

The background of the entire page is a photograph of Central Park in New York City. It shows a wide, green lawn with several large, mature trees in the foreground. In the distance, the city skyline is visible through the branches of the trees. People are seen sitting on the grass, enjoying the park.

HELPING CITIES GROW SUSTAINABLY

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KONE IN BRIEF

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

We serve approximately 550,000 customers across the globe and have over 1.4 million elevators and escalators in our maintenance base. Key customer groups include builders, building owners, facility managers and developers. The majority of these are maintenance customers. Architects, authorities and consultants are also key influencers in the decision-making process regarding elevators and escalators. In 2020, KONE had annual sales of EUR 9.9 billion, and at the end of the year over 60,000 employees. KONE class B shares are listed on the Nasdaq Helsinki Ltd. in Finland.

SUSTAINABILITY AT KONE

Our objective is to be a leader in sustainability – not only in our own industry, but also beyond. We want to be the most trusted partner for our customers throughout their building life cycle and help them achieve their sustainability objectives, creating better urban environments. Our vision is to create the best people flow experience. Sustainability is a source of innovation and a competitive advantage for us. It guides us in our daily work with our stakeholders. In addition to the environmental aspects of our offering and operations, our sustainability focus areas include safety, quality, diversity and inclusion, as well as ethics and compliance. KONE is committed to conducting its business in a responsible and sustainable way and we expect the same commitment from our suppliers.



Read more about our approach to sustainability on kone.com/sustainability

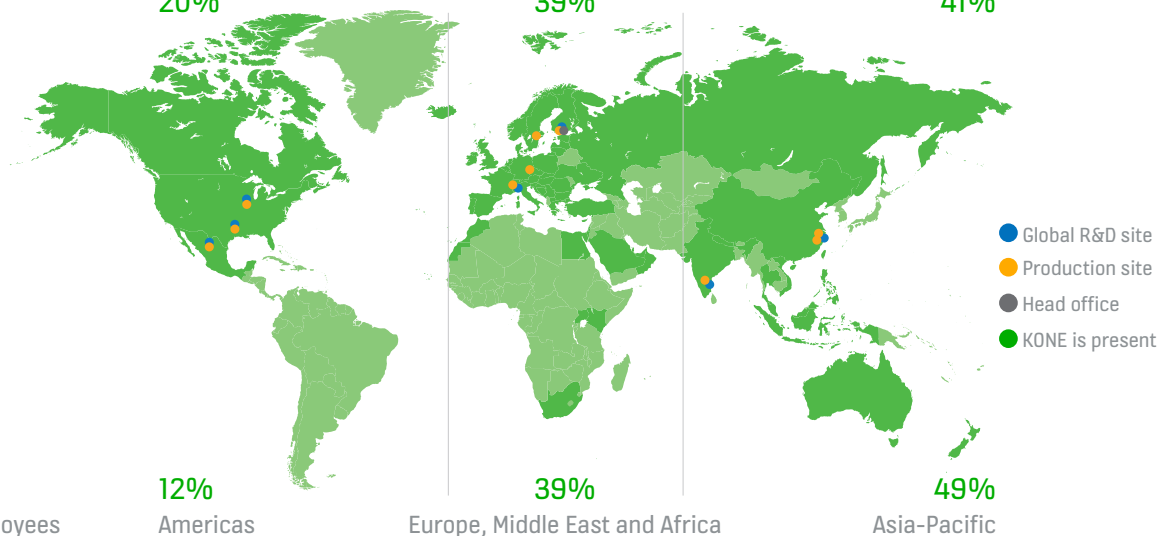
KONE operates worldwide

Total sales **9,939 MEUR**

Americas
20%

Europe, Middle East and Africa
39%

Asia-Pacific
41%



>60 000 employees



SUSTAINABILITY HIGHLIGHTS 2020



CDP 2020 'A' score for corporate sustainability leadership

EcoVadis platinum medal for sustainability performance



14 elevator models with A class ISO 25745 highest energy efficiency ratings

4 escalators and autowalks with the best A+++ rating

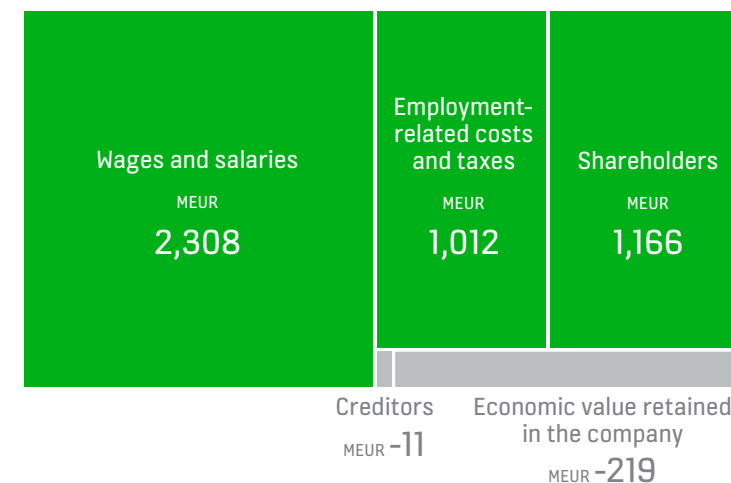


Set science-based targets for significant reductions in greenhouse gas (GHG) emissions by 2030

Pledged to have carbon neutral operations by 2030

How KONE added economic value in 2020

Added value MEUR 4,256



KONE employed 61,380 people



Forbes' 2020 Global 2000: World's Best Employers list



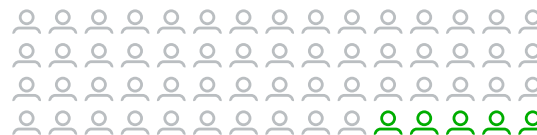
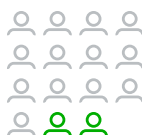
147 nationalities

Men
Women

Americas
7,336

Europe, Middle East and Africa
23,798

Asia-Pacific
30,246



ISO

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



1.2 Industrial Injury Frequency Rate

96%

completion rate for the Code of Conduct e-learning, rolled out in 64 countries by the end of 2020

BREAKING NEW GROUND WITH SUSTAINABILITY

VIEWS FROM ANTTI HERLIN, CHAIRMAN OF THE BOARD AND HENRIK EHNRROOTH, PRESIDENT & CEO

The pandemic transformed our world in 2020, what were the biggest impacts for KONE?

Henrik Ehrnrooth (HE): The pandemic continues to have a significant impact on our employees, customers, partners and communities in most parts of the world. We also continue to help our customers keep people on the move safely, despite the uncertainty. I could not be prouder of the entire KONE team and what we have achieved together in the face of truly exceptional circumstances.

One of the big changes has been the need for adaptability. For our employees, it has meant moving swiftly into new ways of working. At the same time, our customers need solutions to make sure their buildings are safe and can adapt to the changing needs of tenants and users. Going forward, the need for adaptability will be critical.

During 2020, we made a conscious decision to develop KONE, by focusing on our employees' safety and well-being as well as supporting our customers in dealing with the challenges they faced. We also accelerated product development and increased training more than ever before. We did not reduce employment levels due to the pandemic, instead we focused on training and flexible working. Use of our training platform trebled last spring. Above all, I have seen incredible care for each other. Our success in 2020 was a result of great teamwork, as well as our ability to collaborate, innovate and overcome adversity.

Antti Herlin (AH): I couldn't agree more. Resilience and teamwork have helped to strengthen the culture in the company. The experiences of 2020 have shown us that a strong culture has never been more important.

Why has KONE focused more strongly on sustainability?

HE: Sustainability is the biggest challenge of our time. At KONE we want to play our part by embedding sustainability in all aspects of our business. How we help our customers

succeed is now much more tightly linked with sustainable business practices. For example, providing services to best support and enable green building certification. Sustainable success can also mean making better environmental choices, taking a stand for diversity, inclusion and equity, or driving positive social and economic change. Success in a post-pandemic world will be about seizing the opportunities to improve lives, as well as operating more sustainably.

AH: Now is not the time to be complacent. When we take bold decisions and actions to invest in being more sustainable, there's no doubt we can make a huge positive change. After all, protecting our shared environment also means creating value for all of our stakeholders.

What have been some of the specific sustainability achievements in 2020?

AH: For me the biggest highlight was our climate pledge, which is the most ambitious in the industry. It makes me proud to see that at KONE we are breaking new ground to show the way and make strong commitments for sustainable change.

HE: This is absolutely the case and we raised the bar high in 2020. We have committed to carbon neutral operations by 2030 and to significantly reduce the lifetime carbon footprint of our products and services. We are taking actions across the whole supply chain in this regard.

KONE's targets are in line with limiting global warming to 1.5°C, the most ambitious criteria for setting science-based targets. We were also awarded, once again, a place on CDP's prestigious 2020 'A List'. Our leadership score of A or A- for eight consecutive years underlines our actions. KONE was also awarded the EcoVadis platinum medal for our sustainability performance, placing us among the top 1% of all assessed companies.

We already have the most energy-efficient elevators on the market, and we continue to transition towards a low emissions vehicle fleet, as well as using renewable energy at our facilities around the world. We have further reduced our carbon



Antti Herlin
Chairman



Henrik Ehrnrooth
President & CEO

footprint relative to our sales. And in safety, our IIFR (Industrial Injury Frequency Rate) improved to 1.2 from 1.7 the previous year, another record low. We continue to target zero incidents. We will maintain our focus on human rights in the supply chain by developing a supplier human rights assessment process within KONE.

We also took a big step forward with our refreshed corporate values, introduced in the latter part of the year. They demonstrate and encourage actions for sustainable thinking and a courageous, inclusive culture.

What are the biggest opportunities ahead?

HE: We are in a good industry with megatrends that continue to drive growth. At the same time, new technologies have a strong role in solving problems for our customers and creating a lasting positive impact for society.

We have a great foundation to capture two areas of huge opportunity. First, smart and green buildings. It's clear there is a shift towards a more resource efficient and circular building industry, as well as more integrated technologies and services. These are becoming mainstream. Consider that up to 95% of the current buildings in Europe will still be in use in 2050. Most of them do not even meet today's energy efficiency requirements. This provides an opportunity for KONE to take a more active role in solving many adaptability, efficiency and modernization challenges for our customers.

Second, we will further raise our ambition level in sustainability by embedding it deeper in all aspects of our business. That means the environmental impact of our operations, products and services, diversity and inclusion, ethics and compliance; as well as our number one priorities of health and safety. In line with this, we remain committed to the United Nations Global Compact and its principles on human rights, labor standards, environmental protection, and anti-corruption.

AH: Sustainable companies consistently outperform those that are not – and at KONE our sustainable performance can provide growth and differentiation for years to come. I think a great example of what can be achieved can be seen by the challenges brought on by the pandemic. We showed that we can create opportunities, innovate faster and become a stronger company.

What are the next steps for KONE?

HE: Overall, we developed well last year despite the challenging and unpredictable environment. This shows the resilience and adaptability of KONE's employees. They had the courage to continue proactive development despite adverse conditions. We continue to drive ahead with many important changes. In 2021, we introduced our new strategy, 'Sustainable success with customers', which puts sustainability at the heart of how we can help our customers succeed for the coming years. We have also made a public pledge to increase our commitment and actions around diversity, inclusion and equity at KONE, including a step-change in the share of women at director level to 35% by 2030.

I believe that no business can succeed in the long term without making sustainability an integral part of business. As well as creating significant growth opportunities for us in the coming years, our ambitions will be instrumental in making sure KONE continues to be a great place to work reflecting the values of who we are as a company. It's a powerful proposition, when as a company, we can create a better future for our customers and for future generations.

AH: Sustainable performance means responsible performance. KONE's approach to sustainability represents what is good for people, business and society at large. After all, it's what our customers, partners and employees would like to see in us. As the challenges of global warming, environmental protection and resource depletion become increasingly pressing, creating a sustainable society is a must.



SUSTAINABLE SUCCESS WITH CUSTOMERS – OUR STRATEGY AND MEGATRENDS

At KONE, our mission is to improve the flow of urban life. We understand urbanization and help our customers make the best of the world's cities, buildings and public spaces. Our vision is to create the best people flow experience. We believe our vision can be best achieved by working together with our customers and partners in every step of the process.

CUSTOMER AT THE CENTER

KONE's strategy phase 2020-2024 is called Sustainable success with customers. We will focus on increasing the value we create for our customers with new intelligent solutions and will embed sustainability even deeper across all of our operations.

The global elevator and escalator industry is shaped by three major megatrends: urbanization, sustainability and technology.

While the world continues to urbanize with over 200,000 people moving to cities every day, the nature of urbanization is changing. Residential buildings are becoming more important in people's lives, and homeowners and tenants will expect services and experiences to enable sustainability, well-being and safety. Offices will be redesigned and recalibrated to support new ways of working, as well as new health and safety guidelines.

While urbanization remains the most important phenomenon driving our business, we believe that the winning companies will be the ones that embed sustainability in all aspects of their businesses. Our objective is to be a sustainability leader not only in our industry, but more broadly – making cities better places to live and helping our customers achieve their sustainability objectives.

With the help of technology, we can resolve many of the challenges brought by rapid urbanization and global warming. Using insights based on data, we will create new and more customized KONE People Flow® solutions to make our customers' facilities function better and more effectively. This in turn will create unique value for our customers as well as for their end-users.

BRINGING OUR STRATEGY TO LIFE

In order to bring our strategy to life we have introduced new Where to Win areas and updated our Ways to Win areas.

Where to Win areas

In order to bring clear direction to our strategy, KONE has defined four Where to Win areas, representing the biggest opportunities for profitable growth and differentiation:

Core products and services: matching customer specific needs for a seamless experience through connectivity and adaptability. All products and services will be optimized for cost efficiency and sustainability.

New solutions for customer value: developed and integrated with core products and services to create value for customers in new ways.

Smart and sustainable cities: becoming the preferred partner for smart and sustainable city development.

Service business in China: becoming a clear market leader in this very fast-growing and fragmented market.

Ways to Win

Our Ways to Win are KONE-wide transformation and development initiatives which will enable us to create sustainable success with customers:

Empowered people: having the most capable and engaged team of professionals who succeed in a changing world and are able to develop with continuous learning opportunities.

Marketing and sales renewal: creating a seamless, unified customer experience across multiple channels.

Lean KONE: leveraging Lean skills, practices and leadership to eliminate waste and ensure continuous improvement.

Digital + physical enterprise: having future-proof technology infrastructure, building the capabilities to use data and analytics and further developing the efficiency and resilience of our supply chain.

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

OUR CULTURE

The foundation for everything we do is our culture, which is built on safety, quality, sustainability as well as our values: care, customer, collaboration, and courage. Together with our mission, vision and strategy, our culture provides purpose and direction to the decisions we make. Read more about our [culture](#) on [kone.com](#).

Measuring our progress

We continue to measure our success against five strategic targets: Great place to work, Most loyal customers, Faster than market growth, Best financial development, and Leader in sustainability.



See the KONE strategy image on the next page



Sustainable success with customers



MEGATRENDS

URBANIZATION

SUSTAINABILITY

TECHNOLOGY

Dedicated to People Flow™

KONE

STRATEGIC TARGETS

Great place to work
Most loyal customers
Faster than market growth
Best financial development
Leader in sustainability

WAYS TO WIN

We will ensure our success through:

Empowered people

Marketing and sales renewal

Digital + physical enterprise

Lean KONE

CULTURE

SAFETY
QUALITY
SUSTAINABILITY

CARE
COLLABORATION

CUSTOMER
COURAGE

WHERE TO WIN

We will lead the way in:

Core products and services

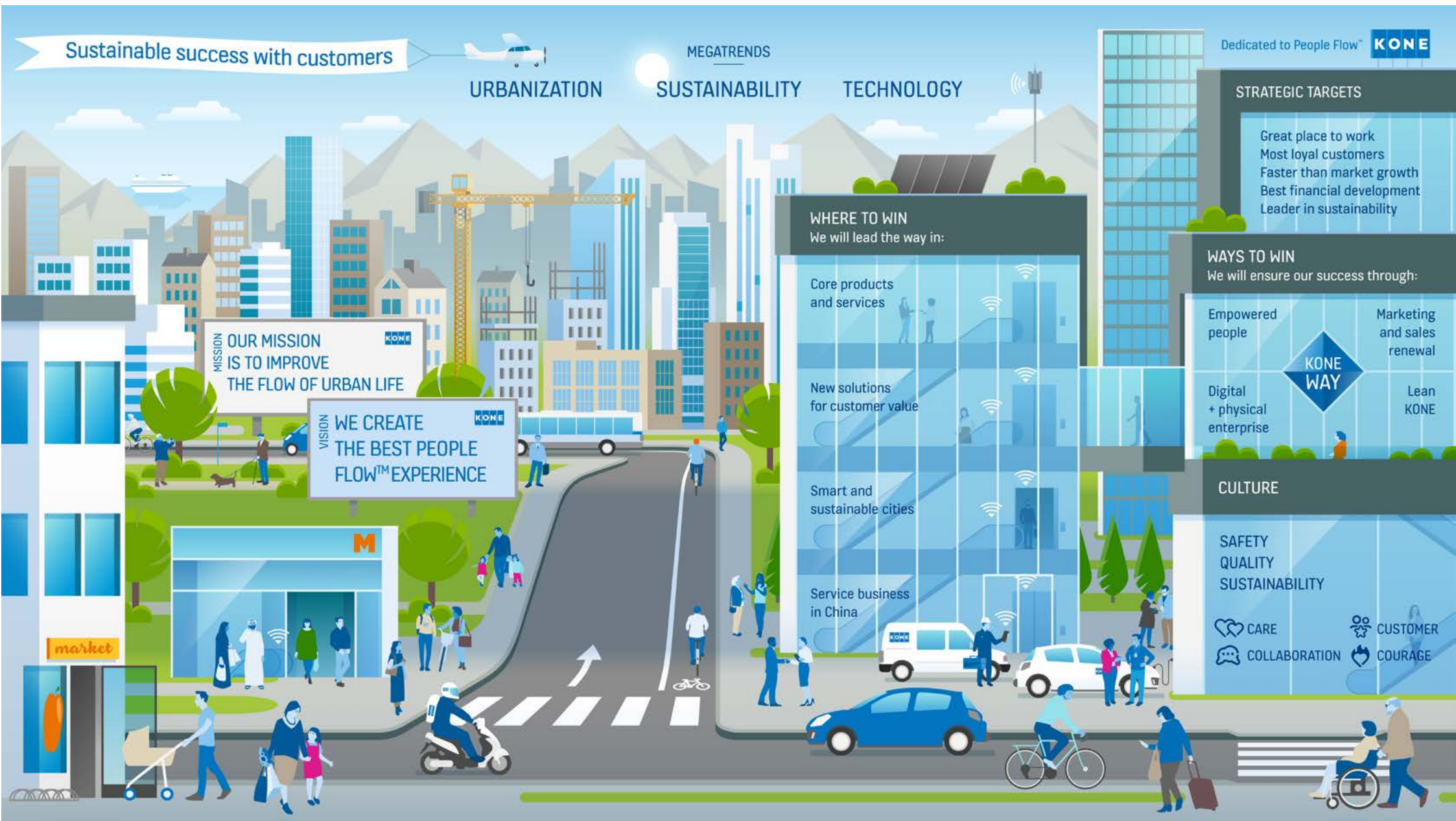
New solutions for customer value

Smart and sustainable cities

Service business in China

MISSION
OUR MISSION IS TO IMPROVE THE FLOW OF URBAN LIFE

VISION
WE CREATE THE BEST PEOPLE FLOW™ EXPERIENCE



CREATING VALUE FOR SOCIETY

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

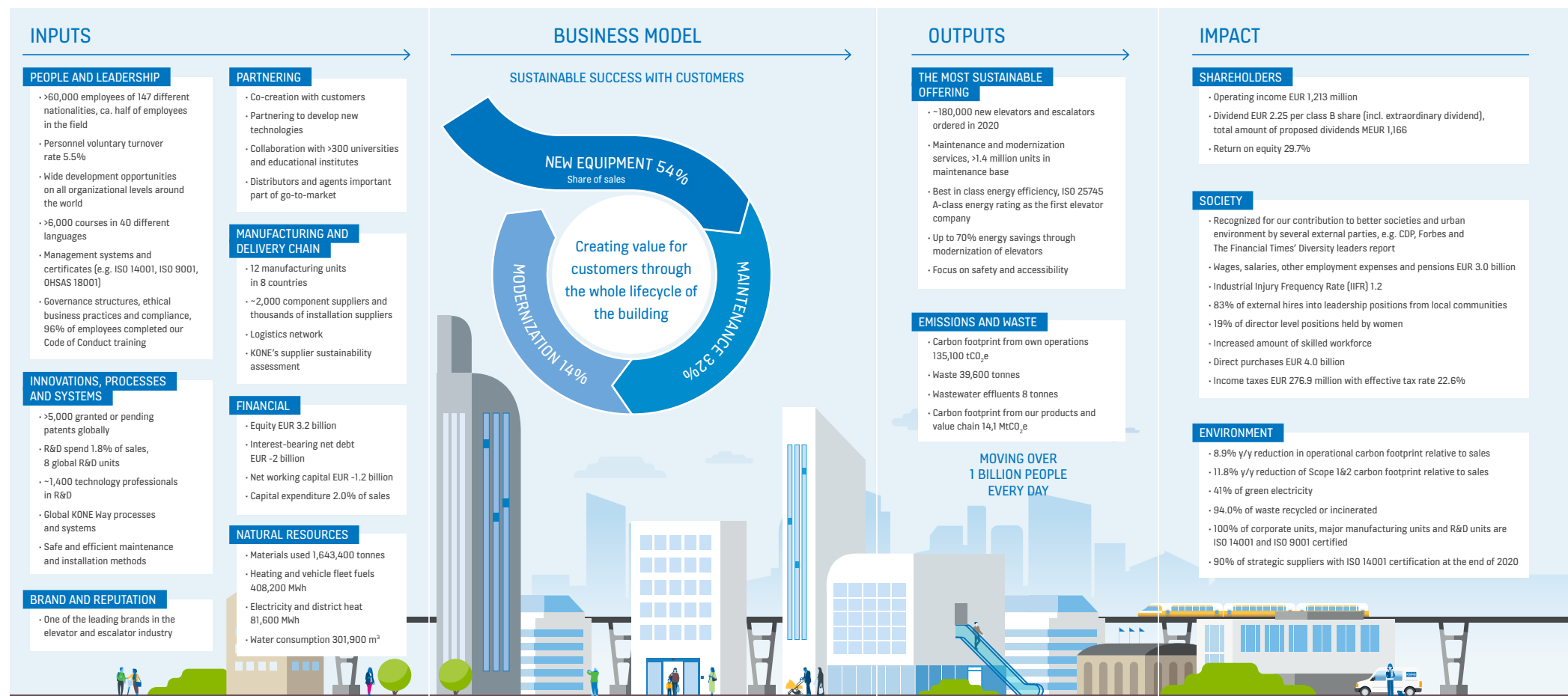
The key growth drivers for the new equipment business are urbanization and changing demographics, the growing demand for sustainable solutions.

