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

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

KONE IN BRIEF

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

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

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

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

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

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

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

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

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

How does KONE continue to make progress in sustainable development?

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

In the second half of the year we announced our new innovation strategy, which is designed to ensure that we can meet the needs of an urbanizing world, where the pace of technological change is increasing. Digitalization gives us the opportunity to be more efficient, and that applies to other areas. The less waste material and wasted resources we have, the more efficient we are, and that applies throughout our operations and facilities.

And the President and CEO

INTERVIEW WITH THE CHAIRMAN AND THE PRESIDENT AND CEO

INTERVIEW WITH THE CHAIRMAN AND THE PRESIDENT AND CEO

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

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

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

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

How can customers tell the difference between companies that call themselves sustainable?

What are KONE’s differentiators?

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

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

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

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

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<td>6,816.6</td>
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<td>Operating income</td>
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<td>Cash flow from operations</td>
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Key figures

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<td>Americas</td>
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<td>Asia-Pacific</td>
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<td>Europe</td>
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Customer and supplier development

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Added value

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<tr>
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KONE's economic impacts

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Employee development among KONE employees

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TURNING OUR VISION INTO REALITY

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

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

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

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

With this kind of growth and change happening around the world, delivering the best People Flow experience means understanding different types of buildings and the purposes they serve. How, when, and by whom a building is used determines the optimal location, quantity and type of equipment required at the site. Over the decades, we have amassed extensive knowledge and expertise on different environments, their functionality and how they are connected. At KONE, we provide Ease, Effectiveness and Experiences to users and customers, over the full life cycle of buildings.

The world we live in

The direction and shape of the global elevator industry is expected to drive urbanization, safety, and sustainability. Our development programs and strategic targets are designed to help us turn our strategy into reality and support our efforts to meet our strategic targets. In addition, we give the utmost importance to two high-priority areas in our daily work. These are safety and quality. Our development programs and strategic targets are founded on KONE’s core values of delighting the customer, energy for renewal, passion for performance, and winning together.

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

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

Demographic change

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

Urbanization

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

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

Environment

Today’s cities take up about 2% of the world’s land mass, but account for 75% of global energy consumption and 80% of manmade carbon emissions (Source: UN Habitat, New Cities and Climate Change: Global Report on Human Settlements 2011). Reducing the impact urban areas make on the environment is essential for a more sustainable future.

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

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

Safety

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

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

For example by modernizing an elevator, the space inside the car can increase by even up to 50%, making it easier to access the elevator with a wheelchair or a walker. Reduction of energy consumption is another benefit. Over time, a new elevator can save up to 70% of energy consumption.
At KONE, innovations in urban development have an important role in tackling issues like social progress, climate change, and economic prosperity. As a company, we have always maintained that our towns and cities are made up of a combination of complex infrastructure systems, flows of people, transport networks, and of course, a variety of buildings.

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

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

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

Searching for new ideas

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

Our R&D process is a continuous search for new ideas and opportunities. Our starting point is a wide variety of sources, the most important ones being our customers and the equipment users. We also make use of opportunities presented by the market, for example the demand of ever-higher buildings and their huge, growing populations, and ideas generated through our own innovation processes.

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

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

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

New innovations across our businesses

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

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

In China, KONE extended its offering in the affordable housing segment with the launch of the KONE Z MiniSpace™ elevator, as well as an updated version of the KONE TransitMaster™ 140 escalator for the infrastructure segment.

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

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

The awarded turnstile is KONE’s response to the increasing need for smarter cities and buildings as it is designed to guide people effectively and smoothly from front entrance to desired destination.
KONE is committed to conducting its business in a responsible and sustainable way and we expect the same commitment from all our partners. We comply with the laws and rules of the societies in which we operate. Our everyday work is guided by KONE’s Code of Conduct and our other company policies and guidelines.

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

In September 2015, KONE announced the establishment of a new Technology & Innovation unit bringing together KONE’s R&D and IT functions. Tomio Pihkala was appointed KONE’s Chief Technology Officer to head the new unit as of January 1, 2016. Tomio Pihkala was previously responsible for KONE’s Operations Development. Mikko Korte was appointed Executive Vice President, Operations Development as of January 1, 2016. KONE Operations Development includes KONE’s installation development as well as the quality, safety and environment functions. Mikko Korte was previously responsible for KONE’s new equipment business in the Americas region.

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

KONE supports the new agenda and its goals. In 2015, the UN launched its new Technology & Innovation unit bringing together KONE’s R&D and IT functions. Tomio Pihkala was appointed KONE’s Chief Technology Officer to head the new unit as of January 1, 2016. Tomio Pihkala was previously responsible for KONE’s Operations Development. Mikko Korte was appointed Executive Vice President, Operations Development as of January 1, 2016. KONE Operations Development includes KONE’s installation development as well as the quality, safety and environment functions. Mikko Korte was previously responsible for KONE’s new equipment business in the Americas region.

