HELPING CITIES GROW SUSTAINABLY

Sustainability Report 2019
At KONE, our mission is to improve the flow of urban life. KONE’s equipment moves over 1 billion users each day. 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. Through more effective People Flow®️, we make people’s journeys safe, convenient and reliable in taller, smarter buildings.

We serve approximately 500,000 customers across the globe, and have over 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 2019, KONE had annual sales of EUR 10 billion, and at the end of the year approximately 60,000 employees. KONE class B shares are listed on the Nasdaq Helsinki Ltd. in Finland.
2019 SUSTAINABILITY HIGHLIGHTS

- Recognized on Forbes’ 2019 Global 2000: World’s Best Employers list
- Achieved a place on CDP’s prestigious A List for Climate Change as the only elevator and escalator company
- Ranked as the 32nd most sustainable company in the world by Corporate Knights

- 68,258 survey interviews with our customers and other stakeholders
- 97% of our strategic suppliers were ISO 9001 certified, 91% ISO 14001 certified

- 90% of all electricity consumption at KONE facilities comes from renewable sources
- 15 elevator models with A class ISO 25745 highest energy efficiency ratings and 4 escalators and autowalks with the best A+++ rating
- Launch of KONE DX Class elevators, the world’s first elevator series with built-in connectivity as standard

KONE operates worldwide

Sales by region: Total sales MEUR 9,982

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>2,101</td>
</tr>
<tr>
<td>Europe, Middle East</td>
<td>3,500</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>3,381</td>
</tr>
</tbody>
</table>

- 37% of all electricity consumption at KONE facilities comes from renewable sources

- -3.1% operational carbon footprint

KONE employs 59,825 people

<table>
<thead>
<tr>
<th>Region</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>7,632</td>
<td></td>
</tr>
<tr>
<td>Europe, Middle East</td>
<td>23,306</td>
<td></td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>28,887</td>
<td></td>
</tr>
</tbody>
</table>

- 18% of director level positions held by women
- 1.7 Industrial Injury Frequency Rate
- 90% completion rate for the Code of Conduct e-learning, rolled out in 64 countries by the end of 2019

- All major KONE supply units continue to hold ISO 9001 and ISO 14001 certificates

The number of employees has grown steadily over the past 10 years

- 145 nationalities
- 18% of director level positions held by women

- 90% of all electricity consumption at KONE facilities comes from renewable sources

- -3.1% operational carbon footprint

KONE added economic value in 2019

<table>
<thead>
<tr>
<th>Value Added (MEUR)</th>
<th>2018 (in brackets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value distributed</td>
<td>Sales to customers</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>MEUR 9,982 (9,071)</td>
</tr>
<tr>
<td>Employment-related costs and taxes</td>
<td>MEUR 5,741 (5,210)</td>
</tr>
<tr>
<td>Creditors</td>
<td>MEUR -25 (-47)</td>
</tr>
<tr>
<td>Shareholders</td>
<td>MEUR 880 (-851)</td>
</tr>
<tr>
<td>Economic value retained in the company</td>
<td>MEUR 58 (-4)</td>
</tr>
</tbody>
</table>

2018 figures in brackets.
In 2020, KONE will celebrate its 110th anniversary. Continuous renewal and a focus on sustainable business and social practices have been critical foundations to our long-term success.

At the time of writing, the coronavirus pandemic continues to spread throughout the world, affecting every aspect of our daily lives. How businesses function and how people live and work have changed in ways that we have never seen before. At a speed that is unparalleled. Our thoughts are with anyone personally affected by the coronavirus outbreak.

By focusing on our strong foundations; our people, sustainability and the health of our finances, we will be able to weather this storm and recover, as we have done during other periods of crisis throughout our long history.

As a result of how KONE has been developed, we believe that we have a strong position to continue lead our industry in sustainability. We recognize the urgent need to dramatically improve the climate impact of our operations, products and services; as well as the need to address the social and governance impacts of our business. The unprecedented speed of change as well as a significant shift towards climate-friendly business is a substantial opportunity for KONE.

In fact, our industry is both growing and transforming. This is because of rapid urbanization and the changing needs and expectations of our customers and the users of buildings. At the same time, new benefits, such as materials for healthy indoor air quality are being brought to the market.

Many industries face rising demands for solutions that are long-lasting, adaptable and which can contribute to a circular economy. In our industry, these topics are certainly at the forefront of our customers’ agendas. For KONE, it continues to be an area where we will spearhead development in our industry.

In 2019, our work continued to be recognized by many external organizations and indices. We received two outstanding recognitions in climate and sustainability performance. We were the only elevator and escalator company on CDP’s prestigious A List for Climate Change, for our actions in reducing greenhouse gas emissions, mitigating climate risks and contributing towards a low-carbon economy. In addition, we are proud to be recognized as one of the most sustainable companies in the world by Corporate Knights again – ranking 32nd in their 2020 Global 100 Most Sustainable Corporations in the World. KONE was listed for the third time on the Forbes Global 2000 list of the World’s Best Employers.

We are of course very honored by these achievements, which have been achieved thanks to our dedicated employees around the world. It is clear that diverse, motivated and knowledgeably teams make the best partners for our customers. We continued to invest in maintaining and on all organizational levels around the world.

Everything we do starts with safety. Our billion people use our equipment each day and we have thousands of employees and contractors servicing customers and servicing equipment. By mid-2019, 32,000 employees had completed safety training. Our IIFR (Industrial Injury Frequency Rate) improved from 2.1 to 1.7 the previous year, a record low. We continue to target zero incidents. The number of safety observations, which help KONE take actions proactively to improve safety, increased by 21.3%.

At KONE, our vision is to deliver the best People Flow® experience by providing easy, effective and efficient experiences and equipments for our customers 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.

EVERYTHING STARTS WITH THE CUSTOMER

KONE’s strategic phase for 2017–2020 is called Winning with Customers. Our Accelerate Winning with Customers program speeds up the execution of our strategy and supports profitable growth. The objective of the program is to create a faster-moving, customer-centric organization that leverages scale efficiently in a rapidly changing environment. The 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. 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 we are setting 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

Customer 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.

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.
Creating value by improving the flow of urban life

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 over 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 a 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.

Creating value by improving the flow of urban life
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 resource efficiency, providing the most sustainable offering, ensuring competitive employer expenses in all our suppliers, and maintaining an active dialogue with them.

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.

Focus area Material topics Management systems Management bodies

Driving innovation and improving resource efficiency
- Deep understanding of customer needs
- Sustainable innovations and business models
- Resource efficiency
- Low-carbon operations
ISO 9001 Quality management system, ISO 14001 Environmental management system, KONE’s Supplier Excellence Certification, ISO 50001 Energy management system, KONE 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 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
- Product and service quality
- End user safety and accessibility
- Energy efficiency of solutions and lifecycle thinking
ISO 9001 Quality management system, KONE’s Supplier Quality Standard, KONE quality and environmental policy, ISO 14001 Environmental management system, ISO 25743 Energy performance of lifting equipment, ISO 27001 Security．Bridging, 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
- Fair employment practices
- Motivated and engaged employees
- Diversity and inclusion
- Employee safety and well-being
KONE continuous learning approach, KONE policy for supporting long-term external studies, KONE Recruitment policy, KONE Global Total Reward policy, KONE Employee Performance policy, KONE Base Pay policy, KONE Roles, Grades and Evaluation policy, KONE Code of Conduct, OHSAS 18001/ISO 45001, KONE safety management system
Executive Board, President and CEO, KONE Global Compliance Committee, Human Resources function

Enabling our partners and societies to prosper
- Generating long-term returns
- Creating wealth via taxes and employment
- Ethical business practices
- Long-term relationships with our suppliers
- Supporting local communities
KONE’s 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 Quality Standard, 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

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.

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
Customer meetings and events, constant dialogue through support, seminars and conferences, company reports, marketing materials, website and social media channels. Our annual customer loyalty survey consists over 20,000 phone interviews and each year more than 40,000 customers take part in our transactional surveys after different interactions with us.
Customer services, internal and employee publications.
Our net promoter score stayed at a good level. Customer surveys showed continuous positive feedback on our personnel, customer service and the quality of our products and services.
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 intranet and internal employee publications.
Pulse employee survey, annual performance discussions, idea management system, innovation tool. In 2019, instead of conducting a Pulse survey, we organized Pulse Talk follow-ups in all teams to ensure completion of actions from 2018. The next Pulse survey will be carried out in 2020.

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 company reports. In addition, more personal channels of dialogue include management meetings with investors and analysts, annual general meeting, 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.
We receive direct feedback from financial market representatives in discussions and meetings, and we collect feedback from the financial community also through surveys. Some of the most discussed topics with KONE's stakeholders included current and future business performance, and the potential consolidation of the elevator and escalator industry.

KONE conducts business with approximately 35,000 suppliers, out of which approximately 2,000 are key 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 has operations in over 60 countries and collaborates with authorized distributors and agents in almost 100 countries around the world.
Continuous dialogue through daily contacts, regular customer 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 and media analysis. Rumors and speculations in media about the potential consolidation in elevator and escalator industry.

KONE collaborates with educational institutions locally and globally.
KONE international trainee program, CEMS global tracking. Special attention paid to school collaboration and social media visibility in order to enhance KONE’s brand as an employer and to attract talent.