New equipment deliveries are the main growth driver of the maintenance business as the majority of units delivered will end up in KONE's maintenance base. However, KONE also maintains equipment manufactured by others. The main

growth drivers for modernization are the aging installed base and higher requirements for efficient people flow, safety and sustainability. Having a strong maintenance base is crucial for the growth in modernization.

With the help of technology and in particular connectivity, we can create value for our customers in new ways.

Creating value by improving the flow of urban life



KONE's business model is capital light as the working capital is negative in all businesses and we work extensively with component suppliers to complement our own manufacturing capacity.

The maintenance business is very stable due to high requirements for safety and reliability. The customer relationships are also typically long and stable. New equipment and modernization business are more cyclical in nature and follow the construction cycles.

KONE has identified strategic inputs crucial in creating value for customers, shareholders and the society. These are:

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

In addition to these, KONE sees that the life cycle business model and the existing maintenance base of over 1.4 million units have a crucial role in value creation.

Although we have a significant direct impact on society, a great deal of our value is created through our large network of customers, suppliers, and partners, as well as through use of elevators, escalators, automatic building doors and integrated access control solutions manufactured and maintained by us.

Commitment to global goals and initiatives

UN GLOBAL COMPACT

KONE is a committed Participant of the UN Global Compact and its ten principles on human rights, labor, environment and anti-corruption. The principles are embedded in our strategy, policies and procedures, such as KONE's Code of Conduct, our Competition Compliance Policy, and our Environmental Excellence Program, as well as processes related to these. We report on our sustainability performance annually in line with the Communication of Progress process as defined by the UN Global Compact.

UN Sustainable Development Goals

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

PARIS PLEDGE FOR ACTION

KONE has signed the Paris Pledge for Action climate initiative, showing climate leadership and commitment to the Paris Climate Agreement.

SCIENCE BASED TARGETS INITIATIVE

KONE has announced its climate pledge with science-based targets for significant reductions in our greenhouse gas (GHG) emissions by the year 2030, in line with limiting global warming to 1.5°C. KONE's ambitious targets have been validated against the latest climate science by the Science Based Targets initiative (SBTi).

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

KONE is a Supporter of the Task Force on Climate-related Financial Disclosures (TCFD), established by The Financial Stability Board to develop recommendations for more effective climate-related disclosures with the aim of enabling stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. The TCFD-recommended disclosures include the governance, strategy, risk management and metrics and targets on climate-related topics. By publicly declaring support for the TCFD and its recommendations, KONE demonstrates that we are taking action to build a more resilient financial system through climate-related disclosure.

Memberships and positions of trust

KONE is an active participant in organizations developing codes, standards and guidelines for improving safety, accessibility, cybersecurity, energy efficiency, circular economy, as well as other organizations advancing sustainable development. In 2020, KONE continued to be a member in the following organizations:

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

MANAGING SUSTAINABILITY

Our ambition is to be a leader in sustainability, and in order to reach this we have identified four reporting areas: Providing the most sustainable offering, Working towards a more sustainable future, Empowering our people and attracting the best talent, and Enabling our partners and societies to prosper.

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

In 2020, KONE established a Sustainability Board, a steering committee dedicated to sustainability topics, climate and environment among the priority areas. Several members of KONE's Executive Board are members of the Sustainability Board, chaired by KONE's EVP of Operations Development.

The assessment and analysis of KONE's most significant risks also covers material non-financial risks. In line with the requirements of the Finnish Accounting Act, KONE has identified the most significant non-financial risks. In conjunction with the 2020 reporting, KONE started applying the Task Force on Climate-related Financial Disclosure (TCFD) reporting principles in order to report about climate-related financial risks and opportunities.

Focus area	Material topics	Management systems	Management bodies
Providing the most sustainable offering	<ul style="list-style-type: none"> Creating value for our customers Lifetime environmental impact of our products End user safety and accessibility 	ISO 9001 Quality management system, KONE's Supplier Quality Standard, KONE's Environmental Policy Statement, KONE's Quality Policy Statement, ISO 14001 Environmental management system, ISO 25745 Energy performance of lifts, escalators and moving walks, LEED, BREEAM or other green building certification systems, KONE safety management system	Board of Directors, Executive Board, President and CEO, Sustainability Board, Quality and Environmental Board, Solution Board
Working towards a more sustainable future	<ul style="list-style-type: none"> Sustainable innovations and business models Quality of our solutions Carbon neutral operations Cybersecurity and data privacy 	ISO 9001 Quality management system, ISO 14001 Environmental management system, KONE's Supplier Excellence Certification, ISO 50001 Energy management system, KONE's Environmental Policy Statement, KONE's Quality Policy Statement, KONE's Corporate Quality and Environmental Manual, Information Security Policy, Personal Data Protection Policy, KONE Global Facilities Policy, KONE Global Vehicle Fleet Policy, KONE Global Travel Policy, KONE Way operating model	Board of Directors, Executive Board, President and CEO, Sustainability Board, Quality and Environmental Board, Supplier Quality Management team, Solution Board, KONE Security Council
Empowering our people and attracting the best talent	<ul style="list-style-type: none"> Competence development Fair employment practices Diversity and inclusion Employee and subcontractor safety and well-being 	KONE Code of Conduct, OHSAS 18001/ISO 45001, KONE safety management system, KONE continuous learning approach, KONE policy for supporting long-term external studies, KONE Recruitment policy, KONE Total Reward policy, KONE Employee Performance policy, KONE Base Pay policy, KONE Roles, Grades and Evaluation policy	Executive Board, President and CEO, Global Compliance Committee, Human Resources function, Sustainability Board
Enabling our partners and societies to prosper	<ul style="list-style-type: none"> Generating long-term returns Creating wealth via taxes and employment Ethical business practices 	Finnish Corporate Governance Code, KONE's tax strategy and principles, Internal control, Internal auditing, KONE Code of Conduct, KONE's Competition Compliance Policy, KONE's Global Trade Compliance Policy, KONE Supplier Code of Conduct, KONE's Supplier Quality Standard, KONE's Supplier Excellence Certification, KONE's supplier sustainability assessment, ISO 14001 Environmental management system, ISO 9001 Quality management system, KONE Distributor Code of Conduct, KONE supply chain management approach, KONE safety management system	Board of Directors, Executive Board, President and CEO, Annual General Meeting, Internal Audit function, Global Compliance Committee, Sustainability Board



Read more about KONE's non-financial risks and their mitigation in our [Annual Review](#), pages 20–23.

LISTENING TO OUR STAKEHOLDERS

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

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

For a list of the organizations we participate in, see [page 10](#).

Stakeholder group	Channels of dialogue	Assessments and key topics raised
KONE has approximately 550,000 customers worldwide. Our main customers are construction companies, building owners, facility managers and developers.	Customer meetings and events, constant dialogue through solution support, seminars and conferences, company reports, marketing materials, website and social media channels. Our annual customer loyalty survey consists over 20,000 phone interviews and each year more than 40,000 customers take part in our transactional surveys. In 2020, transactional surveys were temporarily halted due to COVID-19.	Our net promoter score developed positively. Customer surveys showed continued positive feedback on our personnel, the quality of our products and services, and our continuing operations despite COVID-19.
KONE pays wages and salaries to over 60,000 employees in more than 60 countries.	Performance discussions, continuous face-to-face dialogue between employees and managers, training events, global learning solutions, innovation creation through innovation tool, internal social media channels, Compliance Line, company intranet and internal employee publications. While our 2020 European Employee Forum was postponed due to COVID-19, KONE management continued open dialogue with the employees in smaller working groups, with strong focus on safety during the pandemic.	Pulse employee survey, annual performance discussions, idea management system, innovation tool. In the 2020 Pulse survey, employees discussed notably the impacts of COVID-19. A significant number of employees also shared their views on KONE's culture and our values, and how these could be developed.
KONE pays dividends to over 72,000 shareholders, ranging from institutional investors and companies to individuals, public institutions, and non-profit organizations.	An active and open dialogue: Financial disclosure is provided through stock exchange releases, as well as financial and other company reports. More personal channels of dialogue include management meetings with investors and analysts, annual general meetings, and capital markets days. Our dedicated investor relations team coordinates all of KONE's investor relations activities. This ensures a fair and equal access to company information and to its spokespersons.	Discussed topics included current and future business performance including short and long-term implications of COVID-19, digital transformation of the industry, and sustainability.
KONE conducts business with ~30,000 suppliers, out of which ~3,000 are key suppliers.	Continuous one-to-one dialogue, annual supplier day for selected strategic suppliers, trade fairs, steering group meetings, supplier workshops. The 2020 supplier day was organized virtually.	Annual supplier Excellence Certification Program with regular sustainability and quality assessments and supplier audits. No material concerns raised. Discussions about day-to-day operational topics.
KONE has operations in over 60 countries and collaborates with authorized distributors and agents in almost 100 countries.	Continuous dialogue through daily contacts, regular country visits, distributors' meetings and various support tools. During 2020, most meetings were conducted virtually.	Monitoring of sales-related activities and direct feedback from distributors. No material concerns raised.
KONE communicates proactively and openly with representatives of the media.	Press releases, interviews, background briefings, visits, press events, publications, company website and social media channels. During 2020, most events were conducted virtually.	Surveys and media analysis. Media coverage about the consolidation in elevator and escalator industry, COVID-19 and its impacts to the industry.
KONE collaborates with educational institutions locally and globally.	KONE international trainee program (cancelled in 2020 due to COVID-19), CEMS global alliance of academic and corporate institutions, thesis opportunities, local internships, participation in recruitment fairs, common projects, guest lectures, participation in research programs and social media channels.	Most attractive workplace surveys, online tracking.
KONE pays direct taxes, social security, and employer expenses in more than 60 countries.	Company website, stakeholder relations, reports, social media channels.	Sustainability surveys, reputation studies. No special issues raised during the reporting period.

SUSTAINABILITY REPORTING AREAS AND MATERIAL TOPICS

KONE's sustainability reporting follows the Global Reporting Initiative's (GRI) guidelines. During 2019-2020, we conducted a materiality assessment to update our sustainability reporting areas and topics. In addition to sustainability reporting, the findings of the assessment provided important information on stakeholder expectations, which we utilized when defining the current phase of KONE's strategy – Sustainable success with customers.

The identified material topics were ranked according to their impact on our value chain, business implications and stakeholder interest. Based on the analysis, we updated and reduced the total number of topics included in our sustainability scope from 18 to 14. We also adjusted the contents of the reporting areas to better reflect our focus and raised ambition levels when it comes to sustainability, visible also in our newly launched strategy phase. This report is structured to correspond with those areas.

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



Providing the most sustainable offering

With taller buildings and rising expectations of comfort, the total number of elevators and escalators is growing. Consequently, eco-efficient elevators, escalators and automatic doors, as well as modernization solutions, are key in improving climate resilience. At KONE, we want to be the most trusted partner for our customers throughout their building life cycle and help them achieve their sustainability objectives. Every day we work to deliver the best experience for our customers and end users. The safety of the billion people who use our equipment daily is our top priority.



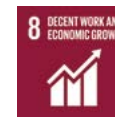
Working towards a more sustainable future

Buildings account for a large part of the world's energy consumption and greenhouse gas emissions. For us, sustainability is a source of innovation, as well as a competitive advantage. We create unique value through collaboration with our customers and partners, and by using insights based on data. We also constantly strive to improve our own operations to be more sustainable, reducing our environmental impact.



Empowering our people and attracting the best talent

Our employees exceed 60,000 and are based in more than 60 countries and they represent 147 nationalities. The vast majority of our employees work in the field, meeting our customers and equipment users on a daily basis. We strive to build and nurture an inclusive culture that promotes and values diversity. We also want to maintain a safe and healthy working environment and foster a collaborative culture, where people are motivated to develop their competencies and deliver the best results for our customers.



Enabling our partners and societies to prosper

KONE directly contributes to economic development in the over 60 countries where we operate. In addition, we work with approximately 30,000 suppliers who provide us with for example raw materials, components and modules, as well as logistics, installation and other services. We are committed to making a positive impact throughout the whole value chain and require our suppliers and partners to commit to the same high standard of, for example, environmental as well as ethical and human rights practices as KONE.



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

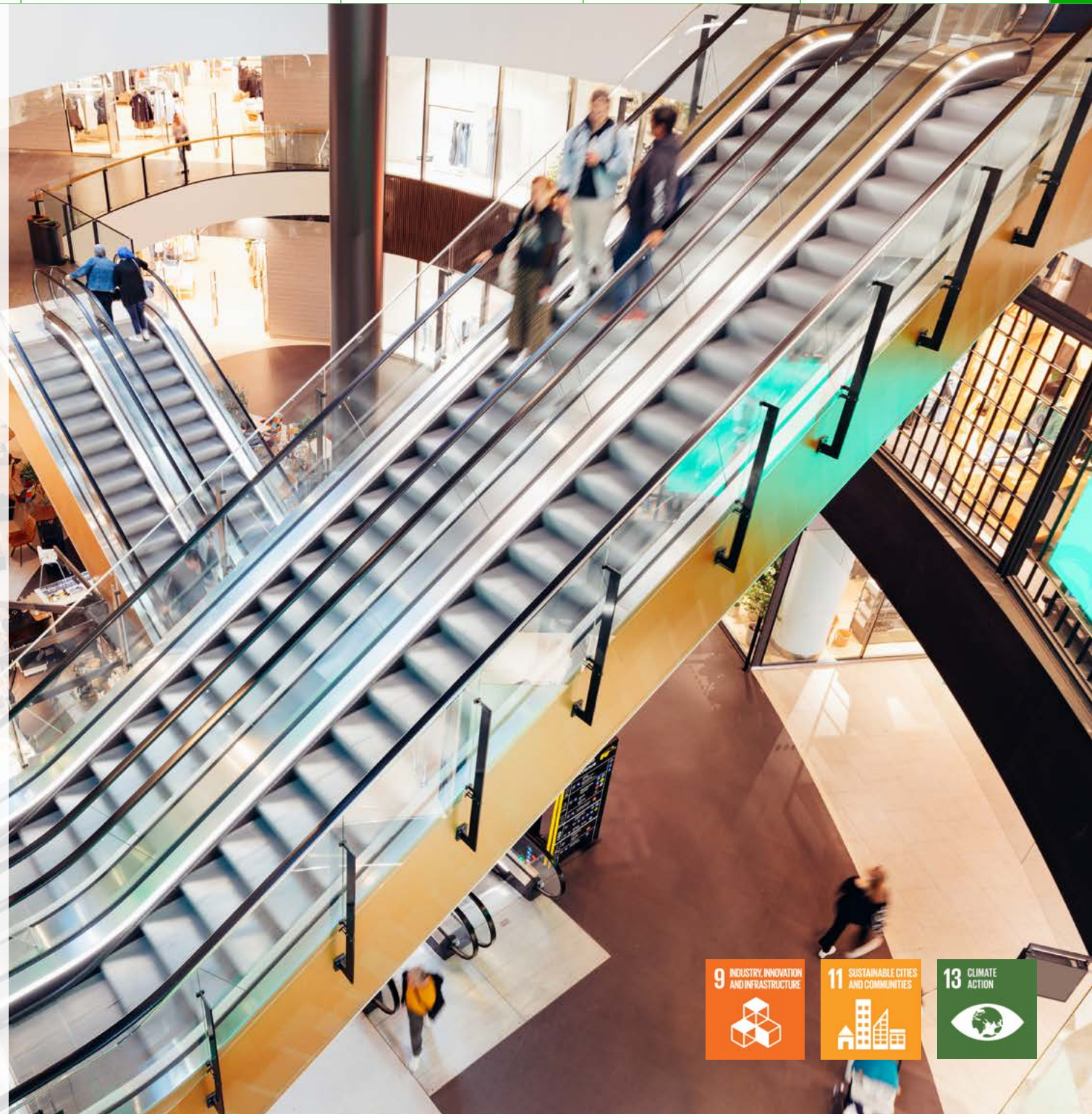
PROVIDING THE MOST SUSTAINABLE OFFERING

With taller buildings and rising expectations of comfort, the total number of elevators and escalators is growing. Consequently, eco-efficient elevators, escalators and automatic doors, as well as modernization solutions, are key in improving climate resilience. At KONE, we want to be the most trusted partner for our customers throughout their building life cycle and help them achieve their sustainability objectives. Every day we work to deliver the best experience for our customers and end users. The safety of the billion people who use our equipment daily is our top priority.

Mall of Tripla, Helsinki, Finland, was awarded the LEED Platinum-level certification, which is the highest level of the international environmental certification.



Read more about [how we create better urban environments with our customers and partners](#) on [kone.com](#)



HOW WE HELP OUR CUSTOMERS

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

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

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

DRIVING CLIMATE ACTION THROUGHOUT THE VALUE CHAIN

In 2020, KONE announced its climate pledge where one of the main targets is to reduce our product-related greenhouse gas emissions resulting from material use and lifetime energy consumption by 40% by 2030, from our 2018 baseline. Our actions to reach this target help our customers reduce their carbon footprint and contribute to more sustainable supply chains. In 2020, product-related emissions relative to products ordered increased by 0.7% due to an increased number of products sold especially in the Asia-Pacific region.

Lifetime value through energy efficiency

The most significant environmental impact by KONE relates to the amount of electricity used by our solutions during their lifetime. This underlines the importance of energy-efficient solutions. For example, KONE MonoSpace®500, our current machine-room-less volume elevator, is up to 90% more energy-efficient than KONE's elevators from the 1990s. Compared to a baseline elevator, the KONE MonoSpace®500 has the potential to significantly reduce the amount of greenhouse gas emissions from the use phase energy consumption, lowering our customers' carbon footprint.

