

Dedicated to People Flow™



SHANGHAI, 12:45 P.M.

Providing a safe ride for Li and millions of other commuters, every day.

KONE moves millions of people with elevators and escalators every day. Over 12,000 service technicians around the world ensure that the equipment maintained by KONE functions properly. KONE's preventive maintenance helps to minimize equipment downtime and ensures a smooth and safe experience for all users.



# Corporate Responsibility Report

KONE 2011

KONE has identified five development programs to help the company to meet its goals, build on its strengths, and tackle development needs. The programs are Customer Experience, Employee Engagement, Innovative Solutions for People Flow®, Service Leadership, and Delivery Chain Excellence. These development programs along with KONE’s focus areas – safety, quality, and simplification – also play a key role in KONE’s responsibility work.

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DEVELOPMENT PROGRAM

## CUSTOMER EXPERIENCE

### Delivering real value through a solid, long-term partnership

Regal Entertainment Group operates the largest and most geographically diverse movie theater circuit in the United States, consisting of 528 theaters spanning 37 states and the District of Columbia. In 2010 over 200 million moviegoers visited a Regal Entertainment Group theater.

Regal Entertainment Group asked KONE to take responsibility for servicing their installed base of more than 300 elevators and escalators in over 180 locations across the United States. KONE supports Regal's aim of providing the best possible entertainment experience to all visitors by ensuring that people can move safely and reliably through the group's movie theaters.

KONE has built a solid partnership with Regal based on our understanding of what brings value to the customer, and is now considered a key partner in their National Services Program. As a result of their highly successful collaboration, KONE and Regal have agreed to extend the existing service contract ahead of schedule in order to maximize the benefits of all aspects of the partnership.

# Providing industry-leading People Flow solutions

KONE is one of the global leaders in the elevator and escalator industry. We provide industry-leading elevators, escalators, and automatic building doors, as well as innovative solutions for modernization and maintenance. Our objective is to offer the best People Flow® experience by developing and delivering solutions that enable people to move smoothly, safely, comfortably, and without waiting, in buildings within a rapidly urbanizing environment.

KONE serves around 400,000 customers across the globe, the majority of which are maintenance customers. KONE's key customers are builders, building owners, facility managers, and developers. In addition, architects, authorities, and consultants are key parties in the decision-making process regarding elevators and escalators. The range of buildings covers residential buildings, hotels, offices and retail centers, infrastructure, and medical facilities. KONE also serves special sectors such as leisure and education centers, industrial properties, and ships.

In 2011, KONE had annual net sales of EUR 5.2 billion and on average 35,000 employees. KONE Corporation's class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland.

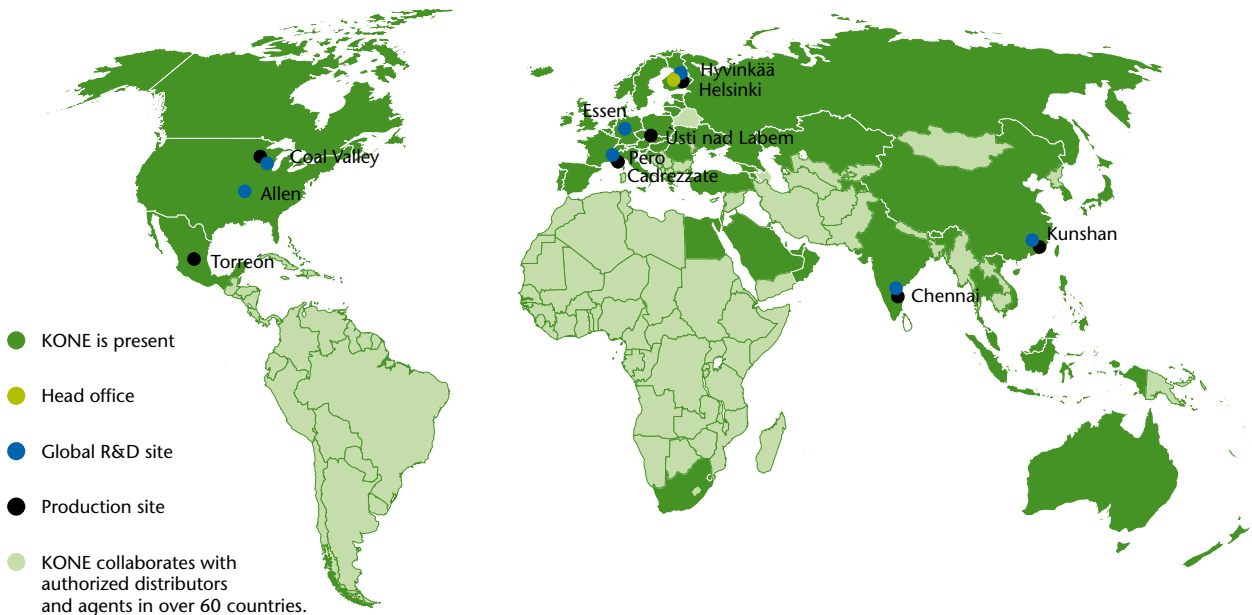
Forbes ranks KONE in world's 50 most innovative companies



In 2011, leading US business magazine Forbes ranked KONE the 39th most innovative company in the world. KONE is the only elevator and escalator company to make the top 50.

The Forbes ranking is based on a metric called the "Innovation Premium". This is a grade given to a company by Forbes based on the premium the stock market has placed on the value of the company. This premium is based on expectations of future innovative products, services, and new markets that will generate even larger income streams.

## KONE worldwide



# Making a positive contribution to our stakeholders

We work closely with our stakeholders to maintain an active dialogue. It is our responsibility to ensure that the business we carry out is sustainable and makes a positive contribution to fulfilling our stakeholders' objectives.

We aim to create value for our shareholders, deliver the best People Flow® solutions to our customers, provide our employees with training and development opportunities, and build long-term and mutually

beneficial relationships with our suppliers. These efforts are also embedded in our strategic targets of fostering customer loyalty, making KONE a great place to work, leading the industry in profitable growth, and providing the best user experience for the people who use our equipment.

With open dialogue, we can maintain efficient collaboration with our stakeholders and ensure a predictable business environment for all parties.

Stakeholder group	Channels of dialogue	Assessments
KONE deals with over 400,000 <b>customers</b> worldwide. Our main customers are builders, building owners, facility managers, and developers	Customer meetings and events, constant dialogue through solution support, seminars and conferences, company reports, brochures and magazines, company website	Annual global customer loyalty survey, monitoring of sales-related activities
KONE pays wages and salaries to, on average, 35,000 <b>employees</b> in over 50 countries	Performance discussions, continuous face-to-face dialogue between employees and managers, European Annual Employee Forum, company intranet, internal employee publications, training events, global learning solutions, innovation creation through Innovation Tool	Pulse employee survey, annual performance discussions, Idea Management System
KONE conducts business with almost 22,000 <b>suppliers</b>	Continuous one-to-one dialogue, Annual Supplier Day for strategic suppliers, trade fairs, steering group meetings, supplier workshops	Annual supplier survey, supplier performance assessment with the Supplier Excellence Certification Program
KONE pays dividends to some 30,000 <b>shareholders</b> , ranging from institutional investors and companies to individuals, public institutions, and non-profit organizations	Management meetings with investors and analysts, dedicated Investor Relations team, annual general meetings, stock exchange and press releases, financial reports, capital markets days, company reports	Investor relations surveys as well as actions based on feedback from shareholders, investors, and analysts
KONE collaborates with authorized <b>distributors and agents</b> in over 60 countries	Continuous dialogue through daily contacts, regular country visits, distributors' meetings and various support tools	Customer survey, monitoring of sales-related activities, and direct feedback from distributors
KONE communicates proactively and openly with representatives of the <b>media</b>	Press releases, interviews, background briefings, visits, press events, factory tours, publications and magazines, company website	Surveys, media analysis, reputation studies
KONE collaborates with <b>educational institutions</b> locally and globally	KONE International Trainee Program, CEMS and JA-YE Europe in Global Enterprise Project, thesis opportunities, local internships, participation in recruitment fairs, common projects, guest lectures, participation in research programs	Most attractive workplace surveys, online tracking
<b>Society</b> - KONE pays direct taxes, social security, and employer expenses in around 50 countries	Media coverage, company website, reports, stakeholder relations	Sustainability surveys, reputation studies



KONE is an active participant and a major contributor to the development of codes, standards, and guidelines for improving safety, accessibility, energy efficiency, and other important aspects of elevator and escalator products around the world. See the list of organizations that KONE is a member at [kone.com/memberships](http://kone.com/memberships)

# Our corporate responsibility focus areas

## Energy efficiency of products



Buildings consume approximately 40% of the world's energy. Elevators and escalators can account for 2–10% of the energy consumption of a building. 70% of the environmental impact of our products stems from the energy consumed by the products over their lifetime. By reducing the energy consumption of our products, KONE seeks to decrease the environmental impact of buildings.

## Logistics and vehicle fleet



Logistics is the biggest contributor to KONE's carbon footprint, accounting for 38% of greenhouse gas emissions. KONE's logistics operations are based on accurate, reliable, and timely information at all phases of the delivery chain, and on using distribution models that take eco-efficiency into account.

KONE's service vehicle fleet is responsible for approximately 35% of the carbon footprint. KONE continuously looks for new and innovative ways of reducing the carbon footprint of its vehicle fleet.



## Safety



KONE moves millions of people with elevators and escalators every day. We enhance the safety of our products and services through rigorous attention to our design, manufacturing, installation, and maintenance processes. Our 12,000 service technicians around the world ensure that the equipment maintained by KONE functions properly 24/7. We constantly strive towards achieving our ultimate goal of zero accidents through the continuous development of our people and processes.

### Global presence, ethical business practices



KONE operates globally through more than 1,000 offices in around 50 countries. Due to KONE's global presence, we consider it critical to ensure that clear rules and guidance for ethical business practices are in place and easily accessible to all our employees, who represent over 100 nationalities.

### Value distributed to stakeholders



In 2011, KONE generated a total of EUR 2.4 billion of added value to be distributed to stakeholders (read more on page 15). Good economic performance not only creates value for our owners, it also allows us to serve our customers better, provide employment opportunities, sustain suppliers, and pursue an active role in the community.



### Employee engagement



In 2011, KONE had on average 35,000 employees globally. According to one of our strategic targets, we want to make KONE a great place to work and to inspire, engage, and develop our employees for outstanding performance. Many of our employees have long careers with the company; for instance in Germany, Italy, and Finland the average length of service is more than 10 years.

## A culture of responsibility supports our long-term success



To us, the fundamental purpose of corporate responsibility is to act each day in a way that ensures KONE's sustainability and long-term success. With our Finnish heritage comes a very pragmatic approach to corporate responsibility. We accept accountability for our impact on the community at large, and strive to align our business with values and norms that go well beyond legal and regulatory requirements. Our objective is to achieve sustainable and profitable growth by meeting the needs and expectations of all our employees, customers, shareholders, and the societies in which we operate.

We spend a considerable amount of time assessing and determining the megatrends that drive our industry. The most important of these is urbanization, alongside an aging population and an ever-growing emphasis on safety and energy efficiency. They underline our vision, which is to deliver the best People Flow experience. This vision centers on the people who use our equipment and is founded on our strong culture for innovation. We believe KONE's solutions play an important role in making urban areas better places to live.

KONE has grown from a tiny machine shop in southern Finland to a truly global company with more than

1,000 offices in more than 50 countries. During this century-long journey, we have learnt to respect different cultures and understand their norms and values. At the same time, we have held true to our own values. Our values lead our everyday actions, and they act as a guide towards achieving our vision.

Profitable growth is a precondition of sustainability. KONE's economic performance brings important benefits to all our stakeholders by enhancing our ability to serve our customers, securing employment opportunities, sustaining suppliers, and allowing us to pursue an active role in the community.

The KONE Corporation Centennial Foundation, founded in 2010, is one part of our initiative to support local and often disadvantaged communities. During 2011, the foundation provided funding and support to an educational center in a slum neighborhood of Chennai, India. The small center for children and youths, originally built in 1947, was renovated in time for India's Independence Day celebrations on August 15. The foundation supplied the centre with a borewell, a pump, and a storage tank for potable water, as well as some badly-needed furniture, whiteboards, and books for a library. It gives funding for teachers and also supports a non-governmental educational consulting organization, Aid India, in training teachers and providing program materials.

All in all, 2011 was another successful year in KONE's long history. I want to thank all our stakeholders for this success. Although the current economic climate means there may be further challenges ahead, there are also great opportunities. With your continued support, I am confident that we can look towards the future with optimism.

A handwritten signature in black ink, appearing to read 'Antti Herlin'.

Antti Herlin

Chairman of the Board  
KONE Corporation



# Sustainable business in a challenging environment



During 2011 our operating environment remained challenging outside Asia-Pacific. In southern Europe and North America, construction activity was at a low level throughout the year. In central and northern Europe, the markets recovered in the first half of the year with the growth leveling off towards the end of the year.

Since early 2008, our objective has been to take the prevailing difficult market environment in Europe and North America as an opportunity. In this period we have invested significant amounts in developing people. The opportunity mindset together with active sales efforts, good product competitiveness, continued improvements in our overall quality and productivity, and strong investments in key growth markets resulted in a continued positive development in our business performance in 2011.