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.

Read more about KONE's non-financial risks and their mitigation in our Annual Review, pages 18–20.
SUSTAINABILITY FOCUS AREAS AND MATERIAL TOPICS

KONE’s sustainability reporting follows the Global Reporting Initiative’s (GRI) guidelines. During 2016, 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 with 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:

- Energy efficiency of solutions and life cycle thinking
- End user safety and accessibility
- Product and service quality
- Customer satisfaction

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. Today, the built environment accounts for 40% of the world’s energy-related greenhouse gas emissions. Material consumption is predicted to double by 2050. Innovations in urban development can play an important role in advancing climate action, social inclusion, and economic prosperity:

- Deep understanding of customer needs
- Sustainable innovations and business models
- Resource efficiency
- Low-carbon operations

Providing the most sustainable offering

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 climate resilience:

- Customer satisfaction
- Product and service quality
- End user safety and accessibility
- Energy efficiency of solutions and life cycle thinking

Being the best employer and attracting talent

In order to ensure having the best talent to serve our customers, one of our strategic targets is to make KONE a great place to work. Our personnel strategy aims to ensure the availability, engagement, and retention of a diverse and skilled workforce. We strive to maintain a safe and healthy working environment and foster a collaborative and inclusive 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:

- Competence development
- Fair employment practices
- Motivated and engaged employees
- Diversity and inclusion
- 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

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. Today, the built environment accounts for 40% of the world’s energy-related greenhouse gas emissions. Material consumption is predicted to double by 2050. Innovations in urban development can play an important role in advancing climate action, social inclusion, and economic prosperity.

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

- Infrastructure investments
- Environmental investments
- Research and development
- Access to affordable housing
- Sustainable buildings

One of the world’s busiest convention centers, the Moscone Center in San Francisco, UL, spans almost an entire city block and attracts more than one million visitors annually. The predictive analytics and transparency provided by KONE 24/7 Connected Services enable real-time monitoring and analysis of parameters that help identify any issues before they escalate into disruption to the visitors’ seamless People Flow experience.

INNOVATION

For us at KONE, innovation means putting the customer and end 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, conceiving, as well as new products and services creation. This applies to mechanical concepts, new user experiences, as well as digital solutions. We use new integrated technologies and connectivity to set new standards for customer service.

Innovations can have a significant role in addressing climate crisis. Increasing resource efficiency is among our top priorities. 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. We develop solutions and services for the whole life cycle of buildings with eco-efficiency, safety and quality as the foundations. Our eco-efficient People Flow® solutions address the needs of sustainable urban living. We participate in building the foundations of future urban communities. For example, we are involved in the SPARCS project, innovating energy positive and zero-carbon urban communities together with partner cities, citizens, research institutions and companies. The aim is to demonstrate solutions for future energy transformation, mobility and improved air quality with a focus on digital solutions and community engagement.

We have made systematic, long-term investments into research and development (R&D) capabilities. Today, we have over 1,200 dedicated technology professionals working for R&D in Finland, China, Italy, India, United States, Netherlands, and Mexico. 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 analyze market and customer trends in different parts of the world. Over half of KONE’s almost 60,000 employees are in the field serving customers in more than 60 countries. These daily interactions are important sources of inspiration for the creation of new solutions as well as for the continuous development of our operations. We systematically collect customer feedback during the various phases of the customer relationship, for example through our annual customer loyalty survey and transactional surveys, totaling approximately 60,000 feedback records.

Collaborative approach and customer engagement

We strive 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. Our fundamental working principle is to invite customers to join the innovation process right from the beginning, to work together in identifying relevant problems with a diverse team setup, and experimenting with solutions. Visiting customer sites enables us to jointly develop tailored solutions for our customers’ buildings with their own 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 large corporations, is an important way for us to foster innovation and encourage finding new ways of serving our customers. KONE also participates in publicly funded research projects in order to learn more about new emerging technologies relating to phenomena in urban environments and people’s behavior.

Creating more customer value with the world’s first digital elevator series

In 2019, KONE introduced the world’s first digital elevator series. With built-in connectivity as standard, KONE DX Class elevators bring a new user experience to life through a combination of design, technology, new materials, applications and services. For KONE’s customers such as developers and building owners, a key advantage is the ability to adapt and upgrade the elevator experience throughout the building’s life cycle. Digitally connected elevators and the services that the digital platform (see p. 16) can make the elevator smarter and help our customers to stand out from the competition.

Buildings can undergo significant changes during their lifetime and therefore “future proof” was the key concept in developing the new DX offerings. The new services offered through the KONE DX Class elevators are enabled by the KONE digital platform, application programming interfaces (APIs), and KONE’s partner ecosystem. KONE’s and our partner ecosystem’s common goal is to create the best possible experience for different types of people moving in and between buildings. The services make everyday life more convenient and easier for customers as well as the users of our equipment. New partners and digital solutions are constantly added to the offering.

Our design philosophy is based on human insight driven design approach that

- 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.
- Maintaining safe and reliable infrastructure. As populations grow, the design of infrastructures need to be modernized and made more efficient.
- Providing a premium on eco-efficiency and sustainability, to reduce energy consumption, manage waste and pollution and use materials smartly.
- Addressing the growing value placed on well-being and better living standards, enabling people to live in better harmony with their surroundings.

Needs for sustainable and smart living

- One of the world’s busiest convention centers, the Moscone Center in San Francisco, UL, spans almost an entire city block and attracts more than one million visitors annually. The predictive analytics and transparency provided by KONE 24/7 Connected Services enable real-time monitoring and analysis of parameters that help identify any issues before they escalate into disruption to the visitors’ seamless People Flow experience.

KONE SUSTAINABILITY REPORT 2019
KONE’s digital platform connects people – customers, users and employees – to equipment and data, in a safe and secure manner. As our equipment is connected to the cloud, sensors and partner solutions through application programming interfaces (APIs), they are easy to update and upgrade.

KONE’s digital platform – how does it work?

When developing new solutions, we follow secure software development processes, embedding cybersecurity and privacy into our digital services and connections. KONE continuously endeavors to ensure that our products and solutions are developed with cybersecurity in mind from the start, so that we are able to keep our solutions updated throughout their lifespan.

We continuously educate our employees to better recognize and combat cyber security threats. For this purpose, we have created a set of role-based learning paths. In addition to reviewing any cybersecurity incidents, we practice handling cybersecurity incidents through simulations and exercises.

Protecting data privacy

We protect our customers’, solution users’ and our employees’ right to data privacy. We comply with legislation requirements for cybersecurity and data protection such as European Union’s General Data Protection Regulation (GDPR). Our solutions only collect the data necessary for the respective service’s purpose, and we delete the data as soon as it is no longer needed. We process personal data as anonymously as possible and limit access to the data on a need to know basis.

KONE’s Environmental Excellence program 2017–2021

Our Environmental Excellence program for 2017–2021 supports the green transformation of urban environments into smart eco-cities, low-carbon communities and net zero energy buildings. Our long-term environmental targets are to be a leader in low-carbon operations.

Our solutions are highly eco-efficient and contribute to green building ratings.

Key Initiative | Achievements in 2019 | Target 2017–2021
--- | --- | ---
Launch of KONE DX Class elevators with built-in connectivity and focus on sustainability. | Further reduction in energy consumption | 3% annual reduction of operational carbon footprint relative to sales

Solutions delivered to buildings certified with LEED, BREEAM and local green building standards. | | New and renewed Singapore Green Building Product (SGBP) certifications with the highest Leader ratings. In total, eight KONE solutions have the SGBP certification. Approved Bryggenbodningene (BVB) assessments in Sweden for KONE’s elevator and TransMaster™ 180 escalator. In total, we have now six approved BVB assessments. Solutions delivered to buildings certified with LEED, BREEAM and local green building standards.

Key highlights

Sustainability

Solutions for tenants and equipment users.

We view cybersecurity as a holistic process encompassing topics such as awareness and education, security and privacy by design, and detecting and responding to security incidents. We partner with leading cybersecurity experts and we also expect our suppliers and partner companies to demonstrate a significant cybersecurity level. By monitoring our digital environment around the clock, we can take any necessary actions as appropriate.

At KONE, we use some of the most advanced technologies in order to meet the high customer expectations for cybersecurity. We benchmark our cybersecurity maturity and measure our improvement against the National Institute of Standards and Technology (NIST) cybersecurity framework. We also participate in the cybersecurity standardization initiatives related to our industry. We are currently in the process of aligning our digital systems with the information security management standard series ISO 27000.

KONE supports customers in green building certifications

KONE supports customers in green building even better than before through a new selection of low-emission, healthy interior materials, best-in-class energy efficiency and transparent disclosure about the sustainability of our solutions. Our objective is to be the most trusted green building partner for our customers. With this launch we strengthen our offering, helping our customers obtain green building certifications such as LEED, BREEAM and Nordic Eco Label. Read more about our sustainable offering on pages 24–31.

Cybersecurity as an essential part of connected technologies

New, digital technologies present a great opportunity for us to serve our customers in smarter ways and create more value for them. At the same time, increasing digitalization and connectivity underscores the importance of cybersecurity.

We view cybersecurity as a holistic process encompassing topics such as awareness and education, security and privacy by design, and detecting and responding to security incidents. We partner with leading cybersecurity experts and we also expect our suppliers and partner companies to demonstrate a significant cybersecurity level. By monitoring our digital environment around the clock, we can take any necessary actions as appropriate.