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.

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MATERIAL SUSTAINABILITY TOPICS

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

In 2015, material topics were recognized by analysing industry and peer group reporting, reporting guidelines and legislation developments, results of the 2013 materiality and stakeholder analysis, and by interviewing KONE experts. The identified topics were prioritized by KONE experts based on their impact on the value chain, business implications and stakeholder interest. The KONE sustainability focus areas were updated based on the materiality analysis results and they were approved by selected members of KONE’s management.

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

RESULTS OF THE MATERIALITY ANALYSIS

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

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

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

ENVIRONMENT
1. Low-carbon solutions and operations
2. Resource efficiency
3. Water use

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

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

QUALITY
1. Quality of products and services
2. Customer satisfaction

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

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

OUR PEOPLE
1. Competent management and employees
2. Employee engagement
3. Diversity and equal opportunity – Non discrimination

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

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

CREATING ADDED VALUE FOR STAKEHOLDERS
1. Economic performance
2. Community involvement
3. Ethical business practices

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

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

SUPPLY CHAIN
1. Supply chain excellence
2. Supply chain compliance

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

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

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

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

It is our strong belief that all accidents are preventable.

EMBRACING A CULTURE OF SAFETY

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

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

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

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

Knowledge is power

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

We believe that knowledge is power and we communicate actively about safety to empower everyone who works with or uses our equipment. We organize various activities in different parts of the world and provide educational material for our customers and the general public to help equipment users stay safe. Our safety mascots, Bob and Max, help teach children about the safe use of equipment through events, leaflets, and an online animation and game.

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

Active participant

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

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

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

Safe at work

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

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

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

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

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

G4 INDICATORS RELATED TO SAFETY

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

G4-LAB: 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

SAFETY TARGETS AND ACHIEVEMENTS

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

IFR DEVELOPMENT

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

Industrial Injury Frequency Rate development among KONE employees

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

Read more at www.KONE.com/safety.
SAFETY IS AN INTEGRAL PART OF OUR SOLUTIONS AND OPERATIONS

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

**SUPPLIERS**

KONE’s Supplier Code of Conduct requires all of our suppliers to protect the health and safety of their employees. KONE has defined clear quality requirements which are continuously measured and followed. (Read more about quality on p. 30–31.)

**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.

**OFFICE**

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

**PRODUCTION SITE**

Building managers promote and maintain safe and healthy working environments in KONE premises. Existing products are continuously developed to further improve their safety and functionality.

**INSTALLATION**

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

**USE**

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

**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.

**MAINTENANCE**

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

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

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

An animation and online game as well as the world of characters such as the new European elevator standard for end users and customers to promote the safe use of equipment we maintain.

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

We enhance the safety of our installation processes. Safe practices are promoted for our installers and subcontractors.

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

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

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

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

DEVELOPING SUSTAINABLE SMART CITIES AND LOW-CARBON COMMUNITIES

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

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

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

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

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

Energy efficient solutions for greener buildings

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

KONE is a pioneer in developing eco-efficient solutions in the elevator and escalator industry. The KONE Monospace® 500, our current machine-room-less volume elevator, is up to 90% more energy efficient than KONE’s elevators from the 1990s. This has been made possible by the completely renewed low-rise-volume KONE Ecolift® hoisting machine, a highly efficient drive, enhanced standby solutions, and LED lighting. Our revolutionary KONE UltraSpace™ high-rise hoist technology cuts the energy consumption of a 500-meter elevator ride by 13%. Elevators and escalators currently in operation are aging at a rapid pace, especially in Europe.

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

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

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

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

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Top-class energy efficiency

In late 2014 KONE was the first company to achieve the best A-class energy efficiency classification for as many as eight volume elevator installations, according to the new international standard ISO 25745. Energy performance of lifts, escalators and moving walks. In 2015, KONE’s ISO 25745 A-class achievements were complemented by an A-class classification for the KONE MonoSpace® elevator and the best A+++ escalator classification for KONE TravelMaster™ 110. All the ratings have been granted and measurements made by external third parties at customer reference locations. In addition, KONE is the only elevator company to offer the best VDI 4707 A-class energy efficiency rating for its elevator volume range.

Best-in-class energy efficiency according to ISO 25745

<table>
<thead>
<tr>
<th>Elevators</th>
<th>Building type</th>
<th>Office</th>
<th>Residential</th>
<th>Residential</th>
<th>Residential</th>
<th>Hotel</th>
<th>Office</th>
<th>Retail</th>
<th>Office</th>
<th>Hotel</th>
</tr>
</thead>
<tbody>
<tr>
<td>KONE EcoDisc®</td>
<td>Load (kg)</td>
<td>0.63</td>
<td>0.63</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.150</td>
<td>1.150</td>
<td>1.200</td>
<td></td>
</tr>
<tr>
<td>KONE MonoSpace® 500</td>
<td>Speed (m/s)</td>
<td>0.63</td>
<td>1.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.5</td>
<td>2.5</td>
<td>1.75</td>
<td>2.5</td>
<td>4.0</td>
</tr>
</tbody>
</table>

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

FIDE ENERGY SAVING LABEL IN MEXICO

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

KONE MiniSpace™

KONE N MiniSpace™

KONE S MonoSpace®

KONE MonoSpace® 700

KONE N MonoSpace®

KONE S MonoSpace®

LED lighting is up to 80% more energy efficient compared to halogen lighting and lasts ten times longer.