At the beginning of 2011, we set ourselves five new development programs to support us in achieving our strategic goals. All in all, our development programs have shown their strong positive impact on the KONE business, and they will continue to drive us in the right direction in the years to come. The progress we have made in these areas in combination with the more balanced geographic mix of our business contributes to our ability to create value for our customers and other stakeholders.

## Strong employee engagement

One of our development programs is Employee Engagement, with a focus on further improving our leadership capabilities, providing growth and development opportunities for all KONE employees, and ensuring their well-being at work.

It has given me great pleasure to see the progress made. KONE's success is the result of our employees' dedication and passion for what they do. It is pleasing to see the record-high response rate in our 2011 employee survey that shows this dedication.

We have also succeeded in improving workplace safety, as indicated by the continued decline of the Industrial Injury Frequency Rate. Improved safety awareness was confirmed by "KONE's commitment to employee safety" again being the highest single score registered when asked about KONE's workplace safety in the 2011 annual employee survey.

## Excellence in eco-efficiency

Our objective is to be the eco-efficiency leader within our industry. In 2011, we continued the previous years' excellent development by further improving the energy efficiency of our elevators and escalators. This follows on from 2008 – 2010 when we achieved our ambitious target of a 50 percent reduction in the energy consumption of our new elevators. In addition, a wide range of KONE elevators has been awarded the A-class energy rating according to the VDI 4707 (Verein Deutscher Ingenieure) energy classification guideline. We have also taken steps to further reduce our own carbon footprint.

We continuously look for new opportunities to develop our people, solutions, and processes. Corporate responsibility is no exception to this – it is embedded in everything we do. The valuable work we have done in all areas of corporate responsibility, from economic and social to environmental responsibility, in itself strengthens KONE.

A handwritten signature in black ink, which appears to read "Matti Alahuhta".

Matti Alahuhta

President & CEO  
KONE Corporation

# Making urban areas better places to live

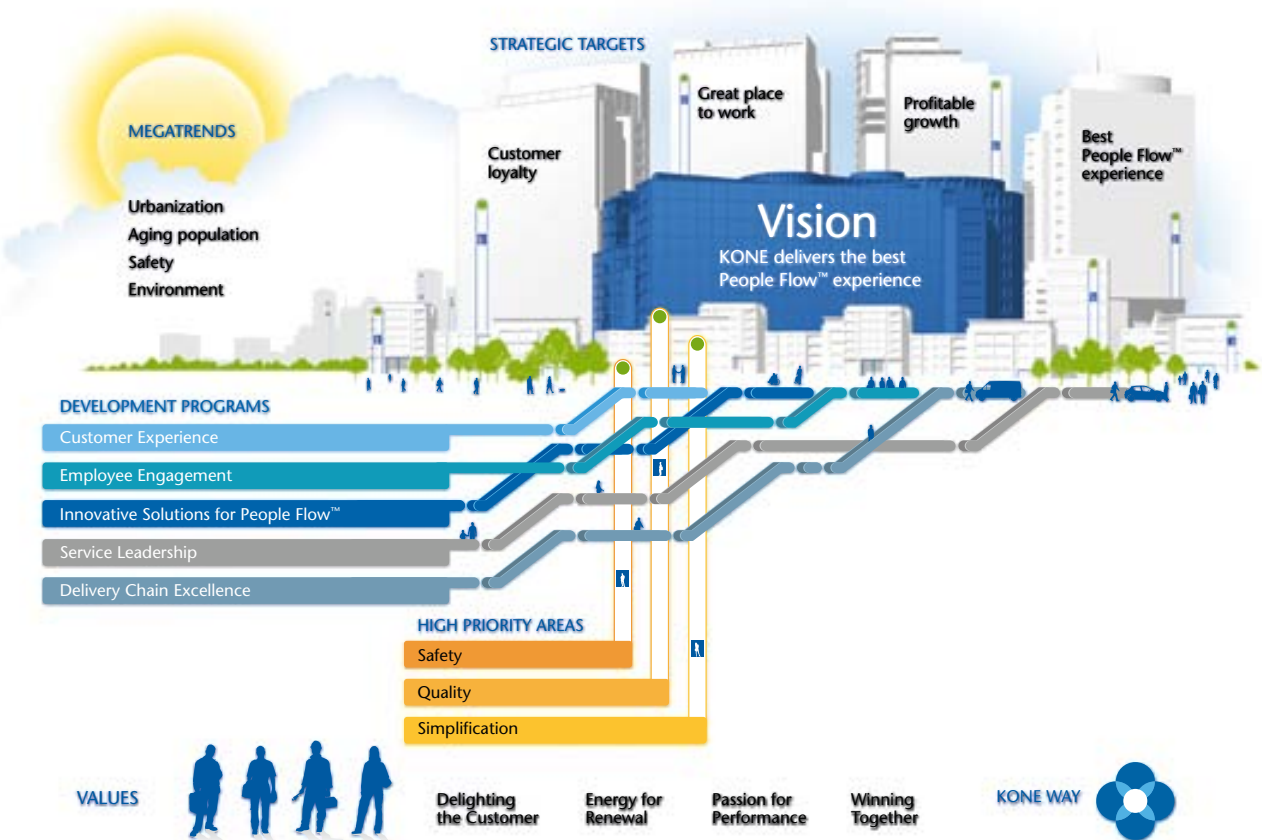
KONE's vision is to deliver the best People Flow® experience. Our strategy is to deliver a performance edge for our customers by offering innovative, cost-competitive, and eco-efficient solutions that move people with ease, safety, and comfort. We want to make urban areas better places to live, act responsibly in everything we do, and create value for all our stakeholders.

To help us realize KONE's vision of creating the best People Flow experience, we continually strive to expand our understanding of customers' needs. By responding to these needs and focusing on our people leadership and internal processes, we can achieve our four strategic targets of serving increasingly loyal customers, making KONE a great place to work, leading the industry in profitable growth, and providing the best user experience.

KONE's efforts to meet its strategic targets are supported by development programs that are designed to help us turn our strategy into reality. These programs are reviewed and redefined at regular intervals in response to both achievements and changes in the business environment.

The development programs and strategic targets are founded on KONE's core values of delighting the customer, energy for renewal, passion for performance, and winning together.

We have also refined the three high priority areas that are the backbone for everything we do. These are safety, quality, and simplification.



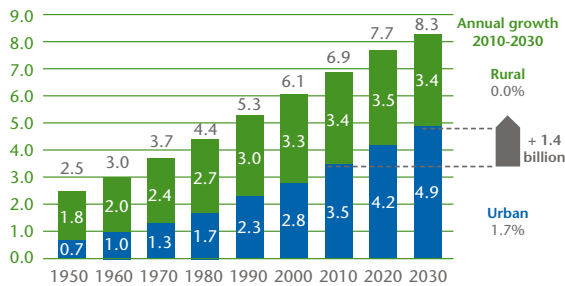
### Megatrends driving KONE's growth

The direction and shape of the global elevator and escalator industry are driven by four megatrends: urbanization, changing demographics, the increasing importance of safety, and concern for the environment. KONE contributes to sustainable urban development by developing eco-efficient solutions that move people smoothly and safely in urban environments.

### Urbanization

Urbanization is the single most important megatrend within the global elevator and escalator industry. It is expected to drive demand for years to come.

### Population in rural vs. urban areas (billions of people)



Source: U.N. World Urbanization Prospects 2009 revision; McKinsey Global Institute

### Environment

Buildings account for approximately 40 percent of the world's energy consumption, and elevators and escalators can account for two to 10 percent of the energy consumption of an individual building. The elevator and escalator industry can play a vital role in helping to counter climate change and its negative effects by providing innovative solutions that help to reduce the energy consumption of buildings. The demand for energy-efficient solutions for moving people in and between buildings is driven by voluntary sustainability ratings and national green building ratings.

### Safety

Urban infrastructure systems in certain markets are aging. National and international safety codes and

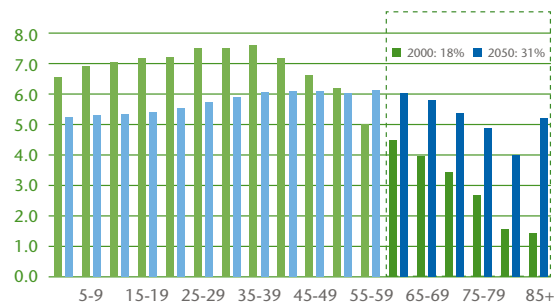
Our strategy is to deliver a performance edge for our customers by offering innovative, cost-competitive, and eco-efficient solutions that move people with ease, safety, and comfort.

standards play a key role in determining the safety level of elevators and escalators. Particularly in Europe, many countries have adopted strict standards for safety and modernization in recent years.

### Aging population

The global demographic structure is changing. The growing number of older people raises the importance of accessibility in buildings and urban infrastructure. There is an ever-growing need for People Flow solutions that offer convenience and accessibility. An elevator can help elderly residents live in their homes longer, facilitate the lives of all residents in the building, as well as add value to an existing property.

### OECD population distribution by age group (share of population in age group, % of total)



Source: OECD (Organization for Economic Co-Operation and Development) Demographic and Labour Force database



Read more about KONE's business environment and megatrends at [kone.com/megatrends](http://kone.com/megatrends)

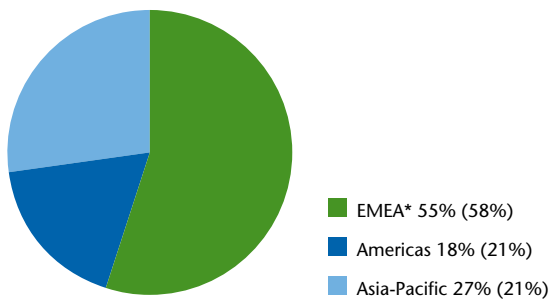
# Key figures 2011

## Economic responsibility

Key financial figures		2011	2010	change, %
Orders received	MEUR	4,465.1	3,809.0	17.2
Order book	MEUR	4,348.2	3,597.8	20.9
Sales	MEUR	5,225.2	4,986.6	4.8
Operating income	MEUR	725.1	696.4	4.1
Operating income	%	13.9	14.0	
Cash flow from operations (before financing items and taxes)	MEUR	819.8	857.2	
Net income	MEUR	644.4	535.9	
Total comprehensive income	MEUR	669.5	577.6	
Basic earnings per share	EUR	2.52*	2.1	
Interest-bearing net debt	MEUR	-829.1	-749.8	
Total equity/total assets	%	54.0	49.3	
Gearing	%	-40.8	-46.8	
R&D expenditure	MEUR	82.5	70.9	

\*The basic earnings per share, excluding a one-time gain from the consolidation of GiantKONE as a subsidiary as of December 1, 2011, was EUR 2.30.

### Sales by market, 2011 (2010), %



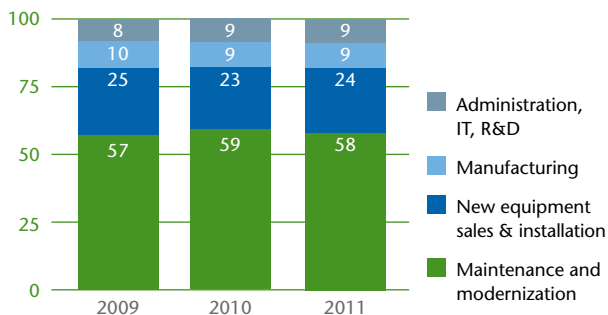
\* Europe, Middle East, Africa

### Relative operational carbon footprint

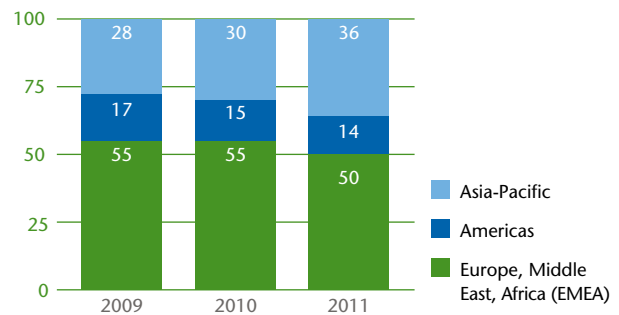
	2009	2010	2011	YoY
Service vehicle fleet kgCO <sub>2</sub> e/Unit in service	95.0	89.1	85.6	-3.9%
Electricity kgCO <sub>2</sub> e/Headcount	854	873	896	+2.6%
Business air travel kgCO <sub>2</sub> e/Headcount	149	200	226	+13.0%
Logistics* tCO <sub>2</sub> e/Unit	1.40	1.42	1.27	-10.6%
Overall operations kgCO <sub>2</sub> e/k€ Revenue	46.3	45.1	45.5	+0.9%

\* Excluding air freight and India. Read more on page 32.