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ACTION FOR CLIMATE AND ENVIRONMENT

KONE aims to be a leader in sustainability and contribute to the sustainable development of the built environment. Our smart and reliable People Flow® solutions contribute to sustainable urbanization by enabling reliable public transportation infrastructure and effective land use through high vertical construction. Simultaneously, our pioneering eco-efficient solutions can help reduce the emissions of the built environment. Transitioning to a low-carbon economy and countering the negative impacts of climate change, together with our customers, is a significant opportunity for KONE. Also new technologies and connectivity provide us new means of adding value to our customers in their need for building resilience. Read more about how we contribute to smart and sustainable building on page 28.
Managing environmental risks
We recognize climate risks as having a potential negative impact on our business, albeit in comparison to other strategic and financial risks, climate-related environmental risks are not very significant. We identify, assess and manage environmental risks as an integral part of our company-wide business risk management process and ISO 14001 Environmental management system. Our risk management activities include monitoring potential regulatory changes and developing business continuity management capabilities in case of climate-related disruptions to our operations or delivery chain. In our product development, we apply product design specifications and measurements that aim to ensure product resilience even in harsh and changing environmental conditions.

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

Commitment to global goals and initiatives
As a member of the Climate Leadership Coalition in Finland, KONE supports the Sustainable Development agenda addressing the social, economic, and environmental dimensions of sustainable development. KONE also monitors its sustainability performance annually in line with the Communication of Progress process as defined by the UN Global Compact.

KONE has signed the Paris Pledge for Action climate initiative, showing climate leadership and commitment to limiting global warming to under 2°Celsius in accordance with the Paris Climate Agreement. In 2019, we continued revising our long-term climate target setting according to the Science Based Targets initiative to limit global warming with more stringent actions.

KONE works to increase awareness about environmental responsibility and climate action. As an example, KONE units from almost 30 countries participated in World Climate Change Day and Earth Hour during the reporting year. As a member of the Climate Leadership Coalition in Finland, KONE was also involved in increasing awareness for climate action with high school students during the global Zero Emissions Day.

Recognition for outstanding climate and sustainability performance
In 2019, KONE was recognized by CDP for its actions towards reducing emission, mitigating climate risks, and developing a low-carbon economy. KONE achieved a place on CDP’s prestigious A List as the only elevator and escalator company. The listing signifies that we are in the top 2% of the 8,400 companies that disclosed their environmental data through CDP in 2019, representing more than 50% of global market capitalization. During the 11 years of disclosing data through CDP, KONE has received a leadership score of A or A- for seven consecutive years. The score ranges from A to D, and it is based on independent assessment against the scoring criteria defined by CDP. CDP is an international not-for-profit organization that runs a global disclosure system that enables companies, cities, states, and regions to measure and manage their environmental impacts.

KONE was also ranked as the 32nd most sustainable company in the world by Corporate Knights Inc., a leading sustainable business magazine and ranking organization. KONE was the only elevator and escalator industry company to be included again in the Corporate Knights’ 2019 Global 100 Most Sustainable Corporations in the World ranking, for the second consecutive year.

Low-carbon operations
KONE’s operational environmental efforts focus on resource efficiency and minimizing our carbon footprint. We work together with our customers and suppliers to minimize greenhouse gas emissions and other adverse environmental impacts throughout our entire delivery chain. To this end, we focus on the sustainability of our solutions during their life cycle. Read more about our green and smart solutions on pages 28–31.

Reducing our long-term carbon footprint
In support of positive climate action, KONE’s objective is to reduce its carbon footprint relative to sales by 3% annually. In 2019, we exceeded our target as our overall operational carbon footprint relative to sales decreased by 3%. We also exceeded our Scope 1 and 2 targets, as our relative carbon footprint decreased by 5.4%.

This positive development was enabled by a 0.5% decrease in our absolute Scope 1 and 2 absolute emissions (with comparable reporting scope) while our business grew strongly. We continued our systematic reductions in our electricity emissions and succeeded in stabilizing the growth in our vehicle fleet emissions in 2019. We recognize that continued improvement and absolute emissions reductions are required in order to meet our targets, especially in logistics and vehicle fleet.

Logistics
KONE is positioned as one of the most sustainable freight companies in the world. KONE’s freight operations are included again in the Corporate Knights’ 2019 Global 100 Most Sustainable Corporations in the World ranking (37,700 tCO2e with comparable scope). KONE operates 1,300 freight vehicles in 46 countries, with a focus on the world’s major business centers. In 2019, we reduced our long-term restructuring of our vehicle fleet composition and to this end, we work closely with our partners. In 2019, we reviewed our car selection in the EMEA area, choosing brands with low-emission models to help us incorporate more hybrid and electric vehicles to our fleet.

Our aim is to shift towards vehicle decarbonization as soon as the leasing contract renewal periods allow, and once the required infrastructure for an electric fleet is at a reasonable level in each country. An example, KONE Netherlands and KONE Italy continued to incorporate new electric vehicles to replace our conventional fleet. KONE Spain also started testing hybrid vehicles. The potential for biofuel use has also been recognized, and for instance KONE Finland has experimented with biofuel use. We already make use of and further investigate alternative means of mobility. For example, for the most part, our maintenance personnel in Asia-Pacific use public transportation and walk to customer sites.

Business 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 virtual conferencing equipment. We carefully consider the need for travel and optimize the locations for meetings and conferences. The vast majority of meetings are conducted online or in a hybrid setting.

The greenhouse gas emissions from business travel increased by 6.3% due to for example the removal of general travel restrictions in 2019.

Electricity
KONE is committed to reducing electricity consumption in its operations and has set a long-term target to increase the share of green energy to more than 50% by 2021. We extended the reporting scope to Russia, Poland, Hungary and Slovenia. During the reporting year, green electricity accounted for 37% of all our electricity consumption (2018: 33%). Our Czech manufacturing unit transitioned to using 100% renewable electricity, as did some facilities in our Spanish subsidiary. Large solar panel installations were also completed at KONE factory premises in China and in Finland.

The reported electricity/district heat emissions 3,420,000 tCO2e (3,300,000 tCO2e with comparable scope) take into account our usage of green electricity produced using renewable sources (market-based calculation method). Without the use of green electricity, KONE Finland would consume an estimated 3,850,000 tCO2e (3,770,000 tCO2e with comparable scope).

Optimizing material use and minimizing waste
KONE aims to maximize the opportunities presented by resource efficiency and circular economy in our operations and delivery chain. In order to contribute positively to responsible production, we prioritize the smart use of resources and the recycling of materials, for example by:

- Optimizing manufacturing material use and manufacturing processes
- Recycling waste wherever possible
- Reusing packaging materials

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- Optimizing manufacturing material use and manufacturing processes
- Recycling waste wherever possible
- Reusing packaging materials
As part of our day-to-day logistics process, a large share of our packages are reusable and circulate between our manufacturing units and suppliers. The majority of our packaging materials can be recycled, and some parts of the packaging are also designed to be used as tools during the installation of our equipment. During 2019, we also launched a fully reusable spare part package for maintenance technicians in the Netherlands. This eliminates the need for single-use cardboard boxes and at the same time, enables a centralized waste disposal process. You can read more about crate innovations – the use of reusable packages in the Netherlands on KONE.com.

We 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 their facilities and their service fleet.

Our objective is to reduce the waste generated by our manufacturing processes and offices. Our long-term target for waste management 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 2019, our waste amount decreased by 7%, despite adding three countries to our waste data collection scope. The proportion of recycled and incinerated waste increased slightly from an already high level, amounting to 93.9% of the total waste generated by KONE units globally (2018: 93.5%). In the 1.3 million manufacturing units in our data collection scope, the share of recycled or incinerated waste was 98.1% (2018: 97.8%). Only 0.9% (2018: 0.6%) was put into landfill. Read more about resource efficiency and circular economy at KONE on KONE.com/sustainability.

KONE’s operational greenhouse gas emissions

Continuously improving KONE facilities’ eco-efficiency. Globally, KONE operates in over 1,000 facilities, including office spaces and installation and service operation hubs. Our facilities account for approximately 13% of our operational carbon footprint (2018: 13%). KONE’s Global Facilities Policy outlines our approach for the selection and management of our facilities. It aids in developing fit-for-purpose facilities and eco-efficient operations, as well as in 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 2019, we reduced our facility-related carbon footprint by 6.6% compared to 2017. We are working towards this target by, for example, optimizing energy usage in heating, ventilation, air conditioning and lighting systems, increasing the share of green electricity to a minimum of 50%, and setting up on-site renewable energy production. We also encourage investments into electric vehicle charging infrastructure at our facilities and favor eco-efficient service suppliers.

Our objective is to have any 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 2019, KONE opened a new, state-of-the-art manufacturing unit in Pilkarpuram, close to Chennai, India. The facility is designed in accordance with Indian Green Building Council criteria with water recycling and rainwater harvesting systems, solutions to conserve energy, limit greenhouse gas emissions and maximize good indoor air quality. For more of our facility-related achievements in 2019, see page 17.

How KONE reduces the environmental impacts of its operations

Development action

Impact on eco-efficiency

Logistics

Optimized use of transportation networks. Optimal routing of material through distribution center network and selection of suppliers located close to distribution centers.

