

# HELPING CITIES GROW SUSTAINABLY

Sustainability Report 2019



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## KONE IN BRIEF

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.

### SUSTAINABILITY AT KONE

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



Read more about our approach to sustainability on [KONE.com/sustainability](https://www.kone.com/sustainability)



# 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



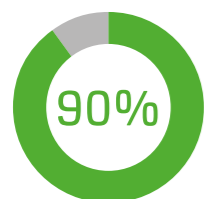
Ranked as the 32nd most sustainable company in the world by Corporate Knights



68,258 survey interviews with our customers and other stakeholders



97% of our strategic suppliers were ISO 9001 certified, 91% ISO 14001 certified



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



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

Americas 21%

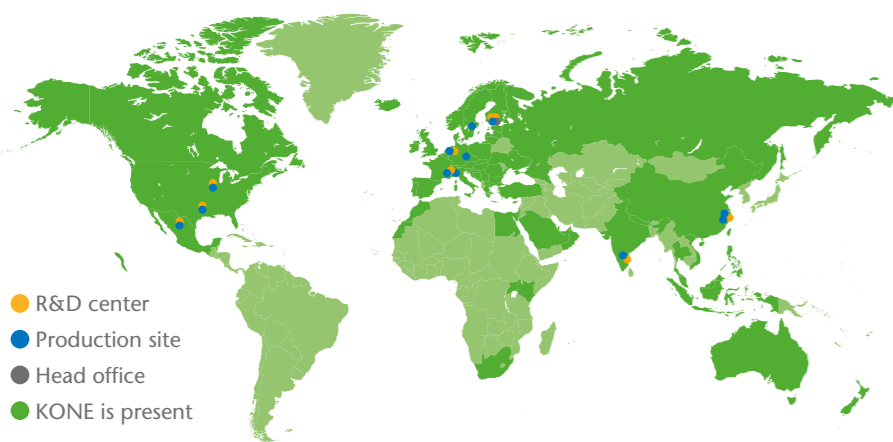
Europe, Middle East and Africa 41%

Asia-Pacific 39%

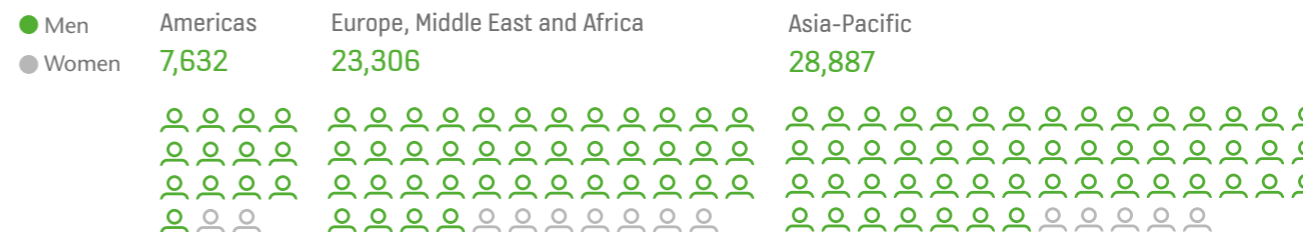


37% of all electricity consumption at KONE facilities comes from renewable sources

**-3.1%**  
operational carbon footprint



## KONE employs 59,825 people



18% of director level positions held by women



145 nationalities

1.7 Industrial Injury Frequency Rate

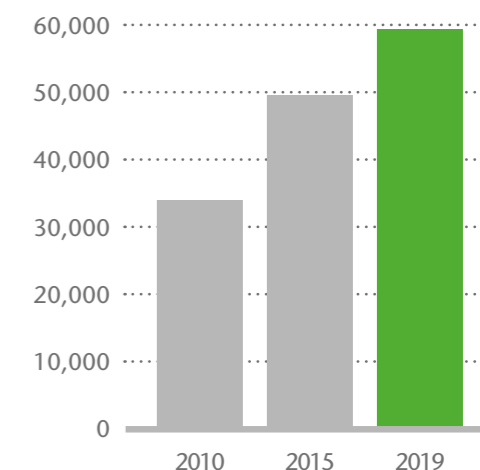


90% completion rate for the Code of Conduct e-learning, rolled out in 64 countries by the end of 2019

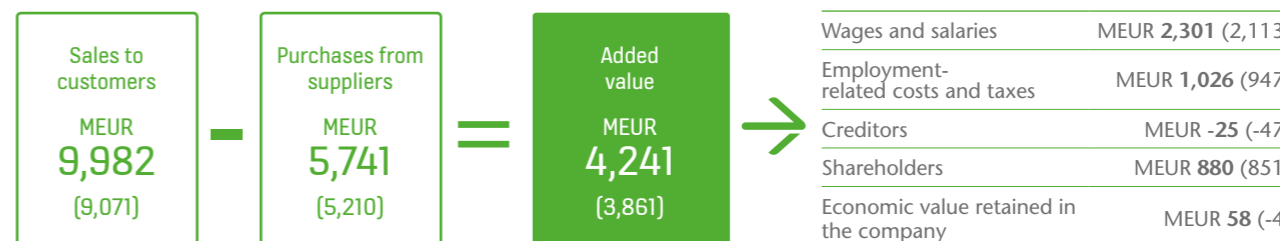
All major KONE supply units continue to hold ISO 9001 and ISO 14001 certificates



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



## How KONE added economic value in 2019



2018 figures in brackets.

## SOLUTIONS FOR AN URBANIZING AND CHANGING WORLD

In 2020, KONE will celebrate its 110th anniversary. Continuous renewal and a focus on sustainable business and business 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 not 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 people who use our equipment and services. At KONE, we have a role in making urbanization more sustainable, which in turn, makes cities better places to live.

Changing demographics in many countries increases the need for improved accessibility and proximity to services. These changes are strong drivers for more convenient and seamless People Flow and digital solutions which help meet the individual needs of our customers.

Requirements for new, more sustainable materials, green building certifications and stricter emissions regulations are increasing. These changes require significant flexibility in how we serve our customers and, in the services and solutions that we provide. Digitalization can help create new efficiencies

and reduce energy usage in all types 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 acknowledgements, which have been achieved thanks to our dedicated employees around the world. It is clear that diverse, motivated and knowledgeable teams make the best partners for our customers. We continued to invest in training on all organizational levels around the world.

Everything we do starts with safety. Over a billion people use our equipment each day and we have thousands of employees and contractors serving customers and servicing equipment. By the end of 2019, 52,000 employees had completed safety training. Our IIFR (Industrial Injury Frequency Rate) improved to 1.7 from 2.1 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%.

A great example of our achievements in the field of innovations is the launch of the world's first digitally connected elevator series which enable mass-customizable services. The KONE DX Class elevators provide opportunities to create an easily adaptable building experience. The new portfolio will meet the changing needs and expectations of our customers and the users of buildings, complete with a range of sustainable materials to meet green building criteria. In addition, we continue to build momentum with our KONE 24/7 Connected Services around the world.

We continue to support the UN Global Compact agenda and its ten principles, on environment, labor, anti-corruption and human rights. During 2019, we conducted a human rights risk assessment and have taken actions to prioritize our work in the area of human rights in the supply chain. A pilot project for more detailed human rights supplier assessments is being prepared for 2020.

In 2019, we achieved our annual overall operational carbon footprint reduction target of 3%, reaching 3.1%. Nevertheless, there are some challenges which we continue to address; for example, we have not been as successful as we would have liked in reducing the carbon footprint of our vehicle fleet. We will continue to strive for improvements.

Much remains uncertain with the impacts of the coronavirus pandemic. What is clear is that our top priorities are always the health, safety and well-being of our people, and serving our customers in the best ways. The measures being taken by a whole range of industries around the globe will permanently change the ways in which we live and work in future. We can already see how digital technologies have become even more prominent and it is areas such as these where KONE will continue to find new opportunities.

We would like to thank you for your continued interest in our sustainability performance. KONE's progress is encouraging and gives us optimism about future possibilities.

**Antti Herlin**  
Chairman

**Henrik Ehrnrooth**  
President & CEO

## WINNING WITH CUSTOMERS – OUR STRATEGY AND MEGATRENDS

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

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

#### Collaborative innovation and new competencies

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

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

#### Fast and smart execution

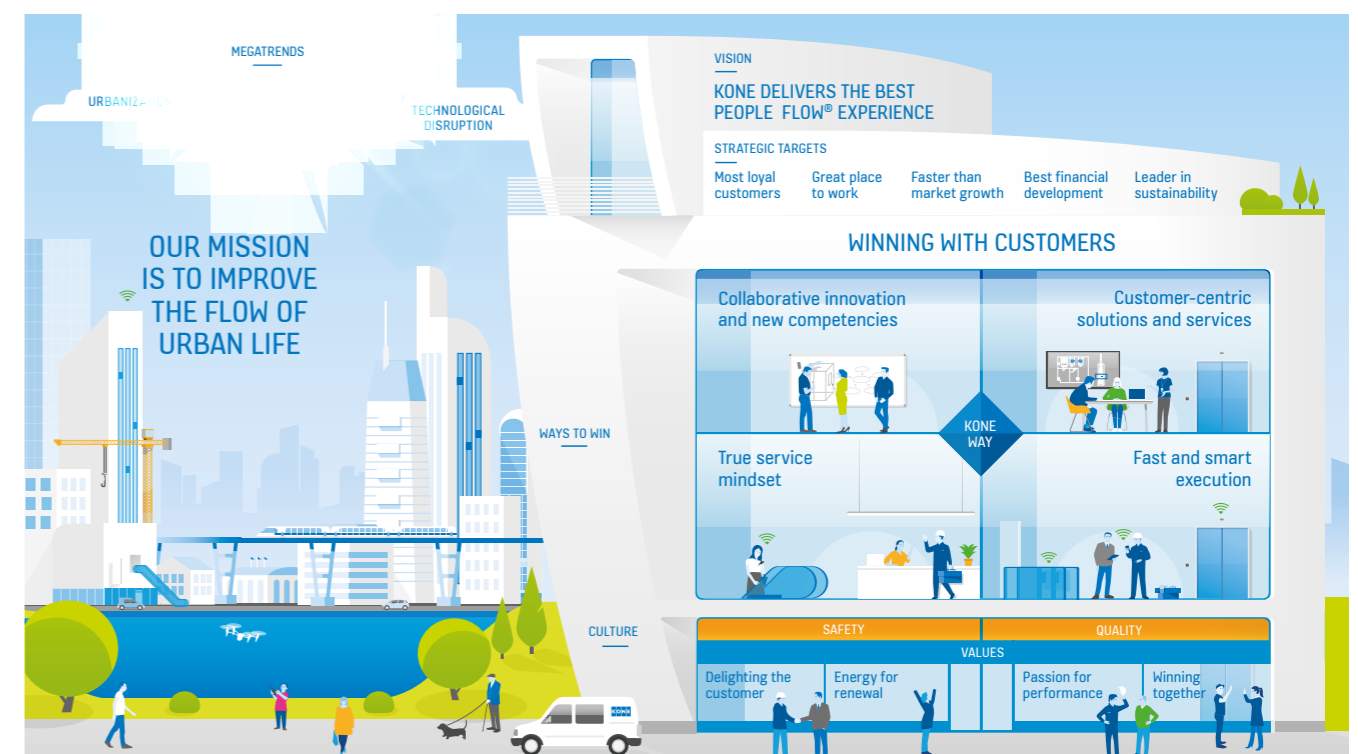
Customers want their partners in construction projects and building services to be professional, fast and reliable. They choose partners that continuously improve and focus on what is essential. We increase speed and work smarter to focus on what is valuable to the customer.