Standby solutions power down the equipment when the elevator is not in use, providing substantial energy savings.

KONE’s revolutionary high-rise hoisting technology, KONE UltraRope™, cuts the energy consumption of a 500-meter elevator ride by 15%.

Elevators

- The KONE EcoDisc® hoisting machine delivers the best VDI 4707 and ISO 25745 A-class energy efficiency on the market. Its innovative copper winding system reduces heat losses and the braking system reduces the power consumption during steady run. KONE EcoDisc is compact and lightweight, contributing to material and space efficiency.

- The innovative HybridHoisting™ system of KONE NanoSpace™ incorporates a unique combination of belt and rope technologies, thin balancing weights that enable adaptive balancing and the optimization of energy consumption, and the highly energy efficient and compact KONE EcoFlex™ motor.

- KONE’s regenerative solutions can provide energy savings of 20–35% by recovering the energy that is released when the elevator is used.

- LED lighting is up to 80% more energy efficient compared to halogen lighting and lasts ten times longer.

- Standby solutions power down the equipment when the elevator is not in use, providing substantial energy savings.

- KONE’s destination control system optimizes traffic, reducing the size and number of elevators needed in a building.

- KONE’s revolutionary high-rise hoisting technology, KONE UltraRope™, cuts the energy consumption of a 500-meter elevator ride by 15%.

Escalators

- The lubrication-free step chain saves oil, reduces chain wear, and decreases fire risk.

- Eco-efficient operation can cut energy consumption by slowing down or stopping the escalator when it is not in use or by increasing the efficiency of the motor when traffic volumes are low.

- Regenerative solutions reduce energy consumption by recovering the energy that is released when the escalator is running downwards.

- LED lighting consumes up to 80% less energy compared to fluorescent tubes.

- The KONE EcoMod™ system makes it possible for an escalator to be modernized without removing the truss, saving both construction time and materials.

Automatic building doors

- KONE’s sliding door solution regulates the door’s opening width and opening time based on the outside temperature, wind speed, and pedestrian volumes. This enables savings of up to 4,000 kWh per year in heating and cooling consumption.
Reducing the carbon footprint of our products
KONE’s environmental responsibility covers the full life cycle of its products from design and manufacturing to installation, maintenance, modernization, and end-of-life treatment. KONE’s life cycle assessments, carried out in accordance with the ISO 14040 standard, show that our biggest environmental impact stems from the energy consumed by our elevators and escalators during their operational lifetime. By reducing energy consumption we reduce the environmental impact of KONE solutions during their operational lifetime.

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

Carbon footprint of KONE’s elevators and escalators, tCO2e

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production of materials for products (calculated)*</td>
<td>2,086,000</td>
<td>2,295,000</td>
<td>2,320,000</td>
</tr>
<tr>
<td>Lifetime energy consumption of products ordered from KONE during the reporting year (calculated)</td>
<td>5,045,000</td>
<td>4,554,000</td>
<td>5,017,000</td>
</tr>
</tbody>
</table>

*2013 and 2014 restated

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

In 2015, KONE’s absolute operational carbon footprint amounted to 307 kktCO2e (thousand tonnes of carbon dioxide equivalent) (2014: 296). The 3.6% increase in our absolute carbon footprint is mainly the result of growth in employee numbers, sales, and production volumes.

KONE’s operational carbon footprint relative to net sales decreased by 12.1% compared to 2014 (the reduction was 4.4% with sales growth calculated at comparable exchange rates).

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

Logistics operations were the major source of greenhouse gas emissions in KONE’s absolute carbon footprint, accounting for 148 kktCO2e (2014: 138). Other significant contributors were our vehicle fleet at 89 kktCO2e (2014: 86), electricity consumption at 40 kktCO2e (2014: 41), business air travel at 17 kktCO2e (2014: 18), and fuels for heating and cooling, which added to the total by 11 kktCO2e (2014: 11).

The following table shows the breakdown of KONE’s operational carbon footprint by category:

Relative operational carbon footprint

Data assured externally

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics (Scope 1)</td>
<td>296</td>
<td>289</td>
<td>293</td>
</tr>
<tr>
<td>Business air travel</td>
<td>17</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Overall operations</td>
<td>307</td>
<td>315</td>
<td>320</td>
</tr>
</tbody>
</table>

*4% reduction in 2015 with sales growth calculated at comparable exchange rates.