Waterway and railway transportation prioritized over air freight.

Improved space utilization ratio in loading. Better load planning of outbound trucks and containers resulting in improved container space utilization, optimization of transportation units used and more products delivered per shipment.

Centralized volumes to main suppliers, convenient location of suppliers close to distribution centers. Fewer transportation routes and improved transportation efficiency ratio.

Use of more eco-efficient transportation equipment. Truck equipment selection from eco-efficiency perspective. Requirement for Euro 4 trucks for European logistics service providers (European emission standard for vehicles).

Improved logistics reporting. Continuous development of reporting methods and tools in collaboration with logistics service providers for optimal use of logistics data.

Vehicle fleet

Compliance with KONE Global Vehicle Fleet Policy. Maximum CO2 emission limits defined, employees encouraged to select benefit cars with lower CO2 emissions.

Selecting fuel-efficient vehicles. 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.

Driving performance and route optimization. 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.

Planning for the long-term mobility solutions of our service fleet. Reduced CO2 emissions and agile services through extended piloting of full-electric and hybrid vehicles, as well as through vehicle sharing and electric bicycles.

How KONE reduces packaging-related emissions and waste

Optimized packaging to better fit into logistics chain. More products delivered per transportation unit.

Optimized use of packaging materials. Less packaging material used, more effective waste management, increased recyclability of materials.

Management and development of suppliers’ packaging. Less packaging material used, more effective waste management, improved logistics efficiency.
Environmental impacts of KONE’s operations
KONE’s operational Scope 1, 2 and 3 (logistics, business travel and waste) greenhouse gas emissions, energy consumption and water consumption assured by Mitopro Oy.

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct energy (Scope 1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle fleet</td>
<td>96,600</td>
<td>99,200</td>
<td>99,600</td>
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<tr>
<td>Heating fuels</td>
<td>9,700</td>
<td>9,700</td>
<td>9,500</td>
</tr>
<tr>
<td>Cooling gases</td>
<td>400</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Indirect energy (Scope 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity consumption and district heat, market-based (location-based 2019: 39,900 tCO2e)</td>
<td>34,000</td>
<td>32,100</td>
<td>32,400</td>
</tr>
<tr>
<td>Operational relevant indirect (Scope 3)</td>
<td>Logistics</td>
<td>152,700</td>
<td>160,600</td>
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<tr>
<td>Business air travel*</td>
<td>16,000</td>
<td>14,600*</td>
<td>15,600</td>
</tr>
<tr>
<td>Waste</td>
<td>2,600</td>
<td>2,800</td>
<td>2,700</td>
</tr>
<tr>
<td>Total</td>
<td>312,000</td>
<td>319,200*</td>
<td>327,100</td>
</tr>
</tbody>
</table>

* 2018 figures for business air travel restated.

Product-related indirect (Scope 3)
- Production of materials for products and packaging: 4,404,800* to 4,630,300* to 4,864,100*
- Annual use phase energy consumption of products: 427,500* to 429,200* to 435,200*
- Total: 4,832,300* to 5,059,500* to 5,299,300*

Product-related calculations are based on latest life cycle assessment data and products ordered from KONE during the reporting year.

* 2017 and 2018 figures restated due to improved calculation methodology.

Energy consumption, MWh
- Direct: Heating and vehicle fleet fuels (heating oil, natural gas, liquid petroleum gas, petrol, diesel and diesel with biofuel blend): 417,500 to 427,800 to 428,200
- Biofuel (from 100% renewable sources): 500*
- Indirect: Green electricity (purchased and on-site production): 20,200 to 22,300 to 25,600
- Other than green electricity: 48,500 to 44,900 to 43,900
- District heat: 12,500 to 12,900 to 15,800
- Total: 498,700 to 507,900 to 514,000

* Data collection started in 2019.

Waste, tonnes
- Recycled waste: 33,700 to 39,500 to 34,700
- Incinerated waste: 4,000 to 3,900 to 5,600
- Landfill waste: 2,200 to 1,800 to 1,400
- Hazardous waste: 1,000 to 1,200 to 1,200
- Total: 40,900 to 44,400 to 42,900

Water consumption, m³
- Municipal water: 295,800 to 287,600 to 316,800
- Ground water: 11,400 to 11,200 to 8,800
- Total: 307,200 to 298,800 to 325,600

Waste water effluents from manufacturing units, tonnes
- 9 to 8 to 8

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

Relative operational carbon footprint trend
Data assured externally
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 climate resilience.

QUALITY

Quality is an integral part of KONE’s culture and 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.

Together with safety, quality is a top priority for us. We advocate a “quality starts with me” attitude – everyone at KONE contributes to the quality of our customer experience. We encourage sharing lessons learned among employees, as well as data and information transparency which supports making right decisions and improvements. To ensure that our employees have the skills to resolve quality challenges effectively, 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 Lean Six Sigma projects. Supported by our global and local quality teams, we strive to identify improvement opportunities, investigate root causes, and take any necessary action.

Positive feedback

At KONE, we systematically collect customer feedback through an annual customer loyalty survey and transactional surveys. In our transactional surveys, we closely follow feedback on installation, modernization and maintenance quality. Our customer survey ratings show that quality is among the top reasons why our customers choose KONE as a partner. During the reporting year, the net promoter score in our customer loyalty survey stayed at a good level.

We also closely follow other quality metrics, for example the accuracy and timeliness of our deliveries.

Continual improvement of manufacturing and delivery quality

KONE continuously improves its delivery chain in terms of quality, responsiveness, and efficiency. Our quality focus areas in factory operations are consistency and reliability of every delivery to our customers. KONE benchmarks and applies world-class quality and Lean manufacturing practices from other industries into its daily operations and management practices.

During 2019, KONE’s quality starts with me mindset in factories was enforced during global quality days, several kuzen (Continual improvement events, and gemba site visit routines. During these events, employees were invited to take part in activities and training sessions specifically designed to improve quality in factory operations. KONE’s Lean manufacturing model continues to form the foundation of the daily management in our factories. We also continued our Lean and Six Sigma programs to further enhance the quality of our in-house production, and to support process control harmonization activities in our production lines. Read more about KONE’s supply chain operations on pages 40–41.

In 2019, we expanded our manufacturing execution system (MES) to our elevator component factories in Finland, the United States, and Italy. We also initiated a global project to improve delivery feedback process to further improve speed, accuracy and root cause elimination of any errors in delivery process. Quality-focused competence development in factory operations continued.

Testing Center of Expertise launched

As KONE’s product portfolio has expanded to connected elevators and escalators as well as digital services, our new offering is increasingly dependent on software. Therefore, we launched a Testing Center of Expertise (TCoE) in 2019, strengthening our teams and projects with professionals specializing in testing. KONE’s TCoE supports faster time to market with higher quality, resulting in both improved customer satisfaction and equipment user experience. Our goal is to accelerate the delivery of innovation across the enterprise, while driving down the risk and cost of change.

Developing quality together with our suppliers

KONE’s supplier development and supplier quality management function coaches our suppliers in implementing best practice quality management methods in their respective factories. This includes the implementation of process quality control tools in manufacturing lines to check specific product and process characteristics that are considered critical to the end-product quality.

When new KONE products or changes to our products are implemented, KONE follows up the implementation with the suppliers’ quality and production managers. This helps ensure that KONE’s requirements on product and process quality 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 supplier quality engineers request and evaluate evidence to check that changes are made in a controlled manner. We regularly audit all the main suppliers and their operations and materials to KONE distribution centers or factories.

In 2019, we released a new Supplier Quality Standard. We performed quality maturity assessments in order to understand our suppliers’ compliance with these requirements and initiated a program for strategic suppliers to close any gaps between requirements and full compliance. Supplier quality maturity guidelines taking sourcing decisions and planning business allocations between different suppliers. We continued our journey towards zero defects by implementing mistake proofing methods into our supply chain. Visits to our installation sites with our suppliers so as to help them better understand KONE’s customers’ requirements continued.

KONE’s diagnostic audit program continued as well, and 96 third party audits (2018: 60) following the German automotive industry quality standard VDA6.3 were carried out on our suppliers.

Developing maintenance operations and improving quality

In maintenance, KONE strives to develop its operations by delivering the highest possible value to our customers while continuously improving quality performance. This resulted in less downtime and consequently better equipment user experience.

We constantly explore possibilities for improving our maintenance operations by taking into account the individual needs of our customers, enhancing the quality of our maintenance, improving the sustainability of our maintenance operations, and driving our operational excellence.

EQUIPMENT USER SAFETY AND ACCESSIBILITY

Millions of people use elevators, escalators and automatic building doors every day – every week, KONE moves the equivalent of the entire population of the world. Our top priority is the safety of our equipment
users, employees and everyone we work with. 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.

In 2019, we completed the implementation of our new safety management system, KONE Way for Safety, which 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 collaborate with our customers to 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. For example, building owners need to inform service providers if they identify any 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, elevator doors must not be prevented from opening or closing. Adults need to hold on to the escalator handrail, as well as the hand of any young child, during the ride.

Read more about the safe use of our equipment and the elevator etiquette for staying healthy on KONE.com.

