HELPING CITIES GROW SUSTAINABLY

Sustainability Report 2018
KONE IN BRIEF

At KONE, our mission is to improve the flow of urban life. As a global leader in the elevator and escalator industry, KONE provides elevators, escalators and automatic building doors, as well as solutions for modernization and maintenance to add value to buildings throughout their life cycle. KONE's equipment moves over 1 billion users each day. Through more effective People Flow®, we make people's journeys safe, convenient and reliable in taller, smarter buildings.

We serve more than 450,000 customers across the globe, and have 1.3 million elevators and escalators in our service base. Key customer groups include builders, building owners, facility managers and developers. The majority of these are maintenance customers. Architects, authorities and consultants are also key influencers in the decision-making process regarding elevators and escalators. In 2018, KONE had annual net sales of EUR 9.1 billion, and at the end of the year over 57,000 employees. KONE class B shares are listed on the Nasdaq Helsinki Ltd.
KONE operates worldwide and employs over 57,000 people

- Americas 7,465 (13%)
- EMEA 22,645 (39%)
- Asia-Pacific 27,249 (48%)

94% completion rate for the new Code of Conduct e-learning, rolled out in 16 countries as at Dec 2018

97% of strategic supplier factories ISO 9001 certified and 90% strategic suppliers ISO 14001 certified

2.1 Industrial Injury Frequency Rate remained low at 2.1; average lost days per incident improved to 27.4
One of our strategic targets is to be a leader in sustainability and we strive to shape today’s and tomorrow’s cities for the better. Reducing the impact on the environment remains among our top priorities and we firmly believe that sustainable business practices are a requirement for long-term growth and success.

Just as sustainable business and the circular economy have become more significant for our customers and stakeholders, so too have curbing the effects of climate change and meeting new needs for buildings and infrastructure.

Sustainable business also goes beyond creating circular, carbon-neutral economies. Together with our customers, we have a strong role in the development of cities, where, for example, well-being and digital services must not come at the expense of scarce resources and the generation of excess waste. For us, sustainability is also about how we conduct our business. This is reflected in, for example, our values and our Codes of Conduct.

KONE continues to pioneer the development of eco-efficient solutions and we are committed to reducing our relative carbon footprint by 3% annually. To succeed for the long-term, we must invest in our people, with an aim to make KONE a great place to work, which is also a strategic target.

In our annual employee satisfaction survey, Pulse, around 85% of KONE employees globally stated that they feel they are treated with respect, which is a score clearly above global and high-performance benchmarks. With respect to diversity, we aim to have 20% of women at director level positions occupied by women by 2020; the level is currently 17%. To support our employees’ continuous learning and development, in 2018, we offered over 4,700 training programs. We also paid special attention to diversity and in addition to training, other measures to improve the flow of urban life. Our program includes both organizational adjustments, as well as the development and further harmonization of roles, processes and tools.

Every one of our customers is different. At KONE, our vision is to deliver the best People Flow® experience by providing ease, effectiveness and experiences to equipment users and customers over the full life cycle of the buildings. Our mission is to improve the flow of urban life. Our job is to make the best of the world’s cities, buildings and public spaces. It is by understanding urbanization and focusing on sustainable development that we can create better buildings, better low-carbon cities and a better world for people to live in.

Antti Herlin
Chairman
Henrik Ermstooth
President & CEO

We want to deliver better value and meet their individual needs. To do this, we are investing more than ever in new technologies, connectivity and new solutions. With new ways of working, partnering and co-creation, we help our customers improve their businesses.

Bringing our strategy to life with four Ways to Win

Our Ways to Win have a number of practical development programs within them. KONE Way is our operating model and defines how we implement the Ways to Win and run our business with the right roles, processes, IT tools and data. It enables us to deliver better service to our customers through speed and consistency. Our Four Ways to Win are:

- Collaborative innovation and new competencies
- In order to bring new solutions and services to our customers more quickly, we collaborate much more with them as well as with our partners. Our people drive our success in this change, which requires us to develop new competencies and innovate in new ways.

Customer-centric solutions and services

Customers choose partners who best understand their changing needs and help them succeed. We understand these needs and offer flexible solutions and services which benefit customers and users in the best way possible.

Fast and smart execution

Customers want their partners in construction projects and building services to be professional, fast and reliable. They choose partners that continuously improve and focus on what is essential. We increase speed and work smarter to focus on what is valuable to the customer.

True service mindset

Customers value partners who strive to understand and take action to exceed expectations. We can make a difference by serving our customers better than anybody else.

Measuring success

We measure success with our strategic targets: the most loyal customers, great place to work, faster than the market growth, best financial development in our industry, and leader in sustainability.

One of our strategic targets is to be a leader in sustainability and we strive to shape today’s and tomorrow’s cities for the better. Reducing the impact on the environment remains among our top priorities and we firmly believe that sustainable business practices are a requirement for long-term growth and success.
Creating value for the customers through the whole life cycle of the building

The key growth drivers of the new equipment business are urbanization and changing demographics. New equipment deliveries are the main growth driver of the maintenance business as the majority of units delivered will end up in KONE’s maintenance base. However, KONE also maintains equipment manufactured by others. In maintenance, KONE is also boosting growth by introducing services that utilize new technologies to create value for customers in new ways. The main growth drivers for modernization are the aging installed base and higher requirements for efficient people flow, safety and sustainability. Having a strong maintenance base is crucial for the growth in modernization. KONE’s business model is capital light as the working capital is negative in all businesses and we work extensively with component suppliers to complement our own manufacturing capacity.

The maintenance business is very stable due to high requirements for safety and reliability. The customer relationships are also typically long and stable. New equipment and modernization are more cyclical in nature and follow the construction cycles. KONE has identified strategic inputs crucial in creating value for customers, shareholders and the society. These are:

• Competent and committed people and strong leadership
• Innovative, sustainable offering and global processes and systems
• Best partners
• Efficient manufacturing and delivery chain as well as
• Strong brand and solid reputation.

In addition to these, KONE sees that the life cycle business model and the existing maintenance base of 1.3 million units have a crucial role in value creation.

We aim to be a leader in sustainability. Increasing energy and resource efficiency is among our top priorities and has an important role in making the most sustainable offering a reality. KONE is committed to proactive safety culture and actively promotes safe practices among our own employees, our partners and the general public. Although we have a significant direct impact on society, a great deal of our value is created through our large network of suppliers and customers, as well as through use of elevators, escalators, automatic building doors and integrated access control solutions manufactured and maintained by us. Our ultimate goal is to improve the flow of urban life.

INPUTS

PEOPLE AND LEADERSHIP
• >57,000 employees in >60 countries, ca. half of them in the field
• Personnel voluntary turnover rate 8.5%
• Wide training opportunities on all organizational levels around the world
• 3D training centers
• 4,700 courses in 30 different languages
• Management systems and certificates (e.g. ISO 14001, ISO 9001, OHSAS 18001)
• Governance structures and Code of Conduct

INNOVATIONS, PROCESSES AND SYSTEMS
• >10,000 patents
• R&D spend 1.8% of sales, 9 global R&D units
• >1,000 technology professionals in R&D
• Global KONE Way processes and systems
• Safe and efficient maintenance and installation methods

BRAND AND REPUTATION
• One of the leading brands in the elevator and escalator industry

PARTNERING
• Co-creation with customers
• Partnering to develop new technologies
• Collaboration with >300 universities and educational institutions
• Distributors and agents: important part of go-to-market

MANUFACTURING AND DELIVERY CHAIN
• 15 manufacturing units in 9 countries
• >2,000 component suppliers
• Thousands of installation suppliers
• Logistics network

FINANCIAL
• Equity EUR 3.1 billion
• Interest-bearing net debt EUR -1.7 billion
• Net working capital EUR -0.9 billion
• Capital expenditure 1.2% of sales

NATURAL RESOURCES
• Materials used 770,300 tonnes
• Heating and vehicle fleet fuels 627,000 MWh
• Electricity and district heat 82,000 MWh
• Water consumption 298,000 m³

OUTPUTS

THE MOST SUSTAINABLE OFFERING
• 114,000 new elevators and escalators ordered in 2018
• Maintenance and modernization services, >1.2 million units in maintenance base
• Best in class energy efficiency, ISO 25745 A-class energy rating as the first elevator company
• Up to 70% energy savings through modernization of elevators
• Focus on safety and accessibility

EMISSIONS AND WASTE
• Carbon footprint from operations 318,400 tCO₂e
• Waste 46,400 tonnes
• Waste water effluents 8 tonnes

IMPACT

SHAREHOLDERS
• Dividend EUR 1.65 per class B share
• Basic earnings per share EUR 1.63
• Return on equity 27.7%

SOCIETY
• Contribution to sustainable urban environment
• Wages, salaries, other employment expenses and pensions EUR 2.8 billion
• Industrial Injury Frequency Rate (IIFR) 2.1
• Promoting diversity and non-discrimination
• Increased amount of skilled workforce
• Direct purchases EUR 3.6 billion
• Income taxes EUR 245.9 million with effective tax rate 22.5%

ENVIRONMENT
• 1.7% reduction in water consumption through use of elevators, escalators, automatic building doors and integrated access control solutions.
• 95% of strategic suppliers with ISO 14001 certification
• 90% of strategic suppliers with ISO 14001 certification

In KONE, sustainability is among our top priorities and has an important role in making the most sustainable offering a reality. KONE is committed to proactive safety culture and actively promotes safe practices among our own employees, our partners and the general public. Although we have a significant direct impact on society, a great deal of our value is created through our large network of suppliers and customers, as well as through use of elevators, escalators, automatic building doors and integrated access control solutions manufactured and maintained by us. Our ultimate goal is to improve the flow of urban life.
MANAGING SUSTAINABILITY

KONE is committed to conducting its business in a responsible and sustainable way, and we expect the same commitment from all our suppliers. Our ambition is to be a leader in sustainability, and in order to reach this we have identified four focus areas: Driving innovation and improving efficiency, Providing the most sustainable offering, Enabling the best employer and attracting talent, and Enabling our partners and societies to prosper.

In order to reach these goals, we have integrated their management into our operations throughout the organization. Our everyday work is guided by KONE's Code of Conduct and various other company policies and guidelines, outlined in the table below. Sustainability and its management are ultimately the responsibilities of KONE's Executive Board and our President and CEO. 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.

The assessment and analysis of KONE's most significant risks also covers material non-financial risks. In line with the requirements of the Finnish Accounting Act, KONE has identified the most significant non-financial risks. Read more about KONE's non-financial risks and their mitigation in our Annual Review, pages 18–19.

Focus area | Material topics | Management systems | Management bodies
--- | --- | --- | ---
Driving innovation and improving efficiency | • Deep understanding of customer needs | ISO 9001 Quality management system, ISO 14001 Environmental management system, KONE's Supplier Excellence Certification, KONE's Quality and environmental policy, KONE's Corporate Quality and Environmental Manual, Information Security Policy, Personal Data Protection Policy, KONE Global Facilities Policy, KONE Global Vehicle Fleet Policy, KONE Way operating model | Board of Directors, Executive Board, President and CEO, Quality and Environmental Board, Supplier Quality Management team, Solution Board, KONE Security Council
Providing the most sustainable offering | • Customer satisfaction | ISO 9001 Quality management system, ISO 14001 Environmental management system, KONE quality and environmental policy, ISO 25745 Energy performance of lifts, escalators and moving walks, LEED, BREEAM or other green building certification systems, KONE safety management system | Board of Directors, Executive Board, President and CEO, Quality and Environmental Board, Solution Board
Being the best employer and attracting talent | • Competence development | KONE continuous learning approach, KONE policy for supporting long-term external studies, KONE Recruitment policy, KONE Total Reward policy, KONE Employee Performance policy, KONE Base Pay policy, KONE Rules, Cradles and Evaluation policy, KONE Code of Conduct, OHSAS 18001 / ISO 45001, KONE safety management system | Executive Board, President and CEO, KONE Compliance Committee, Human Resources function
Enabling our partners and societies to prosper | • Generating long-term returns | Finnish Corporate Governance Code, KONE's tax strategy and principles, Internal control, Internal auditing, KONE Code of Conduct, KONE's Competition Compliance Policy, KONE Supplier Code of Conduct, KONE's Supplier Excellence Certification, ISO 14001 Environmental management system, ISO 9001 Quality management system, KONE Distributor Code of Conduct, KONE supply chain management approach, KONE safety management system | Board of Directors, Executive Board, President and CEO, Annual General Meeting, Internal Audit function, Global Compliance Committee

LISTENING TO OUR STAKEHOLDERS

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

KONE is an active participant in organizations developing codes, standards and guidelines for improving safety, accessibility, energy efficiency, cybersecurity, as well as other organizations advancing sustainability development.