Absolute operational carbon footprint per category, kktCO2e

Data assured externally

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle fleet</td>
<td>146</td>
<td>148</td>
<td>149</td>
</tr>
<tr>
<td>Heating fuels and cooling gases</td>
<td>40</td>
<td>42</td>
<td>43</td>
</tr>
<tr>
<td>Electricity and district heat</td>
<td>90</td>
<td>93</td>
<td>95</td>
</tr>
<tr>
<td>Logistics</td>
<td>119</td>
<td>130</td>
<td>144</td>
</tr>
<tr>
<td>Business air travel</td>
<td>17</td>
<td>18</td>
<td>18</td>
</tr>
</tbody>
</table>

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

Logistics accounted for 148 kCO₂e, or 48% of KONE’s operational carbon footprint, making it the biggest contributor in terms of greenhouse gas emissions. KONE’s logistics greenhouse gas emissions data has been externally assured since 2013. In 2015 KONE’s logistics carbon footprint relative to units delivered to customers increased by 1%. The main reasons for not meeting the 3% reduction target are increased intercontinental deliveries, the ramp-up phase of the distribution center in India, and the challenges posed by volume growth in North America. The logistics data covers the transportation of products from KONE’s manufacturing units to customers and the transportation of those modules that are destined for shipment from our suppliers to our distribution centers and onward to customers. The relative logistics carbon footprint excludes spare parts deliveries.

During the year, KONE delivered over 3.3 million packages from distribution centers to installation sites, and around 1.2 million packages of spare parts from distribution centers to customer sites. The biggest changes in KONE’s delivery chain in 2015 related to the further optimization of our network of distribution centers. We moved the existing North American distribution center in Illinois to Ohio at the end of 2014 and saw the benefits of this change during 2015. The new facility in Ohio will continue to operate efficiently in the future.

**Overall progress**

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

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

| Compliance with KONE vehicle fleet policy | KONE continued to manage its vehicle fleet in compliance with the global vehicle fleet policy, which defines maximum CO₂ emission limits and encourages emissions reductions. KONE’s logistics vehicles benefit from lower CO₂ emissions than for benefit cars. Typically best in class vehicles in each segment (vehicle size) are listed in the local vehicle policies.
| Fuel-efficient vehicles | KONE continued its cooperation with internationally preferred suppliers Ford, Renault and Fiat, who comply with the Euro 6 emission standard for light passenger and commercial vehicles. Both passenger and commercial vehicles taken out of use were replaced by new, significantly more fuel-efficient models. In Finland, the United Kingdom, the Netherlands, and Austria, we have benefited from Ford’s new product line of vans with improved fuel efficiency. Ford Transit Courier, a new compact van, was introduced to our fleet in the United Kingdom. In Italy, Spain, Portugal, the Czech Republic, Slovakia, and Poland, we continued working mainly with Fiat Fiorino with stop-start technology. France, Belgium and Sweden continued with Renault vans, especially with Renault Kangoo which is among the best ones in terms of fuel efficiency in the medium vans segment.
| Introduction of electric vehicles | Piloting full electric vehicles continued in France, and the plotting of hybrid electric vehicles continued in the United States and in the Netherlands. In the US, KONE currently has 145 hybrid sedans on the road.
| Vehicle right sizing | The vehicle right sizing program continued in 2015. KONE has continuously paid attention to selecting correctly sized commercial vans when replacing existing models, which often had larger cargo capacity than required. The proportion of compact and medium-sized vans in the global fleet continues to grow.
| Monitoring driver performance | The driver performance monitoring program continued in 2015. KONE monitored the driving performance of its service drivers in France, the UK, Belgium, the Netherlands, and the US. Each month, drivers were scored in terms of fuel efficiency and driving behavior.
| Vehicle sharing program | The vehicle sharing program in France continued.
| Telematics systems | Telematics systems went live in the UK and Sweden to increase driver safety and security, and to improve fuel efficiency through safer driving. Both countries achieved good results in fuel efficiency by minimizing idling time as well as reducing the number of incidents on the road.

**Vehicle fleet**

**Of KONE’s operational greenhouse gases in 2015, 29% was emitted by our global vehicle fleet, making it the second biggest contributor in terms of our greenhouse gas emissions. The total size of our fleet during the year was around 15,300, out of which 14,300 (93%) were in the scope of KONE’s environmental reporting globally. Service vehicles made up two-thirds of the fleet while 3% reduction target was 4% to 5.7 kCO₂e (2014: 18). The relative carbon footprint decreased by 9.3%, which is well above the 3% reduction target. In order to reduce the need for travel and to facilitate global collaboration, KONE invests in virtual meeting tools such as video conferencing equipment. In 2015, virtual meeting time increased by 4% compared to 2014. This has been achieved by encouraging KONE personnel to use virtual meeting tools as the first option instead of travel.**

**Business air travel**

Business air travel accounted for 6% of KONE’s operational carbon footprint in 2015. The greenhouse gas emissions related to air travel decreased by 4.5% to 17 kCO₂e (2014: 18).