### Employees by job category, Dec. 31, %



### Employees by market, Dec. 31, %



## Environmental excellence program

Key initiatives	Target 2011	Achievement 2011	Target 2013
We continue to reduce energy consumption and increase the eco-efficiency of our solutions	Further reduction in the energy consumption of volume elevators and escalators	<ul style="list-style-type: none"> <li>• VDI 4707* A-class coverage expanded to include KONE MonoSpace® Special, KONE Double Deck, and hospital elevators</li> <li>• KONE MonoSpace® elevators operating in net zero energy buildings in Europe and North America</li> <li>• First elevator company to achieve FIDE** certification, for the KONE MonoSpace® and KONE MiniSpace™ elevators</li> <li>• KONE solutions delivered to LEED-certified buildings</li> <li>• Escalator energy consumption of a typical configuration reduced by 19% from 2010 level</li> </ul>	Further improve the energy efficiency of the next generation of KONE elevators and escalators
We continue to minimize the carbon footprint of our operations	Reduce carbon footprint relative to net sales by 3% from 2010 level	<ul style="list-style-type: none"> <li>• Carbon footprint increased by 0.9%. The carbon footprint of assured scope 1 and scope 2 GHG emissions relative to net sales decreased by 3.3%</li> </ul>	Reduce operational carbon footprint relative to net sales by 3% annually
Our processes fulfill ISO 14001 and green building requirements	All corporate functions, production units, and targeted country organizations are ISO 14001 and ISO 9001 certified	<ul style="list-style-type: none"> <li>• 16 country organizations are ISO 14001 and ISO 9001 certified (2010: 11)</li> <li>• R&amp;D unit in India is LEED certified</li> </ul>	OneISO and LEED implementation at new KONE production facilities and country offices
We develop environmental excellence jointly with our suppliers	All KONE strategic suppliers meet ISO 14001 requirements	<ul style="list-style-type: none"> <li>• The scope of strategic suppliers was expanded: Currently, 80% are ISO 14001 certified</li> </ul>	All KONE strategic suppliers meet ISO 14001 requirements
We communicate, and gain recognition, as the most eco-efficient company in our industry	KONE Corporate Responsibility Report maintains GRI3 B level	<ul style="list-style-type: none"> <li>• KONE 2010 Corporate Responsibility Report maintained GRI3 B level</li> <li>• KONE's score in the Carbon Disclosure Project increased to 83/100 points (2010: 61) with carbon performance score B. KONE was included in the Nordic Carbon Disclosure Leadership Index for the first time</li> <li>• In 2011, environmental data for our scope 1 and scope 2 GHG emissions has been assured by PwC Oy</li> </ul>	KONE is valued as the leader in sustainability and eco-efficiency in our industry, report according to GRI3 B level

\*VDI 4707 is a guideline published by the Association of German Engineers (Verein Deutscher Ingenieure), which classifies elevators based on their energy consumption.  
 \*\* FIDE is an official Mexican organization that certifies energy efficient equipment. FIDE evaluation is based on the European VDI 4707 energy efficiency classification.

Key environmental figures			2011	2010	2009
Energy consumption					
Direct	Heating fuels	m <sup>3</sup>	2,552	1,500	900
	Natural gas	m <sup>3</sup>	3,324,104	4,953,000	4,357,000
Indirect	Electricity, including district heating	MWh	76,668	74,769	74,523
Waste		tonnes	23,700	37,500	34,400
Water consumption		m <sup>3</sup>	270,000	270,000	280,000
GHG emissions from KONE's operations					
Direct (scope 1)	Fuels for heating and manufacturing	tCO <sub>2</sub> e	13,000	13,000	11,000
	Gases for cooling systems	tCO <sub>2</sub> e	400	900	1,800
	Vehicle fleet	tCO <sub>2</sub> e	88,500	87,800	91,400
Indirect (scope 2)	Electricity, including district heating	tCO <sub>2</sub> e	32,000	29,000	29,000

Full environmental data is available on page 35.

Safety	2011	2010	2009
IIFR* development	4.1	4.3	5.2

\*IIFR = industrial injury frequency rate

DEVELOPMENT PROGRAM

## SERVICE LEADERSHIP

### Local service presence with a global reach

KONE maintains over 850,000 elevators and escalators globally. Every single day, millions of people around the world use KONE-maintained equipment to move in and between buildings. Our number-one priority is to ensure safety for all of them and enable smooth, uninterrupted journeys 24/7.

Thanks to our global network of customer care centers – which operate around the clock – we can guarantee a rapid response to requests from both customers and end users. KONE customer care centers provide service in the local language, ensuring that all queries and service requests are handled as quickly as possible.

KONE aims to build strong relationships based on trust and confidence. Being available whenever and wherever our customers and end users need us plays a huge part in helping us achieve this goal.

CALL

# Creating value through profitable growth

KONE's objective is to achieve sustainable and profitable growth by meeting the needs and expectations of our customers in the most efficient way. KONE's foremost responsibility is to our shareholders. However, economic performance not only creates value for our owners, it also brings important benefits for other stakeholders.

In addition to creating value for shareholders, profitable growth allows us to continue to serve our customers better, provide employment opportunities, sustain suppliers, and pursue an active role in the community. Through the active and continuous development of our entire business system, we aim to become an even stronger player within our industry.

KONE's growth and long-term success is driven by the desire and ability to meet the needs and requirements of our customers. The aims of our company-wide development programs are to continuously improve KONE's competitiveness and to help us achieve our strategic targets. Our internal control processes ensure consistent financial performance and support us in achieving our long-term targets.

Our shareholders and the financial community as a whole are important stakeholders for KONE, as they are the ultimate decision-makers and providers of capital for our business and its growth. At the end of 2011 KONE had approximately 30,000 shareholders, ranging from institutional investors and companies to individuals, public institutions, and non-profit organizations. KONE aims to generate a return on shareholders' investment by conducting its business in a profitable, sustainable, and transparent manner.

## Growth and stability

In 2011 KONE's development was good despite an uncertain and challenging economic environment outside the Asia-Pacific region. Orders received increased 17.2 percent compared to 2010, reaching EUR 4.5 billion (3.8 billion). Sales in 2011 amounted to EUR 5.2 billion (5.0 billion), an increase of 4.8 percent from the previous year. Systematic efforts to develop KONE's geographic presence and focus on areas of growth have been important contributors to our profitable growth in recent years. Our broad global reach provides stability, especially when some markets are challenging. KONE's development in Asia-Pacific

continued to be particularly strong, with the region accounting for 27 percent of our sales in 2011.

KONE provides solutions for the whole life cycle of its products, from new equipment sales to maintenance and modernization. Competitiveness in all three businesses is essential in order to be successful globally. New equipment installations are the most important source of growth for our maintenance business. KONE's focus on building solid, long-term customer relationships and delivering high quality service have allowed us to secure a high rate of conversion from our new equipment installations into our maintenance base, which exceeded 850,000 elevators and escalators in service at the end of 2011. Maintenance, although highly competitive, is less vulnerable to fluctuations in the market environment than the new equipment and modernization businesses, and is thus another factor that provides stability for KONE's business in a challenging economic environment. When the equipment reaches an age where more thorough repair is needed, modernization solutions – ranging from the replacement of individual components to full replacement – can significantly improve its safety, accessibility, energy efficiency, and performance. Modernization represents an important potential area of future growth, with a large aging installed base of elevators and escalators worldwide.

## Profitability and financial strength

KONE's operating income rose to EUR 725.1 (696.4) million in 2011, or 13.9 (14.0) percent of sales. Contributing factors to the growth in operating income were good business progress in Asia-Pacific and central and northern Europe, growth in the maintenance business, and an overall improvement

**Profitable growth allows us to continue to serve our customers better, provide employment opportunities, sustain suppliers, and pursue an active role in the community.**

in quality and productivity. The growth in operating income was burdened by increased material costs, increased labor costs in Asia, and intensified price competition. In addition, KONE increased fixed costs in areas supporting future growth, such as R&D, process development, and Asia-Pacific.

KONE's financial strength allows us to be proactive in developing the company for the long term. At the end of 2011, KONE's net cash position was significantly positive, at EUR 829.1 million (749.8). Cash flow from operations is KONE's principal source of funding, and we aim to maintain negative working capital in order to ensure healthy cash flow at all times. In 2011, KONE's cash flow from operations (before financing items and taxes) remained strong, at EUR 819.8 million (857.2). Although KONE has no specific target for its capital structure, our aim is to maintain strong credit quality in order to provide ample access to external funding should business growth demand it. KONE's strong balance sheet provides stability in an uncertain economic environment and allows us to take advantage of potential business opportunities that will create value.

### Internal control and risk management

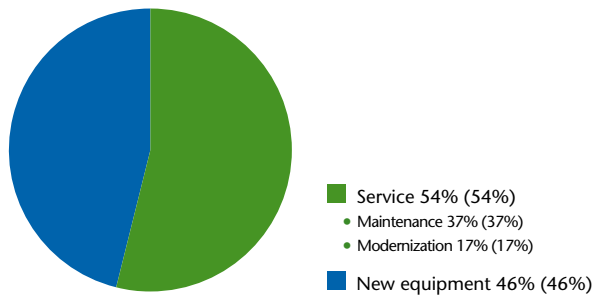
KONE's internal control processes are designed to ensure that the Group's operations are efficient and profitable, that the business risk management is adequate and appropriate, and that financial information is accurate and reliable. These processes and controls enable us to oversee the business' adherence to agreed operating principles and instructions. These are fundamental to securing KONE's financial performance and the ability to achieve our long-term targets. KONE's internal control procedures are laid down in carefully defined principles and instructions. A unified and globally harmonized framework provides processes, tools, and instructions to cover both managerial and external financial reporting.

Risk management aims to coordinate and develop a systematic assessment of risks and opportunities within core business planning and decision-making processes. KONE continuously assesses the risks and opportunities of its business decisions in order to limit unnecessary or excessive risk in achieving its business and financial objectives.

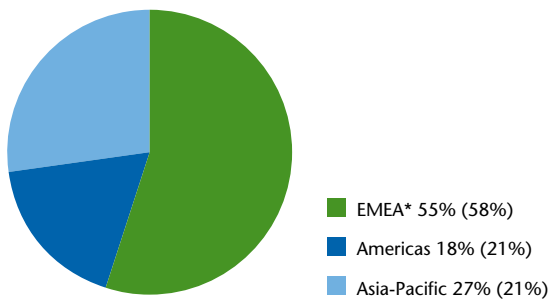
### New long-term financial targets set in 2011

- Growth: faster than the market
- Profitability: 16% earnings before interest and taxes
- Cash flow: improved working capital rotation

### Sales by business, 2011 (2010), %



### Sales by market, 2011 (2010), %



\* Europe, Middle East, Africa

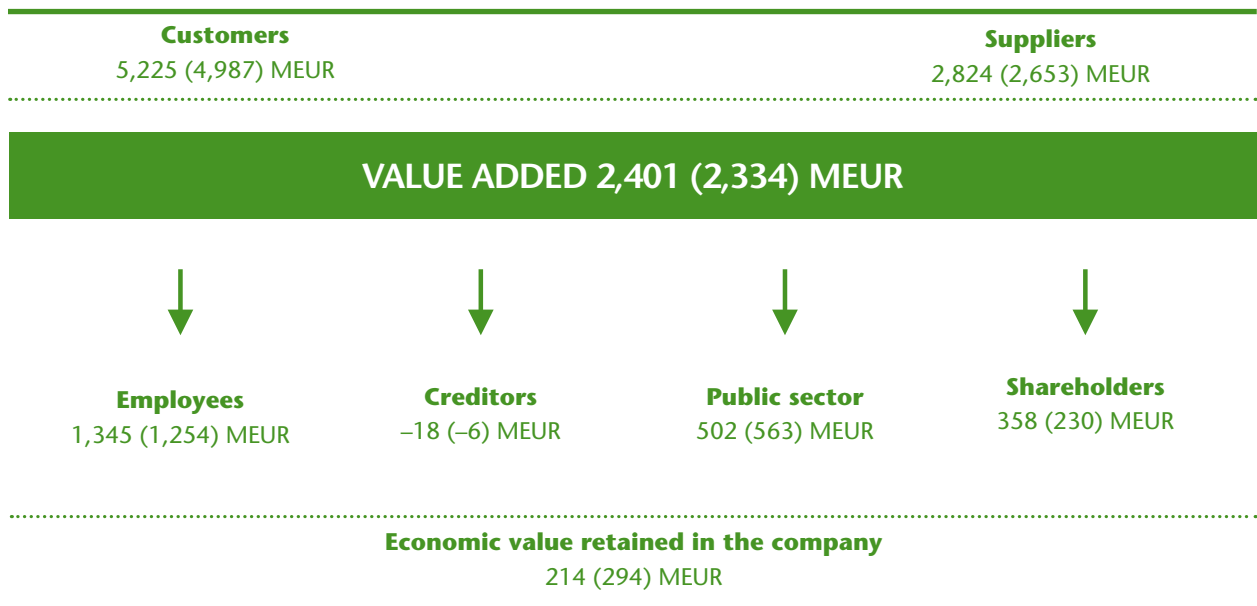


# Value creation and stakeholders

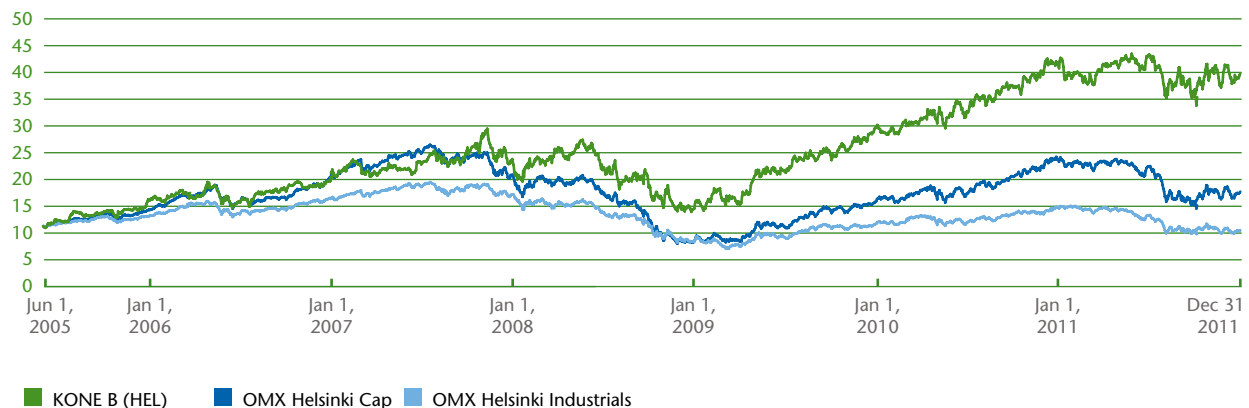
The distribution of added value created by KONE in its business operations is presented in the diagram below. The difference between KONE's sales and contributions paid to suppliers represents added value, which is distributed to various stakeholders.