KONE as trusted partner throughout the building life cycle

Recyclable resources

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

Tailored product life extension

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

Predictive maintenance

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



Smart and green building design

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

Externally assured product information

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

Durability and sustainability of materials and solutions

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

Best-in-class energy efficiency according to ISO 25745

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



Read more about [how we support our customers in green building](#) on [kone.com](#)

Our pioneering eco-efficient solutions, such as the regenerative drive, the Ecodisc motor, standby solutions and the revolutionary KONE UltraRope® high-rise hoisting technology, help our customers reduce their energy consumption. KONE UltraRope® can cut the energy consumption of, for example a 500-meter elevator ride, by up to 15%. For higher buildings, the energy saving is even more notable.

KONE is the first elevator and escalator company to have achieved the best A-class energy efficiency classification for a number of our installed solutions. The classification is granted according to the international ISO 25745 standard for the energy performance of lifts, escalators and autowalks. We have a wide range of best-in-class energy performance references for our products. The references include various building types, several market areas and product specifications. In total, KONE currently holds 14 best A-class ratings for elevators, and four best A+++ classifications for escalator and autowalk models according to ISO 25745.

In 2020, KONE received the highest possible Grade 1 energy labeling for the majority of our elevator motors sold in the Chinese domestic market. A compulsory 3-level energy labeling was introduced by the local authorities last spring for all elevator motors delivered to the China domestic market.

Also, the modernization of existing elevators can provide savings in energy and carbon footprint, as well as contributes to a circular economy. Elevator modernization supports the green transition of the built environment. Improving the energy efficiency of existing buildings is crucial for reaching targets in global greenhouse gas reductions. In Europe for example, 85-95% of the buildings that exist today will still be standing in 2050.

In terms of potential energy efficiency gains, the European Union's study on Energy-Efficient Elevators and Escalators (E4) concluded that by utilizing the best technology available today, energy savings of up to 63% can be achieved by modernizing elevators installed in 1985 or earlier. Additionally, bringing existing elevators to modern standards can improve accessibility, safety and reliability of the equipment.

Circular and sustainable materials

The second largest environmental impact of KONE's activities stems from the materials used in our products. In 2020, KONE

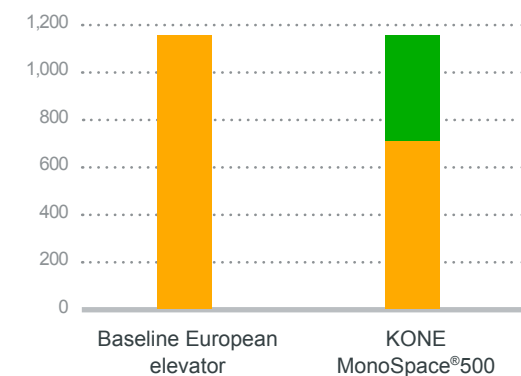
used 1,643,400 tonnes (2019: 1,547,500) of materials for producing and packaging products (figures calculated based on life cycle assessment data). KONE is taking strong actions across its whole supply chain to further improve the circularity and sustainable sourcing of materials, and to limit the use of hazardous substances.

As part of our collaborative innovation approach, we actively look for new partners and ways of working to find alternative materials with lower embodied carbon emissions and to develop processes to more effectively reuse and recycle materials. KONE is also systematically harmonizing its elevator and escalator product offering and the corresponding component selection in order to increase resource efficiency. The results of the work are already visible in terms of savings in materials and with that, carbon footprint.

In 2020, we launched KONE's supplier sustainability assessment for screening our suppliers' sustainability performance in terms of their environmental and social responsibility. It includes basic criteria that must be met in order to continue doing business with KONE, as well as criteria to encourage our suppliers to continuously develop their sustainability performance, for example, by developing energy efficiency in their operations and by reducing their carbon footprint. As an integral part of the assessment, we for example collect information about the used materials and their

Modernizing an aging elevator can give energy savings up to 70%

KONE MonoSpace® 500 elevator can save 400 kgCO₂e annually



■ Carbon footprint (kgCO₂e/year)
■ Carbon handprint, emissions saved (kgCO₂e/year)

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

Modernization: from component upgrades to full replacements

Typical timeline



Modernizing elevators, escalators, autowalks and automatic doors will improve their safety, accessibility, performance, eco-efficiency, and aesthetics. Modernizing an aging elevator can give energy savings up to 70%. Our offering for aging equipment ranges from the replacement of components to full replacements.

recycled content. We continuously improve our data collection capabilities together with our suppliers. This enables us to provide transparent and reliable information to our customers about the material content and environmental impacts of our products.

A key element when designing our products is working together with our suppliers in selecting sustainable and healthy materials, as well as avoiding the use of hazardous substances. KONE has a stringent global guideline for all KONE suppliers and partners, as well as internal stakeholders, that outlines which substances are not allowed or are to be removed from all KONE products.

KONE's manufacturing unit in Finland achieved the Forest Stewardship Council (FSC®) Chain of Custody certification in 2020, providing credible assurance that the wooden components found in elevators manufactured in this unit come from environmentally and socially responsible sources. KONE's subsidiaries in Great Britain and Ireland also achieved the FSC® Chain of Custody certification. Customers can now be provided this assurance for the full delivery chain for elevators installed in these countries. KONE is the only elevator company to have achieved FSC® certifications.

Communicating the environmental and health impacts of KONE solutions

KONE's environmental responsibility covers the full life cycle of its products from design and manufacturing to installation, maintenance, modernization, and end-of-life treatment. In order to illustrate the environmental impact during the entire lifetime of our solutions, we publish Environmental Product Declarations (EPDs). The declarations can be used by our customers in obtaining green building certifications, and KONE's EPDs can deliver the maximum amount of relevant credits, for example, for the LEED certification. EPDs also carry important information about the carbon embodied in our products and can be used when calculating the overall carbon footprint of the buildings. Both embodied carbon as well as overall carbon footprint of buildings are areas where regulatory requirements for new construction are emerging in several European countries.

During the reporting year, we published EPDs for six elevators. We currently have third-party verified EPDs for altogether eight elevator models and eleven automatic building door models, making KONE the elevator and escalator company with most EPDs published.

We also published two Health Product Declarations (HPD) for our products. KONE currently has altogether six HPDs for its elevators and escalators. By providing HPDs to our customers, we support them in fulfilling additional green building requirements related to building materials. Through the HPDs, we communicate about the material content and the associated health effects of our products, responding to a growing need for healthier living environments.

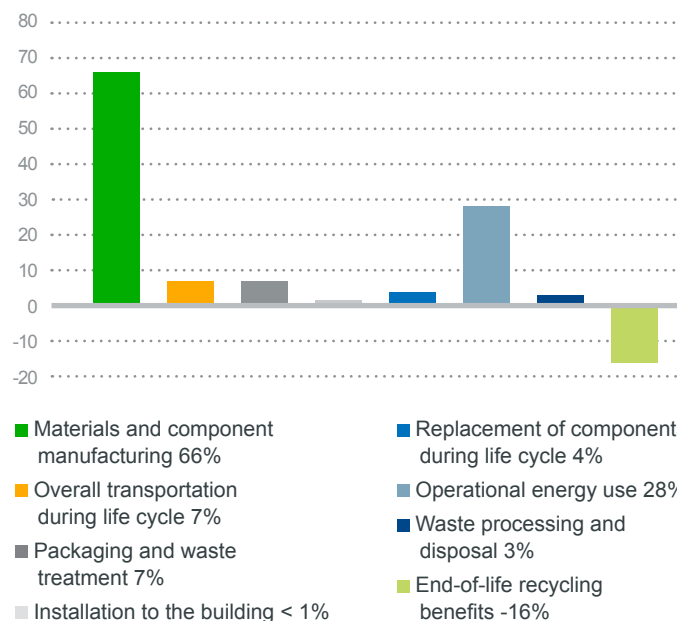
External recognition for the sustainability of our solutions

KONE's solutions have been recognized by a number of external parties and recommended for green building certified buildings. In 2020, we renewed the Singapore Green Building Product (SGBP) certifications for several of our solutions. In total, seven KONE solutions have been granted the SGBP

certificates with the highest possible Leader ratings. KONE is the first elevator and escalator company to achieve such top ratings in the vertical transportation category. Through the certification, these solutions are recommended for Green Mark certified green buildings. Green Mark is a green building certification scheme by the Singapore Building and Construction Authority, promoting sustainability in the construction and real estate sectors.

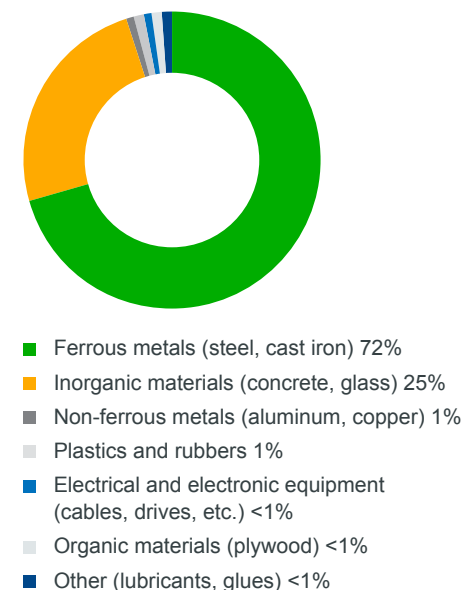
In Sweden, we received approved Byggarbetsdömnigen (BVB) assessments for KONE TransitMaster™ 120 and KONE TransitMaster™ 140 escalators, in addition to the five elevator and escalator assessments completed earlier. BVB is a non-profit organization that evaluates solutions for buildings and drives the use of sustainable building materials.

Life cycle carbon footprint of KONE MonoSpace® 700 DX elevator is approximately 24 tCO₂e



The carbon footprint results are dependent on product installation location. The results of this KONE Mono700® DX represent a European installation. For example, in Asian countries, the operational energy use emissions tend to be higher.

Material content of KONE MonoSpace® 700 DX elevator



KEY LAUNCHES TO SUPPORT BETTER URBAN ENVIRONMENTS

We continue to create unique value to meet our customers' individual needs and support their respective businesses.

Working together with our customers and partners, we strive to expand our offering with value adding products and services in a smart and sustainable way. We want to be the most trusted partner for our customers throughout their building life cycle and help them achieve their sustainability objectives, creating better urban environments.

Prompted by the customer and equipment user needs relating to the COVID-19 pandemic, KONE introduced a range of People Flow® solutions to help make buildings and cities safer and healthier places to live, work and commute. The KONE People Flow® Planning and Consulting service was tailored to better support planning a safe return to offices and other buildings. By using data, simulation tools, and expertise from KONE's interior architects and data scientists, customers can quickly see how to reduce crowding and bottlenecks and enable people to move around safely in buildings. Other new solutions introduced help improve air quality in elevators, disinfect escalator handrails and reduce the need to touch surfaces.

The roll-out of KONE DX Class elevators continued. This new elevator series featuring built-in connectivity and an enhanced user experience was introduced in the end of 2019 and will replace the current KONE elevator range. KONE DX Class elevators won four awards in the Red Dot Award: Product Design 2020 competition. The KONE DX Class elevator interior collection and the KONE DX Class digital experience elevator concept were awarded for their outstanding design features, innovativeness and smart elements. KONE DX Class elevators were made available also for modernization in many markets. This enables customers to access the digital services and applications offered by KONE and KONE's ecosystem partners by modernizing their equipment to DX Class.

With KONE DX Class elevators, we support our customers in green building even better than before through a new selection of low-emission, healthy interior materials, best-in-class energy efficiency and transparent disclosure about the sustainability of our solutions.

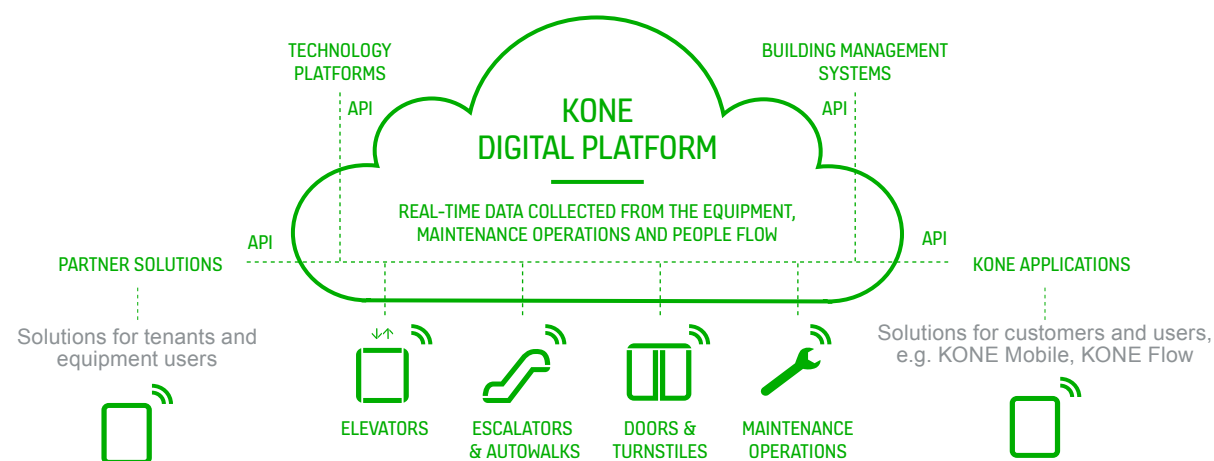
We also introduced KONE Office Flow™ for offices in high-rise buildings in selected key markets. KONE Office Flow™ is a modular, connected People Flow® solution delivering personalized access and enhanced user experiences in smart, adaptive workplaces. With touchless access and predictive elevator calling it integrates with mobile devices, removing the need for key cards and tags. It features a newly designed destination control system, visitor management and guidance to reduce waiting and journey times.



For full details of our launches, pls refer to our [Annual Review](#), pages 12–13.

With KONE DX Class elevators, we support our customers in green building even better than before

Connecting customers, users and employees to equipment and data



KONE's digital platform connects people – customers, users and employees – to equipment and data, in a safe and secure manner. As our equipment is connected to the cloud, sensors and partner solutions through application programming interfaces (APIs), they are easy to update and upgrade. Digitalization also means connecting and opening our platforms for co-creation. Together with our ecosystem partners we create smart and sustainable urban environments ensuring safe people flow with secure solutions.



Read more about cybersecurity at KONE on [page 25](#).

END-USER SAFETY AND ACCESSIBILITY

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

Safety is a collaborative effort

Safety is an integral part of our strategy and we work systematically to develop a culture where people look after each other and actively promote safety.

Our safety management system, KONE Way for Safety, harmonizes the safety management practices across KONE.

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

We collaborate with our customers to prevent situations that could lead to safety risks. Building owners and maintenance service providers are responsible for ensuring equipment is professionally maintained and kept in good condition. For example, building owners need to inform service providers if they identify any hazards, such as abnormal noises or debris on the equipment.

Everyone who uses an elevator or escalator needs to be conscious of their own behavior. For example, elevator doors must not be prevented from opening or closing. Adults need to hold on to the escalator handrail, as well as the hand of any young child, during the ride.

Prompted by the COVID-19 pandemic, we published an elevator etiquette for staying healthy and promoted it in KONE's social media channels.



Read our [elevator etiquette for staying healthy](#) on [kone.com](#)

ACTIVE CONTRIBUTOR TO CODES AND STANDARDS

The safety requirements for elevators, escalators and automatic building doors are largely determined by the national and international safety codes and standards. KONE is an active contributor to development of codes and standards that aim to further improve safety, accessibility and energy efficiency of those products and related services. Our experts participate in relevant committees and forums on the national and international standardization organizations, as well as industry trade associations around the world. We strongly support worldwide harmonization of the technical and safety requirements resulting in safety improvements for users and technicians alike.

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

the-art solutions. We contribute to development of standards addressing elevator modernization and enhancing safety of existing elevators. Such enhancements include improving leveling accuracy of the elevator to prevent tripping and falling or adding electronic sensors to elevator doors to prevent collision with passengers as well as providing a voice link to the service center to assist passengers in case of any emergencies.

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

Enabling accessibility

As populations age, the demand for accessible, safe and convenient people flow solutions increases. Buildings and transportation hubs need to be designed and built in a way that

enables people with impaired mobility to move around easily. With our elevator solutions, we also help improve accessibility. For example, increased elevator cabin size improves building access for people with baby strollers or using wheelchairs. KONE also collaborates with organizations that boost accessibility for people who are blind or visually impaired. As an example, BlindSquare's self-voicing mobile application helps navigation in and between buildings, including riding elevators safely by allowing the user to call an elevator and go directly to their floor with the aid of guidance prompts.



Read more about our collaboration with BlindSquare on kone.com

Safety is our highest priority – KONE often includes safety features that exceed the applicable regulatory requirements

5 ways to improve elevator safety



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

5 ways to improve escalator safety



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

5 ways to improve accessibility



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



See additional data and charts regarding this reporting area on [pages 43–45](#).

SAFETY THROUGHOUT THE VALUE CHAIN

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

1 R&D

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

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

2 Suppliers

KONE has defined clear quality requirements which are continuously measured and followed.

In addition, our quality professionals regularly audit key suppliers to monitor the safety and quality of delivered components and products.

KONE's Supplier Code of Conduct defines the requirements for all our suppliers, including subcontractors, to protect the health and safety of their employees.

3 Production sites

KONE enhances the quality and safety of all components used in production by carefully controlling raw materials and production processes.

All of KONE's major production sites are certified to ISO 9001, 14001 and 45001/OHSAS 18001 standards.

We make sure that all our production sites are safe places to work, for example, by using the 5S* methodology and by conducting regular safety training.

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

4 Offices

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

Building managers promote and maintain safe and healthy working environments in KONE premises.

5 Installation

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

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

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

6 Equipment use

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

We actively communicate about safety with our customers and equipment users. We organize activities in different parts of the world and provide training along with educational materials

to our customers and the general public to help equipment users stay safe. Our safety mascots, Max and Bob, help teach children about the safe use of equipment through events, leaflets, and an animated video and games.

7 Modernization

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

Products are installed by professional technicians following strict processes.

8 Maintenance

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

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



WORKING FOR A MORE SUSTAINABLE FUTURE

Buildings account for a large part of the world's energy consumption and greenhouse gas emissions. For us, sustainability is a source of innovation, as well as a competitive advantage. We create unique value through collaboration with our customers and partners, and by using insights based on data. We also constantly strive to improve our own operations to be more sustainable, reducing our environmental impact.

Hospital elevators need to function without fault so patients, staff and supplies get where they need to be quickly. KONE 24/7 Connected Services uses artificial intelligence to keep around-the-clock vigil on elevators at Finland's HUS Helsinki University Hospitals, detecting anomalies before anything seems amiss.



Read more about [how smart elevators keep the hospitals in motion 24/7](#) on [kone.com](#)



INNOVATING FOR A BETTER TOMORROW

For us at KONE, innovation means putting the customer and end user at the center and involving them in the creative work. Innovation methods that allow co-creation with our customers and partners are at the core of KONE's research, conceiving, as well as new products and services creation. This applies to mechanical concepts, new user experiences, as well as digital services and solutions. We use new integrated technologies and connectivity to set new standards for customer service.

Innovations can have a significant role in addressing climate crisis. Increasing resource efficiency is among our top priorities. Our solution design contributes to the circular economy with a long lifetime and modularity as key features of our products, supported by our maintenance and modernization services. We participate in building the foundations of future urban communities.

We have made systematic, long-term investments into research and development (R&D) capabilities. We have over 1,400 dedicated technology professionals working for R&D in Finland, China, Italy, India, United States and Mexico. Our R&D process involves a continuous search for new ideas and opportunities. Our starting point encompasses a wide variety of sources, the most important ones being our customers, partners, equipment users, and the data we gather from the equipment we service. In 2020, we launched a platform where KONE employees can innovate by sharing their ideas and participate in innovation challenges. Our first two innovation challenges generated over 800 ideas. We also invite ideas from outside the company with innovation competitions.

Collaborative approach and customer engagement

We strive to expand our offering with value adding products and services in a smart and sustainable way. Our fundamental working principle is to invite customers to join the innovation process right from the beginning, to work together in identifying relevant problems with a diverse team setup, and experimenting with solutions.