**KONE’s operational carbon footprint in 2015.**
Electricity

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

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

Heating fuels and cooling gases

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

Material management

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

Waste optimization in the manufacturing chain

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

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

Water consumption

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

Environmental Excellence Program 2014–2016

KONE was ranked the world’s 28th most sustainable company in the Global 100 index fund managed by investment advisory company Corporate Knights. KONE is the only elevator and escalator company included in the index.

Key initiative

Achievements in 2015

Target 2016

Solutions

The best possible A++ energy efficiency classification according to the new ISO 25745-2 energy efficiency standard received for the following elevators:

- KONE N MiniSpace™
- KONE’s E MiniSpace™
- KONE’s M MiniSpace™
- KONE’s E MiniSpace™ (Europe and Asia)
- KONE’s N MiniSpace™
- KONE’s MiniSpace™
- KONE’s N MiniSpace™
- KONE’s M MiniSpace™
- KONE’s MiniSpace™
- KONE’s TravelMaster™ 110 escalator achieved the highest A+++ classification for escalators according to ISO 25745-3.

Further reduce energy consumption of elevators and escalators compared to 2015, and further improve resource efficiency.

Green building

- KONE solutions delivered to LEED, BREEAM and other certified green buildings.
- ISO 50001 Energy management systems certification achieved by KONE’s manufacturing unit in Italy as the second KONE unit, in addition to the manufacturing unit in the Czech Republic certified already in 2013.
- LEED Platinum green building certification awarded to the building housing the new head office of KONE’s country organization in Finland.

Develop solutions to fulfill green building requirements and implement LEED/BREEAM at selected KONE facilities.

Environmental impact of operations

- KONE’s relative carbon footprint decreased by 12.1% (4.4% with sales growth calculated at comparable exchange rate). The carbon footprint of externally assessed scope 1 and scope 2 greenhouse gas emissions relative to net sales decreased by 14.4% (6.7% with sales growth calculated at comparable exchange rate).

Reduce KONE’s carbon footprint relative to net sales by 3% annually.

OnsetIS and suppliers

- All corporate units, manufacturing units, and R&D units are ISO 14001 and ISO 9001 certified.
- 14 major country organizations are ISO 14001 certified (2014: 18), and KONE’s manufacturing units in the Czech Republic and Italy are ISO 50001 certified.
- 91% of strategic suppliers are ISO 14001 certified (2014: 91%).

Continue to maintain OnsetIS (ISO 9001/14001) and require ISO 50001 certification from our strategic suppliers.

Reporting and communication

- KONE 2015 Sustainability Report met GRI G4 requirements. KONE’s greenhouse gas emission data for Scope 1, 2 and 3 (excluding waste) was externally assessed.
- KONE’s score in CDP’s climate change program further improved to the best possible level A (2014: level A) and KONO was included on CDP’s global A List of the top 5% of companies for the first time and on the Nordea Carbon Disclosure Leadership Index for the fifth year running. KONO was also included on CDP’s global Supplier A List 2015 including the top 2% of suppliers that have been awarded an A grade for their climate performance.
- KONE was ranked the global’s 28th most sustainable company in the Global 100 index fund managed by investment advisory company Corporate Knights. KONE is the only elevator and escalator company included in the index.

Work to meet GRI G4 requirements and continue to maintain high CDP scores.

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

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

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

QUALITY CULTURE AT KONE

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

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

Everyone is responsible for quality

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

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

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

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

Solution creation quality

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

Delivery and manufacturing quality

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

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

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

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

We have high standards for supplier quality. We focus on ensuring our suppliers have excellent performance levels inside the car, and ensure that our escalators provide a smooth ride with minimum disturbance to building occupants. After test results are analyzed, improvements are made if needed. This thorough testing reduces the need for unplanned maintenance calls.

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

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

26 of KONE’s major country organizations are ISO 9001 certified

95% of KONE’s strategic suppliers are ISO 9001 certified

QUALITY ACHIEVEMENTS

• In our annual employee survey, Pulse, the questions about quality received high scores and improved from the previous years.

• We audit all of the main suppliers that deliver direct materials to KONE distribution centers or factories on a regular basis.

COMPREHENSIVE RIDE COMFORT TEST

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

G4 INDICATORS RELATED TO QUALITY

G4-PR5: Results of surveys measuring customer satisfaction.

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

Read more about KONE’s
- supply chain on p. 42
- suppliers on p. 44
A GLOBAL TEAM OF TRUE PROFESSIONALS

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

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

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

During the reporting year, 117 nationalities were represented throughout KONE’s workforce. The majority are male, which represent nearly 90% of our employees globally. Nevertheless, women accounted for 15% of management team members in 2015, a slight improvement on the year-ago figure, and a step closer to our target of 20%.