Keeping an open and continuous dialogue enables us to collaborate efficiently and ensures a predictable business environment for all parties.

For a list of the organizations we participate in, see page 13.

Stakeholder group | Channels of dialogue | Assessments and key topics raised
--- | --- | ---
KONE has over 450,000 customers worldwide. Our main customers are construction companies, building owners, facility managers and developers. | Customer meetings and events, constant dialogue through solution support, seminars and conferences, company reports, marketing materials, website and social media channels. | Customer surveys show continued positive feedback on our personnel, customer service and the quality of our products and services.
KONE pays wages and salaries to over 57,000 employees in 60 countries. | Performance discussions, continuous face-to-face dialogue between employees and managers, training events, global learning solutions, innovation creation through innovation tool, European annual Employee Forum, internal social media channels, Compliance Line, company instant and internal employee publications. | Pulse employee survey, annual performance discussions, idea management system, innovation tool. The Pulse results showed clear improvements in the perceived learning, development, and training opportunities available to employees. Cross-team workshops continued to drive further development of work processes and collaboration.
KONE pays dividends to over 62,000 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 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. Our dedicated investor relations team coordinates all of KONE's investor relations activities. This ensures a fair and equal access to company information and to its spokespersons. | Some of the most discussed topics with KONE’s stakeholders include current and future business performance. KONE's strategy, the development of KONE’s end markets as well as KONE's capital allocation. We receive direct feedback from the financial market representatives in discussions and meetings, and we collect feedback from the financial community also through surveys.
KONE conducts business with approximately 55,000 suppliers, out of which 1,500 are strategic suppliers. | Continuous one-to-one dialogue, annual supplier day for selected strategic suppliers, trade fairs, steering group meetings, supplier workshops. | Annual supplier survey, supplier quality audit and 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 logistical processes and quality.
KONE collaborates with educational institutions locally and globally. | Continuous dialogue through daily contacts, regular country visits, distributors’ meetings and various support tools. | 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, publications, 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 global alliance of academic and corporate institutions, thesis opportunities, local internships, participation in recruitment fairs, common projects, guest lectures, participation in research programs and social media platforms. | Most attractive workplace surveys, online tracking. Efforts for deepening school collaboration and social media visibility have been increased to further strengthen talent acquisition and employer brand.
KONE pays direct taxes, social security, and employer expenses in more than 60 countries. | Company website, stakeholder relations, reports, social media channels. | Sustainability surveys, reputation studies. No special issues raised during the reporting period.
SUSTAINABILITY FOCUS AREAS AND MATERIAL TOPICS

KONE’s sustainability reporting follows the Global Reporting Initiative’s (GRI) guidelines. Three years ago, we conducted a materiality assessment to update our sustainability focus areas and topics. Those have been aligned with KONE’s strategy, Winning with Customers.

The identified topics are ranked in regards to their impact on our value chain, business implications and stakeholder interest. This report is structured to correspond with the focus areas, and the results of the materiality analysis and prioritization are presented in the chart below.

Today, cybersecurity plays a critical role in our technologies, products, services, supply chain management and digital environments. Therefore, we have added information on cybersecurity and data privacy.

Global governance and compliance, risk management, stakeholder engagement and proactive communications form the basis of our sustainability framework. These topics cut across all four focus areas, reflecting our continuous efforts towards effective global enforcement and transparency in our communications.

Driving innovation and improving resource efficiency

Today, more than half of the world’s population lives in urban areas and by 2050, that number is expected to increase to 68%. Urbanization means expanding cities and ever-higher buildings with a growing number of tenants. Innovations in urban development can play an important role in advancing social inclusion, economic prosperity and climate action. Material consumption is predicted to double by 2050. Reducing the impact urban areas have on the environment is essential for a more sustainable future.

Making our solutions eco-efficient is mission critical.

Globalization means expanding cities and ever-higher buildings with a growing number of tenants. Innovations in urban development with can play an important role in advancing social inclusion, economic prosperity and climate action. Material consumption is predicted to double by 2050. Reducing the impact urban areas have on the environment is essential for a more sustainable future.

Resource efficiency

Energy efficiency of solutions and life cycle thinking

- Energy efficiency of solutions and life cycle thinking

Customer satisfaction

- Customer satisfaction

Product and service quality

- Product and service quality

End user safety and accessibility

- End user safety and accessibility

Energy efficiency of solutions and life cycle thinking

- Energy efficiency of solutions and life cycle thinking

Enabling our partners and societies to prosper

KONE directly contributes to economic development in the countries where we operate. In addition, we work with approximately 35,000 suppliers who provide us with, for example, raw materials, components and modules, as well as logistics, installation and other services. As a responsible corporate citizen and business partner, we are committed to making a net positive impact for sustainable and smart urban developments.

- Generating long-term returns

- Creating wealth via taxes and employment

- Ethical business practices

- Long-term relationships with our suppliers

- Supporting local communities

UN GLOBAL COMPACT

KONE is a committed participant of the UN Global Compact and its 10 principles on human rights, labor, environment and anti-corruption. The principles are embedded in our strategy, policies and procedures, such as KONE’s Code of Conduct, Competition Compliance Policy, and our Environmental Excellence Program, as well as processes related to these.

UN SUSTAINABLE DEVELOPMENT GOALS

KONE supports the Sustainable Development agenda and its goals. We have selected the goals where KONE has the biggest impact through its own operations, and mapped them to our own sustainability focus areas.

Memberships and positions of trust

KONE is an active participant in organizations developing codes, standards and guidelines for improving safety, accessibility, energy efficiency, cybersecurity, as well as other organizations advancing sustainable development. In 2018, KONE continued to be a member or joined the following organizations:

- United Nations Global Compact
- World Business Council for Sustainable Development (WBCSD)
- Climate Leadership Coalition
- World Alliance of Low Carbon Cities (WALCC)
- European Round Table of Industrialists’ Energy and Climate Change Working Group (ERT)
- Council on Tall Buildings and Urban Habitat (CTBUH)
- Green Building Councils in the United States, Finland, India, Italy, Romania, Singapore, the Netherlands, Sweden, and Vietnam
- Smart & Clean Foundation: Smart & Clean Helsinki Metropolitan

Diversity and non-discrimination

- Diversity and non-discrimination

Motivated and engaged employees

- Motivated and engaged employees

Fair employment practices

- Fair employment practices

- Motivated and engaged employees

- Diversity and non-discrimination

- Employee safety and well-being

Enabling our partners and societies to prosper

KONE directly contributes to economic development in the countries where we operate. In addition, we work with approximately 35,000 suppliers who provide us with, for example, raw materials, components and modules, as well as logistics, installation and other services. As a responsible corporate citizen and business partner, we are committed to making a net positive impact for sustainable and smart urban developments.

- Generating long-term returns

- Creating wealth via taxes and employment

- Ethical business practices

- Long-term relationships with our suppliers

- Supporting local communities

Please see KONE.com/sustainability for more detailed information about how we identified the material topics.
DRIVING INNOVATION AND IMPROVING RESOURCE EFFICIENCY

Today, more than half of the world’s population lives in urban areas and by 2050, that number is expected to increase to 68%. Urbanization means expanding cities and ever-higher buildings with a growing number of tenants. Innovations in urban development can play an important role in advancing social inclusion, economic prosperity and climate action. Material consumption is predicted to double by 2050. Reducing the impact urban areas have on the environment is essential for a more sustainable future.

KONE’S KEY IMPACT AREAS RELATED TO THE UN SUSTAINABLE DEVELOPMENT GOALS

- Infrastructure investments
- Environmental investments
- Research and development
- Technological legacies
- Access to affordable housing
- Infrastructure investments
- Access to public spaces
- Sustainable buildings
- Sustainable sourcing
- Procurement practices
- Resource efficiency of products and services
- Materials recycling
- Energy efficiency
- Environmental investments
- Greenhouse gas emissions
- Risks and opportunities due to climate change

To keep things running smoothly for its 4.5 million annual passengers, Kunming Changshui International Airport in China opted for KONE 24/7 Connected Services, cutting-edge technology that enables the real-time monitoring and analysis of a range of critical parameters that impact the condition and operation of the elevators and automatic walks. The sustainable, energy-efficient solutions meet the airport’s LEED benchmarks.

INNOVATION

At KONE, innovation today means putting the customer and the equipment user at the center and involving them in the creative work. Innovation methods that allow co-creation with our customers and partners are at the core of KONE’s research, concepting, as well as new products and services creation. This applies to mechanical concepts, new user experiences and digital solutions.

Innovations can have an important role in addressing climate change. Increasing resource efficiency is among our top priorities with regards to both our solutions and our operations. Our solution design contributes to the circular economy with a long lifetime and modularity as key features of our products, supported by our maintenance and modernization services. To combat climate change and increase our resource efficiency, KONE is committed to further exploring the opportunities of the circular economy.

Our innovation focus areas are in line with universal needs for sustainable and smart urban development. We develop solutions and services for the whole life cycle of buildings and the built environment with eco-efficiency, safety and quality as the foundation of our work.

For example, our eco-efficient People Flow® solutions address the operational needs of sustainable urban living. We use new integrated technologies and connectivity to set new standards for customer service. KONE 24/7 Connected Services bring intelligence, safety and transparency to an increasing number of customers. The solution uses IBM Watson and IBM cloud to bring added value to customers and to enable elevator and escalator data to be monitored and analyzed, improving equipment performance.

Continuous search for new ideas

We have made systematic, long-term investments into research and development (R&D) capabilities. Today, we have over 1,000 dedicated technology professionals working for R&D in Finland, China, Italy, India, United States, Netherlands, Germany, Mexico and the Czech Republic.

Our R&D process involves a continuous search for new ideas and opportunities. Our starting point encompasses a wide variety of sources, the most important ones being our customers, equipment users, and the data we gather from the equipment we service. We also gather and analyze market and customer trends in different parts of the world. Over half of KONE’s 57,000 employees are in the field serving customers in more than 60 countries. These daily interactions are important sources for both our new solution and service creation, as well as for the continuous development of our operations. We also systematically collect customer feedback from the different phases of the customer relationship.

Collaborative approach and stakeholder engagement

We want to expand our offering with value adding products and services in a smart and sustainable way. In order to create customer value, we make use of service design and design thinking methods and take a collaborative approach to innovation. In 2018, we organized over 300 co-creation sessions with our customers. Visiting customer sites enables us to jointly develop tailored solutions for our customers’ building operations with their research and development teams, architects, and other partners.

Engaging in dialogue and joint activities with a wide variety of stakeholders, such as universities, startups and other large corporations, is an important way for us to foster innovation and encourage finding new ways of serving our customers. We also organize and participate in hackathons and other events to learning from each other in internal hackathons, we organize weekly internal Technology talks. In these globally shared sessions, our experts from different fields share their insights and findings with their R&D colleagues. Bi-annually, we organize a workshop where in-house experts and business representatives are brought together to innovate on selected topics.

Recognition for innovative offering

In 2018, KONE was ranked as one of the world’s most innovative companies by the business magazine Forbes. KONE ranked 59th. KONE was the only elevator and escalator company on the list.