Visiting customer sites enables us to jointly develop tailored solutions for our customers' buildings with their own research and development teams, architects, and other partners. Engaging in dialogue and joint activities with a wide variety of stakeholders, such as universities, startups, and large corporations, is an important way for us to foster innovation and encourage finding new ways of serving our customers.

KONE also participates in publicly funded research projects in order to learn more about new emerging technologies relating to phenomena in urban environments and people's behavior.

In 2020, we launched KONE WORX, an agile team taking customer co-innovation to a new level. KONE WORX embraces radical innovation by collaborating with customers and KONE units in search of inventions that challenge existing business models and create new opportunities. During 2021, we have started setting up an innovation organization, led by our new Chief Innovation Officer. The role is first of its kind in our industry; KONE WORX is part of the innovation organization.

We work with innovative companies in fields ranging from artificial intelligence to robotics and music. With our ecosystem of partners, our goal is to create new, innovative services that meet people's diverse needs. As an example, with new services, elevators can become even more integrated into a smart building, combining hardware and software to create not just a unique elevator experience, but a seamless and tailored experience through the entire building to guide people to their destination.

In 2020, we continued our participation in the SPARCS research and innovation project which innovates energy positive and zero carbon communities together with cities, other industrial companies, research institutions and citizens. The EU-funded project has focused on the research of solutions to improve energy efficiency in buildings and sustainable future mobility through community engagement by involving several stakeholders throughout the project. The results will be tested in European cities partnering in SPARCS for supporting a sustainable mobility transition and achieving a more profound climate and environmental impact on a global scale.

Co-funded by Business Finland, KONE started an innovation program to build a new ecosystem of partners focused on tackling global challenges related to urbanization and climate change through solutions for smart and sustainable cities. The Veturi program will enable KONE and its network of partners to increase the scope of research, development, and innovation operations in Finland, and create opportunities for both existing and new partners.

Furthermore, we are a founding member in KEKO Smart Building Ecosystem project, funded by Business Finland, which aims at making buildings more human-centric and minimizing environmental impacts of buildings.



IMPROVING OUR QUALITY PERFORMANCE

Our customer survey ratings show that quality is among the top reasons why our customers choose KONE as a partner. Quality is an integral part of KONE's culture and embedded into all our processes. We want to deliver consistent high quality to make people's journeys safe, convenient and reliable. During the reporting year, we continued to focus on process fundamentals, and as a result made progress on all quality indicators focusing on increased customer satisfaction. We also closely follow other quality metrics, for example the accuracy and timeliness of our deliveries. Despite the pandemic during 2020, we were able to continue being a trustworthy partner to our customers through reliable deliveries.

We systematically collect customer feedback through transactional surveys as well as an annual customer loyalty survey. In our transactional surveys, we collect and assess feedback on installation, modernization and maintenance quality. During the reporting year, the net promoter score in our customer loyalty survey stayed at a good level.

Quality is an integral part of for example safety as well as ride comfort. We advocate a 'quality starts with me' attitude – everyone at KONE contributes to the quality of our customer experience. Our leaders are empowered to take ownership of quality and encourage all teams to make continual improvements as a norm. We recommend sharing lessons learned among employees, as well as data and information transparency, which in turn supports making the right decisions and improvements.

To ensure that our employees have the skills to resolve quality challenges effectively, we provide practical guidance and effective, easy-to-use problem-solving tools. Our employees are also encouraged to take part in improving the quality of our products and processes through Lean and Six Sigma projects. Supported by our global and local quality teams, we strive to identify improvement opportunities, investigate root causes, and take any necessary action.

Continual improvement beyond manufacturing and delivery quality

During 2020, we expanded our quality efforts towards all business lines and functions, including human resources and finance.

We provided Lean awareness trainings to KONE leadership teams, and significantly increased the number of Lean Six

Sigma professionals and projects. This allowed us to apply Lean and Six Sigma methodology more widely in our organization, beyond manufacturing.

We will continue our investments in developing our capabilities, as well as our efforts in becoming an organization with a mindset for continual improvement.

Developing quality together with our suppliers

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

When new KONE products, or changes to our existing products, are implemented, KONE follows up on the implementation with the suppliers' quality and production managers. This helps ensure that KONE's requirements on product and process quality are met. When suppliers make changes to their products or processes affecting products delivered to KONE, they need to inform KONE about these changes. On a case-by-case basis, KONE's supplier quality engineers request and evaluate evidence to check that changes are made in a controlled manner.

We regularly audit all of the main suppliers delivering direct materials to KONE distribution centers or factories. Despite the pandemic during 2020, we were able to conduct most of our planned audits by way of a new remote audit procedure. KONE's diagnostic audit program continued as well, and we were able to carry out 54 third-party audits (2019: 96) following the German automotive industry quality standard VDA6.3.

Quality maturity assessments were performed in order to understand our suppliers' compliance with the KONE Supplier Quality Standard. When any gaps are identified, all main suppliers are requested to take actions towards full compliance. Supplier quality maturity also guides us in making sourcing decisions and planning business allocations between different suppliers. Our journey towards zero defects continued through the implementation of mistake-proofing methods into our supply chain.

Developing maintenance operations and improving quality

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

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

Quality is among the top reasons why our customers choose KONE as a partner



CYBERSECURITY AS AN ESSENTIAL PART OF CONNECTED TECHNOLOGIES

Digitalization and connectivity present a great opportunity for us to serve our customers in smarter and innovative ways creating more value for them. Cybersecurity plays an important role both in our solutions and in building sustainable and smart cities.

We view cybersecurity as a holistic process encompassing topics such as security and privacy by design, awareness and culture, and detecting and responding to security incidents.

During 2020, we strengthened our cybersecurity team and capabilities to meet evolving customer and industry requirements. At the same time, we partnered with leading cybersecurity experts and expect our suppliers and partner companies to demonstrate a high level of cybersecurity.

We use some of the most advanced technologies and benchmark our cybersecurity maturity and measure our improvement against the National Institute of Standards and Technology (NIST) cybersecurity framework. We also participate in the cybersecurity standardization initiatives related to our industry and continue the process of aligning our connected solutions with the industry standards and best practices, such as ISO 27001 and IEC 62443.

When developing new services, we follow secure software development processes to embed cybersecurity and privacy into our digital solutions. KONE continuously endeavors to ensure that our products and solutions are developed with cybersecurity in mind from the start, so that we are able to keep our solutions updated throughout their lifespan. As an example, in KONE DX Class elevators, end-to-end security is ensured with multiple layers of security controls, including controlled access to all components, secure data transmission and regular software updates.

By monitoring our digital environment around the clock, we can take any necessary actions as appropriate. Data security is not only about technology; it is also about people, behavior and culture, and empowering them to be strongest links in security. Thus, we educate our employees to better recognize and combat cybersecurity threats. For this purpose, we have created unique learning opportunities for different roles at KONE and train our employees continuously to protect our

company. During the reporting year, we built a cybersecurity champion network to learn and share knowledge and experience on cybersecurity of our digital solutions. In addition to training our employees and improving our processes we also practice handling cybersecurity incidents through simulations and exercises.

Digitalization also means connecting and opening our platforms for co-creation. Together with our ecosystem partners we create smart and sustainable urban environments ensuring safe people flow with secure solutions. We engage our stakeholders and interest groups in an open way for better cybersecurity.

Protecting data privacy

We protect our customers', solution users' and our employees' right to data privacy. We comply with legislation requirements for cybersecurity and data protection such as European Union's General Data Protection Regulation (GDPR). Our solutions only collect the data necessary for the respective solution's purpose, and we delete the identifying data when it is no longer needed. We strive to process personal data in pseudonymous or anonymous format where possible and limit access to the data on a need-to-know-basis. We use only trusted vendors for personal data processing and ensure secure transit of personal data through encryption.

We measure our cybersecurity maturity against the National Institute of Standards and Technology framework

ACTION FOR CLIMATE AND ENVIRONMENT

We develop smart and sustainable technologies for people flow and strive to be the preferred partner for environmentally sustainable urban areas. We drive transformation towards sustainable, circular and carbon neutral operations, together with our customers, suppliers and partners. We are committed to combatting global climate change and the loss of biodiversity by maximizing our positive impact on the environment, while minimizing the adverse, throughout the value chain.

KONE's Environmental Policy Statement sets out our environmental ambition and the principles that steer our work. The KONE Code of Conduct, KONE Supplier and Distributor Codes of Conduct, KONE quality and environmental manual, KONE Global Vehicle Fleet policy, KONE Global Facilities Policy and KONE Global Travel Policy guide the environmental requirements in our own operations, and those of our partners.

Commitment to carbon neutrality

In 2020, KONE announced its climate pledge with science-based targets for significant reductions in our greenhouse gas (GHG) emissions by the year 2030, in line with limiting global warming to 1.5°C. KONE's targets are the most ambitious in our industry and have been validated against the latest climate science by the Science Based Targets initiative (SBTi). Furthermore, KONE has pledged to have carbon neutral operations by 2030.

KONE committed to a 50% reduction in the emissions from its own operations (Scope 1 and 2 emissions) by 2030, compared to a 2018 baseline. In addition, KONE targets a 40% reduction in the emissions related to its products' materials and lifetime energy use (Scope 3 emissions) over the same target period, relative to orders received.

We work to increase awareness about environmental responsibility and climate action. In addition to day-to-day activities and communication, we promote environmental and climate action globally during dedicated theme days. As an example, KONE units from over 30 countries participated in the World Wildlife Fund's Earth Hour in 2020 by switching off lights in KONE facilities. Annually, during the World Environment Day,

KONE's Environmental Excellence program 2017–2021

Our Environmental Excellence program for 2017–2021 supports the green transformation of urban environments through net zero energy buildings, enabling smart eco-cities, and low-carbon communities.

Key initiative	Achievements in 2020	Annual target
Solutions Our solutions are highly eco-efficient and contribute to green building ratings.	KONE's climate pledge with a target of 40% reduction in product-related carbon footprint (Scope 3) relative to products ordered by 2030, from a 2018 baseline. Third-party verified Environmental Product Declarations (EPDs) published for six elevators. KONE now has third-party verified EPDs for eight elevator models and 11 automatic building door models. Health Product Declaration (HPD) published for two elevator models. KONE has HPDs for six elevators and escalators. Highest Grade 1 energy labeling in China for the majority of our elevator motors sold in the Chinese domestic market. Renewed a number of Singapore Green Building Product (SGBP) certifications. KONE has seven SGBP-certified products and is the first and only elevator and escalator company to have only the highest 'Leader' ratings. Approved Byggarubedömningen (BVB) assessments in Sweden for KONE TransitMaster™ 120 and KONE TransitMaster™ 140 escalators. KONE has seven approved elevator and escalator assessments by BVB. KONE's manufacturing unit in Finland and KONE's subsidiaries in Great Britain and Ireland achieved the Forest Stewardship Council (FSC®) Chain of Custody certification regarding sustainably sourced wooden components. KONE solutions delivered to LEED, BREEAM and other certified green buildings.	Further reduction in energy consumption.
Operations We do business by developing resource efficiency and are committed to carbon neutrality.	KONE's climate pledge with a target of 50% absolute reduction in the carbon footprint from our own operations (Scope 1 and 2) by 2030, from a 2018 baseline. KONE's operational carbon footprint relative to sales decreased by 8.9% compared to 2019. Our Scope 1 and 2 carbon footprint relative to sales decreased by 11.8%. KONE's carbon footprint data is externally assured. KONE's Swedish manufacturing unit and Chinese subsidiary now purchase 100% renewable electricity, and solar panel installations were completed at our manufacturing site premises in Chennai, India. KONE Austria offset their operational carbon footprint. KONE's manufacturing unit in Chennai, India, received the Indian Green Building Council Gold and Platinum certifications for its manufacturing and office spaces respectively.	In 2020, 3% annual reduction of operational carbon footprint (Scope 1, 2 and selected Scope 3 categories) relative to net sales. NEW for 2021, 7% absolute reduction in the carbon footprint from our own operations (Scope 1 and 2) from 2019 baseline and 4% reduction in our logistics carbon footprint (Scope 3) relative to units delivered.
Culture We build a more sustainable eco culture together with our customers and suppliers.	Recognized for climate and sustainability performance: a place on CDP's A List and Supplier Engagement Leaderboard, ranked as the 32nd most sustainable company in the world by Corporate Knights for our 2019 performance, included in the Carbon Clean200 list by Corporate Knights and As You Sow, awarded the Ecovadis Platinum medal and included in the FTSE4Good index. Our corporate and R&D units, all major manufacturing units and 26 major subsidiaries are ISO 14001 certified (2019: 26). Our manufacturing unit in Kunshan, China, received the ISO 50001 energy management system certification. Altogether, four KONE manufacturing units are ISO 50001 certified. At the end of 2020, 90% of our key suppliers were ISO 14001 certified (2019: 91%). KONE's supplier sustainability assessment launched for screening our suppliers' performance on environmental and social responsibility.	CDP leadership All our key suppliers ISO 14001 certified.

several KONE units engage in environmental activities. For example, KONE's manufacturing unit in India continued their decade-long tradition of promoting energy and water conservation and planting trees on the factory premises.



Read more about our commitments to global goals and initiatives on [page 10](#).

Recognition for outstanding climate and sustainability performance

In 2020, KONE was recognized by CDP for its actions towards reducing emissions, mitigating climate risks, and developing a low-carbon economy. KONE achieved a place on CDP's prestigious A List signifying that we ranked among a small number of high performers out of the 5,800 companies that were scored. KONE has disclosed through CDP since 2009 and has received a leadership score of A or A- for eight consecutive years. The score ranges from A to D-, and it is based on independent assessment against the scoring criteria defined by CDP. KONE also earned a place on CDP's 2020 Supplier Engagement Leaderboard that recognizes leading companies on supplier engagement in climate issues. CDP is an international not-for-profit organization that runs a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts.

In early 2020, based on our 2019 performance, KONE was the only elevator and escalator company to make the Corporate Knights' 2020 Global 100 Most Sustainable Corporations in the World ranking. KONE ranked 32nd overall and second among its 234 global category peers in the "Machinery Manufacturing" Corporate Knights Industry Group. KONE was also awarded the EcoVadis platinum medal for our sustainability performance, placing us among the top 1% of all assessed companies.

CARBON NEUTRAL OPERATIONS

KONE's objective in 2020 was to reduce its carbon footprint relative to sales by 3%. This target included the greenhouse gas emissions from our own operations (Scope 1 and 2), extended by selected Scope 3 categories that are closely monitored by KONE: logistics, business air travel and waste.

In 2020, we exceeded our annual target as our carbon footprint relative to sales (Scope 1, 2 and selected Scope 3 categories) decreased by 8.9%. Also, the emissions from our own operations (Scope 1 and 2) relative to sales decreased by 11.8%. The largest individual factor contributing to this development was the reduction in work-related driving, time spent at the office, and business travel – due to various restrictions brought on by COVID-19.

In September 2020, we stepped up our environmental ambitions by announcing our science-based target of reducing the absolute greenhouse gas emissions from our own operations (Scope 1 and 2) by 50% and our aim to have carbon neutral operations by 2030. During the reporting year, the greenhouse gas emissions from our own operations (Scope 1 and 2) reduced by 12.0% in absolute terms compared to 2019.

Vehicle fleet

KONE's vehicle fleet accounted for 75% of our Scope 1 and 2 greenhouse gas emissions in 2020. The total size of KONE's fleet was approximately 18,000 vehicles. Service vehicles make up two thirds of the fleet, while benefit scheme cars account for the rest.

The carbon footprint of KONE's vehicle fleet decreased by 6.5% in absolute terms and by 10.2% relative to our maintenance base. The significant reduction is, in part, due to COVID-19, with the impact of global restrictions being particularly visible during the second quarter of the year.

One of the main initiatives on our path towards carbon neutral operations by 2030 is transitioning towards a low emission vehicle fleet. We have set out to incorporating electrified vehicles in local car policies, providing the necessary solutions for charging, and motivating our employees to select low-emissions vehicles. Our aim is to shift towards fleet decarbonization as soon as the leasing contract renewal periods allow, and once the required infrastructure for an electrified fleet is at a reasonable level in each country.

As an example, nearly 30% of our fleet in Norway and over 10% of our fleets in the Netherlands, Sweden and Israel are already composed of electrified vehicles. In Finland and Sweden, also the usage of biofuel is being tracked as it is a potential way of reducing our emissions, especially regarding the light commercial vehicle segment, where electrified alternatives are still scarce. Additionally, we already make use of and further investigate alternative means of mobility. For example, for the most part, our maintenance personnel in Asia-Pacific use public transportation and walk to customer sites.

Facilities

Globally, KONE operates in over 1,000 facilities, including office spaces and installation and service operation hubs. Our facilities accounted for approximately 25% of the carbon footprint of our own operations in 2020. KONE is committed to reducing electricity consumption in its operations and, has set a target to increase the share of green electricity to more than 50% by the end of 2021 and to 100% by 2030. Additionally, our objective is to reduce our overall facility-related carbon footprint by 15% by 2022 (base year 2017).

During the reporting year, green electricity accounted for 41% of all our electricity consumption (2019: 37%). Our Swedish manufacturing unit and Chinese subsidiary started purchasing 100% renewable electricity, as did additional facilities in our Spanish subsidiary. Large solar panel installations were completed at KONE factory premises in Chennai, India. In 2020, we reduced our overall facility-related carbon footprint by 28% compared to 2017. The reported electricity/district heat emissions 25,400 tCO₂e take into account green electricity produced using renewable sources (market-based calculation method). Without the use of green electricity (location-based method), our electricity/district heat carbon footprint would have amounted to 32,700 tCO₂e.

KONE Global Facilities Policy outlines our approach for the selection and management of our facilities. It aids in developing fit-for-purpose facilities and eco-efficient operations, as well as in providing a safe and secure work environment for KONE employees. We are working towards this target by, for example, optimizing energy usage in heating, ventilation, air conditioning and lighting systems, increasing the share of green electricity to 100%, and setting up on-site renewable energy production. We also encourage investments into electric vehicle charging infrastructure at our facilities and favor



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

In 2020, KONE's manufacturing unit in Pillaipakkam, Chennai, India, received the Indian Green Building Council Gold and Platinum certifications for its manufacturing and office spaces respectively. These certifications were achieved by demonstrating sustainable environmental practices by implementing solutions to conserve energy and water and to limit greenhouse gas emissions. In addition, our manufacturing unit in Kunshan, China, received the ISO 50001 energy management system certification during the reporting year. Altogether, four KONE manufacturing units are now ISO 50001 certified.

DRIVING CLIMATE ACTION THROUGHOUT THE VALUE CHAIN

In addition to the Scope 1 and 2 emissions (own operations), KONE carefully monitors and aims to reduce selected Scope 3 emissions: logistics, business travel and waste, which we can effectively reduce working closely together with our partners. Read more about KONE's product-related Scope 3 greenhouse gas emissions on [page 43](#).

Logistics

Our logistics operations cover the transportation and warehousing of products and components from KONE's suppliers and manufacturing units to our installation sites, as well as the delivery of spare parts to our maintenance customers' buildings.

The greenhouse gas emissions from logistics grew by 1.0% in absolute terms, while the number of units delivered grew by 5.3%. Thus, relative to units delivered, KONE's logistics emissions decreased by 4.1% compared to the previous year. In total, over 4.0 million packages were delivered to new installation sites, and around 1.5 million packages of spare parts to existing customer sites. The 4.0 million packages amount to a weight of 1,420 million kilograms, or 3.9 million cubic meters in volume.

The biggest factors impacting our logistics carbon footprint were:

- Significant reduction in air freight emissions in both Europe and China
- In China, reduction in emissions relative to units delivered due to volume shifting from export to domestic deliveries
- Reduction in road freight emissions in Europe due to better load optimization and lower average weight per delivered unit.

Business travel

Greenhouse gas emissions from business travel were the most impacted category due to COVID-19, with emissions dropping by 74% compared to 2019. Global travel at KONE came to a de facto halt during the second quarter of the year, and remained on a very low level throughout the rest of the year.

The vast majority of meetings took place virtually. KONE continuously invests in better online meeting solutions and video conferencing equipment to reduce the need for travel and to facilitate global virtual collaboration.