A winning team

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

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

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

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

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

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

Performing at our best

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

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

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

Attracting new talent

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

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

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

Measuring workplace satisfaction

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

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

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

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

**Rewarding performance**

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

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

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

Listening to employees

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

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

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

Encouraging interaction

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

**Employees, 2015**

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

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

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

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

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

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

Financial performance in 2015

In 2015, KONE’s orders received increased by 16.8% (at comparable rates 5.6%), and reached a level of EUR 7,959 million (1–12/2014: 6,813 MEUR). New equipment orders received grew somewhat. In modernization, orders received grew significantly. Orders received in the new equipment business amounted to approximately 141,000 units (2014: approximately 154,000 elevator and escalator units), whereas our maintenance base was close to 1.1 million units at the end of 2015 (2014: exceeded one million units).

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

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

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

KONE’s financial position was strong at the end of December 2015. The cash flow generated from operations for 2015 rose to EUR 7,959 million (2014: approximately EUR 7,813 million). The cash flow generated from operations for 2015 increased by 1.9% compared to the previous year. In total, KONE distributed almost EUR 720 million in dividends for the financial year 2015. Also with a longer term perspective, our track record on dividend distribution has been sustainable. KONE has a strong shareholder base and had over 56,000 shareholders at the end of 2015.

Creating stakeholder value

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

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

In 2015, KONE’s orders received increased by 16.8% (at comparable rates 5.6%), and reached a level of EUR 7,959 million (1–12/2014: 6,813 MEUR). The cash flow generated from operations in 2015 during January to December 2015 before financing items and taxes was strong at EUR 1,474 million (1–12: 2014: 1,345 MEUR). The cash flow was driven by growth in operating income and continued favorable development in net working capital.

KONE’s economic impacts in 2015

(*for a list of KONE’s top 10 countries by sales, please see page 38.)
Customers & Suppliers

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

Local communities

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

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

Employees

Our biggest direct economic impacts come from the employment opportunities we provide. KONE is a global company with global processes and guidelines, but our operations are at the same time very local. In our subsidiaries, management and field personnel are predominantly local.

KONE had close to 50,000 employees in over 60 countries at the end of 2015. KONE’s largest countries by employees in 2015 were China, the United States and India. Read more about our people on p. 32 –33.

Ensuring added value in the future

KONE has three long-term financial targets: growing faster than the market, achieving an EBIT margin of 16%, and improving working capital over time with growth and productivity gains.

For the 16% EBIT margin, no target date has been set. With the lifestyle business model, the short-term focus is on growing absolute EBIT while achieving improved relative profitability over time with growth and productivity gains.

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

Spilt-adjusted dividend per class B share, EUR, 1880 –2015

GIVING BACK TO COMMUNITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Code of Conduct is available in 32 languages
The Code of Conduct and Competition Compliance e-learnings are available in 29 languages
The number of Supplier Code of Conduct language versions is 23

<table>
<thead>
<tr>
<th>Topics covered in KONE’s Code of Conduct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with laws and rules of society</td>
</tr>
<tr>
<td>• KONE is committed to full compliance with all applicable laws and regulations</td>
</tr>
<tr>
<td>• KONE respects prevailing cultural norms and practices, but where there are conflicts KONE’s employees are required to follow the KONE Code of Conduct</td>
</tr>
<tr>
<td>Work environment and human rights</td>
</tr>
<tr>
<td>• KONE prohibits all forms of discrimination</td>
</tr>
<tr>
<td>• KONE prohibits offensive behavior, including sexual harassment</td>
</tr>
<tr>
<td>• KONE does not use child or forced labor and does not do business with suppliers or subcontractors who use these practices</td>
</tr>
<tr>
<td>• KONE is committed to ensuring a safe and healthy working environment for all employees</td>
</tr>
<tr>
<td>Risks and conflicts</td>
</tr>
<tr>
<td>• KONE prohibits direct and indirect bribes and unethical payments as well as excessive gifts and hospitality</td>
</tr>
<tr>
<td>• KONE has a zero tolerance for corruption of any kind. The Code of Conduct prohibits improper payments or benefits</td>
</tr>
<tr>
<td>Competition law</td>
</tr>
<tr>
<td>• KONE is strongly committed to the promotion of fair and healthy competition, and prohibits any violations</td>
</tr>
<tr>
<td>Environment and sustainability</td>
</tr>
<tr>
<td>• KONE is committed to minimizing the environmental impact of its solutions, products, services, and operations</td>
</tr>
<tr>
<td>• KONE employees must avoid all conflicts of interest</td>
</tr>
<tr>
<td>Handling of information</td>
</tr>
<tr>
<td>• KONE safeguards the confidentiality, integrity and availability of its proprietary information</td>
</tr>
<tr>
<td>• KONE is committed to protecting personal data</td>
</tr>
<tr>
<td>Reporting concerns or violations of the Code of Conduct</td>
</tr>
<tr>
<td>• There are various channels available for employees to seek advice and report any real or potential violations of KONE’s Code of Conduct to local management, the KONE Legal Function or KONE’s Compliance Function</td>
</tr>
<tr>
<td>• KONE shall not retaliate against employees raising concerns in good faith</td>
</tr>
<tr>
<td>• Suppliers and distributors can also report concerns to the KONE Compliance Function at <a href="mailto:compliance@kone.com">compliance@kone.com</a></td>
</tr>
</tbody>
</table>
KONE aims to develop its supply chain to be the best in the industry. In 2015 we had 8 production sites for elevators, escalators and building doors, 18 global distribution centers for elevators, and 5 distribution centers for spare parts. Around 4,500 people keep KONE’s supply operations running. The operations cover new equipment production, modernization, and spares supply. We also work closely with several material suppliers and logistics service providers.