#### 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 FOR THE SOCIETY

KONE provides value for the customers through the whole life cycle of the building. In the new equipment business, we offer innovative and sustainable elevators, escalators, automatic building doors and integrated access control solutions to deliver the best people flow experience. In maintenance, we improve the safety and availability of the equipment in operation, and in modernization we offer solutions for aging equipment ranging from the replacement of components to full replacements.

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:

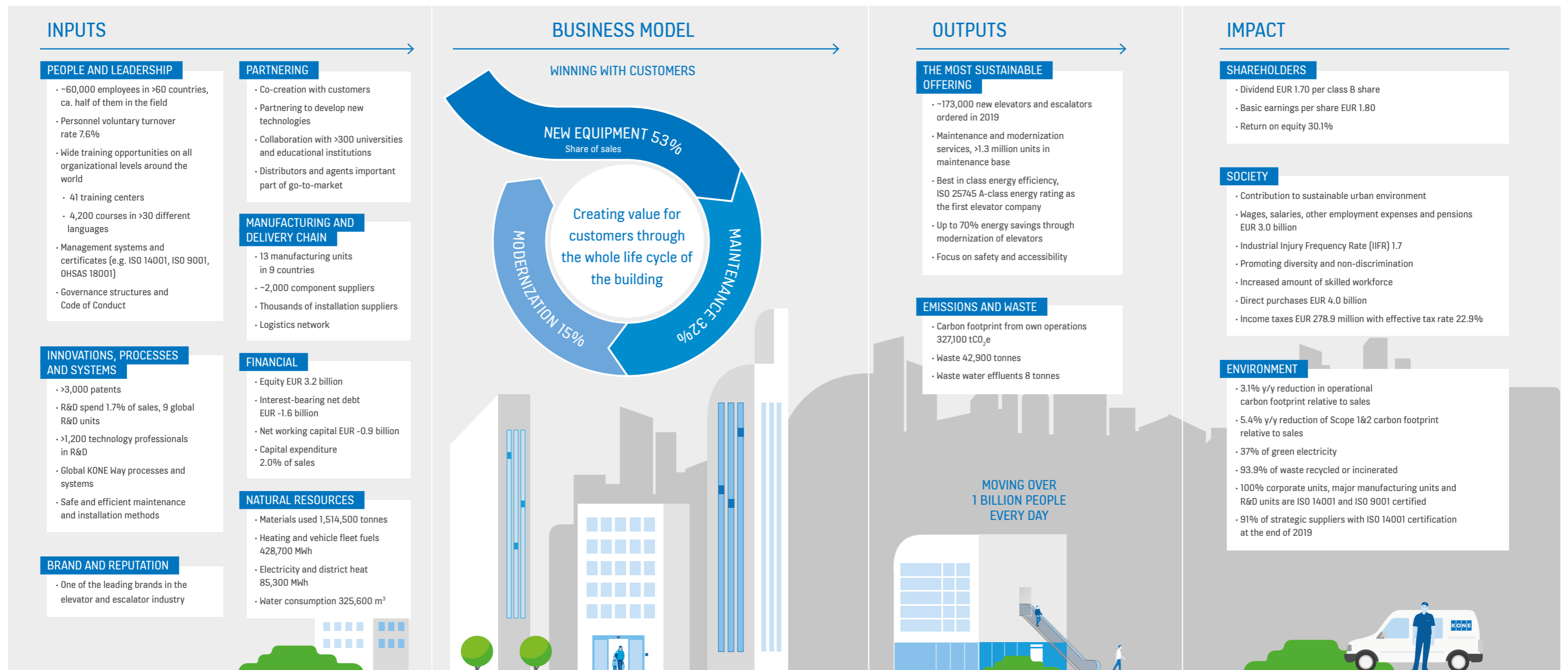
- Competent and committed people and strong leadership
- Innovative, sustainable offering and global processes and systems
- Best partners
- Efficient manufacturing and delivery chain as well as
- Strong brand and solid reputation.

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



## MANAGING SUSTAINABILITY

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

In order to reach these goals, we have integrated their management into our operations throughout the organization.

Our everyday work is guided by KONE's Code of Conduct and various other company policies and guidelines, outlined in the table below. Sustainability and its management are ultimately the responsibilities of KONE's Executive Board and our President and CEO. Our management and supervisors work to ensure that our employees are familiar with and comply with the legislation, regulations, and internal operating guidelines of their respective areas of responsibility, and that our products and services are in full compliance with all codes and standards applicable to them.

The assessment and analysis of KONE's most significant risks also covers material non-financial risks. In line with the requirements of the Finnish Accounting Act, KONE has identified the most significant non-financial risks.



**Read more** about KONE's non-financial risks and their mitigation in our [Annual Review](#), pages 18–20.

Focus area	Material topics	Management systems	Management bodies
<b>Driving innovation and improving resource efficiency</b>	<ul style="list-style-type: none"> <li>Deep understanding of customer needs</li> <li>Sustainable innovations and business models</li> <li>Resource efficiency</li> <li>Low-carbon operations</li> </ul>	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 Fleet Policy, KONE Way operating model	Board of Directors, Executive Board, President and CEO, Quality and Environmental Board, Supplier Quality Management team, Solution Board, KONE Security Council
<b>Providing the most sustainable offering</b>	<ul style="list-style-type: none"> <li>Customer satisfaction</li> <li>Product and service quality</li> <li>End user safety and accessibility</li> <li>Energy efficiency of solutions and life cycle thinking</li> </ul>	ISO 9001 Quality management system, KONE's Supplier Quality Standard, KONE quality and environmental policy, ISO 14001 Environmental management system, ISO 25745 Energy performance of lifts, escalators and moving walks, LEED, BREEAM or other green building certification systems, KONE safety management system	Board of Directors, Executive Board, President and CEO, Quality and Environmental Board, Solution Board
<b>Being the best employer and attracting talent</b>	<ul style="list-style-type: none"> <li>Competence development</li> <li>Fair employment practices</li> <li>Motivated and engaged employees</li> <li>Diversity and inclusion</li> <li>Employee safety and well-being</li> </ul>	KONE continuous learning approach, KONE policy for supporting long-term external studies, KONE Recruitment policy, KONE Total Reward policy, KONE Employee Performance policy, KONE Base Pay policy, KONE Roles, Grades and Evaluation policy, KONE Code of Conduct, OHSAS 18001/ISO 45001, KONE safety management system	Executive Board, President and CEO, Global Compliance Committee, Human Resources function
<b>Enabling our partners and societies to prosper</b>	<ul style="list-style-type: none"> <li>Generating long-term returns</li> <li>Creating wealth via taxes and employment</li> <li>Ethical business practices</li> <li>Long-term relationships with our suppliers</li> <li>Supporting local communities</li> </ul>	Finnish Corporate Governance Code, KONE's tax strategy and principles, Internal control, Internal auditing, KONE Code of Conduct, KONE's Competition Compliance Policy, KONE Supplier Code of Conduct, KONE's Supplier 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

## LISTENING TO OUR STAKEHOLDERS

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

KONE is an active participant in organizations developing codes, standards and guidelines for improving safety, accessibility, energy efficiency, cybersecurity, as well as other organizations advancing 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
<b>KONE has approximately 500,000 customers worldwide. Our main customers are construction companies, building owners, facility managers and developers.</b>	Customer meetings and events, constant dialogue through solution 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.	Our net promoter score stayed at a good level. Customer surveys show continued positive feedback on our personnel, customer service and the quality of our products and services.
<b>KONE pays wages and salaries to almost 60,000 employees in over 60 countries.</b>	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.
<b>KONE pays dividends to over 62,000 shareholders, ranging from institutional investors and companies to individuals, public institutions, and non-profit organizations.</b>	An active and open dialogue: Financial disclosure is provided through stock exchange releases, as well as financial and other company reports. In addition, more personal channels of dialogue include management meetings with investors and analysts, annual general meetings, and capital markets days. Our dedicated investor relations team coordinates all of KONE's investor relations activities. This ensures a fair and equal access to company information and to its spokespersons.	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.
<b>KONE conducts business with approximately 35,000 suppliers, out of which approximately 2,000 are key suppliers.</b>	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 logistic processes and quality.
<b>KONE has operations in over 60 countries and collaborates with authorized distributors and agents in almost 100 countries around the world.</b>	Continuous dialogue through daily contacts, regular country visits, distributors' meetings and various support tools.	Monitoring of sales-related activities and direct feedback from distributors. No material concerns raised.
<b>KONE communicates proactively and openly with representatives of the media.</b>	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.
<b>KONE collaborates with educational institutions locally and globally.</b>	KONE international trainee program, CEMS global alliance of academic and corporate institutions, thesis opportunities, local internships, participation in recruitment fairs, common projects, guest lectures, participation in research programs and social media platforms.	Most attractive workplace surveys, online tracking. Special attention paid to school collaboration and social media visibility in order to enhance KONE's brand as an employer and to attract talent.
<b>KONE pays direct taxes, social security, and employer expenses in more than 60 countries.</b>	Company website, stakeholder relations, reports, social media channels.	Sustainability surveys, reputation studies. No special issues raised during the reporting period.

# SUSTAINABILITY FOCUS AREAS AND MATERIAL TOPICS

KONE's sustainability reporting follows the Global Reporting Initiative's (GRI) guidelines. 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.

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

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

We are currently in the process of conducting a new materiality assessment among our key stakeholder groups externally and internally. The results of the analysis will be reflected in our sustainability work, and reporting 2020/21 onward.


## UN GLOBAL COMPACT

KONE is a committed participant of the UN Global Compact and its ten principles on human rights, labor, environment and

anti-corruption. The principles are embedded in our strategy, policies and procedures, such as KONE's Code of Conduct, our Competition Compliance Policy, and our Environmental Excellence Program, as well as processes related to these.

## UN SUSTAINABLE DEVELOPMENT GOALS

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

 **Read more** about how we identified the material topics on [KONE.com/sustainability](https://www.kone.com/sustainability)

## Memberships and positions of trust

KONE is an active participant in organizations developing codes, standards and guidelines for improving safety, accessibility, cybersecurity, energy efficiency, circular economy, as well as other organizations advancing sustainable development. In 2019, KONE continued to be a member in the following organizations:

- United Nations Global Compact
- World Business Council for Sustainable Development (WBCSD)
- Climate Leadership Coalition
- European Round Table for Industry's (ERT) Energy and Climate Change Working Group
- Council on Tall Buildings and Urban Habitat (CTBUH)
- Green building councils in the United States, Finland, India, Italy, Romania, Singapore, the Netherlands, Sweden, and Vietnam
- Smart & Clean Foundation: Smart & Clean Helsinki Metropolitan
- Cleantech Finland
- FIBS Finnish corporate responsibility network and FIBS' Diversity Charter Finland
- The International Organization for Standardization (ISO)
- The European Committee for Standardization (CEN)
- Standardization Administration of China (SAC)
- Standardization committees at the American Society of Mechanical Engineers (ASME)
- International Trade Associations, such as the European Lift Association (ELA), the Pacific Asia Lift and Escalator Association (PALEA), and the National Elevator Industry, Inc. (NEII) in North America

## STRATEGIC TARGET: TO BE A LEADER IN SUSTAINABILITY



### 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 combatting 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, motivation and continuous development of our employees. 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

Corporate governance &amp; compliance

Risk management

Stakeholder engagement

Proactive communications

Sustainable social, environmental and economic performance

## 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  
Eco-efficient operations  
Research and development



Access to affordable housing  
Infrastructure investments  
Access to public spaces  
Sustainable buildings



Sustainable sourcing  
Procurement practices  
Resource efficiency of products and services  
Materials recycling



Energy efficiency  
Environmental investments  
Greenhouse gas emissions  
Risks and opportunities due to climate change

One of the world's busiest convention centers, the Moscone Center in San Francisco, US, spans almost an entire city block and attracts more than one million visitors annually. The predictive analytics and transparency brought on 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, concepting, 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 customers such as developers and building owners, a key advantage is the ability to adapt and upgrade the elevator experience throughout the buildings' 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 offering. 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

#### Needs for sustainable and smart living



Providing innovative, affordable vertical housing to facilitate better living for aging populations as well as the changing needs of inhabitants.