Optimizing material use and minimizing waste

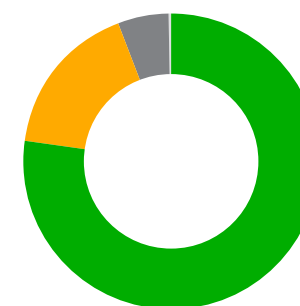
KONE aims to maximize resource efficiency and circularity in our operations and delivery chain. In order to encourage responsible production, we prioritize the smart use of resources and the recycling of materials, for example by:

- Optimizing manufacturing material use through robotics and automation
- Recycling waste wherever possible
- Reusing packaging materials.

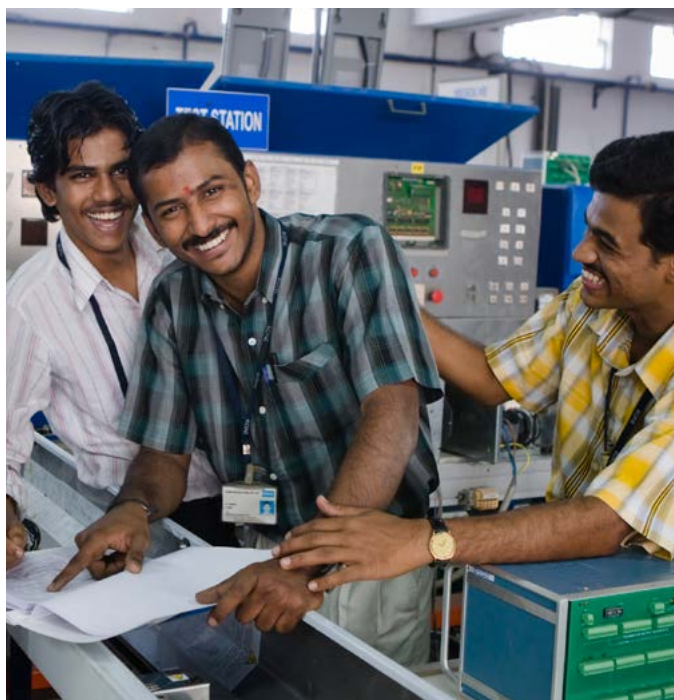
As part of our day-to-day logistics process, a large share of our packages are reusable and circulate between our manufacturing units and suppliers. The majority of our packaging materials can be recycled, and some parts of the packaging are also designed to be used as tools during the installation of our equipment. Read more about the targets and plans for reducing the environmental impact of the materials used in KONE's products on [page 16](#).

The majority of the packaging materials for our volume elevator are recyclable

KONE MonoSpace® 500 elevator



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



Our objective is to reduce the waste generated in our manufacturing and offices. Our long-term target for waste management is 0% landfill waste at our manufacturing units by 2030. Waste is always handled according to applicable laws and regulations, and we aim to exceed legal requirements.

During 2020, our total waste amount decreased by 7.7%. The proportion of recycled and incinerated waste remained on a high level, amounting to 94.0% of the total waste generated by KONE units globally (2019: 93.9%). In the 12 manufacturing units in our data collection scope, the share of recycled or incinerated waste was 98.1% (2019: 98.1%). Only 0.6% (2019: 0.9%) was put into landfill.

Optimizing already minimal water usage

Throughout KONE's global operations, water is mainly used for sanitary purposes in our facilities. KONE withdraws water mainly from municipal water supplies and wastewater is released into municipal wastewater treatment systems that abide by local regulations. Water consumption in KONE's maintenance and modernization activities is minimal.

Some of our manufacturing units use minor quantities of water in their industrial processes, for example, in the painting and coating processes with closed-loop water circulation and for cooling purposes. Our manufacturing units monitor their water consumption and wastewater discharge, perform the necessary sampling and report to the local authorities according to the local regulation. Three of our manufacturing units have their own wastewater treatment systems with regular third-party monitoring and permits in place.

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

How KONE reduces the environmental impacts of its operations

Development action	Impact on eco-efficiency
Logistics	
Optimized use of transportation networks.	Optimal routing of material through distribution center network and selection of suppliers located close to distribution centers.
Waterway and railway transportation prioritized over air freight.	Less CO ₂ emissions per tonne-kilometer.
Improved space utilization ratio in loading.	Better load planning of outbound trucks and containers resulting in improved container space utilization, optimization of transportation units used and more products delivered per shipment.
Centralized volumes to main suppliers, convenient location of suppliers close to distribution centers.	Fewer transportation routes and improved transportation efficiency ratio.
Use of more eco-efficient transportation equipment.	Truck equipment selection from eco-efficiency perspective. Requirement for Euro 4 trucks for European logistics service providers (European emission standard for vehicles).
Improved logistics reporting.	Continuous development of reporting methods and tools in collaboration with logistics service providers for optimal use of logistics data.
Vehicle fleet	
Compliance with KONE Global Vehicle Fleet Policy.	Maximum CO ₂ emission limits defined, employees encouraged to select benefit cars with lower CO ₂ emissions.
Selecting fuel-efficient vehicles.	Vehicle renewals guided by the main criteria of fuel-efficiency and compactness, cooperation with suppliers who comply with the Euro 6 emission standard for light passenger and commercial vehicles.
Driving performance and route optimization.	Increased driver safety and fuel efficiency through the monitoring of driving performance, including fuel efficiency and driving behavior. Increased use of telematics systems, remote monitoring and mobile tools.
Planning for the long-term mobility solutions of our service fleet.	Reduced CO ₂ emissions and agile services through extended pilots of full electric and hybrid vehicles, as well as through vehicle sharing and electric bicycles.
Packaging-related emissions and waste	
Optimized packaging to better fit into logistics chain.	More products delivered per transportation unit.
Optimized use of packaging materials.	Less packaging material used, more effective waste management, increased recyclability of materials.
Management and development of suppliers' packaging.	Less packaging material used, more effective waste management, improved logistics efficiency.



Read more about [circular economy](https://www.kone.com/sustainability) at KONE on [kone.com/sustainability](https://www.kone.com/sustainability).



See additional data and charts regarding this reporting area on [pages 43–45](#).

EMPOWERING OUR PEOPLE AND ATTRACTING THE BEST TALENT

Our employees exceed 60,000 and are based in more than 60 countries and they represent 147 nationalities. The vast majority of our employees work in the field, meeting our customers and equipment users on a daily basis. We strive to build and nurture an inclusive culture that promotes and values diversity. We also want to maintain a safe and healthy working environment and foster a collaborative culture, where people are motivated to develop their competencies and deliver the best results for our customers.

In 2020, for the fourth year running, KONE was recognized as one of the best employers in the world by Forbes business magazine in their Forbes' 2020 Global 2000: World's Best Employers list.



CONTINUOUS LEARNING

People are key to the success of our strategy; we strive to have the most capable and engaged team of professionals who succeed in a changing world and are able to develop with continuous learning opportunities.

During 2020, we had a strong focus on bringing new online learning opportunities for our people. We also concentrated on digitizing our current trainer-led programs by using mobile learning, augmented reality games, virtual reality, social learning and our business communication platform. We launched a new online learning library with numerous bite-sized courses and eBooks. By the end of 2020, a total of 160,000 learnings had been completed in the new external learning library alone. Overall, online studies were very actively used during the reporting period and the online learning course completions increased by 92% compared to the previous year.

Virtualization with the aid of various camera technologies has enabled KONE's 41 training centers globally to become more efficient, as they are repurposed as broadcast and engagement hubs, increasing their reach and impact. By the end of 2020, the total number of learning completions at KONE exceeded 1.4 million records.

During 2020, our learning platform was moved to Workday, our people management platform, to support the learning activities of all KONE's employees. KONE now houses all employee data in one system, allowing for a better end-to-end employee experience, and the possibility for more advanced analytics to support employee development.

We continued to deliver global talent programs, targeting for instance the global top performers, general managers, operations managers and senior leaders. During the reporting year, people from 27 countries took part in these programs and 37% of the participants were women (2019: 20%). Additionally, our pool of global emerging leaders (30% of whom are women) from 43 different countries, was assigned a common curriculum based on 70/20/10 actions (70% of learning through practice, 20% through social learning, and 10% through formal development and training) to be completed within the next 2 years.

Our 360° feedback measures our leadership competences such as collaboration, inclusion, and developing talent. The assessment is included in all our key leadership development programs on all manager and leadership levels, and it should be completed at a minimum every three years. In 2020, approximately 900 employees completed the 360° assessment with more than 13,000 employees giving them feedback.

Facilitating professional growth

At KONE, we strive to have the most talented professionals with the right competences in each position. We facilitate this and strengthen the motivation, engagement and continuous development of our people through performance discussions which take place at least twice a year. In addition, we actively encourage all employees to prepare individual development plans. In 2020, 81% of people whose development is tracked in the tool documented their development plan. The expectation is for all employees to have a career development discussion with their managers at least once per year.

In addition to using these discussions to set goals and review job content, KONE managers are advised to also discuss employee well-being, as well as career development and growth opportunities. During 2020, due to the COVID-19 pandemic, managers were encouraged to discuss employee well-being in conjunction with development discussions.

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

KONE has mentorship programs on the global, area and local levels. Globally, KONE facilitates mentoring as part of global talent programs. During the reporting year, 83 top managers from 18 countries mentored a total of 90 mentees. There were 5,300 internal job rotations, including approximately 3,800 promotions and 1,500 lateral moves.

>1.4 million learning completions

Attracting top talent

To attract the best talent, we continued to promote KONE as a great place to work and received recognition on that front in many of our markets during 2020. Globally and for the fourth year running, KONE was recognized as one of the best employers in the world by Forbes business magazine. We were also included in the Financial Times' Diversity leaders report.

In China, two leading recruitment websites recognized KONE as an employer. KONE was included in the listing for 100 Employer Excellence of China and Excellence Corporate Social Responsibility Award by 51job, and 2020 China Best Employer Award by zhaopin.com. In Finland and for the eleventh consecutive year, KONE retained its 1st place in the Engineering category on the list of 100 Most Attractive Employers. KONE India was nominated as a Great Place to Work and included on the AVTAR Group and Working Mother Media's list of 100 Best Companies for Women in India for the fourth consecutive year. The recognition was received for building sustainable careers for women and introducing many initiatives for mentorship, well-being, growth opportunities, and work-life balance.

KONE's apprentice programs enable us to recruit new professionals effectively. We also collaborate actively with educational institutions. In 2020, we continued to further strengthen our collaboration as much as possible, with schools as well as with our employee advocate program in order to provide information about KONE in schools, universities, and other relevant institutions.

KONE offers various summer traineeships and thesis opportunities in several countries. The KONE International Trainee Program offers students and graduates opportunities to work on projects at different KONE units around the world. The KONE International Trainee program 2020 was cancelled due to travel restrictions caused by the COVID-19 pandemic, but the program will be relaunched again once possible.

FAIR EMPLOYMENT PRACTICES

For us, creating a great place to work means treating every employee fairly and providing a safe working environment. Local human resources (HR) professionals manage local personnel-related policies and ensure that we comply with local legislation and labour union practices in each country we operate in. Through our HR operating model and people processes, we can ensure the consistent guidance and alignment of our practices. All employees and managers can now get harmonized support from our centralized HR services teams and can also get better visibility to their own data as well as take direct action with the help of our self-service tools.

Equal pay and rewarding performance

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

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

The compensation and other benefits of the Board of Directors, President and CEO, and the Executive Board are disclosed in KONE's [Annual Review 2020](#) and in our [Remuneration Report](#), both available on [kone.com](#).

83% of external hires into leadership positions were filled by local candidates

Use of subcontracted workforce

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

Fostering diversity and inclusion

As an employer, KONE is committed to an equal opportunity approach that places people in the positions that best suit their abilities. We respect and value differences and believe in an inclusive workplace that empowers individuals. We value diversity in all forms and welcome new perspectives to our business. We seek out innovative ideas and new approaches to customer solutions and believe that our future success depends on our collective ability to build diverse and inclusive teams, communities and networks.

Diversity and inclusion (D&I) is embedded in our refreshed values that were launched in October 2020. Additionally, it is one of the sustainability focus areas of our recently launched phase in KONE's strategy. During the reporting year, we assessed our D&I maturity in 53 country organizations and reviewed our existing D&I policies and practices. Based on the findings, we created a global D&I strategy with global goals. As the next steps, we will train our top management on D&I, further develop the utilization of D&I data, and ensure transparent communication about D&I both internally and externally. We will continue to promote our D&I toolkit to support inclusive behaviors among our employees.

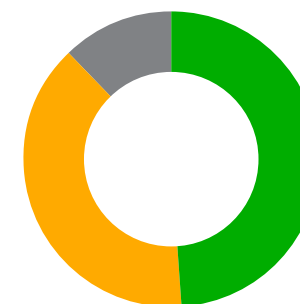


[Read our D&I strategy on \[kone.com\]\(#\)](#)

To increase diversity through recruitment, we track the diversity of our hires on a monthly basis. This tracking includes gender, but also industry background and selected competencies to ensure that we are systematically diversifying our workforce. We have also set internal talent management goals to increase our diversity and inclusion. Our goal is to

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

Employees by market, 2020



■ Asia-Pacific: 49% (48%)
 ■ EMEA: 39% (39%)
 ■ Americas: 12% (13%)
 (2019 figures in brackets)

have 35% of director level positions held by women by 2030. We are currently at 19% (2019: 18%). To strengthen our global approach and deepen our insights on customers and markets, we have set goals to increase cultural diversity in our global teams.

KONE has conducted several studies on gender diversity and equality in the past, and results have shown no significant barriers or gender discrimination in terms of compensation or career opportunities.

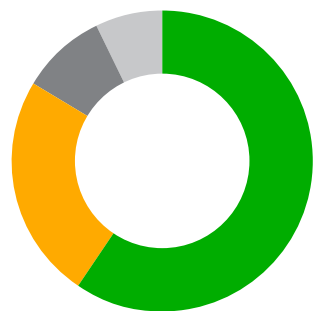
During the reporting year, KONE's workforce included 147 nationalities. In 2020, 83% of external hires into leadership positions globally were filled by local candidates (2019: 88%).

Measuring engagement

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

Over half of our employees are in the field every day

Employees by job category, 2020



- Maintenance and modernization 59% (59%)
 - New equipment, sales and installation 24% (25%)
 - Administration, IT and R&D 9% (9%)
 - Manufacturing 7% (7%)
- (2019 figures in brackets)

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

KONE's 13th global Pulse employee survey was carried out under challenging circumstances due to the COVID-19 pandemic in May-June 2020. The survey results were published in late June 2020 and based on the results action plans were made in teams. A total of 52,745 employees provided feedback in the employee survey and we reached a high global response rate of 92%. In 2021, we will conduct a lighter global survey to measure engagement and other key strategic focus areas. In addition, we will organize Pulse Talks across all teams at KONE to ensure follow-up on the Pulse 2020 action plans, as well as continued dialogue on engagement.

Developing KONE's culture

In the first quarter of 2020, we started a process for developing KONE's culture to ensure that it supports and aligns with our strategic priorities. The first step in this process was a global culture survey, taken by more than 8,000 employees. The findings of the survey indicated that KONE has a healthy work environment and employees find the direction of the company clear.

Building on these findings, we reviewed and refreshed KONE's company values. In addition, all employees were invited to share their ideas on how to develop KONE's culture, values and ways of working through our Pulse employee survey. We received and analyzed more than 25,000 responses on this topic. Additionally, hundreds of employees across the organization joined various global value discussions online and contributed to the final formulation of KONE's values. Our new values are: care, customer, collaboration, and courage.



Read more about [our culture and our values](#) on [kone.com](#).

Dialogue with our employees

At KONE, we believe that employee engagement can be strengthened by open and timely communication about the company's strategy, goals and values.

We use multiple channels to have a dialogue with our employees to engage them and encourage collaboration. KONE's global intranet, for example, acts as both a channel for all the latest news and events, as well as a virtual team-work site.

The latest KONE updates are also shared regularly through internal video news broadcasts and newsletters.

A further channel for the dialogue is the European Employee Forum that KONE hosts every year. In these Forums, employee representatives and top management come together to discuss issues ranging from safety to business development. A smaller working group meets two to four times a year to ensure continuous consultation and discussion on important developments affecting KONE employees.



The Employee Forum 2020 was postponed due to the European travel restrictions caused by the COVID-19 pandemic. In 2020, KONE management continued open dialogue with the employees in the smaller working groups and on the local level, strongly focusing for example on people's safety.

Organizational changes

The Accelerate program, launched in order to accelerate the execution of our Winning with Customers strategy (2017-2020) and to support profitable growth, focused on developing our operating model. The aim of the program was to create a more efficient and customer-focused way of working on a country, area and global level, across KONE, leveraging our scale. During the reporting year, we continued functional transformations with the aim to further harmonize our purchasing and logistics operations, as well as invoicing, to name a few examples. The program was successfully completed and closed at the end of 2020.

EMPLOYEE SAFETY AND WELL-BEING

At KONE, safety is our highest priority. This means making sure each of our employees, subcontractors, and partners have the necessary competence, tools and instructions to perform their work professionally and safely.

Safety is an integral part of our company culture. Employee physical, mental and social well-being is fostered with global initiatives.

We foster an understanding and caring safety culture by promoting open communication and active participation at all levels. We regularly recognize and reward safe behavior and share the best practices.

COVID-19 pandemic

Since the beginning of the COVID-19 pandemic, our priority has been to ensure the health and safety of our employees and subcontractors in the field, factories and offices and to help minimize impact to customers, as well as the users of our equipment. We have been, and are continuing to take strong actions to manage the situation, both at the global and local levels, following the instructions from, for example, the World Health Organization as well as the local governments and health authorities. To support our employees in safe ways of working, we, for example, developed safe use instructions for construction sites and buildings, and distributed personal protective equipment to our people in the field, and launched COVID-19 e-learning for a number of roles.

Managing workplace safety

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

Safety is a key criterion in the risk assessments across the KONE core processes, from new products and projects to daily operations. Workplace safety risk and hazard assessments are conducted against legal and other requirements as well as KONE requirements. KONE's Health and Safety Policy

empowers all workers, whether employees, subcontractors, or partners, to stop work, take the necessary actions, and where necessary, ask for support should they identify a suspected safety risk. Consultation and active employee participation is an integral part of implementing, maintaining and improving our KONE Way for Safety.

Every leader is responsible for providing their team with a safe working environment, and for ensuring that the team is adequately trained for their respective roles. They are also expected to lead by example, including conducting site safety visits.

We carry out audits among employees as well as subcontractors to measure compliance with policies, rules, and defined working methods. Audit findings support us in systematically and continually improving safety at KONE. Corrective actions are taken on any identified deviations.

We work in close collaboration with our subcontractors. Our safety management system, KONE Way for Safety, applies to subcontractors and they are to work according to same safety instructions as KONE employees.

Each year, KONE organizes a global safety week. The week presents KONE employees with training, events and activities. Many countries also organize events and trainings together with customers and subcontractors during the week. In 2020, safety week focused on safe behavior, complemented with topics such as anti-harassment and anti-discrimination, diversity and inclusion, and mental well-being.

Safety performance

As KONE operates in a high-risk industry, a safe working environment is the foundation of all our operations. In measuring safety performance, KONE monitors and evaluates a wide range of lagging and leading performance indicators. As an example, KONE tracks the number of lost time injuries of one day or more per million hours worked, as well as the average number of lost days per incident.

In 2020, our Industrial injury frequency rate (IIFR) improved to 1.2 (2019: 1.7). In order to reach our ultimate objective of zero injuries, we target to IIFR below 1.0 by the end of 2024 and 70% reduction by 2030 from level of 2018. The average lost days per injury was 27.3 days (2019: 33.7).

The improvement of IIFR is overshadowed by the fact that two KONE employees died as a result of work-related injuries. One fatality occurred during maintenance work, the other while driving between work sites. Furthermore, seven employees were injured in separate high-consequence work-related incidents.

The main types of work-related injury at KONE are cuts, strains and fractures.

For each incident, we identified the causes and the lessons learned, and took actions to prevent any re-occurrence. The relevant details were shared across our global safety network and business units. We will continue to do our utmost to ensure that all our employees and subcontractor workers return home safely at the end of each day. For example, we drive continual improvement of our safety management system, KONE Way for Safety and certifying units with ISO 45001 Occupational health and safety management systems standard, focus on promoting safe behavior as well as systematically eliminating risks by developing safer procedures to reach our goal of zero injuries.