**G4 INDICATORS RELATED TO SUPPLY CHAIN**

- G4-12: Describe the organization’s supply chain
- G4-DMA: Purchasing Practises
- G4-EN32: Percentage of new suppliers that were screened using environmental criteria
- G4-LA14: Percentage of new suppliers that were screened using labor practices criteria

**AIMING TO HAVE THE INDUSTRY’S BEST SUPPLY CHAIN**

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

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

**Continuous learning for better quality**

We at KONE employ a set of techniques and tools to improve the productivity and quality of our operations. We apply Lean and Six Sigma philosophies to eliminate waste and reduce process variation throughout the entire supply chain as well as in product and process transitions. We implement the SS* method in our offices, factories, installation sites, and distribution centers. We have also developed a Lean manual and management model of continuous improvement on implementing these principles.

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

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

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

*The name of the 3S methodology comes from the words sort, stabilize, shine, standardize, and sustain.

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

**STEP CHANGE IN SUPPLIER QUALITY**

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

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

**SUPPLY CHAIN**

**44**

1) Suppliers that provide products for Germany, Estonia, India, Austria, Italy, trainings, and insurances.

...expenses, covering IT, marketing, as well as other variable costs such as **Mainly freight and packaging costs**.

Total 3,853 MEUR

**Other indirect costs**

- **Subcontracting**
- **Direct materials and supplies**

(16%)

(12%)

(14%)

(12%)

(14%)

All of the main suppliers of direct materials to KONE are located in the same countries as KONE factories or distribution centers (see Top 10 Supplier Locations).

**TOP 10 SUPPLIER LOCATIONS**

<table>
<thead>
<tr>
<th>Country</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>13%</td>
</tr>
<tr>
<td>India</td>
<td>12%</td>
</tr>
<tr>
<td>Finland</td>
<td>11%</td>
</tr>
<tr>
<td>Germany</td>
<td>8%</td>
</tr>
<tr>
<td>Mexico</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Managing the relationships with our suppliers**

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

**Supplier Code of Conduct**

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

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

- **Legal compliance** – Compliance with local laws and regulations.
- **Business conduct** – Compliance with ethical conduct respecting human rights; zero tolerance for bribery and corruption; avoidance and active disclosure of conflicts of interest; fair conduct of business with regard to competition laws and regulations.
- **Labor and human rights** – Fair and equal treatment of employees, non-usage of child or forced labor, ensuring a harassment-free environment for employees, compliance with applicable wage-related laws and regulations, respect of employee rights to freely associate and bargain collectively in compliance with all applicable laws.
- **Health and Safety** – Provision of a safe and healthy environment to employees; availability of appropriate health and safety information, training, and equipment for employees; active pursuit of safety programs covering at least human safety, emergency preparedness, and exposure to dangerous chemicals and biological substances; ensuring that employees are not working under the influence of alcohol or illegal drugs while working for KONE.
- **Environment** – Efforts to reduce the impact on the environment from operations and products, compliance with environmental laws and regulations and obtaining necessary environmental permits; monitoring, controlling, and treating appropriately wastewater, air emissions, and other waste; taking a systematic approach to considering environmental aspects; adhering to any applicable laws and regulations and KONE requirements regarding the prohibition or restriction of specific substances.
- **IPR and publicity** – Compliance with laws and international treaties on intellectual property rights; refraining from publication of cooperation with KONE or utilizing of KONE trademarks without permission.
- **Monitoring** – Monitoring of compliance with the KONE Supplier Code of Conduct; provision of documentation upon request to KONE, right of KONE to audit the supplier in case of a suspected breach of the Supplier Code of Conduct, active communication of non-compliance towards KONE.

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

**Assessing supplier performance**

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

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

**Supplier Excellence Certification**

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

In 2015, 97% of our strategic supplier factories were ISO 9001 certified and 93% of them had ISO 14001 certification. We expect all our key suppliers' factories to attain Supplier Excellence Certification.
KONE has chosen to report using the Global Reporting Initiative (GRI) guidelines in order to facilitate easier comparison of our performance with other companies and to streamline our own corporate responsibility reporting efforts. KONE has published Sustainability Report annually since 2008. The previous report was published in June 2015.

