included in the reporting scope. All financial data and a significant proportion of the

employee-related data has been collected through KONE's enterprise resource management and financial reporting systems. All financial figures presented in this report are based on KONE Corporation's consolidated and audited financial statements for 2013 and 2014.

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

The environmental data has been collected from KONE's 11 manufacturing units worldwide and from 31 major country organizations with sales, installation, and service operations in Asia-Pacific, EMEA, and North America. The collected environmental data covers 87% (2013: 86%) of all KONE's employees and 100% of the employees working at our manufacturing units. The facilities related data collected from the reporting country organizations has been extrapolated for the entire KONE organization. The goal is to gradually extend our environmental reporting to cover all of KONE.

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 20 countries, covering 93% of the total fleet. Data related to product and spare parts logistics has been collected centrally by the corporate organization. The logistics data covers the transportation of products from KONE's manufacturing units to customers and the transportation of modules that are delivered straight from our suppliers to our delivery centers and onward to customers. Inbound logistics of materials to KONE's manufacturing sites is excluded from the reporting scope because of its minor impact (KONE prefers material suppliers located close to our manufacturing units, and a large part of

the modules are delivered directly from suppliers to KONE distribution centers).

KONE has used an environmental performance software system since 2011. The environmental data has been collected from branch offices using a customized data collection spreadsheet consolidated on the country level. The country-level data has been entered into the environmental performance system. The data has further been consolidated globally in a combined effort with KONE's global carbon footprint assessment. The environmental performance has been reported in accordance with the Greenhouse Gas Protocol and ISO 14064 guidelines. KONE's greenhouse gas emissions for scope 1 and scope 2 (direct and indirect energy consumption) and scope 3 (logistics and business air travel) have been assured by Ecobio Oy. In 2014, KONE updated the greenhouse gas emission factors used in its carbon footprint calculations. The emission factors are based on the most recent 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).

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



# Independent Assurance Report – KONE's GHG Emissions 2014

## To the Management of KONE Oyj

Insinööritoimisto Ecobio Oy (hereafter Ecobio) has been commissioned by KONE Oyj (hereafter KONE) to perform a limited third party assurance engagement regarding greenhouse gas emission (hereafter GHG emission), including Scope 1, 2 and 3 emissions disclosed in KONE's Sustainability Report for 2014 for the period of January 1<sup>st</sup> to December 31<sup>st</sup> 2014.

## KONE's Responsibility

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

## Practitioner's Responsibility

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

## Methodology

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

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

Concerning limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained. This assurance engagement was conducted from February to March 2015.

The assurance process included:

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

## Conclusions

Based on the work described in this report, nothing has come to our attention that would cause us to believe that the GHG emission disclosures in KONE's Sustainability Report 2014 are not fairly stated, in all material respects, or that it would not comply with the reporting guidelines stated before.

## Practitioner's Independence and Qualifications

Ecobio is an independent environmental consulting company with 25 years of history. Ecobio's assessors are skilled and experienced in environmental assurance and have good knowledge of industry related sustainability issues.