One of the highlights of the year in terms of new launches was the introduction of a new KONE digital platform which uses state-of-the-art technologies and is open to third-party solutions. KONE's digital platform strengthens our focus on customer-centric innovation as it connects customers, equipment users and employees to equipment data and transforming the People Flow experience in buildings and cities. In connection with the launch of the platform, we

Needs for sustainable and smart living

- Providing innovative, affordable vertical housing to facilitate better living for aging populations as well as the changing needs of inhabitants.
- Improving living standards and convenience, especially as the global middle classes increase their income and develop increased expectations.
- Smart cities are evolving. Buildings and complexes are getting bigger and more complicated; so for instance, heating, cooling and utilities all need to work together. Digital technologies and connectivity can also enable better public services for citizens, better use of resources and increased comfort and reliability.
- Addressing the growing value placed on well-being and better living standards, especially for people who wish to live in better harmony with their surroundings.
- Maintaining safe and reliable infrastructure. As populations grow, the design of infrastructure needs to be modernized and made more efficient.
- Putting more of a premium on eco-efficiency and sustainability, to reduce the amount of energy consumption, manage waste and pollution and use materials smartly.
introduced a renewed products and services portfolio that brings together our core equipment and services, Advanced People Flow Solutions and People Flow planning and consulting. This allows for more responsive and tailored solutions to our customers’ needs.

During 2018, we continued to develop our offering, launching both a number of new solutions as well as enhancements to existing ones. The KONE 24/7 Connected Services was made available for escalators after having been launched for elevators in 2017. In Advanced People Flow Solutions, KONE Residential Flow was made available for most of the modernization offering in the residential segment in Europe offering seamless people flow to building users and higher building value for the owners. For a more complete list of our launches, please refer to our Annual Review 2018, as well as our quarterly Interim reports, available on KONE.com/investors.

Cybersecurity as an essential part of connected technologies
As our offering grows more digital, our commitment to cybersecurity and data privacy is driven by our desire to deliver innovative products and services that make people’s journeys safe and reliable. Cybersecurity is an essential part of all our technologies, products, services, supply chain management and digital environments. We follow secure software development processes when designing new innovations. With these best practices and controls we ensure that our products and solutions are developed with security in mind from the start and that we are also able to keep our solutions updated throughout their lifespan.

We are committed to protecting everyone’s right to data privacy in all that we do. We actively participate in standardization initiatives for cybersecurity requirements related to our industry.

The human element plays a role in many cybersecurity incidents. We continuously educate our employees to better recognize and combat cybersecurity threats with learning paths designed for each of our employee groups.

**RESOURCE EFFICIENCY**
KONE aims to be a leader in sustainability and contribute to the sustainable development of the built environment. Supporting our customers in the transition to a low-carbon economy is a significant opportunity for KONE. Our pioneering eco-efficiency solutions and intelligent services help address the challenges created by urbanization, climate change, demographic change, and increased safety demands.

Increasing resource efficiency is among the top priorities in our operations and we aim to minimize natural resource use throughout the value chain. Resource efficiency offers us significant economic opportunities, brings down costs and boosts productivity. Through savings in materials, emissions or time, we create extra value for our customers by operating in smarter ways.

We manage and mitigate environmental risks as part of our ISO 14001 environmental system requirements and management activities. A core part of this is training our employees and suppliers. In 2018, we organized extensive trainings and 24 workshops on resource efficiency and sustainable materials for KONE employees and over 250 suppliers globally.

**KONE’s environmental policy**
We provide innovative, safe, high-quality and environmentally efficient products and services. We strive for continuous improvement in all our business operations. In addition to complying with, or exceeding applicable laws, rules, and regulations, we work with our suppliers and customers to increase circular economy opportunities, environmental awareness and minimize our operational carbon footprint as well as to improve energy, material, and water efficiency.

KONE aims to maximize the positive environmental impacts and minimize the adverse ones throughout the life cycle of our solutions. This extends from raw material extraction to end-of-life treatment such as recycling the materials. In our solution creation and operations, we focus on:

- Developing smart and sustainable technologies for People Flow®
- Being the best green building partner
- Reducing energy consumption
- Reducing material use, including packaging
- Improving circularity: maximizing material durability, non-toxicity, recycled content and recyclability
- Avoiding the use of hazardous substances
- Minimizing waste
- Minimizing water consumption.

As important elements in guiding our own operations and those of our partners, we set out environmental requirements in the KONE Code of Conduct, our Supplier and Distributor Code of Conducts, KONE Quality and Environmental manual, and KONE’s Global Facilities and Vehicle Fleet Policies.

**KONE’s Environmental Excellence program 2017–2021**
Our Environmental Excellence program for 2017–2021 supports the ongoing green transformation of the urban environment into smart eco-cities, low-carbon communities, and net zero energy buildings.

**Key Initiative**

**Achievements in 2018**

**Target 2017–2021**

**Solutions**

Best possible A classifications according to the ISO 25745 energy efficiency standard for KONE 3000 TransLyys™ and a high-riser KONE 3000 MiniSpace® elevators. Singapore Green Building Product (SGBP) certificates awarded for four additional KONE solutions: KONE TransMaster™ 140 escalator, KONE 3000 S MonoSpace®, KONE 300 S MiniSpace® and KONE 3000 TransLyys® elevators. Approved Byggnadsbedömnings (BBV) assessments for KONE MonoSpace® 500 and KONE Monospace® 700 elevators and KONE TransMaster™ 110 and KONE TransMaster™ 140 elevators in Sweden as the first company in the industry. KONE’s first Health Product Declaration published for KONE MonoSpace® 700. KONE solutions delivered to LEED, BREEAM and other certified green buildings globally.

**Operations**

We do business by developing resource efficiency and minimizing the carbon footprint of our operations and services.

In 2018, KONE’s overall operational carbon footprint relative to net sales decreased by 4.0% compared to 2017, with sales growth calculated at comparable exchange rates. In 2018, our Scope 1 and 2 carbon footprint relative to net sales decreased by 5.5%. KONE’s carbon footprint data is externally assured.

KONE Austria installed solar panels in two regional offices. KONE Australia and KONE Singapore and Asia-Pacific regional head offices moved to green building certified offices. KONE Finland now sources green electricity for the majority of its facilities. KONE Italy now sources green electricity for all its facilities. KONE Norway purchased over 40 new electric vehicles and several electric bicycles.

**Culture**

We build eco-culture together with customers and suppliers.

KONE recognized among the top climate change performers by CDP with a leadership score of A- for the sixth consecutive year. We were also included in the FTSE4Good ESG Index Series and awarded the EcoVadis gold medal for our sustainability performance being in the top 2% of all companies assessed.

KONE Austria achieved carbon neutrality for 2018. KONE France won the Low Carbon Trophy by the French building developer Neokly. KONE New Zealand maintained the carbonZero™ certification and listed among the top 20 reducers in New Zealand by Enviros-Mark Solutions. KONE’s corporate units, all major manufacturing units, excluding our small manufacturing unit in Sweden, and R&D unit’s ISO 14001 and ISO 9001 certified. During the year, these units were recertified according to the latest 2015 versions of the standards. In total, 25 of our country organizations are ISO 14001:2015 certified (2017: 20), and KONE’s manufacturing units in the Czech Republic and Italy ISO 38001 certified. A total of 90% of our strategic suppliers are ISO 14001 certified (2017: 94%).

Extensive trainings and 24 workshops for KONE employees and over 250 suppliers globally for the sustainability and transparency of material use, resource efficiency and green building requirements.

**Further reduction in energy consumption**

KONE’s Global Facilities and Vehicle Fleet CERTIFICATIONS
**Commitment to global goals**

As a member of the UN Global Compact, KONE supports the Sustainable Development agenda addressing the social, economic, and environmental dimensions of sustainability. KONE also reports on its sustainability performance annually in line with the Communication of Progress process of the UN Global Compact.

KONE has also signed the Paris Pledge for Action climate initiative, showing climate leadership and commitment to limiting global warming to under 2 degrees Celsius in accordance with the Paris Climate Agreement Goal for climate action. In 2018, after set-backs in logistics in 2017, we exceeded this target as our operational carbon footprint relative to net sales decreased by 4.0% compared to 2017, with sales growth calculated at comparable exchange rates. In 2018, our Scope 1 and 2 carbon footprint relative to net sales decreased by 5.3% compared to 2017. The highlights of the positive development during 2018 are significant reductions in our electricity and district heating fuels and cooling gases, as well as in our business air travel emissions. However, we cannot be fully satisfied with the development of the carbon footprint of our vehicle fleet.

**Logistics**

Logistics amounted to 51% of KONE’s operational greenhouse gas emissions in 2018. Our logistics operations cover the transporation of products from KONE’s manufacturing units to our customers and the transportation of modules delivered from our suppliers to our distribution centers and onward to customers. In 2018, we delivered over 3.7 million packages to new installation sites, and around 1.5 million packages of spare parts to existing customer sites. The weight of the 3.7 million packages amounts to 1,440 million kilograms, and the volume to 1.5 million cubic meters. In 2018, we clearly improved our performance relative to 2017, when we did not meet our target. The logistics carbon footprint relative to units delivered decreased by 1.1% compared to 2017.

The biggest contributors to the decreased logistics carbon footprint in 2018 were:

- Significant reduction in air freight and courier emissions in all continents
- Decrease in ocean freight emissions
due to volume shifting to shorter lanes especially for shipments from China
- Decrease in road freight emissions in India and China due to shorter distances.

On the other hand, our road freight emissions in Europe and Americas increased due to longer distances and higher number of shipments.

KONE’s logistics operations are based on accurate and timely information at all stages of the delivery chain, and on using distribution models that make eco-efficiency into account. We prefer material suppliers located close to our manufacturing and distribution centers, and a large part of the modules are delivered directly from suppliers to KONE distribution centers. KONE has strict requirements concerning the eco-efficiency of its service providers’ operations. In 2018, KONE launched the transformation program of KONE logistics operations to offer more seamless material flow to our customers.

**Vehicle fleet**

KONE vehicle fleet accounted for 31% of our operational greenhouse gas emissions in 2018. The total size of KONE’s fleet during 2018 was approximately 16,900, out of which 15,100 (90%) were in the scope of KONE’s environmental reporting globally. Service vehicles made up in total two thirds of the fleet while benefit cars accounted for the rest. The carbon footprint of KONE vehicle fleet increased by 2.7% in absolute terms and by 1.4% relatively to our maintenance base compared to 2017. The main reason for the increased carbon footprint related to the vehicle fleet is the increase of kilometers driven, which in turn results from an increased number of elevators, escalators and automatic building doors under KONE maintenance contracts.

With the unsatisfactory development in 2018, we recognize the need to speed up our transition to a more sustainable vehicle fleet. We continuously search for new and innovative ways to reduce the carbon footprint of our vehicle fleet, and our target is an annual reduction of 1.5% in terms of absolute emissions. We are planning for the long-term restructuring of our vehicle fleet composition. For example, our urban maintenance personnel is increasingly moving around with public transport and on foot to reduce emissions and to ensure accessibility to our client locations. In 2018, KONE Norway for the first time had several electric bicycles for their maintenance operations. KONE is collaborating closely with its leasing partners to anticipate the development of low emission zones, especially in European cities. Our aim is to shift from fuel cars to electric vehicles in our fleet as soon as the leasing contract renewal periods allow and the required infrastructure is in place. As an example, KONE Norway ordered 40 new electric vehicles during the reporting year along with other European countries, such as France and the Netherlands ordering both electric and hybrid vehicles.

**Business air travel**

In order to reduce the need for travel and to facilitate global virtual collaboration, KONE continues to invest in better online meeting solutions and video conferencing equipment. We carefully consider the need for travel, and optimize the locations of meetings and conferences. The vast majority of meetings already take place online, and virtual meeting time continues to rise. In 2018, we reduced our greenhouse gas emissions from business travel by 14%. General travel restrictions continued similarly to 2017 and are also reflected in the reduction of our 2018 greenhouse gas emissions from business air travel.
Optimizing material use and minimizing waste
KONE aims to maximize the opportunities presented by resource efficiency and circular economy in their operations and supply chains. For example, we request renewable energy use and recycled content in elevator and escalator components.