The largest of these stakeholder groups in terms of distributed value are employees (wages and salaries), shareholders (profit distribution), and the public sector (taxes and other contributions). The remainder, EUR 214 million for the 2011 financial year, is retained in order to develop and grow the business, and seize potential future opportunities.

## KONE's economic impacts



## Development of KONE's share price versus OMX Helsinki



DEVELOPMENT PROGRAM

## INNOVATIVE SOLUTIONS FOR PEOPLE FLOW®

### Accessibility in focus on People Flow Day 2011

KONE's aim is to be an expert in transporting people in and between buildings smoothly, efficiently, and in a safe manner without waiting. Our annual People Flow day is an important part of gaining a deeper insight into what this means in practice.

People Flow Day is designed to bring us closer to end users and our customers. Employee teams act as researchers, talking to customers, interviewing the public, making on-site observations, and completing questionnaires. Closely studying how, where, and why people move in buildings during a typical weekday helps the teams gather valuable first-hand information on both the user experience and the customer experience.

People Flow Day 2011 took place in October in over 30 countries. Participants from KONE paid special attention to the accessibility challenges faced by different user groups, such as wheelchair users, those with visual impairments, senior citizens, people in a hurry, and families with young children.



# Delivering smooth People Flow for everyone

People Flow® means moving people smoothly, safely, comfortably, and without waiting in and between buildings.

Driven by the urbanization megatrend, some 500,000 new pieces of equipment are being installed each year. In 2010, it is estimated that there were over 10 million elevators and escalators in operation globally. Every single day, millions of people around the world use KONE-maintained equipment to move in and between buildings.

People Flow is about providing high quality accessibility for everybody. KONE sees People Flow from different perspectives, focusing on the movement of individuals, larger crowds of people, and goods.

## Optimal solutions for key customer groups

By constantly analyzing the People Flow in different buildings and understanding the customer's business, KONE is able to provide them with optimal solutions. KONE's key customer groups are builders, building owners, facility managers, and developers. Architects, authorities, and consultants are also key parties in the decision-making process regarding elevators and escalators. KONE's expert project management services ensure that projects run smoothly, and provide tools that help customers in their work.

## Providing the best possible end-user experience

KONE has an in-depth understanding of the unique requirements of different buildings. KONE has segmented its market according to the purpose of the building. The main segments are residential buildings,

hotels, offices and retail centers, infrastructure, and medical facilities. KONE also serves special sectors such as leisure and education centers, industrial properties, and ships. With careful planning, KONE can ensure that the most suitable and user-friendly solutions are installed in the building.

KONE continuously studies the flow of people to understand the needs of different end-users such as elderly and disabled people, and people with baby strollers. KONE works closely with specific end-user groups to see where further accessibility improvements can be made. Research on accessibility is a continuous effort, and we maintain an active dialogue with associations that promote the interests of individuals with impaired mobility to better understand their needs.

With KONE Care™ preventive maintenance, elevators, escalators, and automatic building doors can be kept in good working order, and modernization ensures that they meet the latest safety and accessibility standards.



# Developing eco-efficient solutions for a more sustainable future

According to KONE’s environmental statement, we provide safe, eco-efficient, and responsible high-performance services, modernizations, and solutions. We strive for continuous improvement in all our business activities by following or exceeding the requirements set out by all applicable laws, rules, and regulations.

KONE’s long term environmental objectives are to further improve the eco-efficiency of our solutions, modernize existing elevators and escalators to make them more energy-efficient, and to further reduce the environmental impact of our operations, particularly with regard to operational carbon footprint.

## Energy-efficient solutions that lead to greener buildings

KONE is a pioneer in developing eco-efficient solutions in the elevator and escalator industry. The Environmental Life Cycle Assessments of KONE’s elevators and escalators show that the biggest environmental impact relates to the amount of electricity used by the equipment over its lifetime. This underlines the importance of continuing to develop and improve energy-efficient innovations.

KONE is helping to combat climate change and contributing to the development of next-generation green buildings by delivering eco-efficient elevator, escalator, and automatic building door solutions for sustainable and net zero energy buildings.

The increasing interest in achieving green building certifications such as LEED, BREEAM, Green Star, and Green Mark is one of the driving factors behind the increase in demand for eco-efficient elevators and escalators.

KONE’s expertise in eco-efficiency enables us to perform in-depth analyses of traffic patterns, energy consumption, and the potential carbon footprint reduction over the entire operational lifespan of the solutions we offer our customers. The tools used to conduct these analyses are particularly valuable in helping customers design net zero energy buildings and comply with green building requirements.

## Eco-efficiency drives the R&D process

Eco-efficiency is one of the key drivers of our R&D process and is at the heart of the entire KONE offering, from low- and high-rise elevators to escalator and

automatic building door solutions. When we are developing new solutions, we focus on minimizing the environmental impact throughout the lifecycle of the equipment. This focus extends from the extraction of raw materials to end-of-life processes such as recycling, waste treatment, and the reuse of recovered materials.

The KONE R&D process aims to:

- reduce energy consumption
- reduce material use (including packaging and waste)
- avoid the use of hazardous substances
- maximize material durability and recycled content
- maximize recyclability
- ensure that our products meet voluntary green building certification requirements
- minimize water consumption

## Boosting eco-efficiency in net zero energy buildings

Primarily driven by the need for energy efficiency, net zero energy buildings – buildings that produce as much energy as they consume each year – are a growing trend in the cutting-edge green building market.

Energy can be produced on-site, often through a combination of technologies like solar, wind, or geothermal, meaning that net zero energy buildings can even be independent from the energy grid supply. The overall amount of energy used can also be reduced with energy efficient heating, ventilation, air conditioning, and lighting technologies.

KONE’s advanced industry-leading elevator technology offers excellent opportunities for saving even more energy. For instance, a KONE regenerative drive, which re-uses braking energy that normally goes to waste, coupled with a KONE EcoDisc® hoisting machine, reduces energy consumption on a day-to-day basis by up to 35 percent, depending on elevator speed and building height. LED lighting and standby solutions further lower the energy consumption of KONE elevators.

In 2011, KONE delivered solutions for its first net zero energy building projects in Europe and North America.

Every solution creation project at KONE must follow detailed eco-efficiency criteria, verified using prototypes and pilots, with a special focus on minimizing energy consumption. In terms of product management, every new change to a product is evaluated against the existing solution to verify that the new solution delivers improved performance in terms of minimized impact on the environment.

### Reduction of energy consumption continues

KONE seeks to decrease the environmental impact of buildings by continuing to reduce the energy consumption of its elevators and escalators. Our new range of volume elevators consumes 50 percent less energy on average than the typical KONE elevator configuration from 2008.

### Top-class energy efficiency

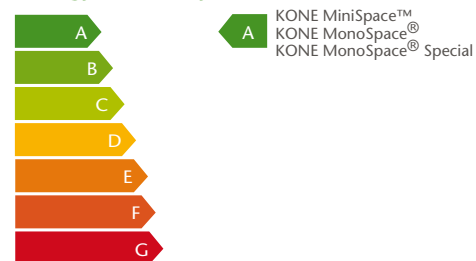
In 2011, KONE further increased the number of energy-efficient elevator installations globally, especially in Asia.

A number of KONE solutions in Europe and Asia ranging from low- and mid-rise to high-rise elevators received an A-class energy rating as defined by VDI 4707, the guidelines published by the Association of German Engineers (Verein Deutscher Ingenieure), which classify elevators based on their energy consumption. The VDI

classification ranges from A to G, from the most to the least energy efficient system, and it is commonly used by the elevator industry. In 2011, the KONE MonoSpace® Special elevator was awarded an A-class rating, with the KONE MonoSpace® and KONE MiniSpace™ elevators already having achieved an A-class rating in 2010.

All A-class VDI certifications have been achieved on customers' sites with measurements conducted by third parties, in building types varying from small residential buildings to high-rise office buildings and hospitals. KONE has also achieved an A-class VDI certificate for a double deck elevator, which is a special application for buildings with very high traffic volumes.

### Energy efficiency class

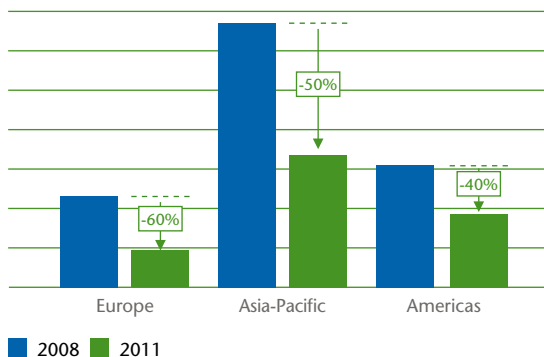


Europe					
	KONE MonoSpace®	KONE MonoSpace®	KONE MonoSpace® Special	KONE MiniSpace™	KONE Double Deck
Building type	Residential	Residential	Hospital	Office	Observation tower
Location	Austria	Germany	Italy	Germany	Austria
Load (kg)	630	1,000	2,000	4,000	2 x 1,200
Speed (m/s)	1.0	1.0	1.0	3.0	6.2
Energy efficiency class	A	A	A	A	A

Asia				
	KONE 3000X MiniSpace™	KONE 3000S MiniSpace™	KONE 3000S MonoSpace®	KONE 5000 MiniSpace™
Building type	Residential	Residential	Office	Office
Location	China	China	China	China
Load (kg)	800	1,000	1,600	1,600
Speed (m/s)	1.75	2.5	2.5	6.0
Energy efficiency class	A	A	A	A

Today, KONE's European volume elevators consume 60 percent less energy, Asian volume elevators 50 percent less, and US volume elevators 40 percent less energy than in 2008. This significant reduction has been achieved by developing new technologies such as more efficient hoisting machinery, regenerative technologies that recover the energy from ascending and descending elevators and feed it back into the building's electricity network, as well as more efficient lighting and standby solutions.

**KONE volume elevators' energy consumption reduced by 50%**  
kWh/year



Calculations based on:  
 Europe: elevator speed of 1 m/s, load of 630 kg, 150,000 starts per year, travel height of 9 m.  
 Asia-Pacific: elevator speed of 1.6 m/s, load of 800 kg, 200,000 starts per year, travel height of 60 m.  
 Americas: elevator speed of 0.75 m/s, load of 1,134 kg, 85,000 starts per year, travel height of 11 m.

**Saving energy through modernization**  
 Huge reductions in energy consumption can be achieved by modernizing old equipment. KONE has developed modernization solutions that can reduce energy consumption by up to 70 percent for elevators, and up to 40 percent for escalators.

 Read more about KONE's R&D process and eco-efficient products at [kone.com/environment](http://kone.com/environment)

**Eco-efficient modernization in Singapore**

KONE completed a comprehensive elevator modernization project for the high-rise residential Waterside building in Singapore. The building's owners wanted to replace the 24 existing elevators with modern technology that would maximize energy efficiency and minimize operating costs for the entire life cycle of the equipment.

KONE's solution was the KONE Resolve™ X2, the most energy-efficient elevator modernization concept for high-rise buildings on the market. With KONE Resolve X2, the electrification system, control, and hoisting machinery can be replaced with minimum disruption to daily operations in the building. This innovative solution also optimizes the use of existing and new components, thereby reducing waste.

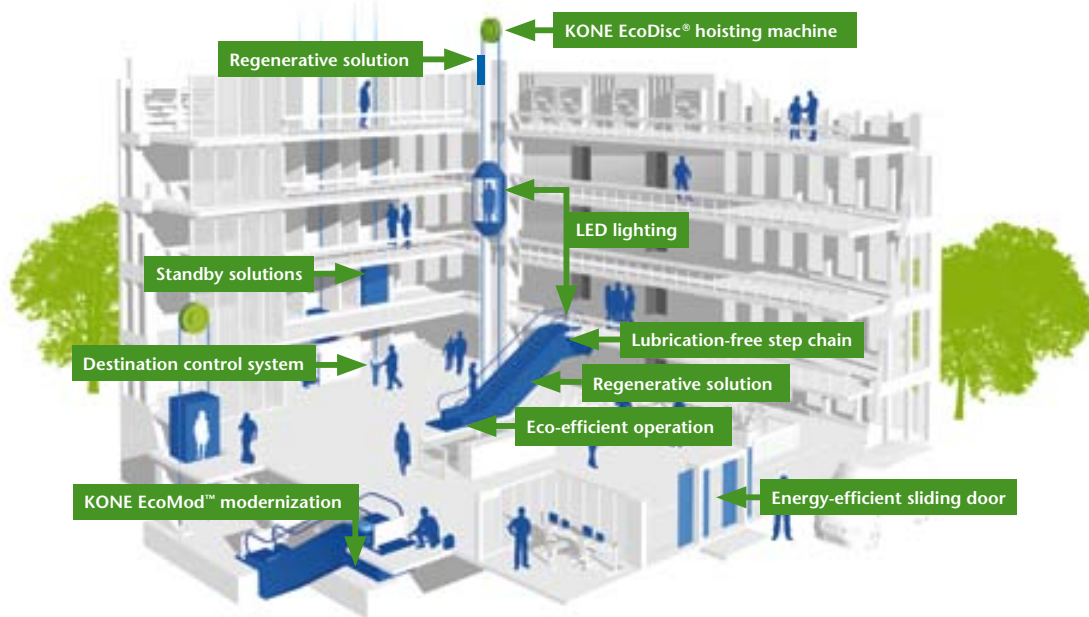
The system-level measurement and analysis tools of KONE's electrical site survey, the KONE ESiteSurvey™, enabled us to analyze all the critical parameters of the existing equipment and engineer a safe, reliable, and high performance new solution for the customer. The survey utilizes advanced sensor, measuring, modeling, and optimization techniques to model the properties of the existing solution while minimizing disruption for passengers using the equipment.