Improving living standards and convenience, especially as the global middle classes increase their income and develop increased expectations.



Smart cities are evolving, buildings and complexes are getting bigger and more complicated; so for instance, heating, cooling and utilities all need to work together. Digital technologies and connectivity can also enable better public services for citizens, better use of resources and increased comfort and reliability.



Maintaining safe and reliable infrastructure. As populations grow, the design of infrastructure needs to be modernized and made more efficient.



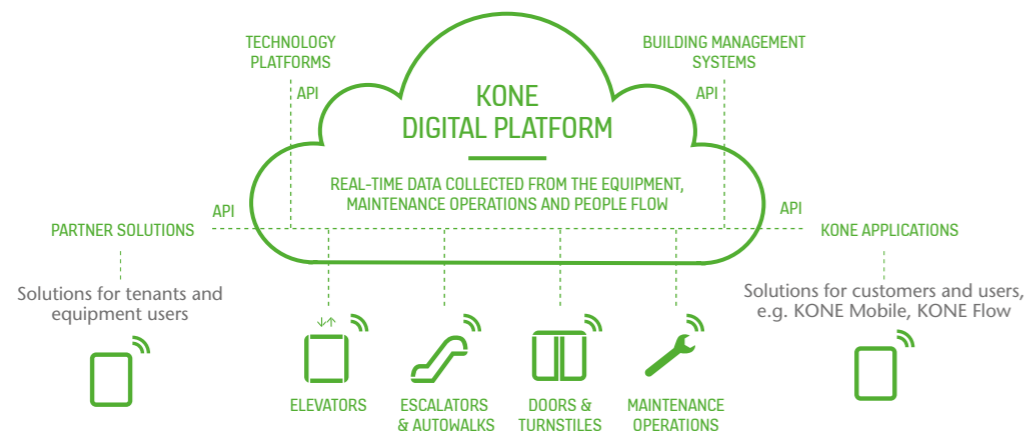
Putting more of a premium on eco-efficiency and sustainability, to reduce energy consumption, manage waste and pollution and use materials smartly.



Addressing the growing value placed on well-being and better living standards, enabling people to live in better harmony with their surroundings.



## KONE digital platform – how does it work?



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.

takes the whole elevator journey into account. In order to improve user experience, we have refreshed our user interface offering, paying special attention to intuitiveness. Self-healing, anti-bacterial and anti-fingerprint materials extend the lifetime of the solutions, and make interior surfaces easy to clean and more hygienic for the users.

For other product and service launches during 2019, please refer to our [Annual Review 2019](#) as well as our [quarterly reports](#), available on [KONE.com/investors](#).

### Offering ease of planning for our customers

Our next generation planning tools help our customers to save time and design the elevator down to very last detail. KONE elevator selector helps our customers to select the elevator best suited for their need, and KONE elevator planner gives them the needed technical data, be it BIM models or detailed technical data. KONE car designer provides easy visualization of the selected design theme and details, and with augmented or virtual reality options the designs come to life making it easier for our customers to envision the outcome in their respective buildings.

### KONE supports customers in green building certifications

With the launch of KONE DX Class elevators, we support our 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.

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.

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 cybersecurity threats. For this purpose, we have created a set of role-based learning paths. In addition to reviewing any cybersecurity incidents to train our employees and improve our processes we also 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 solution'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.

### 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](#).

### 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 People Flow® solutions for smart, ecological cities and to have efficient low-carbon operations.

Key initiative	Achievements in 2019	Target 2017–2021
<b>Solutions</b> Our solutions are highly eco-efficient and contribute to green building ratings.	Launch of KONE DX Class elevators with built-in connectivity and focus on sustainability. Best-in-class ISO 25745 energy efficiency classifications for KONE MonoSpace® 700 and KONE TranSys™ elevators, and for KONE TravelMaster™ 120 escalator. Altogether, 15 KONE elevator and 4 escalators and autowalks with best-in-class energy performance classifications. Third-party verified Environmental Product Declarations published for KONE MonoSpace® 700 DX, KONE TranSys™ DX and KONE MiniSpace™ DX elevators. Health Product Declarations published for KONE MonoSpace® 500 and KONE TranSys™ DX elevators and KONE TravelMaster™ 110 escalator. New and renewed Singapore Green Building Product (SGBP) certifications with the highest Leader ratings. In total, eight KONE solutions have the SGBP certification. Approved Byggvarubedömningen (BVB) assessments in Sweden for KONE TranSys™ elevator and TransitMaster™ 180 escalator. In total, we now have six approved BVB assessments. Solutions delivered to buildings certified with LEED, BREEAM and local green building standards.	Further reduction in energy consumption
<b>Operations</b> We do business by developing resource efficiency and minimizing the carbon footprint of our operations and services.	KONE's overall operational carbon footprint relative to sales decreased by 3.1%. Scope 1 and 2 carbon footprint relative to sales decreased by 5.4%. KONE's carbon footprint data is externally assured. New, state-of-the-art KONE manufacturing unit opened in India. The facility is designed in accordance with Indian Green Building Council (IGBC) criteria with water recycling and rainwater harvesting systems, as well as solutions to conserve energy and limit greenhouse gas emissions, plus maximize good indoor air quality. Solar panel installations in Kunshan and Hyvinkää factory premises completed. New KONE units purchasing green electricity: manufacturing unit in the Czech Republic (100%), Spanish subsidiary (partially). LEED Silver Commercial Interiors certification achieved for KONE Allen, Texas office spaces in the United States. Subsidiaries offsetting their operational carbon footprint: KONE Austria, KONE New Zealand.	3% annual reduction of operational carbon footprint relative to sales
<b>Culture</b> We build a more sustainable eco culture together with our customers and suppliers.	Recognized for climate and sustainability performance: a place on CDP's A List, ranked as the 32nd most sustainable company in the world by Corporate Knights (up from 43rd for the previous year), included in the Carbon Clean200 list by Corporate Knights, and As You Sow. Included in the FTSE4Good index, awarded the Ecovadis gold medal for sustainability performance. Recognized in Asia Corporate Excellence & Sustainability Awards as one of Asia's best performing companies. Our corporate and R&D units, all major manufacturing units and 26 major subsidiaries are ISO 14001 certified (2018: 25). KONE Spain achieved ISO 14001 certification. Two of our European manufacturing units are ISO 50001 certified. At the end of 2019, 91% of our strategic suppliers were ISO 14001 certified (2018: 90%). Continued supplier trainings on sustainable materials. The theme of KONE's annual safety week was safe work environment. Environmental topics, such as preparation for extreme weather conditions and the importance of reducing greenhouse gas emissions were featured in the safety week program.	CDP leadership ISO 14001 certification

### 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, 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 signatory to the UN Global Compact, KONE supports the Sustainable Development agenda addressing the social, economic, and environmental dimensions of sustainability. KONE also reports on its sustainability performance annually in line with the Communication of Progress process 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 Wildlife Fund's 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

### KONE's environmental policy

We provide innovative, safe, high-quality and environmentally efficient products and services. We strive for continuous improvement in our business operations through ISO 14001 Environmental management system, and regularly monitor and report on our performance. In addition to complying with, or exceeding applicable laws, rules, and regulations, we work with our suppliers and customers to increase circular economy opportunities, environmental awareness and minimize our operational carbon footprint as well as to improve energy, material, and water efficiency.

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

In our solution creation and operations, we focus on:

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

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 3.1%. 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 all categories, especially in logistics and vehicle fleet.

### Logistics

Logistics amounted to 51% of KONE's operational greenhouse gas emissions in 2019 (2018: 51%). Our logistics operations cover the transportation of products from KONE's manufacturing units to our customers and that of the components delivered directly from our suppliers to our distribution centers and to customers henceforth.

Our emissions from logistics grew by 4.0% in absolute terms. This is largely due to the 11% growth in the number of units delivered. In total, over 3.9 million packages were delivered to new installation sites, and around 1.5 million packages of spare parts to existing customer sites. Thus, relative to units delivered, KONE's logistics emissions decreased by 5.9% compared to the previous year.

The biggest factors impacting our logistics carbon footprint were:

- Significant reduction in air freight and courier emissions in Europe and the Americas
- Decrease in ocean freight emissions due to volume shifting to shorter transportation routes especially for shipments from China
- Increase of road freight emissions in China due to longer distances and higher number of shipments.

### Vehicle fleet

KONE vehicle fleet accounted for 30% of our operational greenhouse gas emissions in 2019 (2018: 31%). The total size of KONE's fleet was approximately 19,000 vehicles. After having included Hungary and Slovenia to the reporting scope during the reporting year, approximately 91% of our total fleet is included in KONE's environmental reporting globally (2018: 90%). Service vehicles made up two-thirds of the fleet, while benefit cars accounted for the rest.

The carbon footprint of KONE's vehicle fleet increased by 0.4% in absolute terms (0.1% with comparable reporting scope) but decreased by 0.1% relative to our maintenance base. We have been able to reduce the fuel consumption per vehicle, which has contributed to curbing the emissions growth seen in the past

# 100%

of the electricity consumed at KONE's corporate head offices (excluding temporary office spaces) and our manufacturing and R&D sites in Finland, the Czech Republic, Italy and the Netherlands, is green electricity.

# 37%

of all electricity consumption at KONE facilities worldwide is green electricity.

few years. However, we did not meet our annual target of 1.5% absolute reduction for vehicle fleet emissions.

We are speeding up the 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 fleet decarbonization as soon as the leasing contract renewal periods allow, and once the required infrastructure for an electrified fleet is at a reasonable level in each country. As an example, KONE Netherlands and KONE Italy continued to incorporate new electric vehicles to replace fuel cars. KONE Spain also started testing hybrid vehicles. The potential for biofuel usage has also been recognized, and for instance KONE Finland started tracking its biofuel usage.

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 video conferencing equipment. We carefully consider the need for travel and optimize the locations for meetings and conferences. The vast majority of meetings already take place virtually.

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 electricity 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 32,400 tCO<sub>2</sub>e (31,500 tCO<sub>2</sub>e 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 (location-based method), our electricity/district heat carbon footprint would have amounted to 38,500 tCO<sub>2</sub>e (37,700 tCO<sub>2</sub>e 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 through robotics and automation
- Recycling waste wherever possible
- Reusing packaging materials.