We aim to reduce the waste generated by our manufacturing plants and offices. These days, we prevent waste by ensuring that our packaging is reusable and circulate between suppliers and customers. We also durably manage waste at our manufacturing units. Waste management, set in 2016, is 0% landfill for responsible production, we prioritize and recycle parts of the packaging at our manufacturing units. Waste management, set in 2016, is 0% landfill.

We also encourage our suppliers to develop their resource efficiency and sustainability in their operations and supply chains. For example, we request renewable energy use and recycled content in elevators and escalators.

We aim to reduce the waste generated by our manufacturing processes and offices. Our long-term target for waste management, set in 2016, is 0% landfill waste at our manufacturing units. Waste is always handled according to applicable laws and regulations, and we aim to exceed legal requirements.

During 2018, our waste amount increased slightly, mostly due to improved data quality. We added two countries to our waste data collection scope. The proportion of recycled and incinerated waste is on the rise, amounting to 93.5% of the total waste generated (2017: 92.2%). In the 13 manufacturing units in our data collection scope, the share of recycled or incinerated waste is 97.8% (2017: 97.9%). Only 0.6% (2017: 0.8%) was landfilled.

Read more about resource efficiency and circular economy at KONE on KONE.com/sustainability.

Optimizing already minimal water usage
Water consumption in KONE's production and maintenance processes is minimal, and we aim to further optimize our usage. KONE uses municipal water, and waste water is released into municipal waste water treatment systems that abide by local regulations. Out of our major manufacturing units, three have their own waste water treatment systems with regular monitoring and permits in place. As with material management, our aim is to improve our water data collection capabilities together with our suppliers by extending the data collection to our supply chain. In our Supplier Code of Conduct, we also specify that our suppliers are expected to monitor, control, and appropriately treat waste water.

Continuously improving the eco-efficiency of facilities
KONE operates in over 1,000 facilities globally, including office spaces and installation and service operation hubs. Our facilities account for approximately 13% of our operational carbon footprint. KONE's Global Facilities Policy outlines our approach in the selection and management of our facilities, developing fit-for-purpose facilities and eco-efficient operations, and providing a safe and secure work environment for KONE employees.

According to the policy, our objective is to reduce our facility-related carbon footprint by 15% by 2022 (base year 2017). In 2018, we reduced our facility-related carbon footprint by 4.8% compared to 2017. Examples of ways to achieve this target are:

- Improving space efficiency
- Optimizing energy usage in heating, ventilating, air conditioning and lighting systems by using proximity sensors, LED lighting, power-saving practices for IT and office equipment
- Increasing the share of green electricity to a minimum of 30%
- Setting up onsite renewable energy production at manufacturing units
- Promoting investments to electric vehicle charging infrastructure in our facilities
- Improving material efficiency (manufacturing)/warehousing/office activities
- Reducing waste and improving reuse and recycling
- Preparing eco-efficient service suppliers.

Our objective is to have new KONE buildings designed according to LEED, BREEAM or other green rating systems. Green buildings should also be favored when relocating KONE facilities to existing buildings.

In 2018, KONE Singapore and Asia-Pacific regional head offices moved to a Green Mark certified building. Our Australian headquarters relocated to a NABERS and Green Star certified green building. Solar panels were installed into two Australian regional offices and warehouses.

Targets
Reduce facility-related carbon footprint by 15% by 2022 compared to 2017
Increase share of green electricity to 50% by 2021
Achieve 0% landfill waste at our manufacturing units by 2030

How KONE reduces the environmental impacts of its operations

<table>
<thead>
<tr>
<th>Development action</th>
<th>Impact on eco-efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics</td>
<td></td>
</tr>
<tr>
<td>Optimized use of transportation networks.</td>
<td>Optimal routing of material through distribution center network and selection of suppliers located close to distribution centers.</td>
</tr>
<tr>
<td>Waterway and railway transportation prioritized over air freight.</td>
<td>Less CO₂ emissions per tonne-kilometer.</td>
</tr>
<tr>
<td>Improved space utilization ratio in loading.</td>
<td>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.</td>
</tr>
<tr>
<td>Centralized volumes to main suppliers, convenient location of suppliers close to distribution centers.</td>
<td>Fewer transportation routes and improved transportation efficiency ratio.</td>
</tr>
<tr>
<td>Use of more eco-efficient transportation equipment.</td>
<td>Truck equipment selection from eco-efficiency perspective. Requirement for Euro 4 trucks for European logistics service providers (European emission standard for vehicles).</td>
</tr>
<tr>
<td>Improved logistics reporting.</td>
<td>Continuous development of reporting methods and tools in collaboration with logistics service providers for optimal use of logistics data.</td>
</tr>
<tr>
<td>Vehicle fleet</td>
<td></td>
</tr>
<tr>
<td>Compliance with KONE Global Vehicle Fleet Policy.</td>
<td>Maximum CO₂ emission limits defined, employees encouraged to select benefit cars with lower CO₂ emissions.</td>
</tr>
<tr>
<td>Selecting fuel-efficient vehicles.</td>
<td>Vehicle renewals guided by the main criteria of fuel-efficiency and compactness, cooperation with suppliers who comply with the Euro 6 emission standard for light passenger and commercial vehicles.</td>
</tr>
<tr>
<td>Driving performance and route optimization.</td>
<td>Increased driver safety and fuel efficiency through the monitoring of driving performance, including fuel efficiency and driving behavior. Increased use of telematics systems, remote monitoring and mobile tools.</td>
</tr>
<tr>
<td>Planning for the long-term mobility solutions of our service fleet.</td>
<td>Reduced CO₂ emissions and agile services through extended pilots of full electric and hybrid vehicles, as well as through vehicle sharing and electric bicycles.</td>
</tr>
<tr>
<td>How KONE reduces packaging-related emissions and waste</td>
<td></td>
</tr>
<tr>
<td>Optimized packaging to better fit into logistics chain.</td>
<td>More products delivered per transportation unit.</td>
</tr>
<tr>
<td>Optimized use of packaging materials.</td>
<td>Less packaging material used, more effective waste management, increased recyclability of materials.</td>
</tr>
<tr>
<td>Management and development of suppliers’ packaging.</td>
<td>Less packaging material used, more effective waste management, improved logistics efficiency.</td>
</tr>
</tbody>
</table>
Environmental impacts of KONE’s operations
Carbon footprint, energy consumption and waste data for all KONE and water consumption at KONE’s manufacturing units assured by Mitopro Oy.

### Absolute operational carbon footprint trend per category, tCO₂e
Data assured externally

<table>
<thead>
<tr>
<th>Year</th>
<th>Vehicle fleet</th>
<th>Heating fuels and cooling gases</th>
<th>Electricity and district heat</th>
<th>Logistics</th>
<th>Business air travel</th>
<th>Waste</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>350,000</td>
<td>1,200</td>
<td>150</td>
<td>900</td>
<td>750</td>
<td>600</td>
<td>525</td>
</tr>
<tr>
<td>2017</td>
<td>300,000</td>
<td>1,050</td>
<td>110</td>
<td>850</td>
<td>650</td>
<td>500</td>
<td>480</td>
</tr>
<tr>
<td>2018</td>
<td>250,000</td>
<td>900</td>
<td>80</td>
<td>600</td>
<td>450</td>
<td>400</td>
<td>410</td>
</tr>
</tbody>
</table>

* 2017 figures revised due to improved data accuracy, logistics emissions for 2016 and 2017 restated due to a revision in emission factor source.
* Increased waste emissions in 2017 and 2018 largely due to improved data collection and extended Scope of data collection.

### Relative operational carbon footprint trend
Data assured externally

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
</table>
| Vehicle fleet (Scope 1)* | +2.9% | +2.7% | +2.1%
| Heating fuels (Scope 1)* | +4.1% | -2.0% | -1.2%
| Cooling gases (Scope 1)* | -0.3% | -3.5% | -3.8%
| Electricity (Scope 2)* | -14.0% | -13.8% | -12.9%
| District heat (Scope 2)* | +18.2% | +18.0% | +17.8%
| Logistics (Scope 3)* | +5.2% | +5.0% | +4.7%
| Business air travel (Scope 3)* | +2.3% | +2.1% | +1.8%
| Waste* | +9.9% | +9.7% | +9.5%
| Total | +5.2% | +5.0% | +4.7%

* 2017 figures revised due to improved data accuracy, logistics emissions for 2016 and 2017 restated due to a revision in emission factor source.
Elevators, escalators and automatic building doors are everywhere in urban environments, and the safety of the millions of people who use them is our top priority. In addition, the quality and eco-efficiency of our solutions are essential. Quality is embedded in everything we do, as we strive to deliver the best customer and equipment user experience. Eco-efficient solutions are a must in combating climate change and ensuring responsible consumption.

QUALITY
Quality is an integral part of KONE’s culture and is embedded into all our processes. We work continuously to improve the quality of our products and services throughout the equipment and building life cycle. We want to deliver consistent high quality to make people’s journeys safe, convenient and reliable. Ratings show that quality is among the top reasons for choosing KONE as a partner.

Together with safety, quality is a top priority for us, and we encourage a “quality starts with me” attitude. To ensure that our employees have the skills to resolve quality issues in the most effective way possible, we give them practical guidance and provide them with effective and easy-to-use problem solving tools.

Our employees are also encouraged to take part in improving the quality of our products and processes through our idea management system as well as Kaizen continuous improvement practices.

Should there be any issues regarding quality, we investigate the root causes and take immediate action to solve them. We monitor our digital environments around the clock to catch and fix any cybersecurity issues. We regularly practice handling cybersecurity incidents to make sure our processes are robust and our employees competent. In 2018, our annual major cyber simulation focused on KONE plant. Our intelligent solution for residential buildings.

Positive feedback
At KONE, we systematically collect customer feedback through an annual customer loyalty survey as well as transactional surveys. In our annual survey, our net promoter score has developed favorably for several years. In our transactional surveys, we closely follow feedback on installation, modernization and maintenance quality.

Additionally, to ensure the high quality of our equipment, we measure for example the ride comfort of our equipment, and the percentage of defect-free units. We closely follow the accuracy and timeliness of our deliveries. Insight collected from customers and connected equipment has enabled us to focus our efforts on improving quality.

Ensuring quality of new solutions
KONE’s new solutions go through several quality and reliability gates before they quality to be released to production. This process is applied to all products from electrification, mechanics and software, to higher level systems and solutions. We are continuously improving our engineer- ing excellence and operating model to be more agile and effective.

Continuous improvement of manufacturing and delivery quality
KONE continuously improves its delivery chain in terms of quality, responsiveness, and efficiency.

In 2018, we expanded our manufacturing execution system (MES) to our ele- vator component factory in Finland. The roll-out continues in 2019. We also con- tinued our zero-defect factory program to further enhance the quality of our in-house production, and to support process control harmonization activities in our produc- tion lines. Read more about KONE’s supply chain operations on pages 40–42.

KONE pays special attention to ensuring that our suppliers have excellent manufac- turing processes and process controls in place. We audit all the main suppliers that deliver direct materials to KONE’s manufacturing centers or factories on a regu- lar basis.

KONE’s installation process quality enables us to monitor the installation quality at different stages of the process, and to take any necessary corrective actions. We conduct thorough quality tests to monitor the installation outcome.

Developing quality together with our suppliers
KONE’s supplier development and supplier quality management function continuously coaches our suppliers to implement best practice quality management methods in their factories. This includes the implemen- tation of process quality control points in manufacturing lines to check specific prod- uct and process characteristics that are considered critical to the end product’s quality.