**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 an active contributor to the development of codes and standards that aim to further improve equipment safety, accessibility and energy efficiency. Our experts participate in all relevant committees and forums on the national and international standardization organizations, as well as in industry trade associations around the world. We strongly support worldwide harmonization of the technical and safety requirements resulting in safety improvements.

The aging of urban infrastructure systems in cities around the world is a major concern. Many countries have adopted strict standards for improving safety through modernization of the existing equipment and upgrading them to the latest state-of-the-art solutions. Elevator modernization enhances safety by, for example, 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 any emergencies.

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

**Enabling accessibility**

As populations age, the demand for accessible, safe and convenient people flows 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 access for people with baby strollers or using wheelchairs. KONE is also collaborating with BlindSquare to boost building accessibility for people who are blind or visually impaired. A self-voicing mobile application helps navigation in and between buildings, including riding elevators safely by allowing the user to call an elevator and go directly to their floor via guidance prompts.

**5 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

**5 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 tripping and falling hazard prior to entry or exit
- Easy-to-use, accessibility labeled emergency stop buttons bring the unit to a controlled stop in the event of an incident

**5 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
- Braille signalization and audio announcements help people with hearing and vision impairments
- An elevator can be installed in a building previously without one, in the stairwell or attached to an outside wall

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**SAFETY THROUGHOUT THE VALUE CHAIN**

We enhance the safety of our products and services through rigorous attention to our 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 defines the requirements for all our suppliers, including subcontractors, 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 continuous improvement 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 processes.

**Maintenance**

KONE maintains the safety of elevators, escalators, and automatic doors using preventive maintenance methods. Our maintenance technicians have a vital role in making sure our customers can keep people moving safely also in critical environments, such as hospitals.

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 access to up-to-date information. Our supervisors continually coach and audit technicians to assure that processes are followed and needed competences exist.
THE FUTURE IS IN GREEN, SMART BUILDINGS

When striving for carbon neutrality, urban communities need to be developed with sustainability and wellbeing at the center. We want to support our customers in building these sustainable and climate resilient communities. In transforming the built environment, circular material flows and net zero energy consumption play a key role.

The demands for more sustainable communities can be addressed, in part, through green and smart buildings. Sustainable, healthy building design and construction, minimized and renewable energy consumption, as well as better indoor air quality are all contributing factors. We endeavor to be the most trusted partner for our customers for their climate resilient and sustainable buildings throughout their life cycle. Our relevant offering includes KONE People Flow planning services and solutions, best-in-class energy efficient solutions, and sustainable materials. With our customizable maintenance services, including intelligent KONE 24/7 Connected Services, we can predict issues and take action before disruption occurs. Combined with our tailored modernization services, we can help keep our equipment in service for decades.

Our durable and long-lasting products are designed and tested in our reliability laboratories for climate-resilience even in demanding environmental conditions. Energy-efficient features, such as the regenerative drive and standby mode, build the fundament for low-carbon buildings. Our new KONE DX Class elevators feature built-in connectivity, as well as sustainable materials. The new and innovative interior materials contribute to good indoor air quality and meet green building certification requirements, supported by relevant documentation. With the KONE DX Class, we are geared to fully support our customers in achieving the desired certification for their building, such as LEED, BREEAM, Nordic Swan Ecolabel and other local green building labels. Read more about the KONE DX Class elevator launch on pages 15–16.

LIFETIME VALUE THROUGH ENERGY EFFICIENCY

The most significant environmental impact by KONE relates to the amount of electric energy used by KONE’s solutions during their lifetime. This underlines the importance of energy efficient solutions. For example, KONE Monospace®8500, our current machine-room-less volume elevator, is up to 90% more energy efficient than KONE’s elevators from the 1990s. Compared to a baseline elevator, the KONE MonoSpace®8500 has the potential to reduce the amount of greenhouse gas emissions from the use phase energy consumption significantly, reducing the carbon footprint of our customers.

KONE was the first elevator and escalator company to achieve the best A class energy efficiency classification for a number of our installations. The classification is granted according to the international ISO 25745 standard for the energy performance of lifts, escalators and moving walks. We have a wide range of best-in-class energy performance references for our products. The references include various building types, several market areas and product specifications. In total, KONE currently has 15 best A-class ratings for elevators. Four KONE escalator and autowalk models currently have the best A++ classification in the escalator and autowalk category.

We have pioneered eco-efficient solutions, such as the regenerative drive, standby solutions and the revolutionary KONE UltraRope® high-rise hoisting technology. KONE UltraRope® can cut the energy consumption of, for example a 500-meter elevator ride, by up to 15%. For higher buildings, the energy saving is even more notable.

There is a growing number of aging elevators and escalators currently in operation, the energy performance of which can be significantly improved through partial or full modernization. The European Union’s study called Energy-Efficient Elevators and Escalators (E4) concluded that by utilizing the best available technology of today, energy savings of up to 63% can be achieved by modernizing elevators installed in 1985 or prior. On a European level, this translates to 11.6 TWh of saved energy.

Collaborating with suppliers on sustainable material use

In 2019, KONE used 1,514,500 tonnes (2018: 1,440,400) of materials for producing and packaging its products (figures calculated based on life cycle assessment data). In order to increase resource efficiency, KONE is systematically harmonizing its elevator and escalator product offering and the corresponding component selection. A key element when designing our products is working together with our suppliers in selecting sustainable and healthy materials, as well as avoiding the use of hazardous substances. In 2019, we updated our global guideline for all KONE suppliers and partners, as well as internal stakeholders, to outline which substances are not allowed or are to be removed from all KONE products. This guideline is based on some of the tightest legislation and certification requirements today. During the reporting year, we also hosted a number of training sessions for our suppliers in China on sustainable materials. 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.

Communicating the environmental and health impacts of KONE solutions

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. The declarations can be used by our customers in obtaining green building certifications and when calculating the carbon footprint of the building. For the launch of KONE DX Class elevators, we published new, externally verified Environmental Product Declaration for KONE Monospace®8500 DX, KONE TranSys™ DX and KONE MiniSpace™ DX. The biggest environmental impact of KONE consists of the product use phase energy consumption and the related materials manufacturing. These correspond to...
The life cycle carbon footprint of KONE MonoSpace® 700 DX elevator is approximately 24 tCO2e.

### Environmental impacts of products ordered from KONE

<table>
<thead>
<tr>
<th>Carbon footprint of KONE’s products, tCO2e [calculated]</th>
<th>2017*</th>
<th>2018*</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production of materials and packaging</td>
<td>4,404,800</td>
<td>4,630,300</td>
<td>4,864,100</td>
</tr>
<tr>
<td>Lifetime energy consumption of products</td>
<td>9,139,800</td>
<td>9,272,400</td>
<td>9,459,500</td>
</tr>
<tr>
<td>Total</td>
<td>13,544,600</td>
<td>13,902,700</td>
<td>14,323,600</td>
</tr>
</tbody>
</table>

### Materials used, tonnes

<table>
<thead>
<tr>
<th>Materials used, tonnes</th>
<th>Materials</th>
<th>2017*</th>
<th>2018*</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing (calculated)</td>
<td>Metals (steel, aluminum, copper)</td>
<td>961,900</td>
<td>1,013,900</td>
<td>1,066,000</td>
</tr>
<tr>
<td></td>
<td>Concrete</td>
<td>196,500</td>
<td>207,300</td>
<td>217,300</td>
</tr>
<tr>
<td></td>
<td>Electronics</td>
<td>20,600</td>
<td>21,700</td>
<td>22,900</td>
</tr>
<tr>
<td></td>
<td>Plastics</td>
<td>10,600</td>
<td>11,200</td>
<td>11,700</td>
</tr>
<tr>
<td></td>
<td>Rubber</td>
<td>8,900</td>
<td>9,400</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>Glass</td>
<td>4,500</td>
<td>4,300</td>
<td>4,300</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>59,500</td>
<td>63,500</td>
<td>67,700</td>
</tr>
<tr>
<td>Packaging (calculated)</td>
<td>Wood</td>
<td>77,600</td>
<td>82,400</td>
<td>87,000</td>
</tr>
<tr>
<td></td>
<td>Plywood</td>
<td>11,900</td>
<td>12,200</td>
<td>12,500</td>
</tr>
<tr>
<td></td>
<td>Paper/cardboard</td>
<td>7,200</td>
<td>7,400</td>
<td>7,700</td>
</tr>
<tr>
<td></td>
<td>Plastics</td>
<td>4,200</td>
<td>4,400</td>
<td>4,600</td>
</tr>
<tr>
<td></td>
<td>Metals</td>
<td>2,000</td>
<td>2,200</td>
<td>2,300</td>
</tr>
<tr>
<td>Office consumables (actual data)</td>
<td>Paper</td>
<td>900</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Total</td>
<td>1,366,300</td>
<td>1,440,400</td>
<td>1,514,500</td>
<td></td>
</tr>
</tbody>
</table>

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

* 2017 and 2018 figures restated due to improved calculation methodology.

**Product certifications**

KONE’s solutions have been recognized by a number of external parties and recommended for green building certified buildings. In 2019, we achieved and renewed Singapore Green Building Product (SGBP) certifications for several products with the highest Leader rating. KONE is the first elevator and escalator company to achieve such top ratings in the vertical transportation category. In total, eight KONE solutions have been granted the SGBP certificates. Through the certification, these solutions are recommended for Green Mark certified green buildings. Green Mark is a green building certification scheme of Singapore’s Building and Construction Authority, promoting sustainability in the construction and real estate sectors.