### Relative operational carbon footprint trend

Data assured externally

Target: 3% annual reduction relative to sales*	2017	2018	2019
Overall operations (Scope 1, 2, 3)	-0.2%	-4.0%	-3.1%
Scope 1, 2	-2.6%	-5.5%	-5.4%

\* Calculated at comparable exchange rates and reporting scope. KONE has applied new IFRS 15 and IFRS 9 standards from January 1, 2018 onwards. Figures until then are not fully comparable.

### Green electricity and on-site renewable energy production

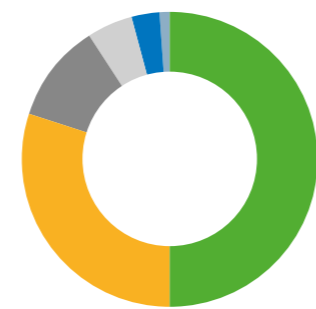
KONE countries that purchase green electricity:

- Austria
- Belgium
- Czech Republic
- Denmark
- Finland
- Germany
- Italy
- The Netherlands
- Norway
- Spain
- Sweden
- Switzerland

KONE has on-site renewable energy production in:

- Australia
- China
- Finland
- Italy
- Norway
- The United States

### KONE's operational greenhouse gas emissions



- Logistics 51%
- Vehicle fleet 30%
- Electricity and district heat 10%
- Business air travel 5%
- Heating fuels and cooling gases 3%
- Waste 1%

### 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.

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 13 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.

### Optimizing already minimal water usage

Water consumption in KONE's production and maintenance processes is minimal, and we aim to further optimize it. KONE uses municipal water; wastewater is released into municipal wastewater treatment systems that abide by local regulations. Out of our major manufacturing units, three have their own wastewater treatment systems with regular monitoring and permits in place.

As with material management, we aim to improve our water data collection capabilities, together with our suppliers, by extending the data collection to our supply chain. In KONE's Supplier Code of Conduct, we specify that our suppliers are expected to monitor, control and appropriately treat wastewater.

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 elevator and escalator components.

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

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 Pillaipakkam, 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](#).

### Targets

→ 3% annual reduction of operational carbon footprint relative to sales

→ 15% reduction in facility-related carbon footprint by 2022 compared to 2017

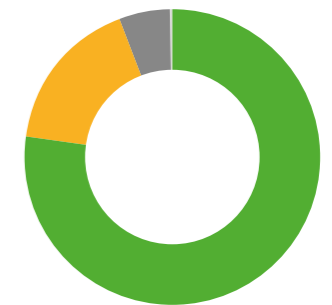
→ 50% share of green electricity by 2021

→ 0% landfill waste at our manufacturing units by 2030

→ 100% of our strategic suppliers ISO 14001 certified

### THE MAJORITY OF THE PACKAGING MATERIALS FOR OUR VOLUME ELEVATOR ARE RECYCLABLE

KONE MonoSpace@ 500 elevator



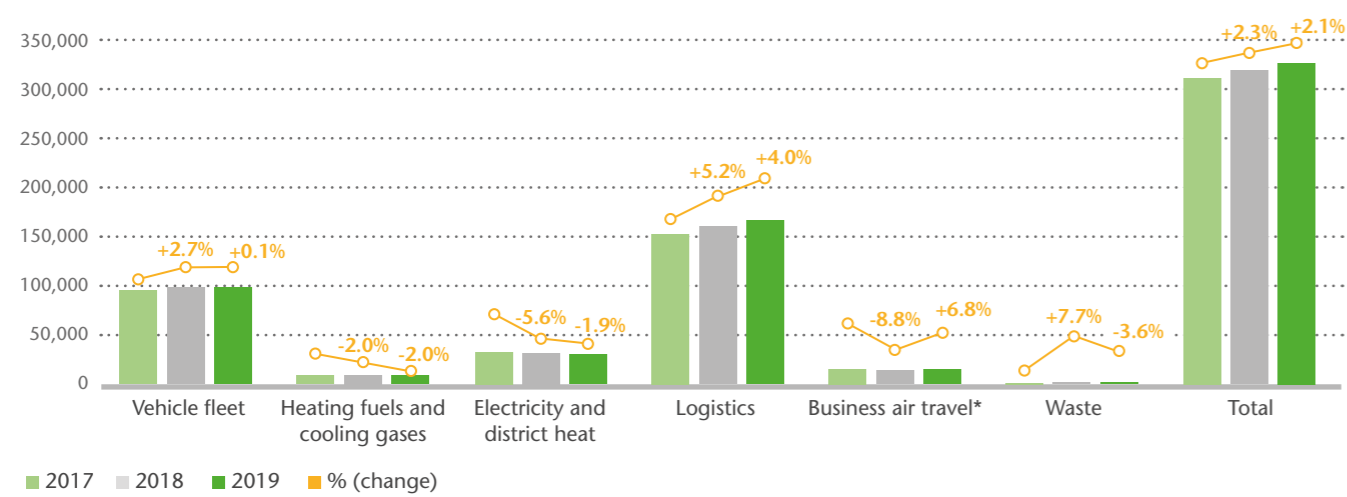
- Wood 77.3%
- Cardboard 17.1%
- Plastics 5.6%
- Metals 0.1%

### How KONE reduces the environmental impacts of its operations

Development action	Impact on eco-efficiency
<b>Logistics</b>	
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.	Less CO <sub>2</sub> emissions per tonne-kilometer.
Improved space utilization ratio in loading.	Better load planning of outbound trucks and containers resulting in improved container space utilization, optimization of transportation units used and more products delivered per shipment.
Centralized volumes to main suppliers, convenient location of suppliers close to distribution centers.	Fewer transportation routes and improved transportation efficiency ratio.
Use of more eco-efficient transportation equipment.	Truck equipment 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.
<b>Vehicle fleet</b>	
Compliance with KONE Global Vehicle Fleet Policy.	Maximum CO <sub>2</sub> emission limits defined, employees encouraged to select benefit cars with lower CO <sub>2</sub> 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 CO <sub>2</sub> emissions and agile services through extended pilots of full electric and hybrid vehicles, as well as through vehicle sharing and electric bicycles.
<b>How KONE reduces packaging-related emissions and waste</b>	
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.

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

Data assured externally

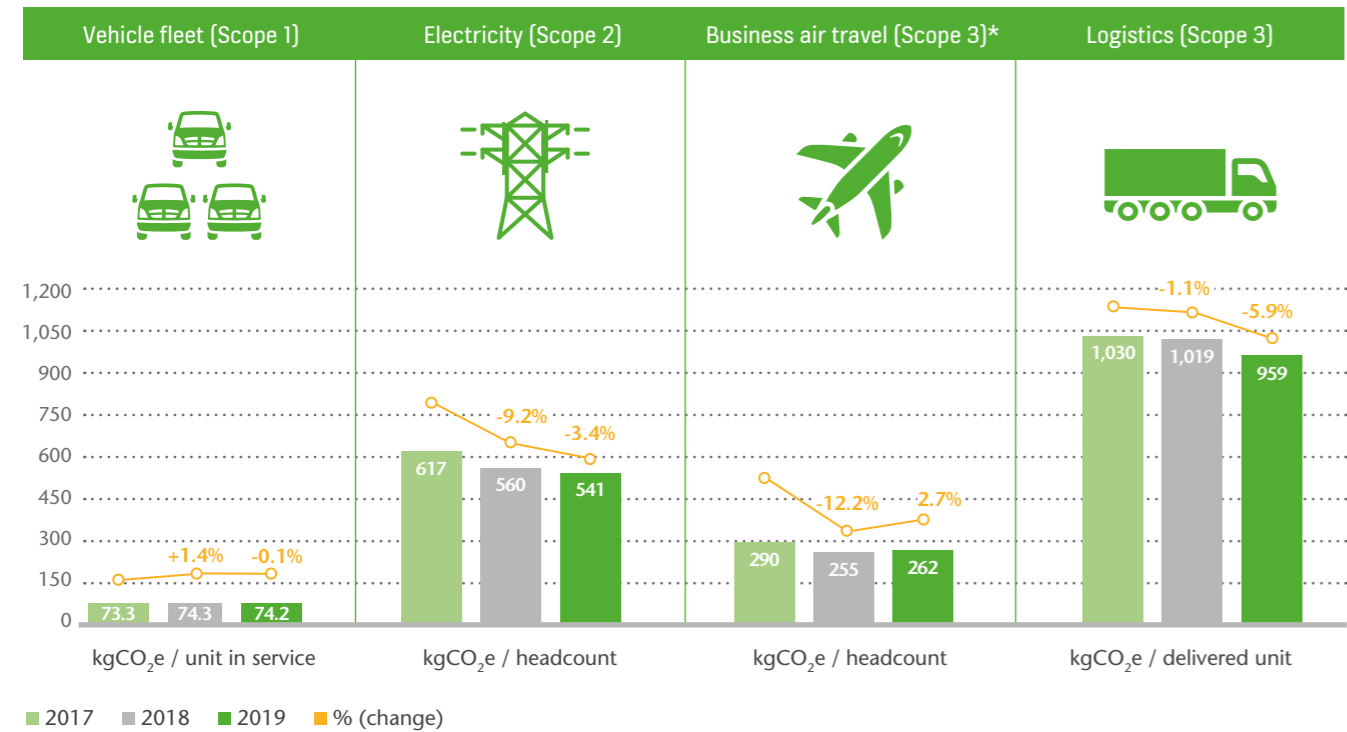


Figures calculated with comparable reporting scope.

\* 2018 figures for business air travel restated.

### Relative operational carbon footprint trend

Data assured externally



\* 2018 figures for business air travel restated.

### 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.

	2017	2018	2019
<b>Carbon footprint of KONE's operations, tCO<sub>2</sub>e</b>			
Direct energy (Scope 1)			
Vehicle fleet	96,600	99,200	99,600
Heating fuels	9,700	9,700	9,500
Cooling gases	400	200	200
Indirect energy (Scope 2)			
Electricity consumption and district heat, market-based (location-based 2019: 39,900 tCO <sub>2</sub> e)	34,000	32,100	32,400
Operational relevant indirect (Scope 3)			
Logistics	152,700	160,600	167,100
Business air travel	16,000	14,600*	15,600
Waste	2,600	2,800	2,700
<b>Total</b>	<b>312,000</b>	<b>319,200*</b>	<b>327,100</b>

\* 2018 figures for business air travel restated.

### Carbon footprint of KONE's products, tCO<sub>2</sub>e (calculated)

	2017	2018	2019
Product-related indirect (Scope 3)			
Production of materials for products and packaging	4,404,800*	4,630,300*	4,864,100
Annual use phase energy consumption of products	427,500*	429,200*	435,200
<b>Total</b>	<b>4,832,300*</b>	<b>5,059,500*</b>	<b>5,299,300</b>

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

	2017	2018	2019
Direct			
Heating and vehicle fleet fuels (heating oil, natural gas, liquid petroleum gas, petrol, diesel and diesel with biofuel blend)	417,500	427,800	428,200
Biofuel (from 100% renewable sources)			500*
Indirect			
Green electricity (purchased and on-site production)	20,200	22,300	25,600
Other than green electricity	48,500	44,900	43,900
District heat	12,500	12,900	15,800
<b>Total</b>	<b>498,700</b>	<b>507,900</b>	<b>514,000</b>

\* Data collection started in 2019.