When new KONE products or changes to our products are implemented, KONE’s supplier operations project managers follow up the implementation with the suppliers’ quality and production managers. This helps ensure that aspects related to produc- tion and process quality are taken care of and KONE’s requirements are met. When suppliers make changes to their products or processes affecting products delivered to KONE, they need to inform KONE about these changes.

On a case-by-case basis, KONE’s sup- plier quality engineers evaluate what kind of evidence is requested in order to check that the change is made in a controlled manner.

During the reporting year, we imple- mented a mistake proofing method which helps us prevent and detect mis- takes before they impact our customers. We also spent time at our installation sites with our suppliers in order to help them better understand our customers’ require- ments. We continued our KDA supplier audit programs.

In 2018, 60 third party audits following the German automotive industry quality standard (VDA6.3) were carried out on our suppliers, bringing the total number of audits to 340.

Ensuring maintenance quality
In maintenance we aim to enhance the quality of our equipment in service, ensure equipment user safety, and minimize the interruptions caused to customers’ people flow.

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

KONE 24/7 Connected Services mon- itors equipment data and analyses it in real-time to improve equipment perfor- mance. With the service, KONE can pre- dict potential equipment breakdowns and avoid downtime. This cloud-based service enables us to deliver faster, smarter and more personalized support for our cus- tomers, and we are already seeing the first tangible benefits in terms of equipment availability as well as improved customer satisfaction.

To support the maintenance techni- cians in the field and to ensure prompt repair, our Technical Helpdesk (THD) is the technician’s first point of contact in case of unsolvable issues on site. With the help of real-time, detailed equipment data, THD helps technicians remotely to solve prob- lems during the site visit. THD has been rolled out in 34 countries, and the roll-out continues in 2019 and 2020.

Ensuring environmental sustainability
KONE is committed to continuing its efforts to reduce its carbon footprint and improve energy efficiency. KONE continued to monitor energy consumption and made investments in renewable energy. KONE also actively works with its suppliers to improve energy efficiency and reduce emissions.

KONE’s goals are aligned with the United Nations’ Sustainable Development Goals (SDGs). We have committed to a number of targets related to the SDGs, including targets related to climate change, sustainable cities and communities, and responsible consumption and production.

KONE is a leader in the elevator and escalator industry in terms of sustainability. We are committed to reducing our carbon emissions and improving our energy efficiency. KONE has set targets to reduce its greenhouse gas emissions and increase its use of renewable energy. KONE is also committed to improving its water efficiency and reducing its waste. KONE’s sustainability efforts are aligned with the UN’s sustainable development goals.
END USER SAFETY AND ACCESSIBILITY

Millions of people use elevators, escalators and automatic building door equipment every day. The safety of those people, as well as that of our employees and everyone we work with, is our top priority. Every day, in every part of our organization, we work toward our goal of zero incidents: we want everyone to return home safely at the end of each day.

Consistent approach on safety management

Safety is an integral part of our strategy and we work systematically to develop a culture where people look after each other and actively promote safety. With a proactive approach to safety, we have successfully reduced workplace and equipment user injuries.

During the reporting year, we started implementing a new global safety management system, KONE Way for Safety. It is a consistent safety management framework that harmonizes the safety management practices across KONE.

Safety is a collaborative effort

Safety is a joint effort that involves everyone, from technology and maintenance service providers to building owners and equipment users. We work closely with our customers to help them recognize and prevent situations that could lead to safety risks. Building owners and maintenance service providers are responsible for ensuring equipment is professionally maintained and kept in good condition. Building owners should, for example, inform service providers if they identify any recognizably hazards, such as abnormal noises or debris on the equipment.

Everyone who uses an elevator or escalator needs to be conscious of their own behavior. For example, they need to hold the handrail and the hand of any young children when riding elevators, refraining from blocking closing elevator doors, and stepping away from the doors when they are opening or closing.

Active contributor to standard development

The safety requirements of elevators, escalators, and automatic building doors are largely determined by national and international safety codes and standards. KONE is a strong contributor to the development of codes and standards that aim to further improve safety equipment. We also promote safety through our involvement in industry trade associations around the world. Our experts have, for example, been involved in the planning and development of the main safety standards such as EN 81-20:2014 and EN115-1:2017 for elevators and escalators respectively.

The aging of urban infrastructure systems in cities around the world is a major concern for our industry. Many countries have adopted strict standards for improving safety through modernization of the existing equipment. Elevator modernization enhances safety, for example, by improving leveling accuracy to prevent tripping and falling. It also includes adding electronic sensors to doors to prevent collision, and providing a voice link to the service center to assist passengers in case of emergencies.

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

Enabling accessibility

As populations age, the demand for accessible, safe and convenient People Flow® solutions increases. Buildings and transportation hubs need to be designed and built in a way that enables people with impaired mobility to move around easily. With our elevator solutions, we also help improve accessibility. For example, increased elevator cabin size improves building access for people with baby strollers and those using wheelchairs.

SAFETY THROUGHOUT THE VALUE CHAIN

We enhance the safety of our products and services through rigorous attention to design, manufacturing, installation, and maintenance processes. Our policies, processes, and tools enable all our business activities to be organized and conducted in a structured and globally harmonized way.

R&D

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

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

Suppliers

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.

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

Production sites

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 18001 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.

Offices

KONE promotes safety awareness among 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.

Installation

KONE’s processes and certified installation methods are designed to enhance the safety of installers and third parties whilst enabling product quality and reliability.

KONE constantly improves the safety, quality and efficiency of its installation processes, for example, by using the Kaizen methodology.

We use continuous training, installation safety and method passport, site audits, and risk-assessed methods to control site safety.

Equipment use

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

We actively communicate about safety with our customers and equipment users. We organize activities in different parts of the world and provide training along with educational materials to our customers and the general public to help equipment users stay safe. Our safety mascots, Max and Bob, help teach children about the safe use of equipment through events, leaflets, and an animated video and games.

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.

Maintenance

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

We train our maintenance technicians regularly to ensure they have the required competence to perform their work safely and provide them with mobile tools to have digital access to the latest up-to-date information. Our supervisors continually coach and audit technicians to assure that processes are followed and needed competences exist.

Safety at KONE facilities

KONE promotes safety awareness among 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.

We use continuous training, installation safety and method passport, site audits, and risk-assessed methods to control site safety.

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

Five ways to improve elevator safety

• Adequate lighting prevents accidents and makes people feel safer
• A two-way voice communication system improves safety and passengers’ peace of mind
• Interior doors and automatic landing doors prevent accidents and improve accessibility
• Accurate stopping prevents people from stumbling on the door sill
• An emergency system includes an alarm with a two-way phone and an emergency power supply

Five ways to improve escalator safety

• Anti-fall and anti-ride barriers provide additional balustrade height and prevent passengers from climbing on the handrail and falling from height
• Directional lighting and signage provide visual guidance to improve building navigation
• Colored or lit areas provide passengers with a clear understanding of interface areas increasing safety levels
• Multiple horizontal steps reduce trips and falls prior to entry or exit
• Easy accessible labeled emergency stop buttons, bring the unit to a controlled stop in the event of an incident

Five ways to improve accessibility

• By modernizing an elevator, the space inside the car can be increased by 50% wide-opening doors make entry and exit easier for passengers using a wheelchair or pushing a stroller
• Accessories such as handrails and mirrors provide support and help to improve visibility
• Baille signalization and audio announcements help people with hearing and visual impairments
• An elevator can be installed in a building previously without one, in the stairwell or attached to an outside wall

*5S methodology: sort, stabilize, shine, standardize, and sustain.
THE FUTURE IS IN SMART, GREEN BUILDINGS

Green buildings support the overall sustainable development of the built environment by changing the way facilities and communities are designed, constructed and operated. They help boost health and well-being, and reduce resource consumption and the overall carbon footprint of buildings. The increasing interest in achieving green building certifications such as LEED and BREEAM is one of the factors driving the growing demand for our eco-efficient elevators and escalators.

The most significant environmental impact of KONE’s business relates to the amount of electricity used by KONE’s solutions during their lifetime. KONE is pioneer in developing eco-efficient solutions in elevator and escalator industry. The KONE MonoSpace® 500, our current machine-room-less volume elevator, is up to 90% more energy efficient than KONE’s elevators from the 1990s. There is also a growing number of aging elevators and escalators currently in operation, especially in Europe. The number of equipment that is over 20 years old is expected to increase from 2.2 million units to 3.2 million by 2020, representing 60% of the European equipment base. Full replacement can cut elevator energy consumption by as much as 60–70% depending on the configuration. The Energy Efficiency of Elevators and Escalators (E4) study supported by the European Commission concluded that energy savings of up to 63% can be achieved by modernizing elevators installed in 1985 or earlier with the best available technology. On a European level, this translates to 11.6 TWh of saved energy.

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

1. Trusted partner in green building development
   - Ensuring healthy materials, helping to reduce on-site energy consumption and reducing the carbon footprint of the building. 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.

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

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

KONE’s current volume elevator is up to 90% more energy efficient than in the 90s.

How KONE MonoSpace® 500 saves energy
- **KONE EcoDisc® hoisting machinery is highly efficient and reduces the energy consumption of the elevator.**
- **Eco-efficient regenerative drive enables energy to be reused within the building and cuts energy consumption up to 15%.**
- **Long-lasting LED lighting lasts 10 times longer and is 80% more efficient than halogen lighting.**
- **More advanced standby solutions power down the equipment when not used and provide substantial energy savings, especially in residential buildings with low or medium traffic.**

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

Eco-efficiency throughout a building’s life cycle

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

Top-class energy efficiency
KONE was the first company to achieve the best A-class energy efficiency classifications for a number of our installations according to the international ISO 25745 standard for the energy performance of lifts, escalators and moving walks. In total, KONE currently has 14 A-class ratings for elevators. In 2018, the KONE 3000 TranSys™ and a high rise KONE 3000 MiniSpace™ elevators received the A-class rating. Three KONE elevator models currently have the best A+++ classification in the escalator and walkway category. Our revolutionary KONE UltraRope® high-rise hoisting technology cuts the energy consumption of a 500-meter elevator ride up to 15%. For higher buildings, the energy saving is even bigger.

New Singapore Green Building Product certificates
In 2018, four additional KONE solutions, the KONE TransitMaster™ 140 elevator, and the KONE 3000 S MonoSpace®, KONE 3000 S MiniSpace™ and KONE 3000 TranSys™ elevators received the Singapore Green Building Product (SGBP) certificates. Based on the new criteria released this year for vertical transportation, the solutions received the highest possible “Excellent” and “Leader” ratings in their respective categories. In both categories, KONE is the first

<p>| Best-in-class energy efficiency according to ISO 25745 |</p>
<table>
<thead>
<tr>
<th>Elevator Building type</th>
<th>Load (kg)</th>
<th>Speed (m/s)</th>
<th>Energy efficiency class (A to G)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KONE EcoSpace® Office</td>
<td>630</td>
<td>0.63</td>
<td>A</td>
</tr>
<tr>
<td>KONE MonoSpace® 500 Residential</td>
<td>630</td>
<td>1.0</td>
<td>A++</td>
</tr>
<tr>
<td>KONE E MonoSpace® Residential</td>
<td>1,000</td>
<td>1.75</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE Z MiniSpace™ Residential</td>
<td>1,000</td>
<td>2.0</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE E MiniSpace™ Residential</td>
<td>1,000</td>
<td>2.0</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE S MiniSpace™ Residential</td>
<td>1,000</td>
<td>2.0</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE N MiniSpace™ Hotel</td>
<td>1,000</td>
<td>2.5</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE MiniSpace™ Office</td>
<td>1,000</td>
<td>2.5</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE N MonoSpace® Retail</td>
<td>1,150</td>
<td>1.75</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE S MonoSpace® Office</td>
<td>1,150</td>
<td>2.5</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE MiniSpace™ Hotel</td>
<td>1,200</td>
<td>4.0</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE MiniSpace™ Observation tower</td>
<td>2,500</td>
<td>5.0</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE 3000 MiniSpace™ Office</td>
<td>1,600</td>
<td>6.0</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE 3000 TranSys™ Retail</td>
<td>2,000</td>
<td>1.0</td>
<td>A+++</td>
</tr>
<tr>
<td>KONE TravelMaster™ 110 Retail</td>
<td>5.0</td>
<td>30</td>
<td>1,000</td>
</tr>
<tr>
<td>KONE TravelMaster™ 115 Retail</td>
<td>5.0</td>
<td>12</td>
<td>1,000</td>
</tr>
<tr>
<td>KONE TravelMaster™ 140 Public transportation</td>
<td>5.0</td>
<td>30</td>
<td>1,000</td>
</tr>
</tbody>
</table>

PROVIDING THE MOST SUSTAINABLE OFFERING
environmental impacts on the environmental impacts of our solutions. Producing EPDs is a continuous process and a core part of our solution creation process and operational environmental work. The biggest environmental impact of our solutions stems from materials manufacturing and energy consumption during the use phase. Therefore, our focus is on manufacturing excellence through robotics and automation, as well as best in class energy efficiency of our solutions.