The new energy-efficient elevator solution has decreased the total annual energy consumption of the building's elevators by 60 percent and the elevators' standby energy consumption by 80 percent.

**Boosting construction-time efficiency**

The Shard is the first phase of the London Bridge Quarter, a new commercial district. Sustainability has been a clear priority in this impressive project, where KONE has been involved from the very beginning. To boost construction time efficiency, KONE's advanced JumpLift technology has been used. Construction time use elevators such as the KONE JumpLift bring efficiency gains that can result in thousands of saved hours. The KONE JumpLift's unique scaffoldless installation method, combined with the improvements in safety and energy efficiency it provides, make it an invaluable tool for modern construction projects.

# Improving the eco-efficiency of People Flow® solutions



## Eco-efficient elevator solutions

- Elevators equipped with the energy-efficient KONE EcoDisc® hoisting machine are 50–70 percent more efficient than elevators that use conventional traction 2-speed or hydraulic technology. Unlike hydraulic elevators, the KONE EcoDisc® requires no oil or hole drilling.
- KONE’s regenerative solutions can provide energy savings of 20–35 percent by recovering the energy that is released when the elevator is used.
- LED and eco-efficient fluorescent lighting can reduce energy consumption by up to 80 percent compared to halogen lighting.
- Standby solutions power down the equipment when it is not in use, providing substantial energy savings, especially in buildings with periods of low elevator usage.
- The KONE Polaris™ destination control system optimizes elevator traffic, making it possible to reduce both the size and the number of elevators needed in a building.

## Eco-efficient escalator solutions

- The lubrication-free step chain saves oil, reduces chain wear, and decreases fire risk.
- Eco-efficient operation can cut energy consumption by up to 50 percent by slowing down or stopping the escalator when it is not in use or increasing the efficiency of the motor when traffic volumes are low.
- Regenerative solutions reduce energy consumption by up to 60 percent by recovering the energy that is released when the escalator is used.
- LED lighting consumes up to 80 percent less energy compared to conventional lighting technologies.
- The KONE EcoMod™ solution enables an escalator to be modernized without removing the truss, saving both construction time and materials.

## Eco-efficient automatic building doors solutions

- KONE’s energy-efficient sliding door solution regulates the door’s opening width and opening time based on the outside temperature, enabling savings of up to 4,000 kWh per year in building heating and cooling costs.

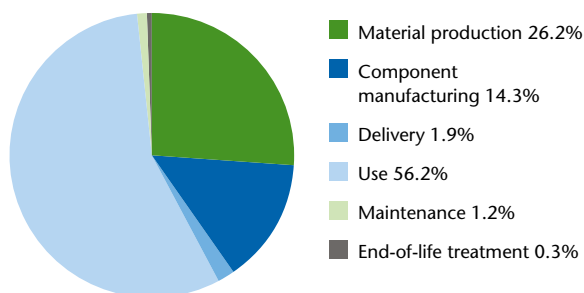
# Life cycle impact assessments

KONE's environmental responsibility covers the full life cycle of its products, from design and manufacturing to maintenance, modernization, and end-of-life treatment. KONE's life cycle impact assessment, carried out in accordance with the ISO 14040 standard (Eco-Indicator 99 method), shows that our greatest environmental

impact stems from the energy consumed by our products during their operational lifetime. By reducing the energy consumption we are successfully reducing the environmental impact of KONE products during their operational lifetime.

## KONE MonoSpace® elevator

Life cycle stage, LCIA values (EI99)

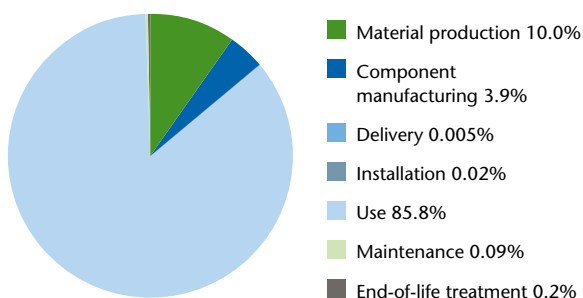


Life Cycle Impact Assessment (LCIA) values assessed according to the Eco-Indicator 99 method illustrate the total environmental impact of each life cycle stage.

The assessment is based on the KONE MonoSpace® elevator, with a rated load of 630 kg, a speed of 1 m/s, an estimated lifetime of 25 years, and a frequency of 150,000 starts per year traveling between five floors. The KONE MonoSpace® represents 50 percent of all elevators ordered from KONE in 2011.

## KONE TravelMaster™ 110 escalator

Life cycle stage, LCIA values (EI99)



The assessment is based on the KONE TravelMaster™ 110 escalator, with an equivalent step load of 25 kg, an estimated lifetime of 15 years, operating 14 hours per day, 6 days per week, and 52 weeks per year. KONE TravelMaster™ escalators represent 70 percent of all escalators ordered from KONE in 2011.

Materials used, tonnes		2011	2010	2009
Manufacturing (calculated)	Metals (steel, aluminum, copper)	349,000	159,000	152,000
	Glass	3,000	1,700	1,600
	Plastics	3,800	1,300	1,200
	Miscellaneous	9,400	8,400	8,000
Packaging (calculated)	Wood	39,600	15,400	14,600
	Cartonboard	1,300	1,900	1,800
	Plastics	800	500	500
Office consumables (actual data)	Paper	400	300	500
Total		407,300	188,500	180,200

Calculations are based on LCIA data and in 2011: Elevators and escalators ordered from KONE (85 k, excluding GiantKONE); in 2010 and 2009: Elevators and escalators delivered to customers (2010: 60 k, 2009: 57 k).

Carbon footprint of KONE products, tCO <sub>2</sub> e	2011**	2010*	2009*
Production of materials for products	1,313,000	649,000	619,000
Lifetime energy consumption of products ordered from KONE during the reporting year	2,862,000	2,136,000	2,053,000

\*Calculations are based on KONE MonoSpace® and KONE TravelMaster™  
 \*\*Calculations are based on KONE MonoSpace®, KONE 3000X MiniSpace™, and KONE TravelMaster™, which explains the increase in the figures



# Providing eco-efficiency in every phase of a building's life cycle

We provide services that help our customers achieve their eco-efficiency goals in every phase of their building's life cycle – from designing and constructing the building to maintaining and modernizing it. We pay careful attention to the way our services are produced and delivered to ensure that they create as little environmental impact as possible.

## Supporting green building design

- Environmental product declarations about the environmental impact of KONE products.
- Energy calculation tools to estimate equipment energy consumption.
- Participation in the development of global energy measurement standards such as ISO/DIS 25745, Energy Performance of Lifts and Escalators.
- Cooperation with green building associations around the world.

## Eco-efficient construction

- Efficient installation processes and methods that reduce the number of technicians required on site and the environmental impacts of traveling.
- The KONE Jumlift™ helps increase safety, save time, and boost productivity during building construction.
- Clearly defined site requirements that must be fulfilled before installation starts, eliminating unnecessary site visits.
- Environmentally efficient waste handling on site, using separate containers for hazardous, metal, electrical, wood, and mixed waste.
- Reduced chemical use through new installation methods, such as reducing the amount of solvent needed for guide rail handling.

## Efficient maintenance processes

- Regular professional maintenance that helps prevent breakdowns and increase equipment lifetime.
- Route-planning technology optimizes technicians' driving routes, thereby reducing emissions.
- Wireless technology and remote monitoring solutions that provide technicians with real-time information, enabling better-planned maintenance visits and reducing unnecessary call-outs.
- Eco-safe driving principles, which are followed by service technicians.
- Spare part stocks in vehicles to reduce warehouse visits, thereby further decreasing emissions.
- An eco-efficient vehicle fleet.

## Eco-efficiency through modernization

- Modernization solutions that can enable up to 70 percent reduction in energy consumption for elevators and 40 percent for escalators.
- The comprehensive KONE Care for Life™ assessment, which identifies the energy-saving potential of elevators and escalators.
- A broad portfolio of elevator modernization solutions, ranging from retrofitted LED lights to a completely new elevator equipped with energy-regeneration technology.
- The eco-efficient KONE EcoMod™ escalator modernization, which saves energy and enables modernization without removing the existing truss – saving material, time, and costs.



Read more about the eco-efficiency of our solutions at [kone.com/environment](http://kone.com/environment)



# Focusing on the safety of people, products, and services

The safety of our employees, subcontractors, and the people who use our products and services is seen as paramount at KONE. We constantly strive towards achieving our ultimate goal of zero accidents through the continuous development of our people and processes. It is our strong belief that all accidents are preventable.

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

Elevators and escalators are among the safest modes of travel. KONE is actively involved in the development

of codes and standards that aim to further improve equipment safety. We also promote safety through our participation in industry trade associations, and offer additional safety devices that exceed the minimum requirements.

The safety level of elevators, escalators, and automatic doors in service varies because technology, codes, and standards are continuously evolving. Elevator and escalator safety requires a joint effort. Technology providers must manufacture equipment that meets applicable codes and standards. Building owners and maintenance service providers have a responsibility to make sure that equipment is professionally maintained and kept in good condition. Elevator and escalator users also need to pay attention to their own behavior when

## 5 easy ways to improve elevator safety and accessibility



### 5 easy ways to improve safety

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

### 5 easy ways to improve accessibility

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



Read more about safety and accessibility at [kone.com/safety](http://kone.com/safety)

using the equipment. For example, children should be properly supervised when using both elevators and escalators, and large items such as baby strollers, heavy luggage, or shopping carts should not be transported on escalators.

### Managing the safety of our people, products, and services

KONE has global policies, processes, and guidelines to ensure that our business activities, including subcontractor operations, are organized and conducted in a structured and globally harmonized way. We also focus on making sure every KONE employee has the necessary competence to perform their work in a professional and safe manner. Our employees receive training to a general level in health and safety, as well as training relevant to their respective work roles and tasks. Unit heads are responsible for taking an active lead on safety.

Every manager is responsible for ensuring that all necessary arrangements are in place to protect the safety of their teams as well as the general public. Employees and subcontractors follow the defined rules and methods to ensure the safety of themselves and anyone else who may be affected by their activities.

Audits are conducted to measure compliance with KONE’s policies, rules, and defined working methods. Members of the senior management teams regularly participate in workplace safety audits, and immediate corrective actions are taken if deviations are identified. If obstacles to safe working are identified, the work in

question stops until a safe way to continue has been approved. In cases where any employee deliberately or repeatedly deviates from policies, rules, or defined working methods, the violations procedure is followed, which may result in corrective or disciplinary action as appropriate. If a subcontractor violates any KONE policies or rules, it may result in the termination of their contract.

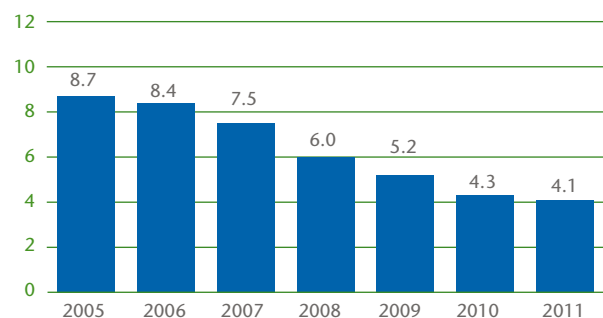
To support continuous improvement in KONE's safety performance, a procedure is in place to report and investigate accidents. The underlying root causes are identified and corrective actions implemented so the accident or near-miss incident is not repeated.

KONE organizes quarterly global safety network meetings to share lessons learned from accidents and near-miss incidents. The meetings also serve as a forum for sharing good practices and discussing concerns. Unit safety managers share the information in their respective unit’s regular management meetings, and information is cascaded down from line managers to team leaders for sharing in team meetings and other employee forums. This two-way information channel helps to ensure all concerns and initiatives are effectively communicated, and that any necessary preventive actions are taken.

**Safety targets and achievements**

- Ultimate goal of zero accidents
- In our annual employee survey, Pulse, the question about KONE’s commitment to employee safety again received a very high score in 2011
- In 2011 our industrial injury frequency rate (IIFR) was 4.1 – a 6 percent reduction compared to 2010

### IIFR development



IIFR = industrial injury frequency rate

KONE tracks the number of lost time injuries of one day or more, per million hours worked, as a key performance indicator.