Improving safety performance

In 2020, we initiated a Lean construction program, which is focusing on improvement of our common ways of working at installation sites. Strengthening our operational model enables uninterrupted flow of installation work and thus improves safety.

In service business, our technical help desk organization supports safe and efficient work of maintenance technicians by training and advising in solving technical issues.

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

During the reporting year, the focus was on strengthening safety competencies using interactive learnings and mobile tools. For instance, we reminded our field personnel about the main risks in their respective roles and the ways to mitigate those risks, using our interactive safety learning application, Safety in Mind.

By the end of 2020, approximately 93% of KONE employees completed general safety training covering our safety management framework, and KONE's Health and Safety Policy, which together present our safety objectives, commitment and responsibilities applicable to all KONE employees. The e-learning is available in 36 languages.

Our global mobile safety reporting tool, KONE Safety Solution, is used for reporting and managing employee, subcontractor, third-party and equipment user related near misses and incidents. All employees are encouraged to actively report near misses and incidents as it provides valuable information for improving safety. During the reporting year we received 116,000 near miss reports; an increase of 3.6% compared to the previous year. As the number of reports is already relatively high, focus of the reporting has been shifted from increasing the volume to improving the quality, investigation and corrective actions based on the incident and near miss reports made.

Local safety personnel analyze the reported data and use the results to improve safety. Incidents, lost days per injury, and near misses are part of each unit's monthly reporting to global functions. Lessons learned from incidents and near misses are shared in quarterly safety network meetings. In addition, safety managers discuss concerns and share best practices on a monthly basis.

Global program for employee well-being

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

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

During 2020 the focus has been in building awareness of the impact mental health can have on the overall well-being.

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

During 2020 we piloted a network of volunteer well-being champions in selected countries. The purpose of the champions is to raise awareness on well-being topics and ensure all employees know what support is available for them. The champions have had an important role in promoting the available well-being resources and supporting employees and teams in coping with remote work and lockdowns. The champions network will be expanded during 2021 to include new countries.

We monitor medical insurance data and carry out in-depth reviews on specified locations. The objective of these reviews is to benchmark existing well-being programs and to provide recommendations that will improve the well-being of employees.

93% of KONE employees completed our general safety training



See additional data and charts regarding this reporting area on [pages 46–47](#).



ENABLING OUR PARTNERS AND SOCIETIES TO PROSPER

KONE directly contributes to economic development in the over 60 countries where we operate. In addition, we work with approximately 30,000 suppliers who provide us with for example raw materials, components and modules, as well as logistics, installation and other services. We are committed to making a positive impact throughout the whole value chain and require our suppliers and partners to commit to the same high standard of, for example, environmental as well as ethical and human rights practices as KONE.

KONE has operations in over 60 countries and collaborates with authorized distributors and agents in almost 100 countries around the world. We have clear compliance rules and guidance in place, which enable us to conduct business in an ethically and socially responsible manner throughout our entire value chain.



LONG-TERM FOCUS

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

Progress on long-term financial targets

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

KONE's strong financial performance has enabled steadily developing dividends to our shareholders. Also with a longer-term perspective, our track record on dividend distribution has been sustainable. KONE had over 72,000 shareholders at the end of 2020 (2019: over 62,000).

Creating wealth through taxes and employment

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

We insist on transparency in all our activities, including our relationships with tax authorities. KONE has been collaborating with the Finnish Tax Administration in promoting tax transparency since 2015.

KONE's income taxes globally amounted to EUR 276.9 million in 2020 (2019: 278.9 million), with the ten largest countries by sales accounting for 78% (2019: 78%) of the corporate taxes. Income taxes of the Finnish KONE companies totaled EUR 49.6 million in 2020 (2019: 49.5 million). Our largest direct economic impacts come from the employment opportunities we provide. [KONE's tax strategy](#) can be read on [kone.com](#).

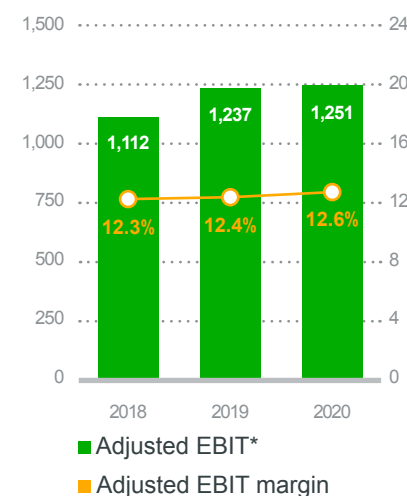
KONE is a global company with global processes and guidelines, but our operations are at the same time very local. In our subsidiaries, management and field personnel are predominantly local. In 2020, the largest KONE countries by the number of employees were China, the United States and India. Read more about our people on [pages 30–35](#).

KONE paid EUR 276.9 million income taxes globally

Sales (MEUR)



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



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

KONE class B share dividend per share, (EUR)



* An extraordinary dividend of EUR 0.50 was paid in 2020.

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



Read more about KONE's financial performance in our [Annual Review 2020](#)

ETHICAL BUSINESS PRACTICES

KONE has operations in over 60 countries and collaborates with authorized distributors and agents in almost 100 countries around the world. As a global corporate citizen, we are fully committed to the laws and regulations of the countries where we operate. KONE's global presence makes it crucial for us to ensure that we have clear compliance rules and guidance in place, which enable us to conduct business in an ethically and socially responsible manner throughout our entire value chain.

A dedicated compliance team, including regional teams in China and North America, develops and implements KONE's global compliance program. Our global and regional compliance committees advise and take decisions on compliance policies, training and initiatives, as well as investigations into allegations of employee misconduct. Our focus in 2020 included actions on conflicts of interest, human rights, and trade compliance (customs and export controls). We also began an anti-bribery and corruption risk assessment, which was concluded during the first quarter of 2021.

KONE Code of Conduct

The KONE Code of Conduct (the Code) is an integral part of our culture and defines our standards of ethical conduct. The Code sets out our company's commitment to integrity, honesty, and fair play and addresses what is expected of KONE employees and KONE companies. It also explains how we conduct our business in a responsible and ethical manner in order to earn and retain customer trust. The topics covered in the Code include compliance with the laws and rules of society, the work environment and human rights, measures to combat fraud, bribery and corruption including guidance on gifts and corporate hospitality, health and safety, discrimination, fair competition, conflicts of interest, the marketing of products and services, the environment and sustainability. Our [Code of Conduct](#) is available on [kone.com](#) in 33 languages.

KONE's Competition Compliance Policy

KONE's Competition Compliance Policy promotes the principles of fair competition that are presented in KONE's Code of Conduct. The policy details our unambiguous position against anti-competitive practices. It sets out the rules and principles that all KONE employees must follow to ensure that we comply fully with competition laws. The Competition Compliance policy is available for our employees in 33 languages.

KONE Supplier and Distributor Codes of Conduct

KONE's Supplier Code of Conduct sets out the ethical business practice requirements that we expect from our suppliers. We published a new version in July 2020. It covers areas such as legal compliance, ethical conduct, our zero tolerance for bribery and corruption, conflicts of interest, trade compliance and the standards we require from our suppliers in terms of labor and human rights, health and safety, and the environment. We expect our suppliers to comply with the requirements of the KONE Supplier Code of Conduct in all their dealings with us, as well as with their own employees and suppliers, and third parties including government officials. KONE may terminate its contracts with suppliers if they fail to adhere to the code. The [KONE Supplier Code of Conduct](#) is available in 30 languages on [kone.com](#).

KONE's Distributor Code of Conduct covers similar topics to the Supplier Code of Conduct. As KONE's business partners, our distributors are expected to comply with the requirements of our Distributor Code of Conduct in all their dealings with KONE, as well as in respect of their own employees, customers and suppliers, and third parties including government officials. The [KONE Distributor Code of Conduct](#) is currently available in five languages and can be read on [kone.com](#).

KONE's Global Trade Compliance Policy

KONE's Global Trade Compliance Policy highlights our commitment to full compliance with all applicable national and international trade compliance laws, rules and regulations, including trade sanctions, export controls, and customs regulations. The policy sets out the trade compliance principles and expectations applicable to all KONE employees.

Reporting and follow-up of concerns

All KONE employees are expected to understand and abide by KONE's Code of Conduct and to report any violations using the channels available for this purpose. Our internal reporting channels include reporting to management, human resources, Legal or Compliance. We also have a confidential externally hosted reporting channel, the Compliance Line, to which all employees and suppliers have phone and/or web access. Reports can be made in the employee's native language and can be anonymous where permitted under data protection laws. Reports can be submitted on a range of topics including fraud and theft, fraudulent reporting, corruption, competition law, harassment and discrimination, data protection and confiden-

tiality, environment and safety, trade compliance, and conflicts of interest.

All reports are handled by a dedicated impartial team, led by our Head of Compliance Investigations. In 2020, we received a total of 136 compliance reports, of which 24% were received through the Compliance Line. KONE's case management system integrates the web, phone and other reporting channels to allow for a secure and confidential system for managing cases.

KONE investigates reported concerns in a timely and professional manner and takes corrective action when necessary, including disciplinary action, process improvements, and further training. In total 35% of 141 cases closed in 2020 were either substantiated or partially substantiated, and disciplinary actions in those cases ranged from coaching discussions to termination of employment.

Training and awareness building

All KONE employees are required to complete the Code of Conduct online training. Our Code of Conduct e-learning course for all KONE employees covers topics such as conflicts of interest, fair competition, anti-bribery, privacy, work safety, harassment and discrimination, and gifts and hospitality, and has a strong focus on scenarios that reflect day-to-day situations employees might face. The course is available in 37 languages. Nearly 60,000 employees in 64 countries have been assigned the training since 2018 with a completion rate of 96% by the end of 2020. Regular face-to-face compliance training is also provided to managers and other target groups throughout the year. In 2020, approximately 3,000 employees received compliance training either face-to-face or virtually.

During 2020 we continued training employees on our Competition Compliance e-learning course. This training is mandatory for a selected group of employees, based on their role and position in the company and includes members of KONE's Executive Board and employees in management, sales, sourcing, and trade association related roles. Additionally, business units can nominate additional participants. Following the relaunch of the course in 2019, the global completion rate among the nominated group reached 93% by the end of 2020.

During the reporting year, we continued our awareness building efforts in the area of workplace harassment and

discrimination by continuing roll-outs of the video created for this purpose in various languages. The video was successfully used to train leadership teams and employees, address key anti-harassment topics, and give advice on how to speak up on this topic. This effort continues during 2021.

Further awareness activities in 2020 included the publication of a new quarterly series of articles entitled 'Integrity Matters' based on real-life cases at KONE. The articles were published on KONE's global intranet and provided guidance on key compliance issues. The series continues in 2021.

Human Rights

Our human rights global network, formed in 2019, received regular training on human rights throughout 2020. We continued focusing on human rights in the supply chain by developing a supplier human rights assessment process within KONE. Although the COVID-19 pandemic delayed our work in this area, an on-site pilot assessment was conducted with a supplier in Finland. We interviewed the management as well as randomly selected workers. We also provided training to the supplier, as well as risk management improvement recommendations. Our Supplier Code of Conduct was amended in July 2020 to give further detail on the human rights standards we expect from our suppliers.

Additionally, we developed a supplier human rights online questionnaire which will be rolled-out to selected suppliers during 2021.

KONE's newest factory in Pillaipakkam, Chennai, India, was certified by the Indian Green Building Council

INDUSTRY-LEADING SUPPLY CHAIN

KONE has twelve production sites for elevators, escalators and building doors, ten global distribution centers for elevators, and six distribution centers for spare parts.

KONE's supply chain operations cover new equipment production, modernization, and spares supply. We also work closely with selected key material suppliers and logistics service providers. Approximately 4,600 people keep KONE's supply operations running.

The volume ramp-up of KONE's newest factory in Pillaipakkam, India, was completed at the beginning of the reporting year. The facility was certified according to the environmental norms set by the Indian Green Building Council. Furthermore, solar cells with 0.7 MW power were installed to the facility.

Our door factory in Veenendaal, the Netherlands, was closed.

Investments in production automation continued. KONE also continued the implementation of a new manufacturing execution system (MES) with factories in the United States and China. MES is a computerized system used to track and document the transformation of raw materials to finished goods, providing information that helps understand how current conditions on the factory floor can be optimized to improve production output and implement production quality improvements. MES implementation continues in 2021, as do our other supply chain improvement activities.

We also continued our product harmonization in order to further increase flexibility and productivity.

Despite limited capacity reductions in some of our production sites due to COVID-19 during the first half of 2020, the supply chain was able to provide a constant and seamless flow of materials to installation sites. During the second half of the year, the global logistics market experienced some strong disturbances, mainly in the area of ocean freight.

Responding to customers' needs

KONE adapts its supply chain to take customers' different requirements into account. In logistics, we completed the first phases of our centralized logistics operating model, continuing to develop a more seamless flow of ready products as well as components to our customers. As a result of this, and through better processes and coordination of different activities, we achieved savings in logistics costs.

Global logistics



In total, over 4.0 million packages were delivered to new installation sites, and around 1.5 million packages of spare parts to existing customer sites. 4.0 million packages amount to a weight of 1,420 million kilograms, or 3.9 million cubic meters in volume.

Top 10 supplier locations*

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

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

During 2021, we will focus on improving visibility in the supply chain, as well as the utilization of more accurate information, provided to a large extent by our new transportation management system (TMS). This information is further utilized in optimizing the network, as well as making improvements in delivery chain eco-efficiency. The system has been taken into use in most of Europe during 2020, and the deployment will continue during 2021.

In packaging solutions, we have better accommodated various customer needs with the aim of making the installation process as smooth as possible. Developments supporting installation efficiency and sustainability are proceeding to the deployment phase, and this continues further during 2021.

In order to take relevant corrective actions and make continual improvements, we systematically collect customer feedback on our supply chain operations' quality performance and analyze it using Six Sigma tools.

Better quality and productivity through learning

At KONE, we employ various optimization techniques and tools to improve the productivity and quality of our operations and supply chain. One of these is continual improvement, supported by Lean and Six Sigma philosophies, applied in all business lines and functions. This way we are able to reduce waste and control process variation throughout the entire supply chain, as well as in product and process transitions.

We continued to increase our competences, for example by delivering Lean awareness trainings for KONE leadership teams, significantly increasing the number of Lean Six Sigma professionals and projects running in 2020.

We continued our Lean capability process control and zero-defect programs during the reporting year. All major KONE supply units continue to hold ISO 9001 and 14001 certificates.

In years to come, we will further strengthen our efforts to become an organization with a mindset for continual improvement, invest in our capabilities and continue to engage our leaders to role model these behaviours.

Read more about quality at KONE on [page 24](#).

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Our supplier relationships provide business opportunities and employment for thousands of suppliers globally.

KONE only produces selected components in-house, and our own production consists largely of the assembly of sourced components. Our suppliers and their sub-tier suppliers are a critical part of KONE's supply chain. Our 30,000 suppliers provide KONE with raw materials, components, modules, logistics and installation services as well as other indirect materials and services.

All our strategic suppliers are required to comply with ISO 14001 certification.

Long-term relationships with suppliers

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

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

Based on the supplier's status, our management and measurement techniques include audits, assessment and mitigation of supplier-related risk, the use of standardized contractual agreements that include the KONE Supplier Code of Conduct, the assessment of supplier performance, and supplier certification. Read more about KONE's Supplier Code of Conduct on [page 38](#).

The majority of strategic suppliers audited

All of the main material suppliers to KONE distribution centers and factories undergo regular audits. In 2020, 91% (2019: 86%) of our strategic suppliers were audited. We review our audit plan every year to prioritize and schedule audits according to our business needs. The audits are scheduled to check on changes in products or production processes, to validate

follow-through on improvement initiatives, to assess quality and environmental management systems – especially when suppliers are not ISO certified, or to pre-audit the suitability of potential suppliers.

Assessing supplier risks

KONE's supplier risk management system is based on a thorough assessment of suppliers, including analyses of their financial health, their dependence on business from KONE, location-based risk and incident monitoring and continuous cybersecurity assessment.

Our risk engineering audit concept covers for example:

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

Continuous development of supplier performance

We monitor the performance of our main suppliers of our direct production materials through a monthly KPI measurement and follow-up process. We also run supplier quality and sustainability maturity assessments. With these assessments we measure suppliers' compliance to requirements for quality, as well as environmental and social responsibility.

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

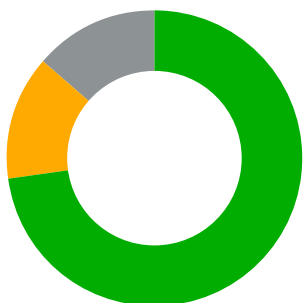
We also work closely with our strategic suppliers to find competitive raw material price levels.

Read more on how we develop quality together with our suppliers on [page 24](#).

KONE's Supplier Excellence Certification Program

We aim to maintain a supply base that complies with international quality and environmental standards as well as the standards of KONE. We expect our main suppliers that deliver direct materials to KONE distribution centers or factories to attain Supplier Excellence Certifications. KONE's Supplier Excellence Certification is based on supplier result in quality and sustainability maturity assessments, including ISO 9001, ISO 14001 and ISO 45001 certifications. In 2020, 100% of our strategic suppliers were ISO 9001 certified (2019: 97%), 90% were ISO 14001 certified (2019: 91%) and 68% of them had ISO 45001 certifications.

Breakdown of material and service purchases from our suppliers



Total MEUR 5,147.3

- Direct materials and supplies, subcontracting 73.82%
- Other production costs* 13.21%
- Selling, administrative and other expenses** 12.97%

* Mainly freight and packaging, variable costs such as utilities, tools and operatives related costs.

** For example, administration expenses covering IT, marketing, trainings, and insurances.



See additional data and charts regarding this reporting area on [page 47](#).



SUPPORTING CHILDREN AND YOUTH

The KONE Centennial Foundation (KCF), an independent, non-profit organization founded by KONE in celebration of its 100th anniversary in 2010, focuses on innovative programs that advance and support developmental, educational, and cultural activities for children and youth around the world. KCF cooperates closely with local partners and a designated project coordinator in each country to plan and monitor projects, aiming to ensure efficient resource allocation and respect for local culture and priorities. Wherever possible, KCF chooses projects where local KONE units can contribute practical support and KONE volunteers can participate in their spare time.

In 2020, the COVID-19 pandemic affected most of the projects supported by KCF. Responding to the crisis, KCF committed to various efforts to meet challenges posed by the pandemic and attenuate its impact on the communities served by KCF-supported projects.

In addition, KCF gave grants to Doctors Without Borders, Refugee Council of Finland and SOS Children's Villages Finland, which provide essential medical or social services to young refugees and asylum seekers in Europe, who face particular challenges during the pandemic.

Also in Finland, KCF joined forces with KONE Corporation to support the Computers for All campaign to help school children who lacked devices for distance learning when schools closed during lockdowns.

The KCF Joy of Reading mobile library has been serving children of migrant workers in China's cities since 2012, reaching a total of over 110,000 youngsters. During the year under review, a brand-new, more environmentally friendly, vehicle replaced the existing mobile library. While continuing cooperation with the Hangzhou Children's Library, the team entered a new partnership with Huzhou City Library in 2020. Working with the two public libraries, the mobile library delivers services to children with limited access to age-appropriate reading material.

Since 2017, KCF and KONE India have cooperated to support Single Teacher Schools (STS) in 20 rural communities near Chennai, where KONE has opened a large, new elevator factory. These STSs provide instruction for children who are either poorly served by local schools or do not attend them regularly.

At the beginning of 2020, an average of 500 students attended the STS schools. Due to the pandemic and local lockdown, schools closed, and poor families were struggling. KCF and KONE India provided emergency support to these families by distributing food and personal protective equipment.

KCF has been one of the main funders for the Westbury Youth Centre (WYC) in Johannesburg, South Africa since its inception in 2012. WYC offers classes in computer skills, media, culinary skills, urban gardening and theatrical production for marginalized youth. In addition, WYC's parent organization, Mashup NPO, is active in community affairs and advocacy for youth development, gender equality and an end to drug trafficking and gang violence in Westbury and the surrounding area. During the COVID-19 lockdown in the spring of 2020 while the center was officially closed, the staff generated a local aid program, estimated to have provided food for 2,000 people. After the lockdown eased, all WYC programs resumed at or near permissible capacity.