In 2018, we also published our first Health Product Declaration (HPD) for KONE MonoSpace® 700. Through the HPD, we are transparently communicating about the material content of the product and the associated human and environmental health information. By providing HPDs for our customers, we are responding to a growing need and value placed on healthier and better living standards.

A key element in our design for environment solution creation process is working together with our suppliers in selecting sustainable and healthy materials, as well as avoiding the use of restricted substances. For example, we organized 24 workshops on sustainable materials for over 250 suppliers globally. We continuously improve our data collection capabilities together with our suppliers in order to provide transparent and reliable information about the material content and environmental impacts of our products to our customers.

During the year, we also received several approved Swedish B1B assessments and Singapore Green Building Product certificates proving that our solutions meet the most stringent green building requirements.

Environmental and Health Product Declarations
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. In order to illustrate the environmental impact during the entire lifetime of our solutions, we publish Environmental Product Declarations (EPD) on the environmental impacts of the metals used in KONE solutions can be recycled.

Environmental impacts of KONE’s products ordered during the reporting year

| Material |
| Materials used, tonnes |
| 2016 | 2017 | 2018 |
| Manufacturing (calculated) |
| Metals (steel, aluminum, copper) | 604,100 | 612,500 | 646,200 |
| Electronics | 29,400 | 33,600 | 36,000 |
| Plastics | 2,900 | 10,300 | 10,800 |
| Glass | 2,400 | 4,800 | 5,000 |
| Class | 3,500 | 4,800 | 4,700 |
| Rubber | 700 | 700 | 700 |

Packaging (calculated)

| Wood | 17,100 | 51,800 | 54,400 |
| Plywood | 14,800 | 14,300 | 14,800 |
| Plastics | 1,100 | 1,300 | 1,300 |
| Cartonboard | 700 | 1,500 | 1,400 |
| Miscellaneous | 400 | 700 | 900 |
| Office consumables (actual data) | 600 | 900 | 500 |
| Total | 701,200 | 737,200 | 776,700 |

Calculations are based on life cycle assessment data and products ordered from KONE.

<table>
<thead>
<tr>
<th>Environmental impacts of KONE’s volume elevator and escalator</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
</tr>
<tr>
<td>Lifetime energy consumption of products ordered from KONE during the reporting year (calculated)</td>
</tr>
<tr>
<td>Production of materials for products (calculated)</td>
</tr>
</tbody>
</table>

* 2016 figures not fully comparable with previous years due to emission factor revision and other changes in calculation methodology.

| Materials used, tonnes |
| 2016 | 2017 | 2018 |
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| Metals (steel, aluminum, copper) | 604,100 | 612,500 | 646,200 |
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<td>Production of materials for products (calculated)</td>
</tr>
</tbody>
</table>

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BEING THE BEST EMPLOYER AND ATTRACTING TALENT

One of our strategic targets is to make KONE a great place to work. Our personnel strategy aims to ensure the availability, engagement, motivation and continuous development of our employees. We strive to maintain a safe and healthy working environment and foster a collaborative culture, where people are motivated to develop their competencies and deliver the best results. We see diversity as a strength and prohibit discrimination of any kind.

KONE’S KEY IMPACT AREAS RELATED TO THE UN SUSTAINABLE DEVELOPMENT GOALS

- Occupational health and safety
- Education for sustainable development
- Capacity building
- Indirect impact on job creation
- Youth employment
- Equal remuneration for women and men
- Diversity and equal opportunity
- Workplace violence and harassment
- Women in leadership
- Employment
- Non-discrimination
- Capacity building

In 2018 KONE was recognized as one of the best employers in the world by Forbes business magazine for the second year running. KONE ranked 105th on Forbes’ 2018 Global 2000: World’s Best Employers list.

CONTINUOUS LEARNING

KONE’s strategy, Winning with Customers, focuses on putting the needs of our customers and users at the center of all development at KONE. People are key to the strategy’s success, which requires us to develop and obtain new competencies in the fields of digitalization, understanding customers’ businesses, consulting, selling and leading transformations.

KONE supports its employees in developing their competencies with over 4,700 training programs and online modules. Over 14,500 employees had the chance to try out new learning methods such as virtual reality, gamification and mobile learning methods. Over 23% of our learning centers are using new learning methods and we are increasing the coverage of the new equipment significantly in the coming years.

KONE’s global learning management system, konelearning.com makes training options more visible and simplifies the management of certifications, training requirements, and personnel development. Mobile learning is in active use in several countries.

We continued to deliver global talent programs for example for global top performers, general managers, operations managers, and senior leaders. During the reporting year, there were participants from 33 countries in these programs; 23% of participants were women.

We have renewed our 360 assessment content with our new leadership competencies in 2017, which include themes such as collaboration, inclusion, and developing talent. The assessment is part of all our key leadership training programs on all manager and leadership levels, and the assessment should be conducted at least every three years. We offer an adjusted 360 assessment also for all leadership and management team members. Our target is that all employees in leadership and management team positions would conduct these renewed assessments by end of 2019.

Facilitating professional growth

At KONE, we strive to have the best possible professionals with the right competencies in each position. We facilitate this and increase the motivation, engagement and continuous development of our employees through regular performance discussions which take place at least twice a year. In addition, we actively encourage all employees to prepare individual development plans.

In 2018, we introduced a new global tool which provides our employees mobile access for documenting their performance. A local HR professional manages the local personnel-related policies and ensures that we comply with local legislation and labor union practices in each country we operate in. Through our renewed HR operating model and people processes we can ensure the consistent guidance and alignment of our practices in the HR organization. As a result, HR professionals and managers can now get harmonized support from our centralized HR services teams and get better visibility to their own data as well as take direct action with the help of our self-service tools.

FAIR EMPLOYMENT PRACTICES

At KONE, creating a great place to work means treating every employee fairly and providing a safe working environment. A key HR professional manages the local personnel-related policies and ensures that we comply with local legislation and labor union practices in each country we operate in. Through our renewed HR operating model and people processes we can ensure the consistent guidance and alignment of our practices in the HR organization. As a result, HR professionals and managers can now get harmonized support from our centralized HR services teams and get better visibility to their own data as well as take direct action with the help of our self-service tools.

Equal pay and rewarding performance

Our total reward framework consists of easy-to-understand policies, guidelines, and practices that are aligned with our business strategy. We invest significantly in a range of monetary and non-monetary rewards offered to employees. This framework focuses on pay for performance and people are motivated by communicating it clearly we can make the fairness and equality of the approach visible to all KONE personnel. While reward policies are consistent across KONE, the practices are flexible to meet local needs.

Employee agreements are managed on a national level, and there are differences in national legislations. A total of 63% of KONE’s employees are covered by collective bargaining agreements.

The compensation and other benefits of the Board of Directors, President and CEO, and the Executive Board are disclosed in KONE’s Annual Review 2018 (p. 92-93).

Dialogue between top management and employee representatives

KONE organizes a European Employee Forum every year to bring together employee representatives and top management. The forum is a platform for discussing issues ranging from safety to business development. A smaller working group meets two to four times a year to ensure continuous consultation and communication on important developments affecting KONE employees.

In 2018, the theme of the Employee Forum was sustainability, and 22 employee representatives from 16 EU countries participated in it.
Employees

We have employees in over 60 countries, with a majority in Asia-Pacific.

<table>
<thead>
<tr>
<th>Region</th>
<th>Total number of employees, year end</th>
<th>Share of women in employees</th>
<th>Share of women in director level positions</th>
<th>Share of women in the Executive Board</th>
<th>Share of women in the Board of Directors</th>
<th>Voluntary turnover rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>31%</td>
<td>11%</td>
<td>17%</td>
<td>7%</td>
<td>38%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Americas</td>
<td>13%</td>
<td>8%</td>
<td>17%</td>
<td>7%</td>
<td>38%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>48%</td>
<td>11%</td>
<td>17%</td>
<td>7%</td>
<td>38%</td>
<td>8.5%</td>
</tr>
<tr>
<td>EMEA:39% (40%)</td>
<td>(2017 figures in brackets)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Voluntary turnover rate

- **Region:**
  - APA: 10%
  - Americas: 8%
  - EMEA: 6%

- **Gender:**
  - Female: 9%
  - Male: 8%

- **Age group:**
  - 30 and under: 13%
  - 31–50: 7%
  - 51 and above: 4%

- **Calculates from 12 month average headcount**

### Fostering diversity and inclusion

High ethical principles guide all our activities. As an employer, KONE is committed to an equal opportunity approach that places people in the positions that best suit their abilities. We respect and value differences, and believe in an inclusive workplace that empowers individuals. We have created a diversity and inclusion roadmap for 2019 including review of existing policies and practices.

We value diversity in all forms and welcome new perspectives to our business. We seek out innovative ideas and new approaches to customer solutions and believe that our future success depends on our collective ability to build diverse and inclusive teams, communities and networks. To strengthen our global approach and deepen our insights on customers and markets, we have set goals for cultural diversity in our global teams.

We also have a target of 20% of director level positions occupied by women by 2020. We are currently at 17%.

During the reporting year, KONE’s workforce included 139 nationalities. In 2018, 80% of external hires into leadership positions globally were filled by local candidates.

KONE has conducted several studies on gender diversity and equality in the past and results have shown no significant barriers or discrimination of gender or age in terms of compensation or career opportunities. Comparing the average salary position against market on a global level, the gender pay gap has decreased in 2018 to 1 percentage point from an already low level of 4 percentage points in the previous study in 2013.

The average salary position against market was calculated by comparing the KONE salary to the market level for each position.

In our employee engagement survey, Pulse, 85% of KONE employees globally feel that they are treated with respect. This score is clearly above the external global and high-performance benchmarks.

Altogether, 76% of employees also consider KONE as an employer that values employee diversity. This score exceeds the global external benchmark clearly.

In 2018, KONE India was included on the Working Mother & AVTAR Best Companies for Women list. The study recognizes initiatives undertaken by companies to increase women’s workforce participation.

### Taking a stand

During the reporting year, we paid special attention to diversity. Highlights of the year included offering diversity training to talent acquisition teams globally, continuing the trainings given to hiring managers in 2017, signing the European Round Table of Industrialists’ Diversity and Inclusion Pledge, as well as taking part in the global Girls Takeover event, organized by Plan International. Girls Takeover brings attention to the opportunities and discrimination that girls face today. By participating in the event, we wanted to highlight KONE as an equal opportunity employer and showcase the career options we offer to professionals in different fields. Read more about the day on KONE.com.

Open two-way communication to engage employees

At KONE, we believe employee engagement is built on open and timely communication about the company’s goals and ways of doing business.