In Sweden, we received approved Byggnadsbedömningen (BVB) assessments for KONE MonoSpace® and KONE TranSys™, as well as for our volume escalator KONE TravelMaster™ 110. By providing HPDs to our customers, we support them in fulfilling additional green building requirements related to building materials. Through the HPDs, we communicate about the material content and the associated health effects of our products, responding to a growing need for healthier living environments.

**Material content of KONE MonoSpace® 700 DX elevator**

- Ferrous metals (steel, cast iron) 72%
- Inorganic materials (concrete, glass) 25%
- Non-ferrous metals (aluminum, copper) 1%
- Plastics and rubbers 1%
- Electrical and electronic equipment (cables, drives, etc.) <1%
- Organic materials (plywood) <1%
- Other (lubricants, glues) <1%

The total life cycle carbon footprint of KONE MonoSpace® 700 DX elevator is approximately 24 tCO2e.
CONTINUOUS LEARNING
KONE’s Winning with Customers strategy 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 for example in the fields of digitalization, understanding customers’ businesses, solution selling and leading transformations. KONE supports its employees in developing their competencies with over 4,200 training programs and online modules.

During the reporting year, over 25,000 employees had the chance to try out new learning methods such as virtual reality, gamification and mobile learning. Over 35% of our learning centers are using new methods and we are increasing the coverage 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.

In 2019, 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 and 20% of participants were women (2018: 23%). Additionally, our pool of global emerging leaders was assigned a global curriculum based on 70/20/10 actions (70% of learning through practice, 20% through social learning, and 10% through formal development and training) to be completed within the next 2 years.

Our 360 assessment measures our leadership competencies such as collaboration, inclusion, and developing talent. The assessment is part of all our key leadership development programs on all manager and leadership levels, and it should be completed at a minimum every three years. In 2019, approximately 800 employees completed the 360 assessment with more than 10,000 employees giving them feedback.

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

We provide our employees a tool with mobile access for documenting their goals and actions, performance discussions, and personal as well as career development plans. The tool also enables asking for and giving feedback throughout the year. Mobile access allows also employees in the field to view their goals, development actions, feedback and career development information at any time.

In addition to using these discussions to set goals and review job content, KONE managers are advised to discuss employee well-being, as well as career development and growth opportunities.

KONE has mentorship programs on global, area and local levels. On a global level, KONE facilitates mentoring as part of global talent programs. During the reporting year, 143 top managers from 42 countries mentored a total of 171 mentees. During 2019, there were 6,600 internal rotations including approximately 3,500 promotions and 1,300 lateral moves.

Attracting top talent
KONE recognizes that people are fundamental to its success. To attract the best talent, we continued to promote KONE as a great place to work and received recognition as an employer in many of our markets. In China, KONE was included in the listing for 100 Employer Excellence of China by 51job, the leading recruitment website in China. In Finland, KONE retained the 1st place in the Engineering category on the list of 100 Most Attractive Employers in Finland. KONE India was included on the AVTAR Group and Working Mother Media’s list of 100 Best Companies for Women in India for the fourth consecutive year. The recognition was received for building sustainable careers for women and introducing many initiatives for mentorship, well-being, growth opportunities, and work-life balance.

We actively encourage all employees to prepare individual development plans. In 2019, 73% (2018: 80%) of eligible employees had documented their development plans. The expectation is that all employees have at least annual career development discussions with their managers.

Globally KONE was recognized as one of the best employers in the world by Forbes business magazine for the third year running.

KONE’s apprentice programs in key countries are an opportunity way for us to recruit new professionals. We also collaborate actively with educational institutions. In 2019, we continued to further strengthen our collaboration with schools as well as our promoters’ program to provide information about KONE in schools, universities, and other relevant institutions.

KONE offers various summer trainee-ships and thesis opportunities in several countries.

The KONE International Trainee Program offers students and graduates opportunities to work on projects at different KONE units around the world.

FAIR EMPLOYMENT PRACTICES
At KONE, creating a great place to work means treating every employee fairly and providing a safe working environment. 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 HR operating model and people processes we can ensure the consistent guidance and alignment of our practices in the HR organization. All employees 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. By communicating our reward approach 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 65% 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 2019 (p. 92-93).
We have employees in over 60 countries, with a majority in Asia-Pacific

Employees by market, 2019

Targets

→ 20% of director level positions held by women by 2020
→ More balanced gender split
→ Maintain voluntary turnover below market level
→ Maintain employee engagement on a strong level

Use of subcontracted workforce

Due to the cyclical nature of the construction business, a significant proportion of our new equipment installation and modernization projects is subcontracted. Subcontracted workforce is also used to carry out some highly specialized tasks that fall outside the remit of KONE’s core business, for example in R&D and IT.

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 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 foster diversity and inclusion (DiI), we defined a global DiI roadmap. As the first step, we defined a KONE diversity and inclusion statement and guiding principles for our employees, as well as started to review our existing DiI policies and practices. This review will continue in 2020 and the input will be used for creating KONE’s global diversity and inclusion strategy. This strategy will be published externally together with the diversity and inclusion statement and guiding principles in 2020.

To increase diversity through recruitment, we started to track the diversity of our hires on a monthly basis. This tracking includes gender, but also industry background and selected competencies to ensure that we are diversifying our workforce systematically. We have also set internal talent management goals to increase our diversity and inclusion. Our goal is to have 20% of director level positions held by women by 2020. We are currently at 18% (2018: 17%). To strengthen our global approach and deepen our insights on customers and markets, we have set goals to increase cultural diversity in our global teams.

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.

During the reporting year, KONE’s workforce included 145 nationalities. In 2019, 86% of external hires into leadership positions globally were filled by local candidates (2018: 80%).

Dialogue between top management and employee representatives

KONE hosts a European Employee Forum every year to bring together employee representatives and top management to discuss issues ranging from safety to business development. A smaller working group meets two to four times a year to ensure continuous consultation and discussion on important developments affecting KONE employees.

Organized since 1995, the theme of the 2019 KONE Employee Forum was the new KONE DX Class offering (read more about the new offering on pages 15–16). In addition to business reviews,

Over half of our employees are in the field every day Employees by job category, 2019

Personnel by country Dec 31, 2019

10 largest countries (2018 figures in brackets)

<table>
<thead>
<tr>
<th>Country</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>18,746 (17,676)</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>5,410 (5,264)</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>5,091 (4,702)</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>2,995 (2,290)</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>2,444 (2,427)</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>2,360 (2,350)</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>2,031 (1,980)</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,768 (1,772)</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>1,434 (1,438)</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>1,111 (1,103)</td>
<td></td>
</tr>
</tbody>
</table>

Average workforce tenure in years

10 largest countries (2018 figures in brackets)

<table>
<thead>
<tr>
<th>Country</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>5.1 (4.4)</td>
</tr>
<tr>
<td>United States</td>
<td>7.4 (7.1)</td>
</tr>
<tr>
<td>India</td>
<td>6.2 (5.7)</td>
</tr>
<tr>
<td>France</td>
<td>12.4 (11.4)</td>
</tr>
<tr>
<td>Finland</td>
<td>11.8 (11.4)</td>
</tr>
<tr>
<td>Germany</td>
<td>9.4 (9.2)</td>
</tr>
<tr>
<td>Italy</td>
<td>15.6 (16.2)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>9.9 (9.5)</td>
</tr>
<tr>
<td>Australia</td>
<td>8.7 (7.9)</td>
</tr>
<tr>
<td>Mexico</td>
<td>5.7 (5.4)</td>
</tr>
</tbody>
</table>

34 BEING THE BEST EMPLOYER AND ATTRACTING TALENT KONE SUSTAINABILITY REPORT 2019 35 BEING THE BEST EMPLOYER AND ATTRACTING TALENT KONE SUSTAINABILITY REPORT 2019

10 largest countries (2018 figures in brackets)

<table>
<thead>
<tr>
<th>Country</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>5.1 (4.4)</td>
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<tr>
<td>United States</td>
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<td>India</td>
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<td>France</td>
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<td>Germany</td>
<td>9.4 (9.2)</td>
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<td>Italy</td>
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</tr>
<tr>
<td>United Kingdom</td>
<td>9.9 (9.5)</td>
</tr>
<tr>
<td>Australia</td>
<td>8.7 (7.9)</td>
</tr>
<tr>
<td>Mexico</td>
<td>5.7 (5.4)</td>
</tr>
</tbody>
</table>

KONE SUSTAINABILITY REPORT 2019

KONE SUSTAINABILITY REPORT 2019
of working on a country, area and global level, across the entire KONE organization leveraging our scale.

During 2019 we concentrated on continuing the transformations for business lines and in already established functions, such as a Human Resources. In addition, Customer Solutions Engineering and Logistics organizations were launched and together with re-established Sourcing organization they are now actively using new ways of working. Transformation continued in KONE Technology & Innovation and as well as in Finance, Customer Service, and Quality functions.

EMPLOYEE SAFETY AND WELL-BEING

At KONE, safety is our top priority. This means making sure each of our employees, subcontractors, and partners have the necessary competence, tools and instructions to perform their work professionally and safely. At KONE, safety is an integral part of our company culture. We foster an understanding and caring safety culture by promoting open communication and active participation at all levels. We regularly recognize and reward safety behavior and share the best practices.