### Waste, tonnes

	2017	2018	2019
Recycled waste	33,700	39,500	34,700
Incinerated waste	4,000	3,900	5,600
Landfill waste	2,200	1,800	1,400
Hazardous waste	1,000	1,200	1,200
<b>Total</b>	<b>40,900</b>	<b>46,400</b>	<b>42,900</b>

### Water consumption, m<sup>3</sup>

	2017	2018	2019
Municipal water	295,800	287,600	316,800
Ground water	11,400	11,200	8,800
<b>Total</b>	<b>307,200</b>	<b>298,800</b>	<b>325,600</b>

### Waste water effluents from manufacturing units, tonnes

	2017	2018	2019
	9	8	8

## 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 combatting climate change and ensuring climate resilience.

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



Environmental investments  
Research and development  
Technological legacies



Infrastructure investments  
Access to public spaces  
Sustainable buildings



Energy efficiency  
Environmental investments  
Greenhouse gas emissions  
Risks and opportunities due to climate change

Safety is a top priority for KONE. We support our customers and building owners in promoting the safe use of elevators, escalators and automatic building doors.



### 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 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 together 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 the mindset in factories was enforced during global quality days, several *kaizen* 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 program 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 points 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 that deliver direct 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 guides 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 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 Flow® solutions increases. Buildings and transportation hubs need to be designed and built in a way that enables people with impaired mobility to move around easily. With our elevator solutions, we also help improve accessibility. For example, increased elevator cabin size improves building access for people with baby strollers 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 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, accessibly labelled 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

### 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.

#### 1 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.

#### 2 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.

#### 3 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.

#### 4 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.

#### 5 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.

#### 6 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.

#### 7 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.

#### 8 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.

\* 5S methodology: sort, stabilize, shine, standardize, and sustain.



## THE FUTURE IS IN GREEN, SMART BUILDINGS

When striving for carbon neutrality, urban communities need to be developed with sustainability and well-being 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 offering, 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 electricity used by KONE's solutions during their lifetime. This underlines the importance of energy efficient solutions. For example, KONE MonoSpace®500, 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®500 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.

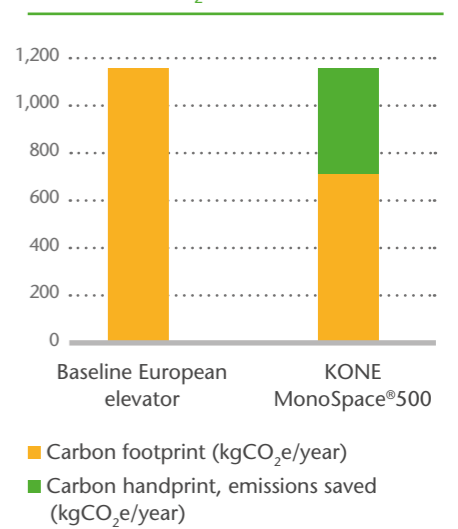
A key element when designing our products is working together with our suppliers in selecting sustainable and healthy materials, as well as avoiding the use of hazardous substances. In 2019, we updated our global guideline for all KONE suppliers and partners, as well as internal stakeholders, to outline 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

## KONE MonoSpace® 500 elevator can save 400 kgCO<sub>2</sub>e annually



The carbon handprint indicates the beneficial environmental impacts of a solution compared to a baseline product. The calculation is based on ISO 25745 methodology, using 630 kg load, 1.0 m/s speed and 12m height. European baseline elevator calculated with energy class B.

## KONE as trusted partner throughout the building life cycle

### Recyclable resources

- 90% of the metals used in KONE solutions can be recycled.
- Up to 90% of our elevator materials can be recycled.

### Tailored product life extension

- Up to 70% energy savings by modernizing an elevator with the best available technology.

### Predictive maintenance

- KONE 24/7 Connected Services for more reliable equipment and faster repairs.



### Smart and green building design

- Digital solutions and embedded connectivity.
- Early involvement in green building planning.

### Externally assured product information

- 15 externally verified Environmental Product Declarations for our products.
- Product certifications for local green building systems.

### Durability and sustainability of materials and solutions

- Expertise in the selection of sustainable and green building compliant materials.
- Product resilience and reliability including climatic testing in changing environmental conditions.

### Best-in-class energy efficiency according to ISO 25745

- 15 elevators with the best A-class rating.
- 4 escalators and autowalks with the best A+++ rating.

## Best-in-class energy efficiency according to ISO 25745

### ELEVATORS (scale A-G)

**A**

KONE EcoSpace®  
KONE MonoSpace® 500  
KONE MonoSpace® 700  
KONE TranSys™  
KONE MiniSpace™ (Europe and Asia)  
KONE E MonoSpace®  
KONE N MonoSpace®  
KONE S MonoSpace®  
KONE Z MiniSpace™  
KONE E MiniSpace™  
KONE N MiniSpace™  
KONE S MiniSpace™  
KONE 3000 MiniSpace™  
KONE 300 TranSys™

### ESCALATORS AND AUTOWALKS (scale A+++–E)

**A+++**

KONE TravelMaster™ 110  
KONE TravelMaster™ 115  
KONE TravelMaster™ 120  
KONE TransitMaster™ 140

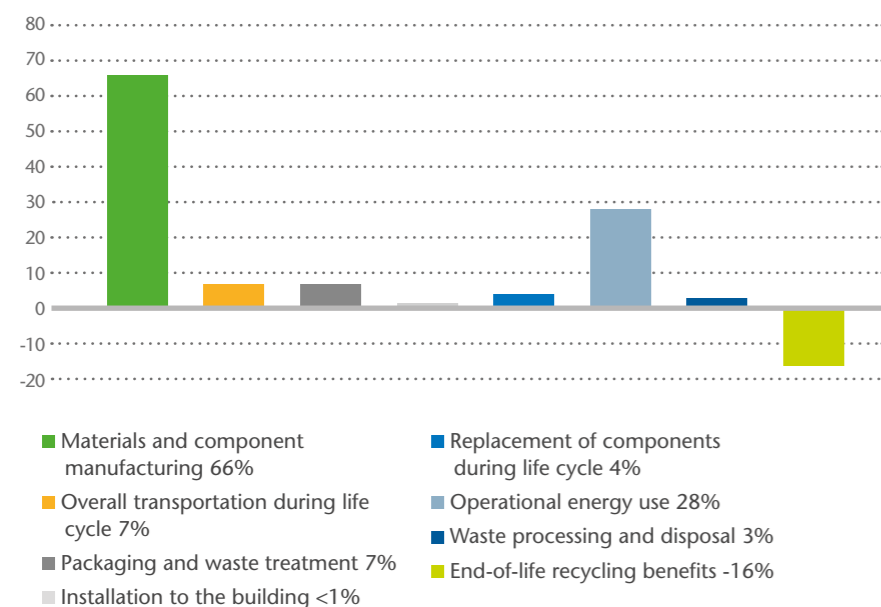
## Best-in-class energy efficiency according to VDI 4707

**A**

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

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

### Life cycle carbon footprint of KONE MonoSpace® 700 DX elevator



The total life cycle carbon footprint of KONE MonoSpace® 700 DX elevator is approximately 24 tCO<sub>2</sub>e.

approximately 2/3 (energy use) and 1/3 (materials manufacturing) of the lifetime carbon footprint globally. The more energy efficient the product is, the more we can reduce its lifetime carbon footprint and consequently, that of our customers' buildings. Many of our volume elevators, such as the KONE MonoSpace 700® DX, are good examples of how we have succeeded in reducing the energy-related carbon footprint. Consequently, our focus in product development is on manufacturing excellence through robotics and automation and supplier collaboration for sustainable materials, as well as further developing best-in-class energy efficient solutions.

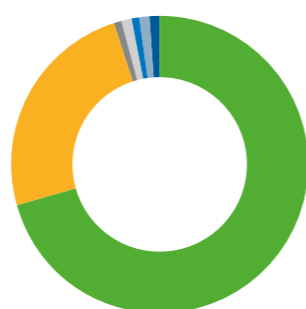
During the reporting year, we also published two additional Health Product Declarations (HPD) for our volume elevators KONE MonoSpace®500 and KONE TranSys™ DX, as well as for our volume escalator KONE TravelMaster™ 110. By providing HPDs to our customers, we support them in fulfilling additional green 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.

### 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 Byggarubedömningen (BVB) assessments for KONE TranSys™ elevator and TransitMaster™ 180 escalator, in addition to four elevator and escalator assessments completed earlier. To date, KONE is the only elevator and escalator company to hold such a wide range of BVB assessments. BVB is a non-profit organization that evaluates solutions for buildings and drives the use of sustainable building materials.

### 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%

### Environmental impacts of products ordered from KONE

Carbon footprint of KONE's products, tCO <sub>2</sub> e [calculated]	2017*	2018*	2019
Production of materials for products and packaging	4,404,800	4,630,300	4,864,100
Lifetime energy consumption of products	9,139,800	9,272,400	9,459,500
<b>Total</b>	<b>13,544,600</b>	<b>13,902,700</b>	<b>14,323,600</b>

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

Calculations are based on latest life cycle assessment data and products ordered from KONE.  
\* 2017 and 2018 figures restated due to improved calculation methodology.



## 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, motivation and continuous development of our employees. 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.

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



Occupational health and safety



Education for sustainable development  
Capacity building  
Indirect impact on job creation  
Youth employment



Equal remuneration for women and men  
Diversity and equal opportunity  
Workplace violence and harassment  
Women in leadership



Employment  
Non-discrimination  
Capacity building  
Occupational health and safety

In 2019 KONE was for the third year running recognized as one of the best employers in the world by Forbes business magazine in their Forbes' 2019 Global 2000: World's Best Employers list.



### 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 35 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 professionals 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 5,300 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, 75% (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 opportune 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 traineeships 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.

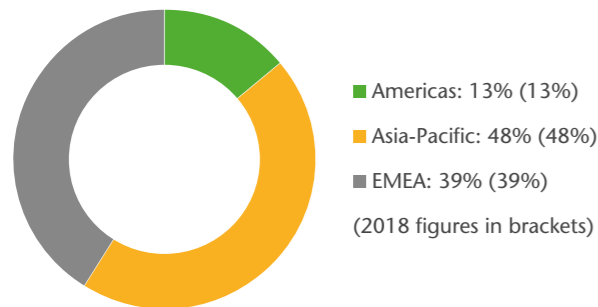
### Equal pay and rewarding performance

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.

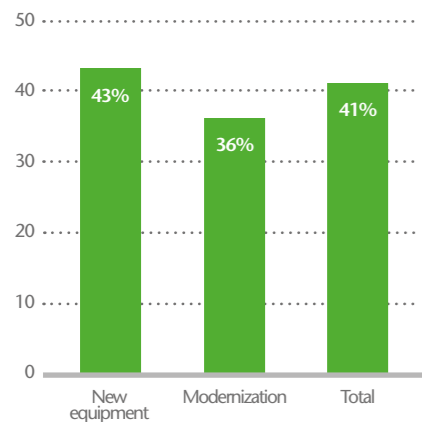
Employee agreements are managed on a national level, and there are differences in national legislations. A total of 65% of KONE's employees are covered by collective bargaining agreements.