We use multiple channels to interact with employees, motivate them, and encourage collaboration. KONE’s global

### Personnel by country

**Dec 31, 2018**

<table>
<thead>
<tr>
<th>Region</th>
<th>New hires gender distribution per market</th>
<th>New hires age distribution per market</th>
</tr>
</thead>
<tbody>
<tr>
<td>All KONE employees</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Americas</td>
<td>63</td>
<td>17</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>92</td>
<td>8</td>
</tr>
<tr>
<td>EMEA</td>
<td>91</td>
<td>9</td>
</tr>
</tbody>
</table>

**Over half of our employees are in the field every day**

**Employees by job category, 2018**

- Maintenance and modernization 58% (56%)
- New equipment, sales and installation 25% (26%)
- Manufacturing 8% (9%)
- Administration, IT and R&D 9% (9%)

**Voluntary turnover rate**

- Asia-Pacific: 10%
- Americas: 8%
- EMEA: 6%

**Gender distribution per market**

- **Men:** 86% 91% 89%
- **Women:** 14% 9% 11%

**Employees per contract type**

- **Employees with permanent contract:** 95%
- **Females with permanent contract:** 97%
- **Males with permanent contract:** 95%

**New hires gender distribution per market**

- **Men:** 63 92 91
- **Women:** 17 8 9

**New hires age distribution per market**

- **30 and under:** 48 73 37
- **31–50:** 46 25 57
- **51 and above:** 6 2 12

**4,700** training programs and online modules available

**226,000** e-learning courses completed on konelearning.com
intranet, for example, acts as both a news channel for all the latest news and events as well as a virtual teamwork site. The latest KONE news is also shared through internal news broadcasts and newsletters.

Measuring engagement
The most important metric for employee engagement at KONE is the Pulse employee survey. The survey offers our people an opportunity to give feedback and provides insights into employee engagement.

The Pulse survey covers topics such as employee engagement and enablement, leadership, learning and growth, corporate responsibility, customer centricity, innovation and drive, and diversity and inclusion. In addition, the survey examines how respondents view their team effectiveness, managers and performance reviews.

KONE’s 12th global employee survey was carried out in May-June 2018. The survey results were published in July 2018 and action plans were made in teams based on the results.

A total of 48,564 employees provided feedback in the Pulse survey and we reached a response rate of 91% (based on the number of employees in April 2018). Our next Pulse survey is planned to be organized during first half of 2020.

Organizational changes to foster customer-centricity
KONE is developing and further harmonizing roles, processes and tools. During the reporting year, we undertook organizational changes in several functions, including Finance, Customer Solutions Engineering and Sourcing, in order to create a faster-moving, customer-centric organization that leverages our scale more efficiently.

EMPLOYEE SAFETY AND WELL-BEING
At KONE safety is our top priority. This means making sure each of our employees have the necessary competence, tools and instructions to perform their work professionally and safely.

Managing workplace safety
KONE Way for Safety, our safety management system guides us in continually improving workplace safety. Every leader is responsible for providing their team with the necessary environment for working safely. They lead by example, make sure that their people are consulted and trained and drive safety improvements.

Managers perform regular audits to measure compliance with KONE’s policies, rules, and defined working methods. Corrective actions are taken if deviations are identified. KONE’s Supplier Code of Conduct requires all our suppliers, including subcontractors, to protect the health and safety of their employees.

At KONE, we recognize and reward safe behavior and share best practices. We train our employees to assess the safety of their tasks and they are empowered to stop work and ask for support should they suspect a safety risk.

Safety is a key element in all our products and operations training. A wide variety of training solutions are used, from classroom based training and e-learning to on-the-job training. Toolbox talks are used to communicate short trainings and safety messages to field operatives.

Each year, KONE organizes a global safety week. The week presents KONE employees with training, special events and activities. Many countries also organize events and trainings together with customers and subcontractors during the week. The theme of the 2018 safety week was Take care, and it focused on preventive safety work and improving well-being.

In our employee engagement survey, Pulse, 94% of KONE employees globally agreed that KONE is committed to employee safety.

Safety performance
A safe working environment is the foundation of all our operations. As key performance indicators, KONE tracks the number of lost time injuries of one day or more per million hours worked, as well as the average number of lost days per incident.

In 2018 our Industrial Injury Frequency Rate (IIFR) remained at a low level of 2.1 (2017: 1.9). The average lost days per incident improved to 27.4 days (2017: 28.9).

These results were overshadowed by the loss of three KONE employees who died as a result of separate fatal incidents. KONE employees had 36 high-consequence work-related injuries. For each incident, we identified the causes, the lessons learned and took actions to prevent any re-occurrence. The relevant details were shared across our global safety network and business units. We will continue to do our utmost to manage the safety of our employees and subcontractor workers return home safely at the end of each day. We continue focus on promoting safe behavior as well as the development of safer procedures, in order to reach our goal of zero incidents.

Improving safety performance
In order to remind our field personnel about the main risks in our work and the ways to mitigate them we developed an interactive learning application, Safety in Mind. The application uses 3D photographs, animations and interactive hotspots to provide an engaging learning experience. Safety in Mind modules can be studied on mobile phones, tablets and computers.

The roll-out of the KONE Safety Solution, a mobile tool for reporting and managing near misses and incidents, continued in 2018. Incidents, lost days per incident, and near misses are part of each unit’s monthly reporting to global functions. The number of near miss reports increased slightly.

Local safety personnel promptly analyze the reported data and use it to improve safety. In 2018, we focused on improving the quality, analysis and investigation of these reports.

Lessons learned from incidents and near misses are shared in quarterly operating unit’s monthly reporting to global functions and in annual safety reports. The lessons learned are also studied in mobile learning packages.

As key performance indicators, KONE tracks the number of lost time injuries of one day or more per million hours worked, as well as the average number of lost days per incident.

In 2018 our Industrial Injury Frequency Rate (IIFR) remained at a low level of 2.1 (2017: 1.9). The IIFR covers KONE’s own employees. The average lost days per incident improved to 27.4 days (2017: 28.9).

Global program for employee well-being
KONE has a global framework and program for employee well-being. For us, employee well-being is being physically, mentally and socially healthy. In the context of work and career, it is about leading a balanced life.

KONE’s Elevate your health program is in place in all our units. It covers topics ranging from taking care of joints and muscles to weight loss initiatives, the importance of sleep, nutrition, increasing physical activity and strengthening your mental wellbeing.

The program is structured around a global calendar with regular intranet news articles and suggested activities for countries to deploy. The aim is to increase awareness of actions which maintain and improve well-being.
ENABLING OUR PARTNERS AND SOCIETIES TO PROSPER

KONE directly contributes to economic development in the over 60 countries where we operate. In addition, we work with approximately 35,000 suppliers who provide us with for example raw materials, components and modules, as well as logistics, installation and other services. As a responsible corporate citizen and business partner, we are committed to making a positive impact throughout the whole value chain.

KONE's key impact areas related to the UN sustainable development goals

- Employment
- Non-discrimination
- Zero poverty
- Good health and well-being
- Quality education
- Gender equality
- Clean water and sanitation
- Affordable and clean energy
- Industry innovation and infrastructure
- Responsible consumption and production
- Climate action
- Life on land
- Peace and justice
- Partnership for the goals

KONE has operations in over 60 countries. As a global corporate citizen it is crucial for us to ensure that we conduct business in an ethically and socially responsible manner throughout our entire value chain.
During 2018, KONE took a new case management system into use thereby fully integrating the web, phone and other reporting channels to ensure a secure and confidential system for managing cases. Training and awareness building All KONE employees are required to complete the Code of Conduct e-learning course. In 2018, we designed a new and engaging Code of Conduct e-learning course. The training covers topics such as conflicts of interest, fair competition, anti-bribery, privacy, work safety, and gifts and hospitality and has a strong focus on scenarios that reflect day to day situations employees might face. Once globally rolled out, the course will be available in over 20 languages. The completion rate in 2018 was 94% of the 25,000 employees who had the training assigned to them, covering a total of 16 countries. Further roll-outs will be completed in 2019. Regular face-to-face compliance training is also provided to managers and other target groups. In 2018, over 4,000 employees received face-to-face compliance training. A selected group of employees is also required to complete Competence Compliance online training based on their role and position in the company. They include members of KONE’s Executive Board and employees involved, for example, in management, sales, sourcing, and trade association related activities. Individual business units can nominate additional participants when necessary. The global completion rate in 2018 was 94%. Dedicated compliance officers help employees comply with KONE’s Code of Conduct, and our global and regional compliance committees advise and take decisions on compliance matters, including investigations into allegations of employee misconduct as well as human rights and corruption violations. In 2018 KONE was approached by Finnwatch, a Finnish non-governmental organization focused on global corporate responsibility, to discuss human rights in India. Finnwatch, together with a local NGO, Cividep, interviewed some of our subcontractor’s employees working in our factory in Chennai. Finnwatch requested our support in raising subcontractors’ workers’ general awareness of their rights. To this end, KONE promoted training by Finnwatch and Cividep, held in December.

**INDUSTRY-LEADING SUPPLY CHAIN**

In 2018, KONE had nine production sites for elevators, escalators and building doors, 10 global distribution centers for elevators, and five distribution centers for spare parts. KONE’s supply chain operations cover new equipment production, modernization, and spare supply. We also work closely with selected key material suppliers and logistics service providers. Approximately 4,600 people keep KONE’s supply operations running.

KONE continued the implementation of a new manufacturing execution system (MES) with factories in Finland. It is a computerized system that is used to track and document the transformation of raw materials to finished goods. The MES provides information that helps understand how current conditions on the factory floor can be optimized to improve production output and implement production quality improvements. KONE continues the MES implementation in other factories – and also improves its supply chain continuously.

Investments in production automation continued as well, notably in factories in Italy, Finland, the Czech Republic and China.

The building phase of KONE’s newest factory in Pilärttä, close to Chennai in India, continued during 2018. The building phase will be completed within the first half and production ramp-up during the second half of 2019. The facility will be certified according to Indian Green Building Council environmental norms.

In logistics, KONE continued with programs to centralize its logistics activities. By better processes and coordination of different activities the company is targeting to achieve savings in logistics costs as well as improvements in eco-efficiency of its delivery chain.

**Responding to customers’ needs**

We adapt our supply chain to take customers’ different requirements into account. As an example, KONE continued to develop packaging solutions to allow us to better accommodate various customer needs when they receive their Kaizen training as part of Kaizen events.

Each production unit completed many corrective actions as part of a continuous improvement program with a greater focus on full chain activities. We have also continued our Lean Capability Process Control & Zero Defect activities by conducting regular assessments and setting targets and action plans. All KONE supply units continue to hold ISO 9001 and 14001 certificates.

We continued implementing and maintaining the 5S* method in our offices, factories, installation sites and distribution centers. Furthermore, we have developed a Lean manual and a management model of continuous improvement in implementing these principles.

Several hundred Lean and over 100 Six Sigma projects were also successfully completed in 2018. To date, approximately 300 KONE employees have qualified as Six Sigma Green Belts and Black Belts, and the training continued during 2018.

Better quality and productivity through learning

At KONE, we employ a set of techniques and tools to improve the productivity and quality of our operations. By applying Lean and Six Sigma philosophies, we are able to reduce waste and control process variation throughout the entire supply chain as well as in product and process transitions.

In the supply line the trainings focused on overall capability development. A large number of employees gained new skills when they received Kaizen training as part of Kaizen events.

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**Top 10 supplier locations**

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

* Suppliers that provide products for new equipment to KONE distribution centers and factories.

**How KONE added economic value in 2018**

<table>
<thead>
<tr>
<th>Sales to customers</th>
<th>Purchases from suppliers</th>
<th>Added value</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEUR 9,071 (8,797)</td>
<td>MEUR 5,210 (4,880)</td>
<td>MEUR 3,861 (3,197)</td>
</tr>
</tbody>
</table>

2017 figures in brackets.

**Global logistics**

- **Top 10 supplier locations**
  - China
  - Italy
  - Finland
  - Austria
  - United States
  - Germany
  - India
  - Czech Republic
  - Estonia
  - Mexico

* Suppliers that provide products for new equipment to KONE distribution centers and factories.