In Mexico City, KCF has supported Xico Arte, a local archaeology and art-against-violence collective, since 2015. The organization sends young trainees into schools in troubled communities in the surrounding Valle de Chalco area to teach local history and traditions, as well as hold art workshops. With help from KCF, Xico Arte applied for its status as a not-for-profit association in 2017. In 2020, Xico Arte developed successful online programs during the lockdown. In addition, KCF supported Xico Arte's efforts to distribute COVID-19 relief packages to vulnerable families in the community.

KCF has provided support for the Zero-to-Hero (Z2H) Foundation's child development program in the rural Na Yom region of Thailand, since 2017. In 2020 Z2H implemented the Finnish model active learning methodology in the Huana Preschool. First introduced by Z2H in the daycare program, it has proven to be highly effective in teaching children to be active participants in their own education. The success of the Z2H approach can be seen in the significant increase in the number of children enrolled in the Huana Primary School.

KCF has been working worldwide with KONE Corporation to recycle some of the company's used computers and tablets, making them available to schools and youth development programs in need. In 2020, 138 devices were donated.

Although KCF is an independent entity, cooperation with KONE companies and the participation of KONE volunteers are central to meeting the foundation's objectives. KCF welcomes enquiries and initiatives from KONE employees and appreciates the enthusiastic cooperation it receives from KONE companies in the countries where it supports ongoing projects.



Since 2017, KCF and KONE India have cooperated to support Single Teacher Schools (STS) in 20 rural communities near Chennai, where KONE has an elevator factory.



Read more on the latest developments in projects KCF supports. Visit the site on konecentennialfoundation.org

DATA TABLES AND CHARTS

PROVIDING THE MOST SUSTAINABLE OFFERING, WORKING TOWARDS MORE SUSTAINABLE FUTURE

KONE's total greenhouse gas emissions, tCO₂e

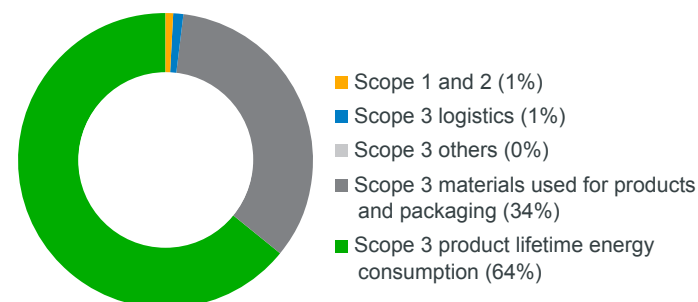
Scope 1, 2 and 3 greenhouse gas emissions data externally assured.

		2018	2019	2020
Direct emissions from own operations (Scope 1)*	Vehicle fleet	107,600	108,200	101,200
	Heating fuels	10,000	9,900	8,400
	Cooling gases	200	200	100
Emissions from purchased electricity and district heat in own operations (Scope 2)*	Electricity consumption, market-based (location-based 2020: 29,900 tCO ₂ e)	32,300	31,700	23,300
	District heat consumption, market-based (location-based 2020: 2,800 tCO ₂ e)	3,100	3,500	2,100
Total Scope 1 and 2 emissions		153,200	153,500	135,100
Indirect emissions from our value chain (Scope 3)	Materials used for products and packaging**	4,286,000	4,508,000	4,792,000
	Logistics	160,600	167,100	168,900
	Waste	2,800	2,700	2,500
	Business air travel	14,600	15,600	4,100
	Lifetime energy consumption of products**	8,383,000	8,746,000	9,138,000
	Annual energy consumption of products	387,600	400,500	418,000
Total Scope 3 emissions		12,847,000	13,439,400	14,105,500
Total Scope 1, 2 and 3 emissions		13,000,200	13,592,900	14,240,600

* KONE's environmental reporting covers over 90% of our Scope 1 and 2 emissions. The remaining emissions are extrapolated so that the figures cover 100% of KONE's operations. The 2018 and 2019 emissions are restated according to this methodology. In 2020, we additionally updated the emissions factors for electricity and district heat. The impact on our 2020 Scope 2 emissions is 6,000 tCO₂e.

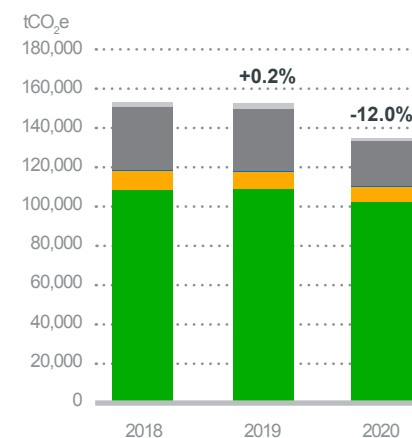
** The product-related Scope 3 calculations are based on latest life cycle assessment data and products ordered from KONE during the reporting year. The 2018 and 2019 figures are restated due to improved calculation methodology.

KONE's total greenhouse gas emissions in 2020



Greenhouse gas emissions from own operations (Scope 1 and 2)*

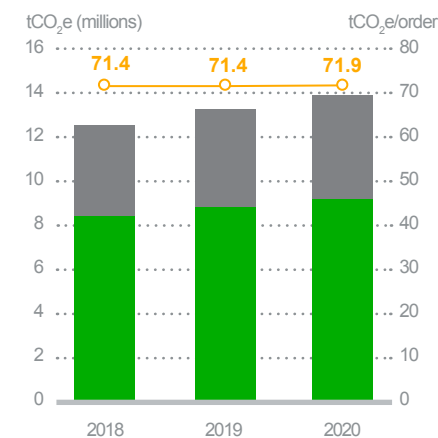
Target: 50% absolute reduction by 2030 from 2018 base-year



- Vehicle fleet
- Heating fuels
- Cooling gases
- Electricity consumption
- District heat consumption

Product-related greenhouse gas emissions (Scope 3)**

Target: 40% reduction relative to ordered products by 2030 from 2018 base-year



- Lifetime energy consumption of products, tCO₂e
- Materials used for products and packaging, tCO₂e
- Emissions relative to products ordered, tCO₂e/order

PROVIDING THE MOST SUSTAINABLE OFFERING, WORKING TOWARDS MORE SUSTAINABLE FUTURE

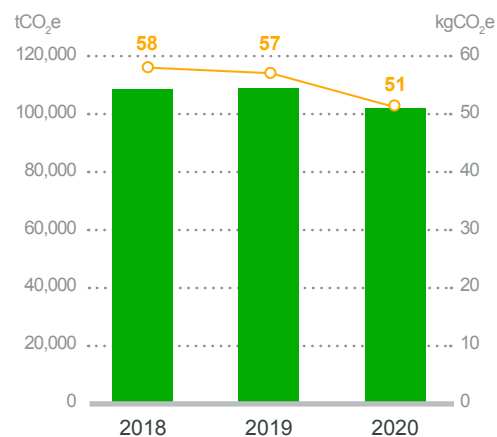
Relative operational carbon footprint trend

Target: 3% annual reduction relative to sales*	2018	2019	2020
Overall operations (Scope 1, 2, 3)	-4.0%	-3.1%	-8.9%
Scope 1, 2	-5.5%	-5.4%	-11.8%

* Target includes KONE's Scope 1 and 2 emissions and selected Scope 3 categories (logistics, business air travel, waste). Calculated with comparable reporting scope, currencies and emission factors.

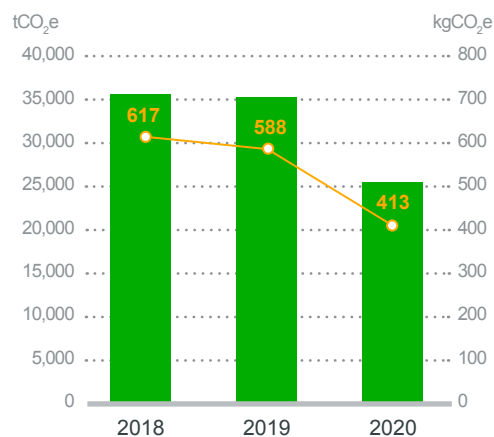
Carbon footprint trend per category

Vehicle fleet (Scope 1)*



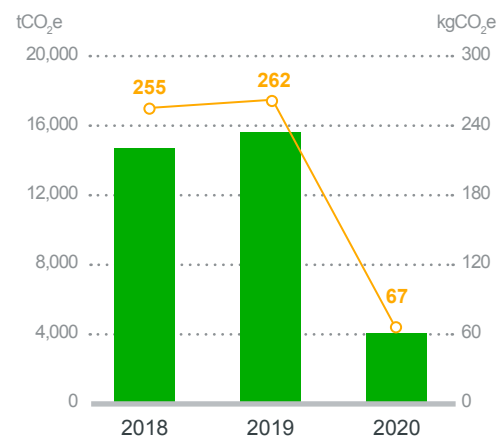
■ Absolute emissions (tCO₂e)
 ■ Emissions relative to units in service (kgCO₂e)

Electricity and district heat (Scope 2)*



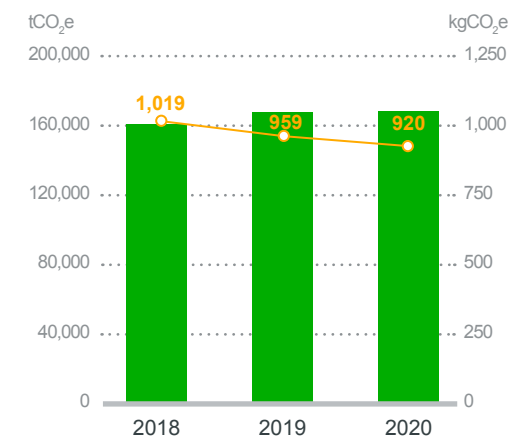
■ Absolute emissions (tCO₂e)
 ■ Emissions relative to headcount (kgCO₂e)

Business air travel (Scope 3)



■ Absolute emissions (tCO₂e)
 ■ Emissions relative to headcount (kgCO₂e)

Logistics (Scope 3)



■ Absolute emissions (tCO₂e)
 ■ Emissions relative to units delivered (kgCO₂e)

* KONE's environmental reporting covers over 90% of our Scope 1 and 2 emissions. The remaining emissions are extrapolated so that the figures cover 100% of KONE's operations. The 2018 and 2019 emissions are restated according to this methodology. In 2020, we additionally updated the emissions factors for electricity and district heat. The impact on our 2020 Scope 2 emissions is 6,000 tCO₂e.

PROVIDING THE MOST SUSTAINABLE OFFERING, WORKING TOWARDS MORE SUSTAINABLE FUTURE

Environmental impacts of KONE's operations

Energy consumption and waste data for all KONE, and water consumption at KONE's manufacturing units externally assured.

		2018	2019	2020
Energy consumption, MWh				
Direct	Heating and vehicle fleet fuels (heating oil, natural gas, LPG, petrol, diesel and diesel with biofuel blend)	427,800	428,200	407,400
	Biofuel (from 100% renewable sources)		500	800
Indirect	Green electricity (purchased and on-site production)	22,300	25,600	28,100
	Other than green electricity	44,900	43,900	40,200
	District heat	12,900	15,800	13,300
Total		507,900	514,000	489,800
Waste, tonnes				
Recycled waste		39,500	34,700	33,600
Incinerated waste		3,900	5,600	3,700
Landfill waste		1,800	1,400	1,300
Hazardous waste		1,200	1,200	1,000
Total		46,400	42,900	39,600
Water and effluents				
Water consumption, m ³	Municipal water	287,600	316,800	313,300
	Ground water	11,200	8,800	2,000
Total		298,800	325,600	315,300
Wastewater effluents from manufacturing units, tonnes		8	8	8

	Materials	2018	2019	2020
Materials used, tonnes				
Manufacturing (calculated)	Metals (steel, aluminum, copper)	1,031,000	1,088,000	1,157,000
	Concrete	199,000	210,000	221,000
	Others	54,000	58,000	62,000
	Plastics	11,000	11,000	12,000
	Rubber	9,000	10,000	11,000
	Electronics	7,000	7,000	7,000
	Glass	5,000	5,000	5,000
Packaging (calculated)	Plywood	101,000	108,000	117,000
	Wood	32,000	33,000	34,000
	Metals	6,000	7,000	7,000
	Paper/cardboard	6,000	6,000	6,000
	Plastics	4,000	4,000	4,000
Office consumables (actual data)	Paper	500	500	400
Total		1,465,500	1,547,500	1,643,400

* The figures for manufacturing and packaging materials are based on latest life cycle assessment data and products ordered from KONE during the reporting year. The 2018 and 2019 figures are restated due to improved calculation methodology.



Read more about our non-financial key performance indicators and our financial results in [KONE Annual Review 2020](#)

EMPOWERING OUR PEOPLE AND ATTRACTING THE BEST TALENT

Employees	
Total number of employees, year end	61,380
Share of women	11%
Share of women in director level positions	19%
Share of women in the Executive Board	8%
Share of women in the Board of Directors	44%
Voluntary turnover rate, compared to 12-month average headcount	5.5%
Total turnover rate	10.1%

Age distribution	–30	31–50	51–
All KONE employees	29%	56%	15%
Executive Board	0%	36%	64%
Board of Directors	0%	22%	78%

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

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

Voluntary turnover rate*	
Region	
EMEA	4.3%
Asia Pacific	6.4%
Americas	5.8%
Gender	
Female	5.4%
Male	5.5%
Age group	
30 and under	9.0%
31–50	4.7%
51 and above	2.0%

* Calculated from 12-month average headcount

New hires gender distribution per market	Men	Women
EMEA	80%	20%
Asia Pacific	92%	8%
Americas	92%	8%

New hires age distribution per market	–30	31–50	51–
EMEA	44%	50%	6%
Asia Pacific	68%	31%	1%
Americas	28%	55%	17%

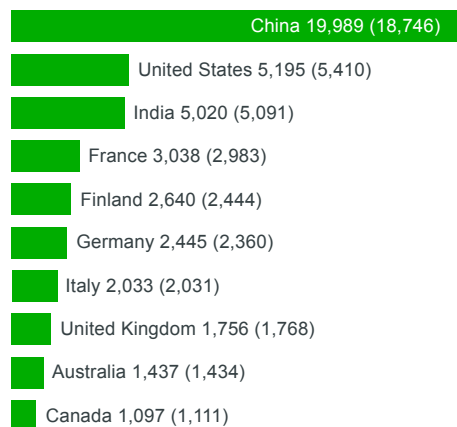


Read more about our non-financial key performance indicators and our financial results in [KONE Annual Review 2020](#)

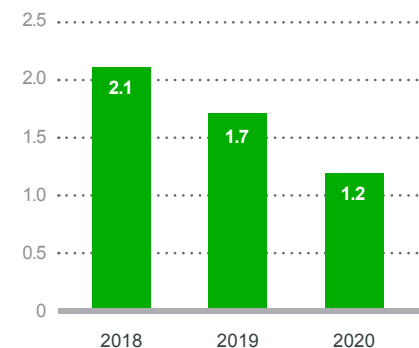
EMPOWERING OUR PEOPLE AND ATTRACTING THE BEST TALENT

Personnel by country Dec 31, 2020

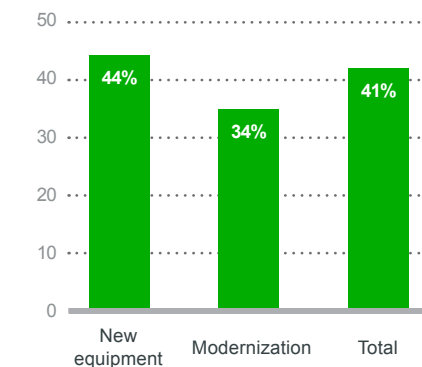
10 largest countries [2019 figures in brackets]



Industrial injury frequency rate development among KONE employees

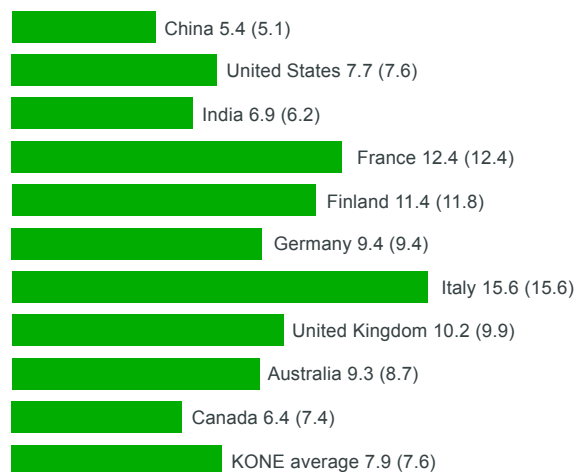


Subcontracting share of total labor costs in installation



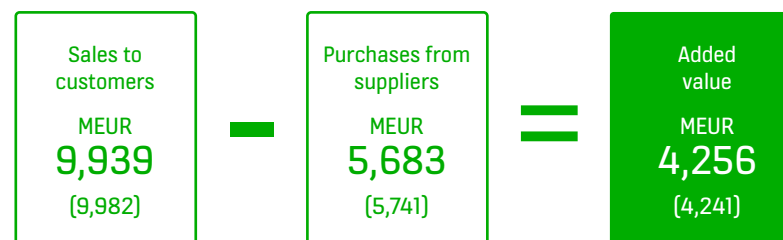
Average workforce tenure in years

10 largest countries [2019 figures in brackets]



ENABLING OUR PARTNERS AND SOCIETIES TO PROSPER

How KONE added economic value in 2020



2019 figures in brackets.

Value distributed

Wages and salaries	MEUR 2,308 (2,301)
Creditors	MEUR -11 (-25)
Employment-related costs and taxes	MEUR 1,012 (1,206)
Shareholders	MEUR 1,166 (880)
Economic value retained in the company	MEUR -219 (58)



Read more about our non-financial key performance indicators and our financial results in [KONE Annual Review 2020](#)

REPORTING SCOPE

KONE has chosen to report using the Global Reporting Initiative (GRI) guidelines in order to facilitate easier comparison of our performance with other companies and to streamline our own corporate responsibility reporting efforts. KONE has published a Sustainability Report annually since 2008. The previous report was published in April 2020.

This report has been prepared in accordance with the GRI Standards: Core option. A table detailing how this report complies with the GRI guidelines is shown on [pages 50–53](#). 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, 2020. When developing the report content and choosing indicators, the driver has been the materiality to KONE's operations. During 2019–2020, we conducted a materiality analysis and defined the focus areas for KONE's sustainability work (read more on [page 13](#)). KONE's approach to sustainability has also been described in the letter from the Chairman and the President and CEO on [pages 5–6](#), and in the strategy description on [pages 7–8](#).

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.

The personnel data is provided by our HR organization.

The collected environmental data covers over 90% of our Scope 1 and 2 emissions; remaining emissions have been extrapolated so that the figures account for 100% of KONE's operations. The 2018 and 2019 emissions are restated according to this methodology. The actual vehicle fleet fuel consumption data has been collected from 30 countries, representing 94% of our total fleet globally. The actual facility-related environmental data has been collected from KONE's 12 manufacturing units and from 41 subsidiaries in Asia-Pacific, EMEA,

and North America. The collected facilities' data covers 88% (2019: 85%) of all KONE's employees and 100% of employees working at our manufacturing units. The Scope 2 emissions have been calculated according to the dual reporting principles of the GHG Protocol Scope 2 Guidance (market- and location-based method). In our total carbon footprint calculations, the market-based Scope 2 emissions are used. RES-GO guarantees of origin subject to European Energy Certificate System (EECS) and I-RECs have been acquired for the purchased green electricity, as well as some supplier specific instruments.

The emission factors for Scope 2 calculations are based on the data sources of Association of Issuing Bodies (AIB) European Residual Mix Report, International Energy Agency (IEA) Emission Factors and supplier specific factors for Finland and the Czech Republic. In 2020, we updated the emissions factors for Scope 2 calculations and the impact on our 2020 emissions is 6,000 tCO₂e. Unless otherwise specified, all other emission factors are from UK Department for Environment, Food & Rural Affairs (DEFRA). We additionally use supplier-specific emission factors for biodiesel in Finland and Sweden.