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

Helsinki, 20<sup>th</sup> of March 2015  
Insinööritoimisto Ecobio Oy

Sanna Vaalgamaa (Ph.D.)  
Managing Director

Thomas Andersson (M.Sc.)  
Senior Consultant

# Global Reporting Initiative index

Comparison with Global reporting initiative guidelines			
GRI Content	Included	Page	Remarks
<b>1. Strategy and Analysis</b>			
1.1	Yes	4–5	
1.2	Yes	8–11; 16–19	
<b>2. Organizational Profile</b>			
2.1	Yes	Back cover	
2.2	Yes	3, 10–11	<a href="http://www.kone.com/en/company/in-brief/">http://www.kone.com/en/company/in-brief/</a>
2.3	Yes		<a href="http://www.kone.com/en/company/organization/">http://www.kone.com/en/company/organization/</a>
2.4	Yes	Back cover	
2.5	Yes	16–17	<a href="http://www.kone.com/en/company/in-brief/">http://www.kone.com/en/company/in-brief/</a>
2.6	Yes		<a href="http://www.kone.com/en/company/in-brief/">http://www.kone.com/en/company/in-brief/</a>
2.7	Yes	10; 16–17	<a href="http://www.kone.com/en/company/in-brief/">http://www.kone.com/en/company/in-brief/</a>
2.8	Yes	6–7	
2.9	Yes	46	
2.10	Yes	11	
<b>3. Reporting Principles</b>			
<b>Report profile</b>			
3.1	Yes	46	
3.2	Yes	46	
3.3	Yes	46	
3.4	Yes	46	
<b>Report scope and boundary</b>			
3.5	Yes	14–15; 46	
3.6	Yes	46	
3.7	Yes	46	
3.8	Yes	46	
3.9	Yes	46	
3.10	Yes		Reported in connection with the indicators in question
3.11	Yes		No significant changes
<b>GRI content index</b>			
3.12	Yes	48–49	
<b>Assurance</b>			
3.13	Yes	47	
<b>4. Governance, Commitments and Engagement</b>			
<b>Governance</b>			
4.1	Yes	FS 60	
4.2	Yes	FS 60	
4.3	Yes	FS 62	
4.4	Yes	FS 60	
4.5	Yes	FS 62–63	Linkage to CR performance not reported.
4.6	Yes	FS 61–62	
4.7	Yes	FS 60; FS 64	
4.8	Yes	8; 34–35; 44–45	
4.9	Yes	12; FS 61	
4.10	Yes	FS 60	
<b>Commitments to External Initiatives</b>			
4.11	Yes	21–23; FS 61	
4.12	Yes	12	
4.13	Yes	12	<a href="http://www.kone.com/en/responsibility/managing-responsibility/stakeholder-relations/memberships-and-positions-of-trust/">http://www.kone.com/en/responsibility/managing-responsibility/stakeholder-relations/memberships-and-positions-of-trust/</a>
<b>Stakeholder Engagement</b>			
4.14	Yes	13	
4.15	Yes	13	
4.16	Yes	13	
4.17	Yes	13	
<b>ECONOMIC PERFORMANCE INDICATORS</b>			
<b>Management approach to economic responsibility</b>			
<b>Economic Performance</b>			
EC1*	Yes	17	
EC2*	Partly	21–23	
EC3*	Partly	FS 39–41	
EC6*	Partly	34–35	
<b>Indirect Economic Impacts</b>			
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>			
<b>Management approach to environmental responsibility</b>			
<b>Materials</b>			
EN1*	Yes	24	
<b>Energy</b>			
EN3*	Yes	7	Heating fuel and natural gas reported in m <sup>3</sup> .
EN4*	Partly	7; 29	