# Safety every step of the way

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

## Suppliers

- KONE's Supplier Code of Conduct defines safety-related requirements. KONE expects all its suppliers to protect the health and safety of their own employees.
- KONE expects its suppliers to meet strict quality requirements, and we continuously measure their performance against definable targets. In addition, our quality professionals regularly audit key suppliers to monitor the safety and quality of delivered components and products.

## R&D

- Safety plan is created in product development projects. It includes both workplace safety and product safety. In the R&D process, potential safety hazards affecting the full life cycle are systematically identified and eliminated before products are released.
- Existing solutions are continuously developed to improve their safety and functionality.

## Office

- KONE promotes the safety awareness of its employees through applicable health and safety training as well as safety-related internal communication.
- KONE premises are managed by building managers to promote the safe and healthy working environment.

## Production site

- By carefully controlling raw materials and production processes, we can enhance the quality and safety of all components used in production. All KONE production sites are ISO 9001 certified.
- We protect our employees by implementing the 5S\* methodology and by conducting regular safety training.

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

### Installation

- KONE's installation methods and processes are designed to protect installer safety while enabling product quality and reliability.
- KONE uses continuous training, site audits, safety passports, and proven risk-assessed methods to maximize site safety.

### Modernization

- KONE develops modernization solutions for upgrading or replacing old equipment with new solutions that meet the latest safety standards.
- KONE's modernization processes and products update the equipment to the latest safety standards, which improves the safety of residents and tenants. Products are installed by professional technicians following strict modernization processes and safety guidelines.

### Use

- KONE supports customers and building owners in promoting the safe use of elevators, escalators, and automatic building doors.
- KONE communicates actively about safety issues, and organizes events for end users to promote the safe use of the equipment we maintain.

### Maintenance

- KONE maintains the safety of elevators, escalators, and automatic building doors through preventive maintenance methods.
- We focus on making sure that our maintenance professionals have the required competence to perform their work safely through regular professional training.

DEVELOPMENT PROGRAM

## DELIVERY CHAIN EXCELLENCE

### Fostering supplier relationships – a two-way street

KONE's annual Supplier Day helps us foster relationships with strategically important suppliers. The event is an excellent forum for sharing KONE's strategy, developing relationships further, and recognizing outstanding performance. The theme for the 2011 event – the fifth of its kind – was Supply Chain Excellence, in accordance with KONE's Delivery Chain Excellence development program.

The event was held in Shanghai, China, with more than 100 people attending. The program included speeches from top management, best-practice sharing, and workshops, with the aim being to identify concrete actions and improvement opportunities for further developing KONE's supply chain.

Direct feedback from our suppliers is one of the most important outcomes from the event. The results of the annual supplier survey showed that suppliers value openness and fairness – values that KONE fosters in its relationships with all of its stakeholders. The Supplier Day is also an excellent opportunity to give direct, face-to-face feedback, and, through collaborative working methods, learn more about each other and our businesses.



# Ensuring a high quality, efficient, and consistent delivery chain

The KONE delivery chain incorporates all the actions and processes that are involved in bringing products from the factories to the installation sites. The chain ends when the customer accepts the installation. KONE's delivery chain consists of eight production sites, seven global distribution centers for elevators, and four distribution centers for spare parts. A total of 3,600 (2010: 2,600)\* people keep KONE's supply operations running, covering new equipment, modernization, and spares supply. Our delivery chain also incorporates a significant number of material suppliers and logistics service providers.

Following the plan to relocate and expand our production site and R&D center in the Kunshan New & Hi-tech Industrial Development Zone in China, KONE celebrated the groundbreaking of the new facilities in April 2011. When completed and operational, the facility will be KONE's biggest production site in terms of volume.

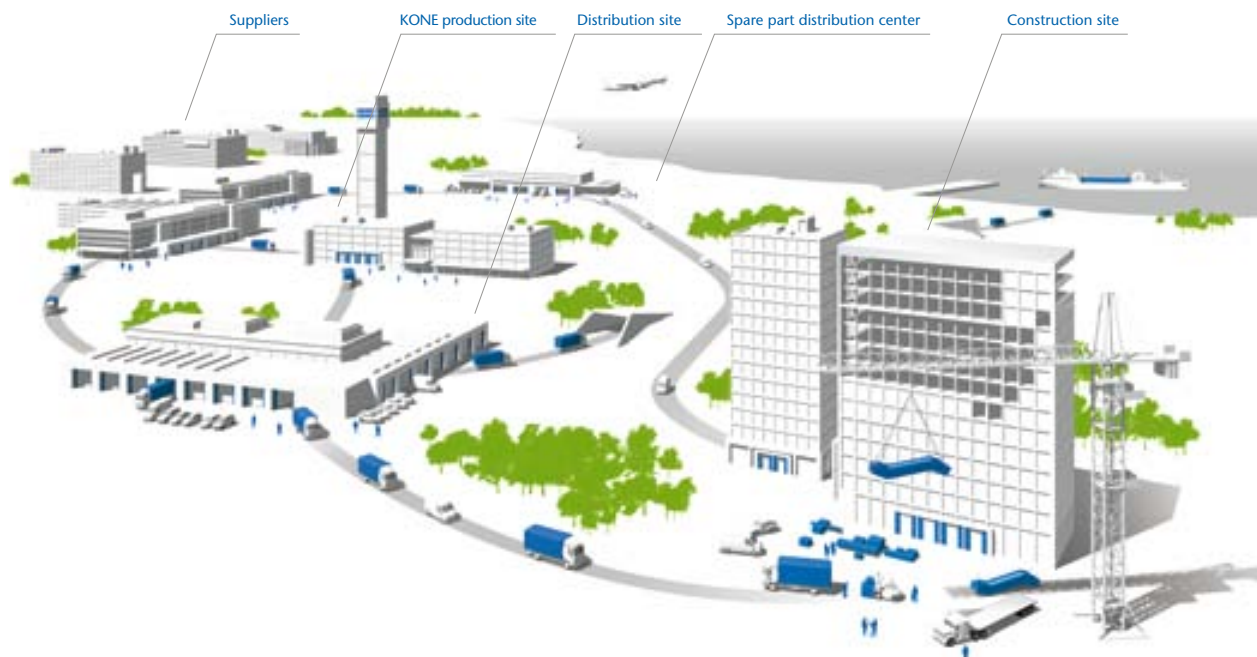
\*India was not included in the 2010 figure

## Strategic focus

Delivery Chain Excellence is one of KONE's five global development programs, which aim to foster strategy implementation. We focus on improving internal effectiveness, increasing collaboration with the different parties and teams in the delivery chain, and synchronizing all delivery process phases to ensure accurate deliveries from suppliers right through to installation. By improving the efficiency of our operations and optimizing processes, KONE aims to further decrease its overall carbon footprint while continuing to improve quality and safety.

KONE systematically builds a culture of continuous learning and improvement. In addition to participating in training programs, our employees are actively encouraged to take part in the improvement of processes, products, methods, and the working environment by following the Kaizen concept of continuous improvement.

KONE actively employs Lean and Six Sigma tools and methods to improve the productivity and quality of our operations. In the future, supported by extensive training programs, implementation of these tools and methods will be expanded to cover installation operations and suppliers.



# Maintaining a solid supplier network

KONE conducts business with almost 22,000 suppliers, of which approximately 70 are considered to be strategic. KONE purchases 80 percent of its raw materials, components, and systems supply for new equipment production from approximately 100 suppliers located close to our production centers. Suppliers include raw material providers, contract manufacturers, and component manufacturers, as well as subcontractors in the installation phase.

## Supplier risk management

We assess risks related to sourcing as part of our risk management processes. KONE's risk monitoring system is based on a thorough assessment of suppliers, including analysis of financial and business viability, as well as the supplier's dependence on its business with KONE. As part of our risk mitigation activities, we also work in close collaboration with our strategic suppliers to secure raw material price levels.

### Supplier management and collaboration

KONE's Supplier Excellence Certification Program assesses our key suppliers' sites based on criteria such as environmental and quality management systems, performance scorecards, and supplier audit result. A supplier's ISO 14001 compliance is one of the elements assessed as part of the certification.

Our key suppliers' factories are also required to attain Supplier Excellence certification. In 2011, 64 (2010: 66) supplier factories were certified.

All suppliers are required to act in compliance with the KONE Supplier Code of Conduct. A breach of the code by a partner may result in the termination of all its contracts with KONE.

### KONE's Supplier Code of Conduct addresses:

- Ethics
- Environment
- Labor
- Health and safety
- Management system



KONE's Supplier Code of Conduct is available at:  
[kone.com/suppliers](http://kone.com/suppliers)



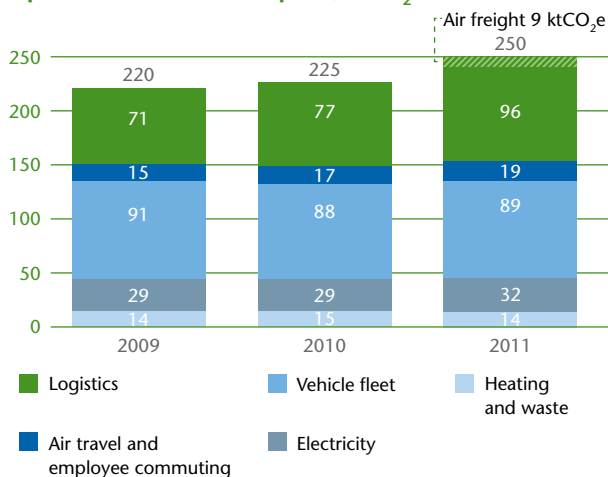
# The environmental impact of KONE's operations in 2011

KONE's operational environmental work focuses on reducing our carbon footprint and improving material efficiency, as well as reducing waste, water consumption, and the use of hazardous substances. We work with our suppliers and customers to minimize the emissions and waste generated by our business operations and, whenever possible, to prevent them altogether. In order to address the areas that have the most significant environmental impacts, KONE has been assessing its carbon footprint since 2008.

In 2011 the greenhouse gas emissions of KONE's operations amounted to 249 (2010: 225) ktCO<sub>2</sub>e (thousand tonnes of carbon dioxide equivalent). The reporting scope has been extended as follows:

- Air freight has been included in logistics reporting (9 ktCO<sub>2</sub>e)
- Reporting accuracy has been improved for electricity and heating
- KONE's headcount has increased and more branch offices in China and North America have been included in the reporting scope

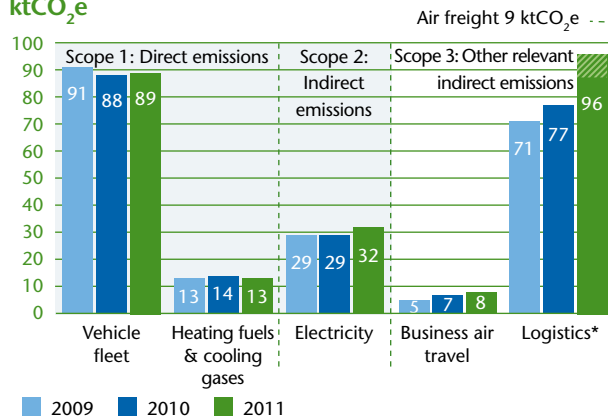
## Operational carbon footprint, ktCO<sub>2</sub>e



In 2011 KONE's operational carbon footprint relative to net sales increased by 0.9 percent compared to 2010. The operational carbon footprint of assured scope 1 and scope 2 greenhouse gas emissions relative to net sales decreased by 3.3 percent. KONE's 2011 absolute operational carbon footprint amounted to 249 ktCO<sub>2</sub>e.

With 96 k (2010: 77 k) tCO<sub>2</sub>e in 2011, the major source of carbon emissions was KONE's logistics operations. The other major components are our service vehicle fleet with 89 k (2010: 88 k) tCO<sub>2</sub>e, electricity consumption with 32 k (2010: 29 k) tCO<sub>2</sub>e, fuels for heating/cooling and manufacturing processes with 13 k (2010: 14 k) tCO<sub>2</sub>e, and mobility, including business air travel and employee commuting, with 19 k (2010: 17 k) tCO<sub>2</sub>e.

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



\* Excluding India

Scope 1 and 2 data assured by PricewaterhouseCoopers Oy

## Relative operational carbon footprint

	2009	2010	2011	YoY
Service vehicle fleet kgCO <sub>2</sub> e/Unit in service	95.0	89.1	85.6	-3.9%
Electricity kgCO <sub>2</sub> e/Headcount	854	873	896	+2.6%
Business air travel kgCO <sub>2</sub> e/Headcount	149	200	226	+13.0%
Logistics* tCO <sub>2</sub> e/Unit	1.40	1.42	1.27	-10.6%
Overall operations kgCO <sub>2</sub> e/k€ Revenue	46.3	45.1	45.5	+0.9%

\* Excluding air freight and India. Read more on page 32.

### Logistics

The logistics carbon footprint relative to units delivered to customers decreased by 10.6 percent. Logistics including air freight account for 96 ktCO<sub>2</sub>e, or 38 percent of KONE’s operational carbon footprint, making it the biggest contributor in terms of greenhouse gas emissions.