Business air travel data, covering 29 subsidiaries and all manufacturing units, global functions and R&D totaling 90% of our employees, has been collected from KONE's six biggest travel agencies and several local travel agencies. The logistics data covers the transportation of products from KONE's manufacturing units to customers and that of the modules delivered straight from our suppliers to our customers, including all intermediary warehousing. Spare part deliveries are also within the reporting scope. Inbound logistics of materials to KONE's manufacturing sites is excluded from the reporting scope because of its insignificant impact. Product and spare parts logistics data has been calculated using an in-house logistics emission calculation system developed by KONE's global logistics team.

The product-related Scope 3 emissions calculations include KONE's two main product types, elevators and escalators, for new construction and for those modernization projects where new elevator units are delivered to the customer. The

total emissions are based on the most sold products in each region, Asia-Pacific, EMEA and North America, multiplied by the number of all products ordered during the reporting year.

We collect supplier-specific data on material usage for our most sold products and combine it with the material emission factors from the Ecoinvent V3.4 database or available Environmental Product Declarations (EPDs) from the material manufacturers. We calculate the annual energy consumption of our products according to the ISO 25745 standards with the average number of floors and expected usage profiles in each geographical region. The annual energy consumption is further multiplied by the expected lifetimes of 25 and 15 years for elevators and escalators, respectively. For energy usage, we use an average emission factor for each region based on our sales split during the reporting year. The country-specific emission factors are based on the latest publication of the International Energy Agency (IEA) available at the beginning of the year. Our product-related Scope 3 emissions calculations are line with our third-party verified EPDs, and we are constantly improving them as we work with our suppliers and partners for more transparent and efficient data collection.

KONE uses the environmental performance software system by one of the world's leading EHS system vendors. The vehicle fleet and facility-related environmental data is first consolidated on subsidiary or manufacturing unit level by local functions and is then entered into the environmental performance system. The data is further consolidated globally. The sales figures used to calculate KONE's relative carbon footprint are calculated at comparable exchange rates.

The environmental performance has been reported in accordance with ISO 14064 and the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Scope 2 Guidance and Corporate Value Chain (Scope 3) Accounting and Reporting Standard. KONE's Scope 1, 2 and 3 (materials used for products and packaging, logistics, business travel, waste and lifetime energy consumption of products) greenhouse gas emissions and water consumption at KONE's manufacturing units have been externally assured.

INDEPENDENT ASSURANCE STATEMENT

To the Management and Stakeholders of KONE Oyj

Scope and Objectives

The Management of KONE Oyj commissioned us to perform a limited third-party assurance engagement regarding greenhouse gas emissions inventory for KONE's Scope 1, 2 and 3 (materials used for products and packaging, logistics, business travel, waste and lifetime energy consumption of products) emissions and factory water consumption data ("Selected information") disclosed in KONE's Sustainability Report 2020 ("Report") for the period of 1st January to 31st December 2020. The assurance engagement was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information'.

Conclusion

Based on the work described in this report, nothing has come to our attention that causes us to believe that the Selected information disclosed in KONE Sustainability Report 2020 is not reliable, in all material respects, based on the reporting criteria.

Responsibilities

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

- Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard,
- Greenhouse Gas Protocol Scope 2 Guidance,
- Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting, and
- Global Reporting Initiative's GRI Standards.

Assurance Provider's Independence and Competence

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

Basis of Our Opinion

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

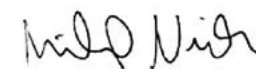
Our opinion is based on the following procedures performed:

- Interviews with KONE specialists responsible for data collection and reporting of the Selected information at Group level and in selected sites.
- Review of Group-level systems and procedures to generate, collect and report quantitative data on the Selected information.
- Assessment of Group-level calculations and data consolidation procedures and internal controls to ensure the accuracy of data.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.

Inherent limitations

Our assurance relies on the premise that the data and information provided by KONE to us as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. For instance, greenhouse gas (GHG) emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

Helsinki, Finland, 24th March 2021



Mikael Niskala
Independent Sustainability Expert



Tomi Pajunen
Independent Sustainability Expert

GLOBAL REPORTING INITIATIVE (GRI) AND UN SUSTAINABLE DEVELOPMENT GOAL (SDG) INDICES

GENERAL DISCLOSURES		Related SDGs	Page	Further information
Organizational profile				
102-1	Name of the organization		Back cover	
102-2	Activities, brands, products, and services		3, 4, 9, 15	https://www.kone.com/en/company/ https://www.kone.com/en/products-and-services/ https://www.kone.com/en/company/organization-and-management/
102-3	Location of headquarters		Back cover	
102-4	Location of operations		3, 32	https://www.kone.com/en/company/
102-5	Ownership and legal form		3, 12	https://www.kone.com/en/company/organization-and-management/
102-6	Markets served		3, 4	https://www.kone.com/en/company/
102-7	Scale of the organization		3, 4, 9, 46–47	
102-8	Information on employees and other workers	5, 8, 10	4, 32, 46–47	
102-9	Supply chain		39–41	
102-10	Significant changes to the organization and its supply chain		GRI and SDG indices	No significant changes.
102-11	Precautionary Principle or approach			KONE is committed to the UN Global Compact's ten principles. We apply the precautionary principle, especially in areas involving environmental risks.
102-12	External initiatives		10, 26	
102-13	Memberships of associations		10	
Strategy and analysis				
102-14	Statement from senior decision-maker	3, 8, 9, 11, 13, 16	5–6	
102-15	Key impacts, risks, and opportunities	3, 4, 5, 8, 9, 11, 12, 13, 16	5–10, 13	Annual Review 2020, Board of Directors' report, p. 22–25.
Ethics and integrity				
102-16	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	5, 8, 10, 16	7–8, 11, 38–40	www.kone.com/en/company/vision-and-strategy/ https://www.kone.com/en/company/culture/
102-17	Mechanisms for seeking advice on ethical and lawful behaviour	16	38–39	
Governance				
102-18	Governance structure			Annual Review 2020: Corporate Governance Statement, p. 91–92.
102-19	Delegating authority		11	
102-20	Executive-level responsibility for economic, environmental, and social topics		11	
102-21	Consulting stakeholders on economic, environmental, and social topics		11–12	Annual Review 2020: Corporate Governance Statement, p. 91–92.
102-22	Composition of the highest governance body and its committees			Annual Review 2020: Corporate Governance Statement, p. 91–92.
102-32	Highest governance body's role in sustainability reporting		11	KONE Sustainability Report is reviewed by KONE's management and approved by the President and CEO.
102-35	Remuneration policies	16		Annual Review 2020: Corporate Governance Statement, p. 91–92 https://www.kone.com/en/Images/KONE_remuneration_report_2020_tcm17-102027.pdf

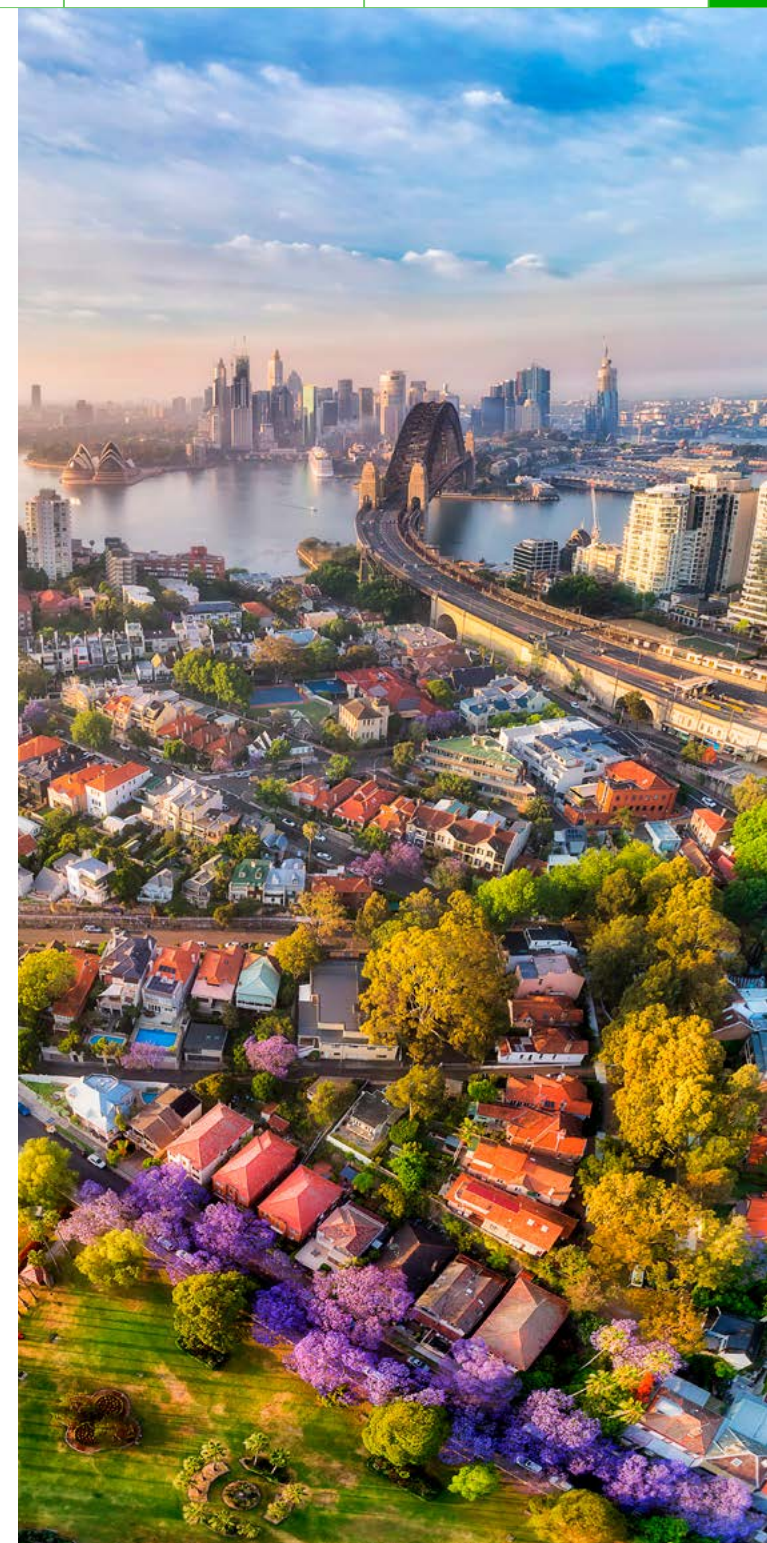


In addition to GRI reporting, KONE has mapped its activities according to Sustainability Accounting Standard Board's (SASB) sustainability accounting standards for Electrical and Electronic Equipment. The **SASB disclosure** can be found on [kone.com](https://www.kone.com).

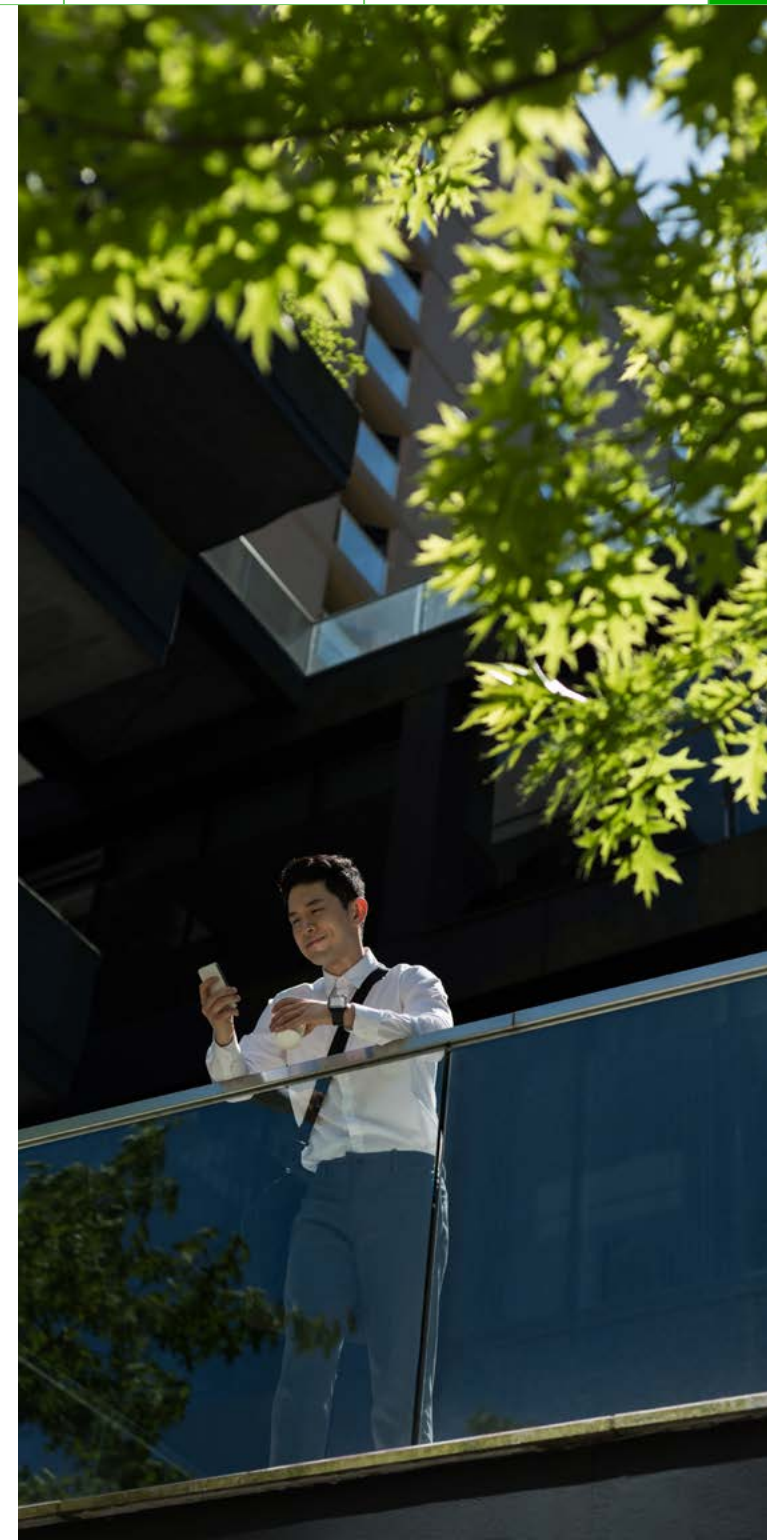
GENERAL DISCLOSURES		Page	Further information
Stakeholder engagement			
102-40	List of stakeholder groups	12	
102-41	Collective bargaining agreements	32	
102-42	Identifying and selecting stakeholders	12	
102-43	Approach to stakeholder engagement	12	
102-44	Key topics and concerns raised	12	
Reporting practice			
102-45	Entities included in the consolidated financial statements		Annual Review 2020, Subsidiaries, p. 82–84.
102-46	Defining the report content and the topic Boundaries	13, 48	https://www.kone.com/en/sustainability/sustainability-report/materiality-assessment/
102-47	List of material topics	11	
102-48	Restatements of information	GRI and SDG indices	No changes.
102-49	Changes in reporting	GRI and SDG indices	No significant changes.
102-50	Reporting period	48, 49	
102-51	Date of the previous report	48	
102-52	Reporting cycle	48	
102-53	Contact point for questions regarding the report	Back cover	
102-54	Claims of reporting in accordance with the GRI Standards	48	
102-55	GRI content index	50–53	
102-56	External assurance	49	KONE's Scope 1, 2 and 3 (materials used for products and packaging, logistics, business travel, waste and lifetime energy consumption of products) emissions and factory water consumption data ("Selected information") data assured externally.
MANAGEMENT APPROACH		Page	Further information and omissions
103-1	Explanation of the material topic and its Boundary	11, 13, 48	
103-2	The management approach and its components	11, 26–29, 31–35, 37, 38, 40	Our disclosures describe in detail KONE's climate-related opportunities and risks, as well as our governance, strategies and management of climate-related topics. For more information, see KONE's Annual Review 2020, p. 20–22.
103-3	Evaluation of the management approach	11, 26–29, 31–35, 37, 38, 40	



TOPIC-SPECIFIC DISCLOSURES		Related SDGs	Page	Further information and omissions
Economic standards				
Economic performance				
201-1	Direct economic value generated and distributed	8	4, 9, 36–42, 47	
201-2	Financial implications and other risks and opportunities due to climate change		26–27	Annual Review 2020, p. 22–23.
Market presence				
202-2	Proportion of senior management hired from the local community	8	32	Leadership position: KONE grades 1–3 (out of 6). Local: Employee is native to the country where the position is based.
Anti-corruption				
205-2	Communication and training about anti-corruption policies and procedures	16	38–39	Part of Code of Conduct training. Addressed also in Annual Review 2020, p. 14, 20–23.
Anti-competitive behavior				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	16		Annual Review 2020, Review of Board of Directors, p. 23.
Tax				
207-1 (2019)	Approach to tax		37	www.kone.com/en/investors/governance/tax-strategy/
207-2 (2019)	Tax governance, control, and risk management		37	www.kone.com/en/investors/governance/tax-strategy/
207-3 (2019)	Stakeholder engagement and management of concerns related to tax		37	www.kone.com/en/investors/governance/tax-strategy/
Environmental standards				
Materials				
301-1	Materials used by weight or volume	9, 12	45	
Energy				
302-1	Energy consumption within the organization	9, 13	45	
302-4	Reduction of energy consumption	9, 12, 13	27–29, 45	
302-5	Reductions in energy requirements of products and services	9, 11, 12, 13	15–17	
Water and effluents				
303-1 (2018)	Interactions with water as a shared resource	9	29	We will conduct a more detailed analysis of water stress during 2021–2022.
303-2 (2018)	Management of water discharge-related impacts	9	29	
303-3 (2018)	Water withdrawal	9	45	
Emissions				
305-1	Direct (scope 1) GHG emissions	9, 13	26–28, 43–44	
305-2	Energy indirect (scope 2) GHG emissions	9, 13	26–28, 43–44	
305-3	Other indirect (scope 3) GHG emissions	9, 12, 13	26–28, 43–44	
305-4	GHG emissions intensity	9, 13	44	
305-5	Reduction of GHG emissions	9, 13	26–28, 43–44	
Effluents and Waste				
306-2 (2016)	Waste by type and disposal method	9, 12	28–29, 45	
Environmental compliance				
307-1	Non-compliance with environmental laws and regulations		GRI and SDG indices	No fines or sanctions regarding non-compliance with environmental laws and regulations.
Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria	12	40	Percentage of strategic suppliers audited.



TOPIC-SPECIFIC DISCLOSURES		Related SDGs	Page	Further information and omissions
SOCIAL STANDARDS				
Employment				
401-1	New employee hires and employee turnover	5, 8	46	
Occupational health and safety				
403-1 (2018)	Occupational health and safety management system	3, 8	34–35	
403-2 (2018)	Hazard identification, risk assessment, and incident investigation	3, 8	34–35	
403-3 (2018)	Occupational health services	3, 8	34–35	
403-4 (2018)	Worker participation, consultation, and communication on occupational health and safety	3, 8	34–35	
403-5 (2018)	Worker training on occupational health and safety	3, 8	34–35	
403-6 (2018)	Promotion of worker health	3, 8	34–35	
403-7 (2018)	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	3, 8	34–35	
403-8 (2018)	Workers covered by an occupational health and safety management system	3, 8	34–35	
403-9 (2018)	Work-related injuries	3, 8	34–35, 47	Industry injury frequency rate (IIFR), average lost days per injury, and total number of work-related fatalities and high-consequence injuries reported for employees. All injuries, including fatalities, are reported to the local authorities according to local regulations.
SOCIAL STANDARDS				
Training and education				
404-2	Programs for upgrading employee skills and transition assistance programs	4, 8	31	Global guidelines exist for supporting employees in transition.
404-3	Percentage of employees receiving regular performance and career development reviews	8	31	
Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	5, 8	46	
Human Rights assessment				
412-1	Operations that have been subject to human rights reviews or impact assessments	16	38–39	
412-2	Employee training on human rights policies or procedures	16	38–39	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	16	38–39	
Supplier social assessment				
414-1	New suppliers that were screened using social criteria	8	40	Percentage of strategic suppliers audited.
Customer health and safety				
416-1	Assessment of the health and safety impacts of product and service categories	9, 11	17, 21	
Socioeconomic compliance				
419-1	Non-compliance with laws and regulations in the social and economic area	16	GRI and SDG indices	No significant fines during the reporting period.



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