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

The reporting period corresponds with the calendar year and with KONE’s financial year of January 1–December 31, 2015. When developing the report content and choosing indicators, the driver has been the materiality to KONE’s operations. During 2015, we updated our 2013 assessment of material sustainability topics and focus areas for defining the report content (see more on p. 14-15). KONE’s approach to sustainability has also been described in the interview with the chairman and the president and CEO on pages 4–5, and in the strategy description on page 8.

All major local and regional organizations and all production units are included in the reporting scope. All financial data and a significant proportion of the employee-related data has been collected through KONE’s enterprise resource management and financial reporting systems. All financial figures presented in this report are based on KONE Corporation’s consolidated and audited Financial Statements for 2014 and 2015. The personnel data is provided by our HR organization – with the exception of the data relating to gender and age distribution in management.

The environmental data has been collected from KONE’s 12 manufacturing units worldwide and from 31 major country organizations with sales, installation, and service operations in Asia-Pacific, EMEA, and North America. The collected environmental data covers 86% (2014: 87%) of all KONE’s employees and 100% of the employees working at our manufacturing units. The facilities related energy data collected from the reporting country organizations has been extrapolated for the entire KONE organization. The goal is to gradually extend our environmental reporting to cover all of KONE.

Business air travel data has been collected from 28 countries and extrapolated to cover the entire KONE organization. Vehicle fleet fuel consumption data has been collected from 22 countries, covering 93% of the total fleet. Product and spare parts logistics data has been collected by KONE’s corporate logistics team that also during 2015 developed a new in-house logistics emission calculation system to replace the previous system developed and managed by external consultants. The logistics data covers the transportation of products from KONE’s manufacturing units to customers and the transportation of modules that are delivered straight from our suppliers to our delivery centers and onward to customers. Inbound logistics of materials to KONE’s manufacturing sites is excluded from the reporting scope because of its minor impact (KONE prefers material suppliers located close to our manufacturing units, and a large part of the modules are delivered directly from suppliers to KONE distribution centers). The quality and coverage of data provided by our logistics supplier has over the years continuously improved.

KONE has used an environmental performance software system since 2011. The environmental data has been collected from branch offices using a customized data collection spreadsheet consolidated on the country level. The country-level data has been entered into the environmental performance system. The data has further been consolidated globally in a combined effort with KONE’s global carbon footprint assessment.

The environmental performance has been reported in accordance with ISO 14064 and the Greenhouse Gas Protocol Corporate Standard. The Scope 2 emissions for the reporting year 2015 and base year 2014 are calculated according to the dual reporting principles of the GHG Protocol Scope 2 Guidance.

KONE FOCUS AREAS AND GRI G4 ASPECTS

KONE Focus Areas | GRI G4 Aspect (G4-19) | Boundary
---|---|---
Safety: | • Customer Health and Safety | Within the Organization (G4-20)
• Occupational Health and Safety | | Outside the Organization (G4-21)
• Subway Contractor Safety | | 
Quality: | • Product and Service Labelling | • KONE Operations
• Product Compliance | • Customers
• Materials | • Subcontractors
Environment: | • Water | • KONE Operations
• Emissions | • Indirect (Scope 3) Energy use and GHG Emission source
• Effluents and Waste | • KONE Operations
• Product and Services | • KONE Operations (Manufacturing units + 31 country organizations)
• Transports | • Customers
• Compliance | • Subcontractors

Our people: | • Employment | • KONE Operations
• Complaint management and employees | | 
• Diversity and equal opportunity | | 

Creating value added: | • Economic Performance | • KONE Operations
• Ethical business practices | | 
• Community involvement | | 

Supply chain: | • Procurement practices | • KONE Operations
• Supplier Environmental Assessment | | 
• Supplier Assessment for Labour-Practices | | 

To the Management and Stakeholders of KONE Oyj

Scope and Objectives

The Management of KONE Oyj commissioned us to perform a limited third party assurance engagement regarding greenhouse gas emissions inventory data (“GHG emissions”) including Scope 1 and 2 emissions (direct and indirect energy consumption) and Scope 3 emissions (logistics and business air travel) disclosed in KONE’s Sustainability Report for the period of January 1st to December 31st 2015. The assurance engagement was conducted in accordance with the A4100 Assurance Standard (2008).

Responsibilities

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

• Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and 
• Global Reporting Initiative’s Sustainability Reporting Guidelines (4.0).
• Review of Group-level systems and procedures to generate, collect and report quantitative data on GHG emissions.
• Assessment of Group-level calculations and data consolidation procedures and internal controls to ensure the accuracy of data.
• Testing of the completeness of the information from original documents and systems on a sample basis.

Conclusion

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

Helsinki, 23rd March 2016

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