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



Subcontracting share of total labor costs in installation



**4,200**  
training programs and online modules available

**6,600**  
internal job rotations

#### 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 (D&I), we defined a global D&I 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 D&I 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

## 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

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,

Employees	
Total number of employees, year end	59,825
Share of women	11%
Share of women in director level positions	18%
Share of women in the Executive Board	7%
Share of women in the Board of Directors	38%
Voluntary turnover rate, compared to 12-month average headcount	7.6%

Age distribution	-30	31-50	51-
All KONE employees	30%	54%	15%
Executive Board	0%	36%	64%
Board of Directors	13%	13%	75%

Gender distribution per market	Men	Women
EMEA	86%	14%
Asia Pacific	91%	9%
Americas	89%	11%

Employees with permanent contract	Men	Women
EMEA	97%	95%
Asia Pacific	97%	98%
Americas	>99%	>99%

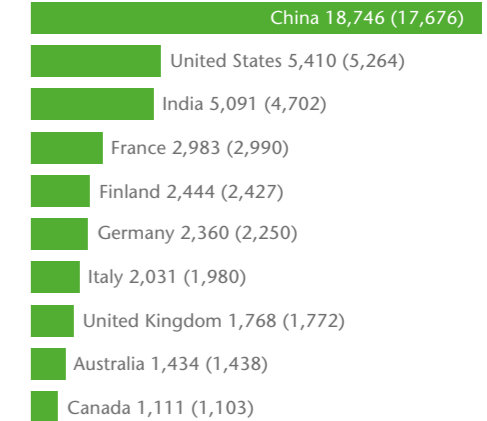
Voluntary turnover rate*	
Region	
EMEA	6%
Asia Pacific	9%
Americas	8%
Gender	
Female	8%
Male	8%
Age group	
30 and under	12%
31-50	8%
51 and above	4%

\* Calculated from 12-month average headcount

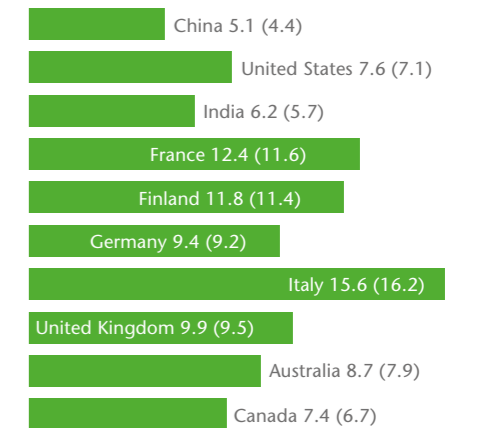
New hires gender distribution per market	Men	Women
EMEA	82%	18%
Asia Pacific	92%	8%
Americas	92%	8%

New hires age distribution per market	-30	31-50	51-
EMEA	48%	46%	5%
Asia Pacific	74%	25%	1%
Americas	37%	51%	12%

Personnel by country Dec 31, 2019  
10 largest countries (2018 figures in brackets)

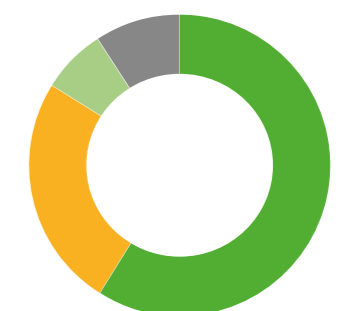


Average workforce tenure in years  
10 largest countries (2018 figures in brackets)



Over half of our employees are in the field every day

Employees by job category, 2019



(2018 figures in brackets)

safety, quality and environment were also discussed. Twenty-one representatives from 15 European countries attended the Forum.

#### Open two-way communication to engage employees

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

We use multiple channels to interact with employees, motivate them, and encourage collaboration. KONE's global intranet, for example, acts as both a news channel for all the latest news and events as well as a virtual teamwork site.

The latest KONE news is also shared through internal video news broadcasts and newsletters

#### Measuring engagement

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

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

In 2019, we decided not to conduct a Pulse survey as there was a clear need to allow more time for executing the action plans made in teams based on the 2018 survey results. Between August and November, we organized Pulse Talks across all teams at KONE to ensure sustainable follow-up on the Pulse action plans and continuous dialogue on engagement.

KONE's 13th global Pulse employee survey will be carried out during 2020.

#### Organizational changes to foster customer centricity

KONE is developing and further harmonizing roles, processes and tools. The Accelerate program, focusing on developing our operating model, continued with a focus on change management.

The aim of the program is to create a more efficient and customer-focused way

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, 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 safe 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 tasks. It defines our safety policy and objectives, and how we manage and promote safety. It is applicable to the management of KONE employee, subcontractor, partner safety as well and promoting equipment user safety. KONE Way for Safety is based on the ISO 45001 Occupational health and safety management systems standard.

Safety is a key criterium 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.

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.

We carry out audits among employees as well as subcontractors to measure compliance with policies, rules, and defined working methods. Corrective actions are taken on any identified deviations.

Each year, KONE organizes a global safety week. The week presents KONE employees with training, events and activities. Many countries also organize events and trainings together with customers and subcontractors during the week. The theme of the 2019 safety week was safe work environment. It focused on being prepared for sudden changes in the work environment, such as extreme weather conditions. During the week, for instance emergency preparedness and response activities were organized globally to train employees to stay safe while continuing to help our customers and the users of our equipment.

#### Safety performance

As 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.

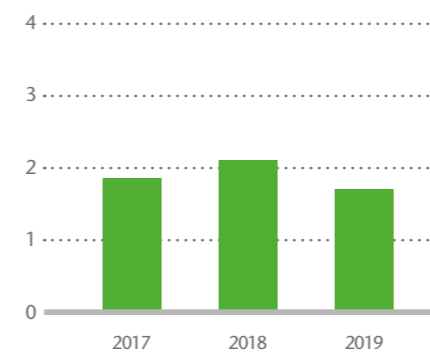
In 2019, our Industrial injury frequency rate (IIFR) improved to 1.7 (2018: 2.1). The average lost days per incident was 33.7 days (2018: 27.4).

The improvement of IIFR is overshadowed 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.

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 do our utmost to ensure that all our employees and subcontractor workers return home safely at the end of each day. For example, focus on promoting safe behavior as well as the development of safer procedures, to reach our goal of zero incidents.

#### Industrial injury frequency rate development among KONE employees



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

In 2019, our industrial injury frequency rate (IIFR) improved to 1.7 (2018: 2.1). The average lost days per incident is 33.7 days (2018: 27.4).

#### 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 competencies using interactive learnings and mobile tools. The global roll-out of our 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 regarding our safety management framework, and 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%. The e-learning is available in 36 languages, and we also organize classroom trainings.

Our global mobile safety reporting tool, KONE Safety Solution, is used for

## Target

→ 0 incidents

The number of near miss reports increased by

# 21.3%

reporting and managing employee, subcontractor, third-party and equipment user related near misses and incidents.

With the roll-out of the mobile reporting tool the number of near miss reports increased by 21.3% (2018: 4%). In 2019, we focused on improving the quality, analysis and investigation of incident and near miss reports. We continue to encourage near miss and incident reporting as it provides valuable information for improving workplace safety. Local safety personnel analyze the reported data and use the results to improve safety. Incidents, lost days per injury, and near misses are part of each unit's monthly reporting to global functions.

Lessons learned from incidents and near misses are shared in quarterly organized safety network meetings. In addition, safety managers discuss concerns and share best practices on a monthly basis.

#### Global program for employee well-being

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

KONE's Elevate your health program is in place in all our units. It covers topics ranging from taking care of joints and muscles to weight loss initiatives, the

importance of sleep, nutrition, increasing physical activity and strengthening your mental well-being.

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

We have introduced a learning package for leaders to increase their competence in managing the well-being of their teams. This includes an 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.

## ENABLING OUR PARTNERS AND SOCIETIES TO PROSPER

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

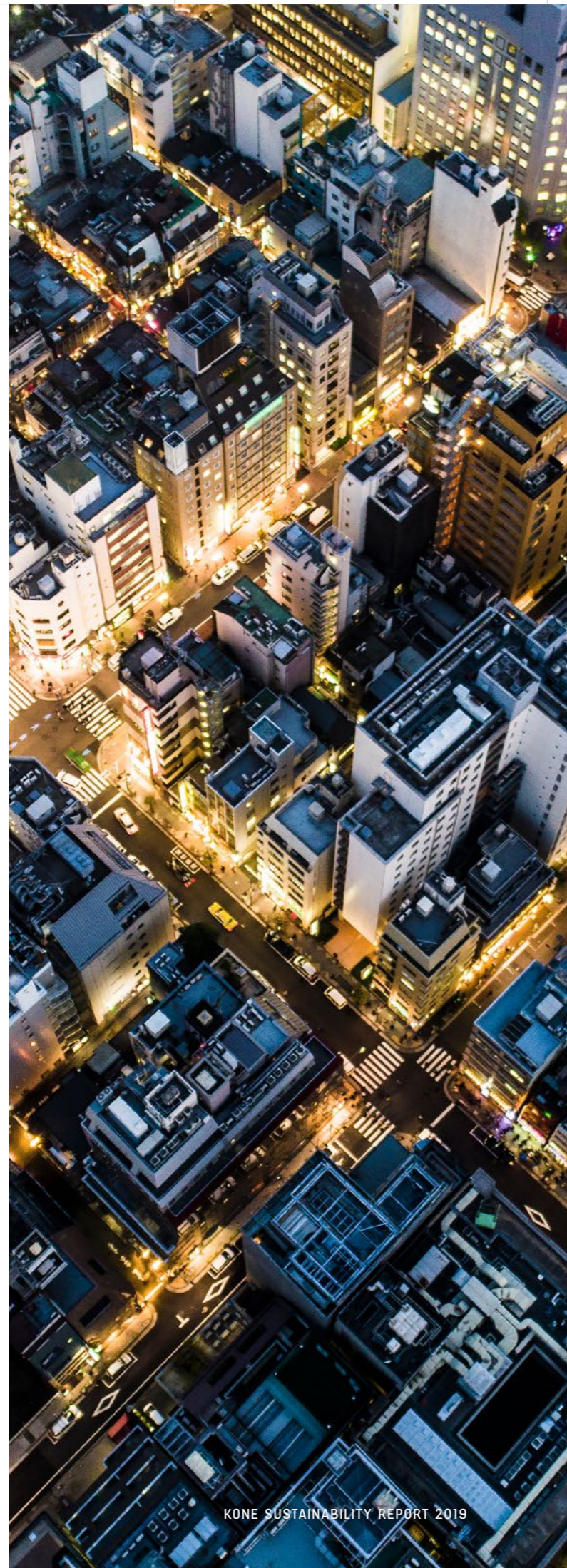
### KONE'S KEY IMPACT AREAS RELATED TO THE UN SUSTAINABLE DEVELOPMENT GOALS

**8 DECENT WORK AND ECONOMIC GROWTH**  
 Employment  
 Non-discrimination  
 Procurement practices  
 Tax strategy and principles  
 Supporting local communities

**11 SUSTAINABLE CITIES AND COMMUNITIES**  
 Infrastructure investments  
 Sustainable buildings

**16 PEACE, JUSTICE AND STRONG INSTITUTIONS**  
 Effective, accountable and transparent governance  
 Compliance with laws and regulations  
 Anti-corruption

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 16%, 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 with 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 2015.