Comparison with Global reporting initiative guidelines				
GRI Content	Included	Page	Remarks	
EN5	Energy saved due to conservation and efficiency improvements	Partly	29–30	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Yes	20–23	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Partly	26–30	
<b>Water</b>				
EN8*	Total water withdrawal by source	Yes	7; 30	
<b>Emissions, Effluents and Waste</b>				
EN16*	Total direct and indirect greenhouse gas emissions	Yes	26	
EN17*	Other relevant indirect greenhouse gas emissions	Yes	26	
EN18	Initiatives to reduce greenhouse gas emissions	Yes	26–31	
EN22*	Total amount of waste by type and disposal method	Yes	7	
<b>Products and Services</b>				
EN26*	Mitigating environmental impacts of products and services	Yes	20–25	
<b>Compliance</b>				
EN28*	Significant fines and sanctions for non-compliance with environmental regulations	Yes		No significant fines or sanctions regarding non-compliance with environmental regulations.
<b>Transport</b>				
EN29	Environmental impacts of transportation	Yes	26–28	
<b>Overall</b>				
<b>SOCIAL PERFORMANCE INDICATORS</b>				
<b>Management approach to social responsibility</b>				
<b>Labor Practices and Decent Work</b>				
	Management approach to labor practices and decent work	Yes	12; 36–37; 40–43	
<b>Employment</b>				
LA1*	Total workforce by employment type, employment contract and region	Partly	6; 40–42	Not reported by employment type or employment contract.
<b>Labor/Management Relations</b>				
LA4*	Coverage of collective bargaining agreements	Yes	43	
LA5*	Minimum notice period regarding operational changes	Yes		According to local legislation.
<b>Occupational Health and Safety</b>				
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Partly	36	Injury rate reported.
LA8*	Education and prevention programmes regarding serious diseases	Partly	37; 41	
<b>Training and Education</b>				
LA11	Programmes for skills management and lifelong learning	Yes	41–42	
LA12	Employees receiving regular performance and career development reviews	Yes	41	
<b>Diversity and Equal Opportunity</b>				
LA13*	Composition of governance bodies and breakdown of employees	Partly	41	Breakdown by gender reported.
<b>Human Rights</b>				
	Management approach to human rights	Yes	12; 34–35; 44–45	
<b>Investment and procurement practices</b>				
HR2*	Suppliers and contractors that have undergone human rights screening and actions taken	Partly	34–35	
HR3	Employee training on policies and procedures concerning human rights relevant to operations	Partly	44–45	
<b>Non-discrimination</b>				
<b>Freedom of association and collective bargaining</b>				
<b>Child labor</b>				
HR6*	Operations identified as having significant risk for child labor and measures taken to contribute to the elimination of child labor	Yes		No risks related to the use of child labour have been identified in KONE's own operations.
<b>Forced and compulsory labor</b>				
HR7*	Operations identified as having significant risk for forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor	Yes		No risks related to the use of forced or compulsory labour have been identified in KONE's own operations.
<b>Security practices</b>				
<b>Indigenous rights</b>				
HR9	Incidents involving rights of indigenous people and actions taken	Yes		No incidents involving rights of indigenous people. KONE prohibits all kinds of discrimination, and diversity is valued.
<b>Society</b>				
	Management approach to society	Yes	12; 8–11; 44–45	
<b>Community</b>				
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly	Yes	FS 8	
<b>Compliance</b>				
SO8*	Significant fines and sanctions for non-compliance with laws and regulations	Yes		No significant fines or sanctions during the reporting period.
<b>Product Responsibility</b>				
	Management approach to product responsibility	Yes	12; 36–39; 44–45	
<b>Customer Health and Safety</b>				
PR1*	Assessment of health and safety impacts of products	Yes	37–39	
<b>Product and Service Labeling</b>				
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	Partly	13	
<b>Marketing Communications</b>				
<b>Customer Privacy</b>				
<b>Compliance</b>				

\* GRI Core indicator





## KONE Corporation

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

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

Business Identity Code: 1927400-1

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

### Publication

Liisa Kivelä  
Director, Communications

### Economic performance

Katri Saarenheimo  
Director, Investor Relations

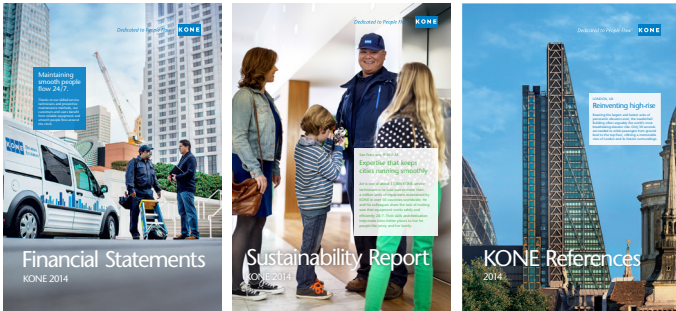
### Environmental performance

Hanna Uusitalo  
Environmental Director

### Personnel and social performance

Kerttu Tuomas  
Executive Vice President  
Human Resources

Read more about KONE's operations in these publications



This publication is for general informational purposes only and we reserve the right at any time to alter the product design and specifications. No statement this publication contains shall be construed as a warranty or condition, express or implied, as to any product, its fitness for any particular purpose, merchantability, quality or representation of the terms of any purchase agreement. Minor differences between printed and actual colors may exist. KONE MonoSpace®, KONE EcoDisc®, KONE Care®, KONE People Flow®, KONE UltraRope™ and KONE NanoSpace™ are registered trademarks of KONE Corporation.  
Copyright © 2015 KONE Corporation.

Production and graphic design: Milton Oy  
Print: Kirjapaino Uusimaa, Finland