Due to the inclusion of air freight in the reporting scope, as well as longer road freight distances in Europe and sea freight distances in China, the logistics emissions contribution has increased. KONE was able to control the increase of logistics emissions by further optimizing its logistics network. We have also improved our reporting accuracy in China, and included rail and river transportation in the emissions calculations.

KONE’s logistics operations are based on accurate and timely information at all phases of the delivery chain, and on using distribution models that take eco-efficiency into account. Special attention is paid to reducing the impact of transportation through route and shipment optimization, as well as careful analysis of alternative transportation models. The impact of packaging is managed, for example, by using environmentally conscious packaging design and this applies to both our own packaging and that of our suppliers.

We constantly look for ways to ensure cost-effective and environmentally friendly delivery of materials and modules to our production and distribution centers, as well as products and services to our customers.

How KONE reduces the environmental impacts of transportation	
Development action	Impact on eco-efficiency
Optimizing the transportation network	Optimal routing of material through distribution center network and selection of suppliers located near distribution centers
Maximizing use of railway transportation	Less CO <sub>2</sub> emissions per tkm
Improving space utilization ratio in loading	Improved container space utilization, optimization of transportation units used, more products delivered per shipment
Minimizing use of airfreight	Less CO <sub>2</sub> emissions per tkm
Centralizing volumes to main suppliers	Fewer transportation routes and improved transportation efficiency ratio, usage of more eco-efficient transportation equipment including requirement for Euro 5* trucks in Europe
*Euro 5 European emission standards for light-duty vehicles	

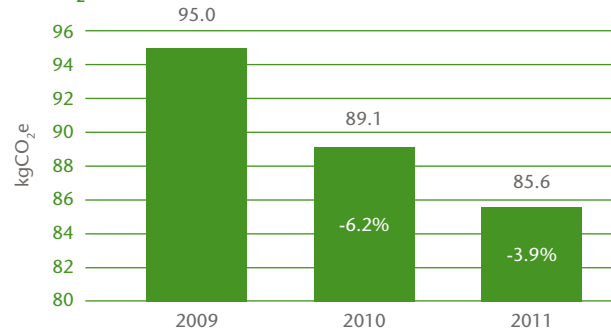
How KONE reduces packaging-related emissions and waste	
Development action	Impact on eco-efficiency
Optimized packaging to better fit into logistics chain	More products delivered per transportation unit
Optimization of packaging material	Less packaging material used, better waste management, increased recyclability of materials
Management and development of suppliers’ packaging	Less packaging material used, better waste management, improved logistics efficiency

### KONE vehicle fleet

Altogether, 35 percent of KONE’s operational greenhouse gases are emitted by our global service vehicle fleet, making it the second biggest contributor in terms of greenhouse gas emissions. In 2011 the total size of our fleet remained at 14,000. Two thirds of the fleet are service vehicles (the rest being employee benefit cars), emitting 89 k (2010: 88 k) tCO<sub>2</sub>e. The absolute service vehicle fleet carbon footprint increased by 0.7 percent, whereas the relative carbon footprint (per unit in service) reduction was 3.9 percent.

KONE continuously looks for new and innovative ways of reducing the carbon footprint of its vehicle fleet.

Relative carbon footprint of service vehicle fleet, kgCO<sub>2</sub>e / UIS



Key actions taken to reduce the carbon footprint of KONE vehicle fleet	
Compliance with KONE vehicle fleet policy	KONE continued to manage its vehicle fleet in compliance with the global vehicle fleet policy, which defines maximum CO <sub>2</sub> emission limits.
Fuel-efficient vehicles	All vehicles taken out of use in 2011 were replaced by new, fuel-efficient models.
Introduction of electric vehicles	KONE introduced several fully electric models to its vehicle fleet in France and Germany.
Vehicle rightsizing	KONE has continuously paid attention to selecting correctly sized commercial vans when replacing existing models, which often had larger cargo capacity than required. As a result, the proportion of small and medium-sized vans that make up our fleet has risen to 83% as of December 2011, with the remaining 17% comprising large and extra-large vans.
Monitoring driver performance	KONE monitored the driving performance of its service technicians in France, the UK, and Spain. Drivers were scored each month in terms of fuel efficiency, number of collisions and incidents caused, and fines received.
Vehicle-sharing program	KONE introduced a vehicle-sharing program in Nice, France.

### Electricity

Electricity consumption accounts for 32 k (2010: 29 k) tCO<sub>2</sub>e, or 13 percent of KONE’s operational carbon footprint. The electricity is used in KONE’s offices, warehouses, and production facilities.

In total, 7 (2010: 11) percent of the electricity used in our operations is green electricity produced using renewable sources.

KONE has committed to specific energy consumption and electricity saving programs. For example,

KONE’s Finnish country organization is aiming to reduce the electricity consumption at its facilities by 9 percent by 2016, using 2008 as the base year. In addition, KONE’s German, Swedish, and Danish country organizations, as well as our Italian production unit, all use green electricity. Two more country organizations have plans to start using green electricity in 2012.

### Business air travel

Business air travel accounts for 3 percent of KONE’s operational carbon footprint. In 2011 air travel related

greenhouse gas emissions increased by 19 percent to 8,000 (2010: 7,000) tCO<sub>2</sub>e. The relative increase was 13 percent.

KONE actively encourages the use of virtual meeting tools – including video conferencing – in order to reduce the need for travel and further facilitate global collaboration. In 2011 virtual meeting time again increased by 10 percent.

### Fuels for heating and manufacturing

In 2011 fuels for heating or cooling and manufacturing processes generated 13 k (2010: 14 k) tCO<sub>2</sub>e of greenhouse gas emissions. This represents a decrease of 7 percent compared to 2010. The reduction was achieved through increased space efficiency and an increased management focus on facility-related environmental issues. There were certain countries that made significant achievements in reducing their greenhouse gas emissions. For example, our Italian production unit reduced its heating energy consumption by 15 percent, our Finnish production unit reduced its heating energy consumption by 20 percent by replacing the production site's roof with an energy-efficient solution, and our Chinese production unit reduced its consumption of heating and other energy fuels by 20 percent.

### Material management and waste optimization

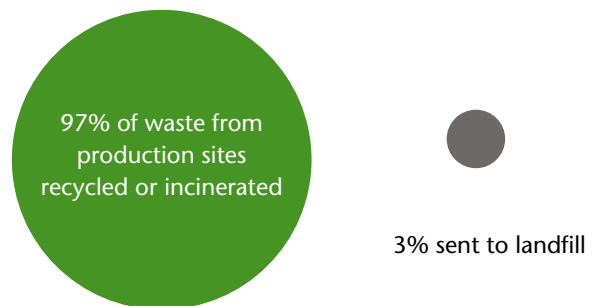
In 2011 KONE used 407 k tonnes of materials for producing and packaging its elevators and escalators. The figures have been calculated based on the life cycle impact assessment data. The scope of the 2011 calculations has been extended to include the KONE MonoSpace® and KONE 3000X MiniSpace™ elevators as well as the KONE TravelMaster™ 110 escalator. The earlier calculations were based on only the KONE MonoSpace® elevator, which explains the increase in the material consumption figures. The figures for 2011 are not comparable with the 2009 and 2010 figures.

KONE focuses strongly on material management and the optimization of our own operations. Our primary goal is to reduce waste from the very early stages of our manufacturing chain, beginning with the product development stage. KONE also aims to reduce waste in its manufacturing facilities and offices through reduction at the source, reuse and recycling, and by sending waste to incineration.

Waste is always handled in local KONE organizations according to applicable laws and regulations. KONE aims to be as material-efficient as possible, and we aim to exceed legal requirements.

Only 3 percent of the waste generated by KONE's global delivery chain, which comprises 10 engineering and production sites, is sent to landfill. The remaining 97 percent is recycled or incinerated.

Although the water consumption in KONE's production and maintenance processes is minimal, we are continuing to optimize and further minimize our usage of water. KONE uses municipal water, and waste water is released into community treatment systems that abide by local regulations. The total amount of water used in our production and our office facilities remained at 270 k (2010: 270 k) m<sup>3</sup>.



All of the waste generated by our Finnish, Indian, and North American production sites is recycled or incinerated – none is sent to landfill. In China, only 0.5% of the waste from production is sent to landfill.

## Improving the eco-efficiency of KONE offices around the world

KONE has over 1,000 facilities globally, including office spaces and installation and service operation hubs. In 2012, KONE will launch a Global Facilities Policy to create a harmonized approach to the selection and management of our sites and premises.

The primary objective of the policy is to improve operational eco-efficiency by improving the use of space, optimizing energy usage of building processes such as heating and lighting, increasing the amount of green electricity used, improving material efficiency, reducing waste, increasing recycling, and preferring eco-efficient service suppliers.

KONE has also initiated a preliminary study to evaluate the energy efficiency of its nine biggest office locations around the world. The results showed that the sites were rated higher in energy efficiency than the industry average in each location with one exception, which is moving to new premises in 2012.

In order to attain the title of energy efficient, a building must score 75 or higher out of 100. Eight of the nine KONE locations evaluated in the study achieved this. The study used the global Energy Star rating system, which is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy.

## Environmental data

Energy consumption		Units	2011	2010	2009
Direct	Heating fuels*	m <sup>3</sup>	2,552	1,500	900
	Natural gas**	m <sup>3</sup>	3,324,104	4,953,000	4,357,000
Indirect	Electricity, including district heating*	MWh	76,668	74,769	74,523

\*2010 and 2009 restated  
\*\*2010 restated

Operational carbon footprint, tCO <sub>2</sub> e		2011	2010	2009
Direct (scope 1)	Fuels for heating and manufacturing*	13,000	13,000	11,000
	Gases for cooling systems**	400	900	1,800
	Service vehicle fleet*	88,500	87,800	91,400
Indirect electricity (scope 2)	Electricity, including district heating*	32,000	29,000	29,000
Other relevant indirect (scope 3)	Business air travel*	8,000	7,000	5,000
	Employee commuting	10,900	10,100	9,700
	Logistics***	95,900	76,600	71,000
	Waste**	600	700	700
Total		249,300	225,100	219,600

\*2010 and 2009 restated according to GHG Protocol for consistency  
\*\*2010 and 2009 restated  
\*\*\*2010 restated. 2010 and 2009 excluding air freight

Waste, tonnes	2011	2010	2009
Recycling flows	18,000	32,900	27,400
Incinerators	2,300	2,400	4,700
Landfill	2,800	1,500	1,700
Hazardous	600	700	600
Total	23,700	37,500	34,400

Water consumption, m <sup>3</sup>	2011	2010	2009
Total	270,000	270,000	280,000

Scope 1 and 2 data assured by PricewaterhouseCoopers Oy



DEVELOPMENT PROGRAM

## EMPLOYEE ENGAGEMENT

### Creating a personal connection to the strategy

In order to see the connection between their daily tasks and KONE's global strategy, employees need to first understand what the strategy is all about. KONE's strategy is brought to life through a set of concrete actions with clear targets that all employees can contribute to in their daily work. The performance management process defines the way to cascade the strategy through the organization.

In 2011, KONE's strategy was discussed regularly as part of various employee events and meetings throughout the year, and the key messages were visible through a wide range of channels, including videos, leaflets, posters, magazines, and the KONE intranet.

For example, KONE China devised and implemented a program to engage employees around the strategy. Local management planned and ran a roadshow covering 12 locations in 10 different districts in China. Each event was built around a common agenda. A management presentation about KONE's strategy was followed by an interactive workshop session where participants were engaged in discussion through a set of exercises. The workshops were successful in creating concrete connections to the KONE strategy through a set of actions at regional, branch, team, and individual levels.

Read more about KONE's strategy on pages 8–9.

# Building a great place to work

In 2011, KONE had an average of 35,000 employees in more than 50 countries around the world. Our objective is to provide all our employees with fair treatment, equal opportunities, and a safe working environment, as well as to make KONE a great place to work. We offer versatile opportunities that support personal growth and career development. As a reflection of this, a significant proportion of our employees have long tenures with KONE.

The objective of KONE's personnel strategy is to support the company in meeting its business targets. The main goals of this strategy are to further secure the availability, engagement, motivation, and continuous development of our employees. All our activities are guided by ethical principles. Employees' rights include the right to a safe and healthy working environment, personal well-being, and the right to work free from discrimination of any kind.

### Employee Engagement development program

KONE defined Employee Engagement as one of its five new development programs at the beginning of 2011. The Employee Engagement development program builds on the earlier People Leadership program, focusing on the further improvement of leadership capabilities, on providing growth and development opportunities for our employees, and on ensuring well-being and safety at work.

During 2011, KONE began putting the program into action by building an integrated framework for employee well-being and by completing a feasibility study on flexible working practices as well as an employee benefit audit. The plan also included redesigning the global leadership development programs, delivering training on mentoring, and taking several measures that aim to facilitate job rotation.

### Improving leadership capabilities

The delivery of learning programs such as the Supervisor Development Program for first-level managers and the KONE Leader program for middle management continued as planned. In total, approximately 2,500 first-level and 1,300 middle management managers have been trained during the first round of the program. A new program for top management was piloted in preparation for full implementation in 2012. We also continued to develop

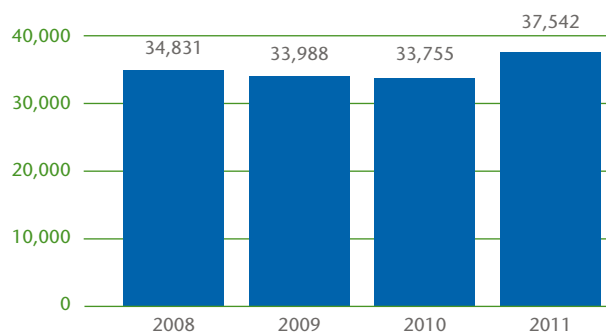
our virtual training courses and materials, and launched a recruitment training package globally.