[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 corporate citizen, we are fully committed to the laws and regulations of the countries where we operate. KONE's global presence makes it crucial for us to ensure that 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.

A dedicated compliance team, including regional teams in China and North America, develops and implements KONE's global compliance program. Our global and regional compliance committees advise and take decisions on compliance matters such as investigations into allegations of employee misconduct, KONE's human rights initiatives, and our anti-bribery and corruption activities. During the reporting year, we reviewed and clarified our global policies, and published them on our new, one-stop-shop global policies intranet site.

### KONE's Code of Conduct

KONE's Code of Conduct (the Code) is an integral part of our culture and defines our standards of ethical conduct. The Code sets out our company's commitment to integrity, honesty, and fair play and addresses what is expected of KONE employees and KONE companies. It also explains how we conduct our business in a responsible and ethical manner in order to earn and retain customer trust. Our [Code of Conduct](#) is available on KONE.com in 33 languages.

### KONE's Competition Compliance Policy

KONE's Competition Compliance Policy promotes the principles of fair competition that are presented in KONE's Code of Conduct. The policy details our unambiguous position against anti-competitive practices. It sets out the rules and principles

that all KONE employees must follow to ensure that we comply fully with competition laws. The Competition Compliance policy is available for our employees in 33 languages.

### KONE Supplier and Distributor Codes of Conduct

KONE's Supplier Code of Conduct sets out the ethical business practice requirements that we expect from our suppliers. It covers areas such as legal compliance, ethical conduct, our zero tolerance for bribery and corruption, and the standards we require from our suppliers in terms of labor and human rights, health and safety, and the environment. We expect our suppliers 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's externally hosted reporting channel, the Compliance Line, allows employees 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 compliance concerns through internal channels (e.g. manager, HR, legal or compliance). KONE does not tolerate any form of retaliation 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 complete the Code of Conduct online training. We rolled out our new and engaging Code of Conduct e-learning course in 2018-19 in 37 languages. The training covers topics such as conflicts of interest, fair competition, 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 58,000 employees in 64 countries that were assigned 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 Competition 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 and employees in management, sales, sourcing, and trade association related roles. Additionally, business units could nominate additional participants. 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 purpose of this video, intended for use in management-led meetings, is to train employees and address key anti-harassment topics, as well as give advice on how to speak up about it. This effort continues during 2020.

#### Human rights risk assessment

In 2019, we engaged a third party to conduct a high-level human rights risk assessment at KONE. The assessment included a review of relevant policies and processes, as well as in-depth management interviews. On the basis of the risk assessment outcome, we have taken actions to prioritize 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 particularly 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, modernization, and spares supply. We also work closely with selected key material suppliers and logistics service providers. Approximately 4,600 people keep KONE's supply operations running.

KONE continued the implementation of a new manufacturing execution system (MES) with factories in Finland, the United States and Italy. MES is a computerized system that is used to track and document the transformation of raw materials to finished goods, and it provides information that helps understand how current conditions on the factory floor can be optimized to improve production output and implement production quality improvements. The MES implementation continues in 2020 as do our supply chain improvement 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 Pillaipakkam, India, was completed. The facility is a state-of-the-art

production unit with land area of 75,000 m<sup>2</sup> and construction area of 48,000 m<sup>2</sup> – more than double compared to the old factory. The new factory offers employment 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 Indian Green Building Council environmental 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 delivery times by improving material availability.

KONE also continued the product harmonization 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.

#### Responding to customers' needs

We adapt our supply chain to take customers' different requirements into account. During the reporting year, our newly established Logistics organization continued to develop a more seamless flow of ready products as well as components to our customers. The work continues during 2020.

We also continued to develop packaging solutions to allow us to better accommodate various customer needs and make installation as smooth as possible.

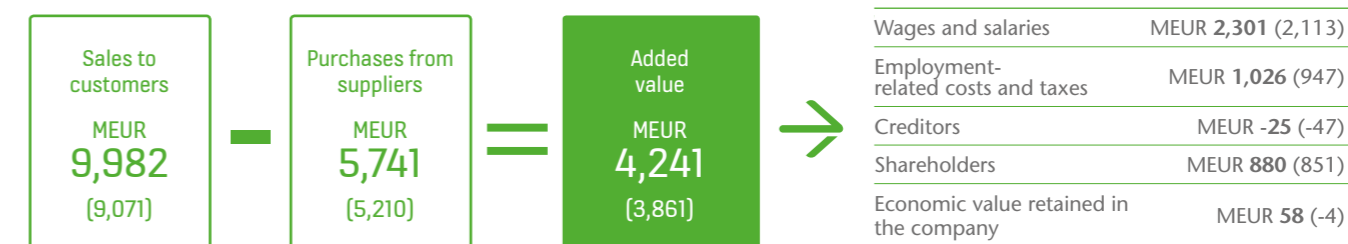
We systematically collect customer feedback on the quality performance of our supply chain operations and analyze it using Six Sigma tools before taking any necessary corrective actions.

#### Better quality and productivity through learning

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

In the supply line the trainings continued to focus on overall capability development with more employees gaining *kaizen* continual development event skills.

#### How KONE added economic value in 2019



2018 figures in brackets.

#### Top 10 supplier locations\*

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

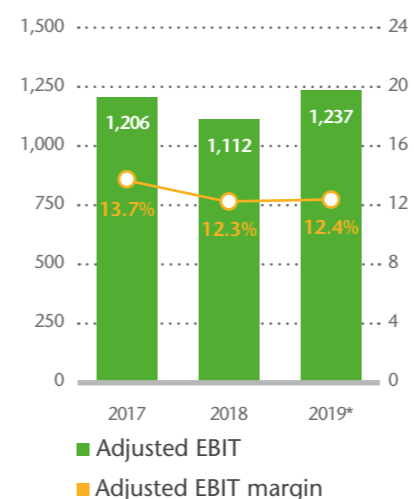
\* Suppliers that provide products for new equipment to KONE distribution centers and factories.

#### Global logistics



In total, over 3.9 million packages were delivered to new installation sites, and around 1.5 million packages of spare parts to existing customer sites. 3.9 million packages amount to a weight of 1,450 million kilograms, or 3.7 million cubic meters in volume.

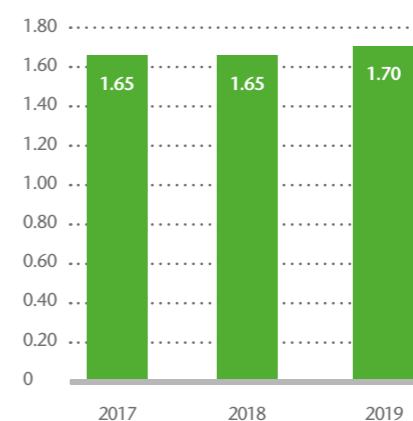
#### Adjusted EBIT (MEUR) and adjusted EBIT margin (%)



In September 2017, KONE introduced a new alternative performance measure, adjusted EBIT, to enhance comparability of the business performance between reporting periods during the Accelerate program. Restructuring costs related to the Accelerate program are excluded from the calculation of the adjusted EBIT.

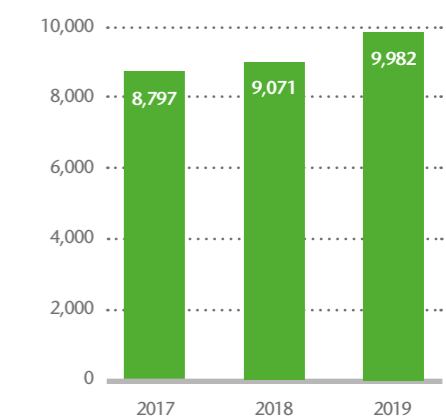
\* The adoption of IFRS 16 had a positive impact of EUR 6 million to the operating income.

#### KONE class B share dividend per share, 2017–2019 (EUR)



KONE's largest individual shareholder is Antti Herlin, Chairman of KONE's Board of Directors, who controls over 20% of the share capital and over 60% of votes. For KONE's domestically registered major shareholders, see monthly updated list on KONE.com.

#### Sales (MEUR)



Read more about KONE's financial performance in our Annual Review 2019

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 competence 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 assembly of sourced components. Our suppliers and their sub-tier suppliers 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 our strategic suppliers are required to comply with ISO 14001 certification.

#### Long-term relationships with suppliers

We purchase approximately 80% of our raw materials, components, and systems supply for new equipment production from approximately 170 suppliers, the majority of whom are located in the same countries as KONE factories or distribution centers.

Our aim is to build long-term relationships with our suppliers. We manage them according to a tailored approach that reflects their importance to KONE. This is done through the regular, critical assessment of multiple factors such as the business scope and spend with the supplier, their innovation potential, the criticality of the materials or services they provide, the

\* 5S methodology: sort, stabilize, shine, standardize, and sustain.

supply chain situation, and KONE's investment or integration level with the supplier.

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

Read more about KONE's Supplier Code of Conduct on [page 39](#).

#### The majority of strategic suppliers audited

All of the main material suppliers to KONE distribution centers and factories undergo regular audits. In 2019, 86% (2018: 92%) of our strategic suppliers were audited. We review our audit plan every year to prioritize and schedule audits according to our business needs. The audits are scheduled to check on changes in products or production processes, to validate follow-through on improvement initiatives, to assess quality and environmental management systems – especially when suppliers are not ISO certified, or to pre-audit the suitability of potential suppliers.

#### Assessing supplier risks

KONE's sourcing risk monitoring system is based on a thorough assessment of suppliers, including analyses of their financial and business viability and their dependence on business from KONE, 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 scorecard system that evaluates key suppliers of direct materials. The results of the scorecards represent a balanced view of quantitative and qualitative performance

criteria from a number of angles, such as quality, cost and logistics.

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

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

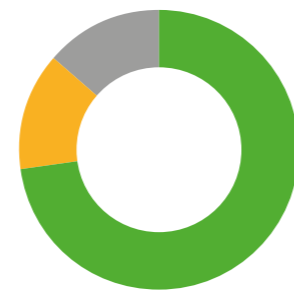
Read more on how we develop quality together with our suppliers on [page 25](#).

#### 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



Total MEUR 5,518.6

- Direct materials and supplies, subcontracting 72.9%
- Other production costs\* 13.5%
- Selling, administrative and other expenses\*\* 13.6%

\* Mainly freight and packaging costs as well as other variable costs such as utilities, tools and operatives 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 developmental, 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 volunteers can participate 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 Dandelion School in Beijing, China, and the Huana School in Thailand.

The KCF 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 SAIS II program funded by Finland's Ministry of Foreign Affairs. Other WYC offerings for youth at the margins of South



Children in Valle de Chalco, Mexico

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 Westbury 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 2015. 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 north of Bangkok. Z2H has made great strides in introducing best educational practices from Finland and active learning concepts in general in the Phetchabun Province of central Thailand.

KCF has begun worldwide cooperation with KONE Corporation to recycle the company's used computers to schools and youth development programs in need. KCF appreciates the enthusiastic cooperation it receives from KONE companies in the countries where it supports ongoing projects. Although KCF is an independent entity, cooperation with KONE companies is central to its ability to meet its objectives.