Managing workplace safety

KONE Way for Safety, our safety management system, guides us in continuously improving safety in all KONE workplaces and globally. It defines our safety policy and objectives, and how we manage and promote safety. It is applicable to the management of KONE employee, subcontractor, supplier safety as well as promoting user equipment safety. KONE Way for Safety is based on the ISO 45001 Occupational health and safety management systems standard.

Safety is a key criterion in the risk assessments across the KONE core processes, from new projects to day-to-day operations. KONE’s Health and Safety Policy empowers all workers, whether employees, subcontractors, or partners, to stop work and ask for support should they identify a suspected safety risk. We take into account employees’ suggestions regarding safety.

The main types of work-related injury at KONE are cuts, strains and fractures. For each incident, we identified the causes and 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 develop our systems to ensure that all our employees and subcontractor workers return home safely at the end of each day. For example, focus on promoting safety behavior as well as the development of safety procedures, to reach our goal of zero incidents.

Safety performance

KONE operates in a high-risk industry, a safe working environment is the foundation of all our operations. In measuring safety performance, KONE monitors and evaluates a wide range of performance indicators. As an example, 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 2019, our Industrial injury frequency rate (IFR) improved to 1.7 (2018: 2.1). The average lost days per incident was 33.7 days (2018: 27.4).

The improvement of IFR is over-shadowed by the fact that one KONE employee died as a result of a work-related injury. Furthermore, 11 employees were injured in separate high-consequence work-related incidents.

Industrial injury frequency rate development among KONE employees

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFR</td>
<td>2.0</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>Lost days per incident</td>
<td>33.7</td>
<td></td>
<td>27.4</td>
</tr>
</tbody>
</table>

Improving safety performance

KONE employees receive health and safety training relevant to their role. KONE also sets requirements for subcontractor training. Depending on local practices, subcontractors participate in safety training and toolbox talk sessions arranged by KONE.

During the reporting year, the focus was on strengthening safety competences using interactive learning and mobile tools. The global rollout of the interactive safety learning application, Safety in Mind, was completed in 2019. Safety in Mind reminds the field personnel about the main risks in their roles and the ways to mitigate them. In addition, we produced and shared globally two new toolbox talks on entrance protection on construction sites and elevator brake maintenance.

During 2019, all employees were invited to enroll in a new safety training program: regardless of their safety management framework, KONE’s Health and Safety Policy. Together they present our safety objectives, commitment and responsibilities applicable to all KONE employees. The completion rate among the 59,000 KONE employees that were assigned the training was 87%. Every leader is responsible for leading by example and providing their team with a safe working environment. They also responsible for ensuring that the team is adequately trained for their respective roles.

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 wellbeing.

We have introduced a learning package for leaders to increase their competence in managing the well-being of their teams. This includes e-learning, a toolkit and short guides.

During 2019, we set up a network volunteer well-being champions in selected pilot counties. The purpose of the champions is to raise awareness on well-being topics and ensure all employees know what support is available for them.

We monitor medical insurance data and carry out in-depth reviews on specified locations. The objective of these reviews is to benchmark existing well-being programs and provide recommendations that will improve the well-being of employees.
KONE has operations in over 60 countries and collaborates with authorized distributors and agents in almost 100 countries around the world. We have clear compliance rules and guidance in place, which enable us to conduct business in an ethically and socially responsible manner throughout our entire value chain.

**Long-term focus**
KONE continuously develops its business with a long-term focus. We have a challenger mindset and we are constantly developing our competitiveness in order to strengthen our position as one of the global leaders in the elevator and escalator industry.

**Progress on long-term financial targets**
KONE has three long-term financial targets: growing faster than the market, achieving an EBIT margin of 14%, and improving working capital rotation.

KONE has consistently grown faster than the market. For the 16% EBIT margin, no target date has been set. With our life cycle business model, the short-term focus is on growing absolute EBIT while achieving improved relative profitability over time with growth, further differentiation and productivity gains. Working capital rotation improved clearly over the last decade and has remained on a good level during the past years.

KONE’s strong financial performance has enabled steadily developing dividends to our shareholders. Also within a longer-term perspective, our track record on dividend distribution has been sustainable. KONE had over 62,000 shareholders at the end of 2019 (2018: over 62,000).

**Creating wealth through taxes and employment**
We are committed to paying all taxes that are legally due, and to meeting all disclosure requirements in the countries where we operate. Our objective is to ensure predictability in all tax matters. In addition, every transaction must have a solid business rationale without compromising tax compliance principles. The location of KONE’s group entities is driven by business reasons, such as the location of customers, suppliers, raw materials and know-how.

We insist on transparency in all our activities, including our relationships with tax authorities. KONE has been collaborating with the Finnish Tax Administration in promoting tax transparency since 2013.

KONE’s tax strategy can be read on KONE.com.

KONE’s income taxes globally amounted to EUR 278.9 million in 2019 (2018: 241.9 million), with the ten largest countries by sales accounting for 78% (2018: 70%) of the corporate taxes. Income taxes of the Finnish KONE companies totaled EUR 49.5 million in 2019 (2018: 40.0 million).

Our largest direct economic impacts come from the employment opportunities we provide. KONE is a global company with global processes and guidelines, but our operations are at the same time very local. In our subsidiaries, management and field personnel are predominantly local. In 2019, the largest KONE countries by the number of employees were China, the United States and India. Read more about our people on pages 32–37.

**Ethical business practices**
KONE has operations in over 60 countries and collaborates with authorized distributors and agents in almost 100 countries around the world. As a global company, we are committed to comply with the requirements of the KONE Supplier Code of Conduct in all their dealings with us, as well as with their own employees and suppliers, and third parties including government officials. KONE may terminate its contracts with suppliers if they fail to adhere to the code. The KONE Supplier Code of Conduct is available in 24 languages and can be read on KONE.com/suppliers.

As KONE’s business partners, our distributors are also expected to comply with the requirements of the KONE Distributor Code of Conduct in all their dealings with KONE, as well as in respect of their own employees, customers and suppliers, and third parties including government officials. The KONE Distributor Code of Conduct is currently available in five languages and can be read on KONE.com.

KONE’s new Global Trade Compliance Policy
We introduced our Global Trade Compliance Policy in the beginning of 2019. It highlights our commitment to full compliance with all applicable national and international trade compliance laws, rules and regulations, including trade sanctions, export controls, and customs regulations. The policy sets out the trade compliance principles and expectations applicable to all KONE employees. We also reorganized our trade compliance team in order to respond to the fast-changing trade compliance environment globally.

**Reporting and follow-up of concerns**
All KONE employees are expected to understand and abide by KONE’s Code of Conduct and to report any violations using the channels available for this purpose.

KONE has operations in over 60 countries and collaborates with authorized distributors and agents in almost 100 countries around the world. We have clear compliance rules and guidance in place, which enable us to conduct business in an ethically and socially responsible manner throughout our entire value chain.
KONE’s externally hosted reporting channel, the Compliance Line, emplo- yees to report concerns confidentially 24/7 either by phone or web. Reports can be made in the employee’s native language and anonymously where permitted by local law. The Compliance Line is easily accessible through the Ethics and Compliance’s Global intranet page. We also encourage employees to report compli- ance concerns through internal channels (e.g. manager, HR, legal or compliance). KONE does not tolerate any form of retali- nation against employees who report concerns in good faith.

KONE investigates reported concerns in a timely and professional manner and takes corrective action when necessary, including disciplinary action, process improvements, and further training. Furthermore, KONE’s case management system integrates the web, phone and other reporting channels to allow for a secure and confidential system for managing cases.

Training and awareness building
All KONE employees are required to com- plete the Code of Conduct e-learning course in 2018-19 in 37 languages. The training covers topics such as conflicts of interest, fair competi- tion, anti-bribery, privacy, work safety, anti-harassment and discrimination, and gifts and hospitality. The training has a strong focus on scenarios that reflect day-to-day situations employees might face. We reached a completion rate of 90% among the approximately 38,000 employ- ees in 64 countries that were taking the training. Furthermore, regular face-to-face compliance training is also provided to managers and other target groups. During 2019, over 3,000 employees received face-to-face compliance training.

In 2019 we re-launched our Compe- tition Compliance e-learning course to a selected group of employees, based on their role and position in the company. The group included members of KONE’s Executive Board, Senior Management, sales, sourcing, and trade asso- ciation related roles. Additionally, business units could nominate additional partici- pants. The global completion rate among the nominated group was 80%.

During the reporting year, we also created and started to roll out a video designed to raise awareness of workplace harassment and discrimination. The pur- pose of this video, intended for use in management-led meetings, is to train employees and address key anti-harass- ment topics, as well as give advice on how to speak up about it. This effort contin- ues during 2020.

Human rights risk assessment
In 2019, we engaged a third party to con- duct a high-level human rights risk assess- ment at KONE. The assessment included a review of relevant policies and processes as well as in-depth management inter- views. On the basis of the risk assessment outcome, we have taken actions to prior- itize our work in the area of human rights in the supply chain. We have nominated, and provided initial training to, a network of employee human rights champions to raise awareness of human rights issues par- ticularly amongst the sourcing community in KONE. We are currently preparing a pilot project for more detailed human rights supplier assessments in 2020.