**Adjusted EBIT (MEUR) and adjusted EBIT margin (%)**

<table>
<thead>
<tr>
<th>Sales (MEUR)</th>
<th>Adj. EBIT</th>
<th>Adj. EBIT margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000</td>
<td>8,784</td>
<td>0.20</td>
</tr>
<tr>
<td>8,577</td>
<td>6,975</td>
<td>0.20</td>
</tr>
<tr>
<td>6,000</td>
<td>4,286</td>
<td>0.20</td>
</tr>
<tr>
<td>2,000</td>
<td>1,500</td>
<td>0.20</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0.00</td>
</tr>
</tbody>
</table>

* 2016 not restated with IFRS 15

**KONE class B share dividend per share, 2016–2018 (EUR)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.295</td>
</tr>
<tr>
<td>2017</td>
<td>1.122</td>
</tr>
<tr>
<td>2016</td>
<td>0.40</td>
</tr>
</tbody>
</table>

* 55 methodology: sort, stabilize, shine, standardize, and sustain.
SUSTAINABLE SUPPLY CHAIN MANAGEMENT

We seek to build long-term relationships with our suppliers and customers. Our supplier relationships provide business opportunities and employment for thousands of suppliers globally.

KONE only produces selected components in-house, and our own production consists largely of the assembly of sourced components. Our suppliers and their subcontractors provide a service that is critical to KONE’s supply chain. Out of our approximately 19,000 suppliers, we provide KONE with raw materials, components, modules, as well as logistics and installation services. In addition, there are approximately 16,000 suppliers who deliver other indirect materials and services to KONE.

KONE’s investment or integration level to our business scope and spend with our suppliers is significant. This requires us to analyze our contractual agreements that include the supplier-related risk, the use of standardized contract templates, supplier certification, and our expectations for performance. Long-term relationships with suppliers are critical and form a part of KONE’s sustainable supply chain strategy.

The company takes a planned and proactive approach to supplier relationship management. This includes a supplier selection process and planning for the selection of new suppliers. In addition, the company prioritizes the maintenance of existing supplier relationships and encourages the development of new suppliers. We conduct supplier audits which provide feedback on the performance of suppliers and enable us to make informed decisions on future business relationships.

We also monitor the performance of our main and key suppliers to ensure that they meet our performance expectations. We use a scorecard system that evaluates key performance indicators such as quality, service, and delivery. This scorecard is used to help us select new suppliers and to maintain existing relationships.

KONE’s Supplier Excellence Certification Program assesses key suppliers’ sites, examining aspects that include environmental and quality management systems, performance scorecards, and supplier audit results.

In 2018, 97% of our strategic supplier factories were ISO 9001 certified, and 90% of them had ISO 14001 certifications.

KONE’s Supplier Excellence Certification Program evaluates key suppliers’ sites, examining aspects that include environmental and quality management systems, performance scorecards, and supplier audit results. In 2018, 97% of our strategic supplier factories were ISO 9001 certified, and 90% of them had ISO 14001 certifications.

Breakdown of material and service purchases from our suppliers

- **Total MEUR 4.854.0**
- **Direct materials and supplies 56.7%**
- **Subcontracting 17.0%**
- **Other production costs* 12.5%**
- **Selling, administrative and other expenses** 13.8%* Mainly freight and packaging costs as well as other variable costs such as utilities, tools and operational related costs.
* Related to for example administration expenses, covering IT, marketing, trainings, and insurance.

**SUPPORTING LOCAL COMMUNITIES**

KONE Centennial Foundation (KCF) is an independent, non-profit organization founded by KONE in celebration of its 100th anniversary in 2019. It focuses on innovative programs that advance and support educational, cultural, and community activities for children and youth. KCF cooperates closely with local partners and a designated project coordinator in each country to plan and monitor projects, aiming to ensure efficient resource allocation and respect for local culture and priorities. Wherever possible, KCF chooses projects top which local KONE units can contribute practical support, and where KONE volunteers can participate in their spare time.

**Our programs in 2018**

During 2018, KCF continued supporting programs in China, Finland, India, Mexico, South Africa and Thailand as well as international teacher exchanges in various foundations. The foundation is also prepared to contribute matching funds to support local initiatives by KONE employees.

KCF’s longest running project is the Joy of Reading mobile library (pictured), serving children of migrant workers and around Beijing and Hangzhou. Cooperation with the Hangzhou Children’s Library and the Beijing Normal University has enabled the mobile library to deliver improved and expanded services to children with limited access to books and other educational materials. A KCF partner school, Beijing’s Dandelion School, moved at the end of 2018 into a new purpose-built facility that will allow it to expand enrolment. The Dandelion School is Beijing’s only middle school catering exclusively to migrant children from China’s countryside.

KCF and KONE India collaborate with the Single Teacher Schools (STS) organization to support 20 micro-schools in rural villages near Chennai. STS is also beginning to bring clean water and sanitation facilities to these communities and runs periodic mobile medical clinics for the children and their families. As the participating villages are near the new KONE factory, which opens in 2019, it will become easier for employees there to provide volunteer support. In the Chennai area, KCF also provides support to the Rising Star School, which serves the children of families in which one or more member suffers from leprosy.

The Westbury Youth Centre (WYC), located between downtown Johannesburg and Soweto, has been supported by KCF since it opened its doors in the former Westbury Secondary School hostel in 2012. WYC serves youth in a community that was much in the news in 2018 because of ongoing drug-related violence and lack of effective police intervention. With KCF’s help, WYC received a SARS grant from Finland’s Ministry for Foreign Affairs for 2019 and half of 2020, which will allow the center to expand its innovative education and entrepreneurship programs.

In Mexico City, KCF has focused on helping the Xico Arte Collective in the Valle de Chalco improve its administrative capabilities. The collective’s goal has been to promote art as a tool against violence in the area. Xico Arte maintains a local archeological museum featuring objects unearthed in the region, often during construction projects. Its services include art and history interventions in local schools and art workshops at the museum.

The Zero-to-Hero Foundation (Z2H) runs an innovative child development program in the rural Na Yom region of North-Central Thailand, combining Finnish early childhood development practices with a deep understanding of local Thai culture and traditions. Its Baby Club brings toddlers and their care-givers (usually grandparents) together to experience stimulating educational activities. Z2H is also strongly involved in promoting Finnish teaching methods to the local public schools.

In Helsinki, KCF supports The School, a community that promotes diversity as an engine for growth. In particular, KCF has provided funding for coding and entrepreneurship programs for young asylum-seekers and immigrants. Although KCF is an independent entity, cooperation with KONE companies and the participation of KONE volunteers are central to its ability to meet its objectives. KCF welcomes enquiries and initiatives from KONE employees and appreciates the enthusiastic cooperation it receives from KONE companies in the countries where it supports ongoing projects.

**KONE’s Supplier Excellence Certification Program**

We maintain a supply base that complies with international quality and environmental standards as well as the standards of KONE. We expect all of our key suppliers’ factories to attain Supplier Excellence Certifications.

The KONE’s Supplier Excellence Certification Program assesses key suppliers’ sites, examining aspects that include environmental and quality management systems, performance scorecards, and supplier audit results.

In 2018, 97% of our strategic supplier factories were ISO 9001 certified, and 90% of them had ISO 14001 certifications.

The majority of strategic suppliers assessed.

All of the main material suppliers to KONE distribution centers and factories undergo regular audits. In 2018, 92% of our strategic suppliers were audited. 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, to validate follow-on improvement initiatives, to assess quality and environmental management systems – especially when suppliers are not ISO certified, or to pre-audit the suitability of potential suppliers.

New system for 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 dependability on business from KONE.

During the reporting year we developed and piloted a new risk engineering audit concept that covers for example:

- Facility risks such as fire risks and risks related to the main machinery
- Production risks such as production transfer possibilities, buffer stocks and business continuity management
- IT risks such as cyber risks
- Natural hazards
- Second tier supplier risks
- Financial risks

We also work closely with our strategic suppliers to find competitive raw material price levels.

Continuous development of supplier performance

We monitor the performance of our main suppliers of our direct production materials through a monthly KPI measurement and follow-up process. We also run a supplier scorecard system that evaluates key suppliers of direct materials. The results of the scorecards represent a balanced view of quantitative and qualitative performance criteria from a number of angles, such as quality, cost, and logistics.

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.

The company’s audit process and the scorecard system help us to improve the performance of our suppliers and ensure that they meet our expectations. By continuously improving our supplier relationships, we aim to build long-term partnerships that benefit both KONE and our suppliers.
KONE has chosen to report using the Global Reporting Initiative (GRI) guidelines and has made a self-declaration to the GRI Sustainability Standards Core option. A table detailing how this report complies with the GRI guidelines is shown on pages 46–47. We have self-declared our reporting to be in accordance with the Core level.

The reporting period corresponds with the calendar year and with KONE’s financial year of January 1–December 31, 2018. When developing the report content and choosing indicators, the driver has been the materiality to KONE’s operations. During 2016, we conducted a materiality analysis and defined the focus areas for KONE’s sustainability work (read more on p. 2). KONE’s approach to sustainability has also been described in the letter from the chairman and the president and CEO on p. 6, and in the strategy description on p. 7.

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. The personnel data is provided by our HR organization.

The facility-related environmental data has been collected from KONE’s 13 manufacturing units worldwide and from 31 country organizations with sales, installation, and service operations in Asia-Pacific, EMEA, and North America. The collected environmental data covers 84% (2017: 85%) of all KONE’s employees and 100% of employees working at our manufacturing units. Business air travel data, covering 30 countries and approximately 90% of our employees, has been collected from KONE’s five biggest travel agencies and several local travel agencies. Vehicle fleet fuel consumption data has been collected from 26 countries, representing 90% of the total fleet. 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. Spare part deliveries are also within the reporting Scope.

Inbound logistics of materials to KONE’s manufacturing sites is excluded from the reporting Scope because of its insignificant impact. The quality and coverage of data provided by our logistics suppliers has over the years continuously improved.

KONE uses the environmental performance software system by one of the world’s leading EHS system vendors. The facility-related environmental data has been collected from branch offices using a customized Greenhouse Gas Protocol corporate value chain accounting system developed by KONE’s logistics team. The environmental performance has been reported in accordance with ISO 14064 and the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and Corporate Value Chain (Scope 3) Accounting and Reporting.

To the Management and Stakeholders of KONE Oyj

The Management of KONE Oyj commissioned us to perform a limited third-party assurance engagement regarding greenhouse gas emissions data for Scope 1, 2 and 3 and emissions and water consumption data ("Selected information") disclosed in KONE’s Sustainability Report ("Report") for the period of 1st January to 31st December 2018. The assurance engagement was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised (2010) as ‘Assurance Engagements other than Assurance Engagements − please contact corporate communications’.

KONE’s approach to sustainability has also been described in the letter from the chairman and the president and CEO on p. 6, and in the strategy description on p. 7. The country-level data as well as the data from manufacturing units and global functions has been entered into the environmental performance system. The data has been further consolidated globally. Product and spare parts logistics data has been calculated using an in-house logistics emission calculation system developed by KONE’s global logistics team. The environmental performance data has been reported in accordance with ISAE 3000.

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To the Management and Stakeholders of KONE Oyj

Scope and Objectives

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Responsibilities

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

- Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard
- Greenhouse Gas Protocol Scope 2 Guidance
- Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting

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

Conclusion

Based on the work described in this report, nothing has come to our attention that causes us to believe that the Selected information disclosed in KONE Sustainability Report 2018 is not reliable, in all material respects, based on the reporting criteria.

Helsinki, Finland, 8th March 2019

Mikael Niskala
Independent Sustainability Expert

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Independent Sustainability Expert

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### Stakeholder engagement

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### TOPIC-SPECIFIC DISCLOSURES Related SDGs Page Further information and omissions

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#### ENVIRONMENTAL STANDARDS

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#### SOCIAL STANDARDS

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