 Read more on the latest developments in projects KCF supports. Visit the site on [konecentennialfoundation.org](http://konecentennialfoundation.org)

## REPORTING SCOPE

KONE has chosen to report using the Global Reporting Initiative (GRI) guidelines in order to facilitate easier comparison of our performance with other companies and to streamline our own corporate responsibility reporting efforts. KONE has published 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 from the chairman and the president and CEO on p. 6, and in the strategy description on p. 7.

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

The personnel data is provided by our HR organization.

The facility-related environmental data has been collected from KONE's 13 manufacturing units worldwide and from 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 fuel 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 in-house logistics emission 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 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 guarantees 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 Mitopro 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.

## 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. A Corporate Accounting and Reporting Standard,
- Greenhouse Gas Protocol Scope 2 Guidance,

- Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting, and
- Global Reporting Initiative's GRI-standards (2016)

### Assurance Provider's Independence and Competence

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

### Basis of Our Opinion

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

Our opinion is based on the following procedures performed:

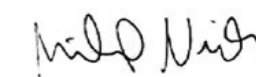
- Interviews with KONE specialists responsible for data collection and reporting of the Selected information at Group level and in selected sites.

- 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.

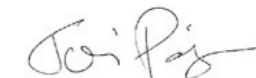
### Conclusion

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  
Mitopro Oy



Mikael Niskala  
Independent Sustainability Expert



Tomi Pajunen  
Independent Sustainability Expert

## 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.

KONE focus areas	GRI topics	Boundary	
<b>DRIVING INNOVATION AND IMPROVING RESOURCE EFFICIENCY</b> <ul style="list-style-type: none"> <li>• Deep understanding of customer needs</li> <li>• Sustainable innovations and business models</li> <li>• Resource efficiency</li> <li>• Low-carbon operations</li> </ul>	Energy Water and effluents Emissions Waste Environmental compliance	Within the organization (GRI 103–1)  KONE operations (13 manufacturing units + 31 country organizations)	Outside the organization (GRI 103–1)  Indirect (Scope 3) energy use and GHG emission sources
<b>PROVIDING THE MOST SUSTAINABLE OFFERING</b> <ul style="list-style-type: none"> <li>• Customer satisfaction</li> <li>• Product and service quality</li> <li>• End user safety and accessibility</li> <li>• Energy efficiency of solutions and life cycle thinking</li> </ul>	Materials Energy Customer health & safety Environmental compliance	KONE operations	Customers
<b>BEING THE BEST EMPLOYER AND ATTRACTING TALENT</b> <ul style="list-style-type: none"> <li>• Competence development</li> <li>• Fair employment practices</li> <li>• Motivated and engaged employees</li> <li>• Diversity and non-discrimination</li> <li>• Employee safety and well-being</li> </ul>	Employment Occupational health & safety Training and education Diversity & equal opportunity	KONE operations	Subcontractors
<b>ENABLING OUR PARTNERS AND SOCIETIES TO PROSPER</b> <ul style="list-style-type: none"> <li>• Generating long-term returns</li> <li>• Creating wealth via taxes and employment</li> <li>• Ethical business practices</li> <li>• Long-term relationships with our suppliers</li> <li>• Supporting local communities</li> </ul>	Economic performance Market presence Anti-corruption Anti-competitive behavior Environmental compliance Supplier environmental assessment Supplier social assessment Socio-economic compliance	KONE operations	Community suppliers / strategic suppliers

# GRI AND SDG INDICES

GENERAL DISCLOSURES	Related SDGs	Page	Further information
<b>Organizational profile</b>			
102-1	Name of the organization	Back cover	
102-2	Activities, brands, products, and services	3, 8–9	<a href="https://www.kone.com/en/company/">https://www.kone.com/en/company/</a> <a href="https://www.kone.com/en/products-and-services/">https://www.kone.com/en/products-and-services/</a>
102-3	Location of headquarters	Back cover	
102-4	Location of operations	4, 35	<a href="https://www.kone.com/en/company/">https://www.kone.com/en/company/</a>
102-5	Ownership and legal form	3, 11, 41	<a href="https://www.kone.com/en/company/organization-and-management/">https://www.kone.com/en/company/organization-and-management/</a>
102-6	Markets served	4	<a href="https://www.kone.com/en/company/">https://www.kone.com/en/company/</a>
102-7	Scale of the organization	3, 4, 8, 35, 41	
102-8	Information on employees and other workers	5, 8, 10	5, 34–35, 44
102-9	Supply chain	40–42	
102-10	Significant changes to the organization and its supply chain	GRI and SDG indices	No significant changes
102-11	Precautionary Principle or approach		Annual Review 2019, Board of Directors' report, p. 18–20. KONE is committed to the UN Global Compact's ten principles. We address the precautionary principle, especially in areas involving environmental risks.
102-12	External initiatives	10, 12–13, 18	
102-13	Memberships of associations	6, 13, 18	
<b>Strategy and analysis</b>			
102-14	Statement from senior decision-maker	3, 8, 9, 11, 13, 16	6
102-15	Key impacts, risks, and opportunities	3, 7, 8, 11, 13	6–9, 12–13, 18 Annual Review 2019, Board of Directors' report, p. 18–20.
<b>Ethics and integrity</b>			
102-16	Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	5, 8, 10, 16	7, 10, 39–40 <a href="http://www.kone.com/en/company/vision-and-strategy/">www.kone.com/en/company/vision-and-strategy/</a> KONE.com (search for: Code of Conduct)
102-17	Mechanisms for seeking advice on ethical and lawful behavior	16	39–40
<b>Governance</b>			
102-18	Governance structure		Annual Review 2019, Corporate Governance Statement, p. 90–93
102-19	Delegating authority	10	
102-20	Executive-level responsibility for economic, environmental, and social topics	10	
102-21	Consulting stakeholders on economic, environmental, and social topics	10–11	Annual Review 2019, Corporate Governance Statement, p. 90–93
102-22	Composition of the highest governance body and its committees		Annual Review 2019, Corporate Governance Statement, p. 90–95
102-26	Role of highest governance body in setting purpose, values, and strategy		Annual Review 2019, Corporate Governance Statement, p. 90–93
102-29	Identifying and managing economic, environmental, and social impacts	11	<a href="https://www.kone.com/en/sustainability/managing-sustainability/materiality-assessment.aspx">https://www.kone.com/en/sustainability/managing-sustainability/materiality-assessment.aspx</a>
102-32	Highest governance body's role in sustainability reporting	10	KONE Sustainability Report is reviewed by KONE's management and approved by the President and CEO.
102-35	Remuneration policies	16	Annual Review 2019, Corporate Governance Statement, p. 92–93
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	11	
102-41	Collective bargaining agreements	33	
102-42	Identifying and selecting stakeholders	11	
102-43	Approach to stakeholder engagement	11	
102-44	Key topics and concerns raised	11	
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements		Annual Review 2019, subsidiaries, p. 81–83
102-46	Defining the report content and the topic Boundaries	12, 44–45	<a href="https://www.kone.com/en/sustainability/managing-sustainability/materiality-assessment.aspx">https://www.kone.com/en/sustainability/managing-sustainability/materiality-assessment.aspx</a>
102-47	List of material topics	12–13	
102-48	Restatements of information		Reported in connection with the indicators in question.
102-49	Changes in reporting		
102-50	Reporting period	44	
102-51	Date of the previous report	44	
102-52	Reporting cycle	44	
102-53	Contact point for questions regarding the report	Back cover	
102-54	Claims of reporting in accordance with the GRI Standards	44	
102-55	GRI content index	46–47	
102-56	External assurance	45	KONE's operational Scope 1, 2 and 3 (logistics, business travel and waste) and water consumption data assured externally.

MANAGEMENT APPROACH	Related SDGs	Page	
103-1	Explanation of the material topic and its Boundary	10, 12–13, 44	
103-2	The management approach and its components		Generic Management Approach Disclosures, p. 10 Economic Standards, p. 39 Environmental Standards, p. 17–18, 28–30 Social Standards, p. 26–27, 33–37, 40–43
103-3	Evaluation of the management approach		Generic Management Approach Disclosures, p. 10 Economic Standards, p. 39 Environmental Standards, p. 17–18, 28–30 Social Standards, p. 26–27, 33–37, 40–43
<b>TOPIC-SPECIFIC DISCLOSURES</b>			
<b>Economic standards</b>			
<b>Economic performance</b>			
201-1	Direct economic value generated and distributed	8	5, 8–9, 38–43
201-2	Financial implications and other risks and opportunities due to climate change		6, 16–18 Annual Review 2019, p. 19–20. Monetary value not reported for any types of risks or opportunities.
<b>Market presence</b>			
202-2	Proportion of senior management hired from the local community	8	34, 39 Leadership position: KONE grades 1–3 (out of 6). Local: Employee is native to the country where the position is based.
<b>Anti-corruption</b>			
205-2	Communication and training about anti-corruption policies and procedures	16	39–40 Part of Code of Conduct training. Addressed also in Annual Review 2019, p. 16.
<b>Anti-competitive behavior</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	16	Annual Review 2019, Review of Board of Directors, p. 17
<b>Environmental standards</b>			
<b>Materials</b>			
301-1	Materials used by weight or volume	9, 12	31
<b>Energy</b>			
302-1	Energy consumption within the organization	9, 13	23
302-4	Reduction of energy consumption	9, 12, 13	18–23
302-5	Reductions in energy requirements of products and services	9, 11, 12, 13	28–31
<b>Water</b>			
303-1 (2016)	Water withdrawal	9	23
<b>Emissions</b>			
305-1	Direct (scope 1) GHG emissions	9, 13	18–23
305-2	Energy indirect (scope 2) GHG emissions	9, 13	22–23
305-3	Other indirect (scope 3) GHG emissions	9, 12, 13	22–23
305-4	GHG emissions intensity	9, 13	22
305-5	Reduction of GHG emissions	9, 13	18–23
<b>Effluents and waste</b>			
306-2	Waste by type and disposal method	9, 12	23
<b>Environmental compliance</b>			
307-1	Non-compliance with environmental laws and regulations		No fines or sanctions regarding non-compliance with environmental laws and regulations.
<b>Supplier environmental assessment</b>			
308-1	New suppliers that were screened using environmental criteria	12	42 Percentage of strategic suppliers audited.
<b>SOCIAL STANDARDS</b>			
<b>Employment</b>			
401-1	New employee hires and employee turnover	5, 8	35
<b>Occupational health and safety</b>			
403-2 (2016)	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	3, 8	36–37 Industry injury frequency rate (IIFR), average lost days per injury, and total number of work-related fatalities and high-consequence injuries reported for employees. All injuries, including fatalities, are reported to the local authorities according to local regulations.
<b>Training and education</b>			
404-2	Programs for upgrading employee skills and transition assistance programs	4, 8	33 Global guidelines exist for supporting employees in transition.
404-3	Percentage of employees receiving regular performance and career development reviews	8	33
<b>Diversity and equal opportunity</b>			
405-1	Diversity of governance bodies and employees	5, 8	34–35
<b>Supplier social assessment</b>			
414-1	New suppliers that were screened using social criteria	8	42 Percentage of strategic suppliers audited.
<b>Customer health and safety</b>			
416-1	Assessment of the health and safety impacts of product and service categories	9, 11	27, 29–30
<b>Socioeconomic compliance</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	16	No significant fines during the reporting period.



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