INDUSTRY-LEADING SUPPLY CHAIN
In 2019, KONE had thirteen production sites for elevators, escalators and building doors, ten global distribution centers for elevators, and six distribution centers for spare parts.

KONE’s supply chain operations cover new equipment production, moderni- zation, and spare parts supply. We also work closely with selected key material suppliers and logistics service providers. Approxim- ately 4,600 people keep KONE’s supply operations running.

KONE continued the implementation of a new manufacturing execution system (MES) with factories in Finland, the United States and Italy. MES is a computerized system that is used to track and document the transformation of raw materials to fin- ished goods, and it provides information that helps understand how current con- ditions on the factory floor can be optimi- zed to improve production output and implement production quality improve- ments. The MES implementation continues in 2020 as do our supply chain improve- ment activities.

Investments in production automation continued as well, for example in the new production facility in India. The building phase of KONE’s newest factory in Pilkipakkam, India, was com- pleted. The facility is a state-of-the-art production unit with land area of 75,000 m² and construction area of 48,000 m² – more than double compared to the old factory. The new facility offers employ- ment for approximately 400 people. The production volume of the new factory already surpassed that of the old factory. The facility is being certified according to the Green Building Council environ- mental norms.

KONE also opened a new distribution center for spare parts in Dubai, UAE. The center will serve service business customers in the Middle-East area and shorten deliv- ery times by improving material availability.

KONE also continued the product har- monization in order to further increase flexibility and productivity.

In logistics, KONE continued with program to deploy its centralized logistics operating model. By better processes and coordination of different activities, we aim to achieve savings in logistics costs as well as improvements in eco-efficiency of its delivery chain.

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Each production unit completed a number of corrective actions as part of a continuous improvement cycles with an increasing focus on full-chain activities. We continued our Lean capability process control and zero-defect programs during the reporting year. All major KONE supply units continue to hold ISO 9001 and 14001 certificates.

We continued implementing and maintaining the 5S system in our offices, factories, installation sites and distribution centers. Over one hundred Lean Six Sigma projects were successfully completed in 2019, and we continued to increase our expert capability improvement with regular Lean Six Sigma trainings.

**SUSTAINABLE SUPPLY CHAIN MANAGEMENT**

We seek to build long-term relationships with our suppliers. 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 assembled secondary parts. Our suppliers and their subcontractors are a critical part of KONE’s supply chain. Out of our 35,000 suppliers, approximately 19,000 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.

All of our strategic suppliers are required to comply with ISO 14001 certification. KONE’s sourcing risk monitoring system is based on a thorough assessment of suppliers, including analyses of their financial and business viability and their dependence on business from KONE. KONE, location-based risks and continuous cybersecurity assessment. Our risk engineering audit concept 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.

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

Read more on how we develop quality together with our suppliers on page 23.

KONE’s Supplier Excellence Certification Program

We aim to 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. 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 2019 97% of our strategic suppliers were ISO 9001 certified (2018: 97%), and 91% of them had ISO 14001 certifications (2018: 90%).

**Breakdown of material and service purchases from our suppliers**

<table>
<thead>
<tr>
<th>Total MEUR 5,518.6</th>
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<tbody>
<tr>
<td>Direct materials and supplies, subcontracting 72.9%</td>
</tr>
<tr>
<td>Other production costs* 13.5%</td>
</tr>
<tr>
<td>Selling, administrative and other expenses** 13.6%</td>
</tr>
</tbody>
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* 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 insurances.

**SUPPORTING CHILDREN AND YOUTH**

The KONE Centennial Foundation (KCF), an independent, non-profit organization founded by KONE in celebration of its 100th anniversary in 2010, focuses on innovative programs that advance and support development, educational, and cultural activities for children and youth around the world. 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 where local KONE units can contribute practical support and KONE umbilical cord blood banks are active in their spare time. The foundation also provides matching funds for appropriate fund-raising initiatives by KONE employees around the world.

During 2019, KCF supported programs in China, India, Mexico, South Africa and Thailand. In addition, KCF supported teacher exchanges between Finland and the Dandelon School in Beijing, China, and the Huana School in Thailand.

KCF’s Joy of Reading mobile library has been serving children of migrant workers in China’s cities since 2011 bringing them age-appropriate and inspiring reading material. Recent cooperation with the Hangzhou Children’s Library and the Beijing Normal University in China has helped the mobile library to expand and develop its services. Since its inception, the Joy of Reading mobile library has reached over 100,000 children. In 2020, KCF will replace the existing mobile library vehicle with a new, environmentally friendlier model.

Since 2017, KCF and KONE India have cooperated to support Single Teacher Schools in 20 rural communities near Chennai, India, where KONE recently opened a new elevator factory. These Single Teacher Schools provide instruction for children who are either poorly served by local schools or do not attend them regularly. In 2020, support for schools and development of these communities is expected to expand significantly through the increased involvement of KONE India.

One important focal point in 2019 for activities at the Westbury Youth Centre (WYC) in Johannesburg, South Africa has been entrepreneurship incubation as part of the SAII program funded by Finland’s Ministry of Foreign Affairs. Other WYC offerings for youth at the margins of South African society include classes in computer skills, media, culinary skills, urban gardening and theatrical production. In addition, WYC’s parent organization, Mashup NPO, is active in community affairs and advocacy for youth development, gender equality and an end to drug trafficking and gang violence in Westminster and the surrounding area. KCF has supported this project since 2012.

On the outskirts of Mexico City, Mexico, KCF has been supporting Xico Arte, a local archaeology and art-against-violence collective, since 2013. The organization visits schools in troubled communities in the surrounding Valle de Chalco to teach local history and traditions and hold art workshops. It organizes events for the surrounding community and offers summer classes for the children. With help from KCF, Arte y Cultura Xico A.C. is in the process of formalizing its status as a not-for-profit association.

In 2019, KCF continued for the third year its support for the Zero-to-Hero (Z2H) Foundation’s child development program in the rural Na Yom region of Thailand and on the latest developments on the website KCF supports. Visit the site on konecentennialfoundation.org
KONE has chosen to report using the Global Reporting Initiative (GRI) guidelines for a more easily comparable performance of our operations with other companies and to streamline our own corporate responsibility reporting efforts. KONE has published a Sustainability Report annually since 2008. The previous report was published in April 2019.

This report has been prepared in accordance with the GRI 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, 2019. 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. 12). KONE’s approach to sustainability has also been described in the letter to 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 Statement.

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 35 country organizations with sales, installation, and service operations in Asia-Pacific, EMEA, and North America. The collected environmental data covers 85% (2018: 84%) of all KONE’s employees and 100% of employees working at our manufacturing units. Business air travel data, covering 34 countries and approximately 90% of our employees, has been collected from KONE’s six biggest travel agencies and several local travel agencies. Vehicle fleet consumption data has been collected from 28 countries, representing 91% 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 data collection spreadsheet consolidated on the country level. 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 end-to-end business logistics emissions calculation system developed by KONE’s global logistics team. The product-related environmental data about the greenhouse gas emissions and used materials is based on the latest life cycle assessments of KONE’s products. The sales figures used to calculate KONE’s relative carbon footprint are calculated at comparable exchange rates.

The environmental performance has been reported in accordance with ISO 14064-1 and the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The Scope 2 emissions have been calculated according to the dual reporting principles of the GHG Protocol Scope 2 Guidance (market- and location-based method). RES-GO Greenhouse gas emissions data on the countries of origin subject to EECS (European Energy Certificate System) have been acquired for the purchased green electricity, as well as some supplier specific instruments. KONE’s operational greenhouse gas emissions and water consumption at KONE’s manufacturing units have been externally assured by Mitropo Oy. The emission factors are based on the data sources of DEFRA (UK Department for Environment, Food & Rural Affairs), World Resources Institute, GHG Emission Factors Compilation, AIB (Association of Issuing Bodies) European Residual Mix Report and supplier specific factors for Finland.

**KONE’S FOCUS AREAS, MATERIAL TOPICS AND TOPIC BOUNDARIES**

For information on identifying our sustainability focus areas, focus areas and management approach, please refer to page 12.

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**KONE’S FOCUS AREAS, MATERIAL TOPICS AND TOPIC BOUNDARIES**

**REPORTING SCOPE**

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**INDEPENDENT ASSURANCE STATEMENT**

To the Management and Stakeholders of KONE Oyj

**Scope and Objectives**

The Management of KONE Oyj commissioned us to perform a limited third-party assurance engagement regarding greenhouse gas emissions inventory KONE’s operational Scope 1, 2 and 3 (logistics, business travel and waste) and water consumption data (“Selected information”) disclosed in KONE’s Sustainability Report (“Report”) for the period of 1st January to 31st December 2019. The assurance engagement was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – Assurance Engagements other than Audits and Reviews of Historical Financial Information’.

**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 Corporate Accounting and Reporting Standard
- Greenhouse Gas Protocol Scope 2 Guidance
- Reporting Scope and Indices

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

**Conclusion**

Based on the work described in this report, nothing has come to our attention that causes us to believe that the Selected information disclosed in KONE Sustainability Report 2019 is not reliable, in all material respects, based on the reporting criteria.

Helsinki, Finland, 19th March 2020

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