In 2011, KONE put special focus on mentoring and coaching across units and around the world. Approximately 350 managing directors and managers attended training on mentoring and coaching, and the number of mentoring relationships increased significantly.

The development of the online learning management system continued into the piloting phase ahead of a planned launch in 2012. This new system will help us to provide better visibility of, and access to, our training offering for employees worldwide on topics such as product releases, IT tools, and guidelines.

KONE aims to have the best possible professional in each position. Our annual leadership and talent review process ensures that resources are allocated in the right way to meet current and future business needs. In this process, we evaluate our management, identify successors, plan for career development, and identify potential candidates for future management positions. In 2011 we held several workshops to accelerate the identification and development of future leaders and successor candidates, with approximately 1,000 employees being included in the process.

Number of employees, Dec. 31, 2011



KONE had 37,542\* employees at the end of December 2011 (December 31, 2010: 33,755). The average number of employees in 2011 was 34,769 (2010: 33,566).

\*Includes GiantKONE employees following the consolidation of GiantKONE as a subsidiary as of December 1, 2011.

### Managing performance

Along with the handling of well-being issues, development and career planning took a more central role in annual performance discussions. The online tool used for documenting the discussions was updated at the end of 2011 and made available for managers and employees in January 2012.

Career planning and job rotation is one of the topics in the annual performance discussions. In line with our belief that job rotation is one of the best ways for employees to develop, KONE's open positions are published in our online recruitment tool for internal candidates. In 2011 we published more than 2,200 open positions through this tool.

### Ensuring well-being and safety at work

In 2011 we developed a global framework for our employee well-being programs and created an implementation plan for 2012. Special focus will be placed on work-life balance, health education, and stress management.

We also created guidelines on global flexible working practices and agreed on the pilot units that will implement these guidelines in 2012.

### Measuring employee satisfaction

We conduct an annual survey with our employees to measure their level of satisfaction with KONE as a workplace. More than 28,000 employees gave their feedback in the 2011 survey, and the global response rate reached an all-time high of 87 percent, up from 78 percent in 2010.

The survey covers areas such as employee engagement, corporate responsibility, strategy and values, leadership, customer relationships, communication and involvement, growth and development opportunities, as well as how respondents view their job, performance review, and their managers. We also ask if people have seen actions being taken based on the results of the previous survey.

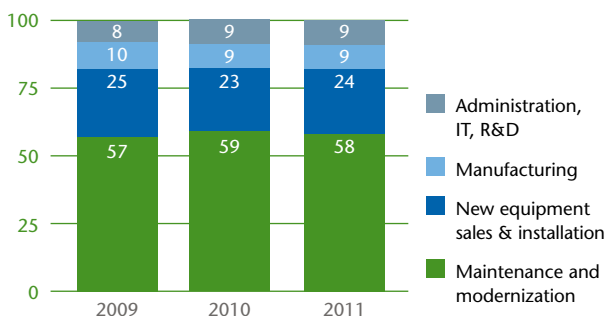
The employee survey measures employee engagement and offers employees the opportunity to give their feedback. It also provides an insight into the level of engagement with KONE's core values. The survey results were communicated and discussed in all teams during spring and summer 2011, and action plans were then created for the key improvement areas. These plans were followed up quarterly by the Executive Board.

In 2011 the global results remained stable. The highest scores related to KONE's approach to safety and employees being treated with respect by their manager and being trusted to take the necessary actions to ensure good customer service. The greatest improvements were seen in the scores for the follow-up of the previous survey and the communication of KONE's values and strategy.

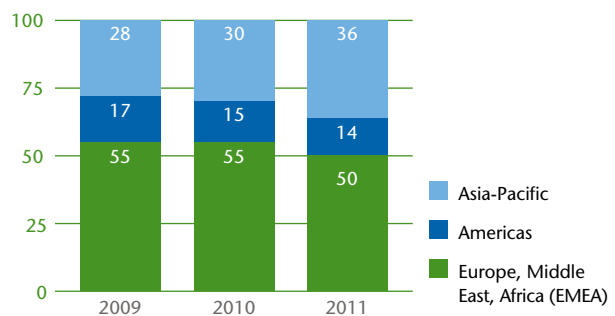
### Continuing development of communication and collaboration

Understanding the company's strategy is one of the key elements driving employee engagement. During the beginning of 2011 new development programs were successfully launched globally at workshops, roadshows, and other events. All employees were invited to

Employees by job category, Dec. 31, %



Employees by market, Dec. 31, %





participate, with the objective being to ensure that every employee knows the key aspects of the KONE strategy and understands what they mean in practice on both an individual and team level.

In 2011, we also launched the KONE Collaboration Workplace development program. It aims to continue the development of the KONE intranet as a collaborative workplace. The objective is to build more comprehensive collaboration, document sharing, and social networking capabilities, as well as to improve the user experience. The first phase of improvements will begin during 2012.

All KONE employees can stay up to date with the latest news and events through the global and local intranet sites as well as through internal employee magazines and newsletters, which are published both globally and locally. In 2011 KONE published three editions of its global employee magazine, *Move*, in nine languages.

Since 1993 we have organized an annual European Employee Forum that brings together top management and employee representatives to discuss issues ranging from safety to customer focus. In 2011 the theme was employee engagement, and 21 employees from 15 European countries participated. A smaller working group meets two to four times a year to ensure continuous consultation and communication on important developments affecting KONE employees.

We also carried out an employer branding review in 2011, where we identified our employer value proposition and key themes, created an employer branding network, and updated the relevant materials and guidelines.

### Accepting and valuing diversity

At KONE, diversity is accepted and highly valued. We are committed to creating an equal opportunity environment where discrimination of any kind is prohibited. Employees should be placed in positions that are best suited to their capabilities and which, at the same time, allow for personal and professional growth.

Our employee survey's global response rate reached an all-time high of 87 percent.

#### KONE's International Trainee Program



In 2011 KONE's International Trainee Program offered students and graduates the opportunity to work on interesting projects in different KONE units around the world. KONE also offered various summer traineeships and thesis opportunities in several countries.

Our objective is to provide all our employees with fair treatment, equal opportunities, and a safe working environment, as well as to make KONE a great place to work.

Gender distribution, 2011	Men	Women
Board of Directors	67%	33%
Executive Board	83%	17%
Management teams (top 648)*	85%	15%
All employees	87%	13%

\*Excluding United States.

Average length of service, Dec. 31 (15 largest countries)		
Country	Average years in service	
	2011	2010
China	3.0	3.8
United States	9.5	11.0
France	8.5	10.6
India	4.5	5.3
Italy	13.1	13.7
Finland	11.9	12.0
United Kingdom	8.7	9.4
Germany	14.6	14.8
Australia	7.9	8.6
Spain	6.6	9.6
Netherlands	11.8	11.4
Canada	6.4	6.9
Sweden	10.7	15.5
Belgium	10.5	14.5
Russia	3.5	3.9

Personnel by country, Dec. 31 (15 largest countries)			
Country	2011	2010	2009
China	7,452*	4,327	3,781
United States	3,778	3,842	4,377
France	3,496	3,559	3,722
India	3,175	2,904	2,843
Italy	1,881	1,861	1,932
Finland	1,841	1,750	1,703
United Kingdom	1,803	1,746	1,813
Germany	1,584	1,530	1,579
Australia	1,154	1,134	1,111
Spain	1,074	1,182	987
Netherlands	1,049	984	1,001
Canada	914	803	825
Sweden	898	866	797
Belgium	717	722	693
Russia	709	688	717

\*Includes GiantKONE employees following the consolidation of GiantKONE as a subsidiary as of December 1, 2011.

# Committed to ethical business practices

KONE has more than 1,000 offices in over 50 countries around the world. Our global presence makes it crucial to ensure that clear rules and guidance for ethical business practices are in place and easily accessible to all our employees.

KONE’s global Code of Conduct clearly sets out our position on ethical business practices. With respect to competition law matters, the Code of Conduct’s zero tolerance policy is supplemented by a more detailed Competition Compliance Policy.

### KONE’s Code of Conduct

KONE’s Code of Conduct addresses matters regarding compliance with the laws and rules of society, the work environment, product and service marketing, fair competition, as well as the environment and sustainability. It sets out the standard of behavior that is expected of KONE employees and KONE companies, and gives clear guidance and rules regarding the kind of behavior that is not tolerated. All our employees are expected to familiarize themselves with the code and understand it, and to report any violations of the code to the Corporate Compliance Officer or to the global, or relevant local, legal function.

Topics included in the KONE Code of Conduct	
<b>Compliance with laws and rules of society</b>	<ul style="list-style-type: none"> <li>• KONE is committed to complying with applicable laws and regulations</li> <li>• KONE respects prevailing cultural norms and practices, but where there are conflicts KONE’s employees are required to follow the KONE Code of Conduct</li> </ul>
<b>Work environment &amp; human rights</b>	<ul style="list-style-type: none"> <li>• KONE prohibits all forms of discrimination</li> <li>• KONE is committed to ensuring a safe and healthy working environment for all employees</li> <li>• KONE prohibits offensive behavior, including sexual harassment</li> <li>• KONE prohibits child and forced labor, and does not enter into business with suppliers who use these practices</li> </ul>
<b>Competition law</b>	<ul style="list-style-type: none"> <li>• KONE is committed to fair competition, and prohibits any violations</li> </ul>
<b>Environment and sustainability</b>	<ul style="list-style-type: none"> <li>• KONE is committed to minimizing the environmental impact of its solutions, products, services, and operations</li> </ul>
<b>Risks and conflicts</b>	<ul style="list-style-type: none"> <li>• KONE employees are required to avoid conflicts of interest</li> <li>• KONE prohibits direct and indirect bribes and unethical payments, as well as excessive gifts and hospitality</li> </ul>

### Training and information

- Online training programs delivered in 24 languages complement classroom training provided to employees in their respective business units
- Policy documents available in 25 languages to all employees

### Competition Compliance Policy

The principles of fair competition presented in the Code of Conduct are expanded further in KONE's Competition Compliance Policy. The policy outlines our unambiguous position against anti-competitive practices. It sets out the rules and principles that all KONE employees must follow in order to ensure that the company complies fully with competition laws.

### Two online training programs

In 2011 KONE launched a follow-up training round for its online training programs and introduced a new centralized process for inviting new employees to participate in the training.

Participants in the Code of Conduct online training program include all KONE employees with personal KONE e-mail accounts; participants for the Competition Compliance Policy program are determined globally and selected on the basis of their role and position. These participants include the members of KONE's executive board, local management personnel, sales and sales support teams, as well as other employees who have access to confidential information. Where they feel it is necessary, individual business units can nominate additional participants.

### Enforcing the codes and policies

A dedicated corporate compliance officer provides employees with any support they may require in relation to complying with KONE's Code of Conduct. Employees can contact the compliance officer through multiple channels, and have the right to make contact in their native language.

### Supplier Code of Conduct

KONE's Supplier Code of Conduct sets out the ethical business practice requirements that we expect our suppliers to adhere to. The Supplier Code of Conduct is explained in more detail on page 30 of this report.

## Our 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 Corporate Responsibility Report annually since 2008. The previous report was published in June 2011. The reports follow GRI (G3) reporting guidelines as far as they are applicable.

The report for 2011 covers economic, social, and environmental responsibility. A table detailing how this report complies with the GRI guidelines is shown on pages 46–47. We have self-declared our reporting to be Application Level B+ of the GRI G3 Guidelines. PricewaterhouseCoopers Oy has checked our reporting and has confirmed it to be Application Level B+. The reporting period corresponds with the calendar year and with KONE's financial year of January 1–December 31, 2011.

When developing the report content and choosing indicators, the driver has been the materiality to KONE's operations. The materiality analysis was performed by a team representing different organizational units within KONE. The purpose of this analysis was to identify and prioritize the key aspects of KONE's corporate responsibility. These material topics are described on pages 4–5. KONE's approach to corporate responsibility has also been described in the CEO's and Chairman of the Board's reviews on pages 6–7, and in Strategy on pages 8–9. All major local and regional organizations and all production units are included in the reporting scope.

All financial data and a significant proportion of the employee-related data has been collected through KONE's enterprise resource management and financial reporting systems. All financial figures presented in this report are based on KONE Corporation's consolidated and audited financial statements for 2010 and 2011. On December 1, 2011, KONE completed the acquisition of a further 40 percent stake in GiantKONE and became the majority shareholder of the company with a shareholding of 80 percent.

The personnel data is provided by our HR organization and – with the exception of the data relating to personnel by country, length of service, and gender distribution in management – covers the entire KONE Group.

The environmental data was collected from KONE's 10 production units worldwide and from 29 major country organizations with sales, installation, and service

operations in Asia, Europe, and North America. The collected environmental data covers 81 percent (2010: 77) of KONE's employees, excluding GiantKONE in China. The data collected from the reporting organizations was then extrapolated for the entire KONE organization. The goal is to gradually extend our environmental reporting to cover all of KONE. Data on business air travel was collected from 27 countries and data on the service vehicle fleet fuel consumption from 21 countries. Data related to product and spare parts logistics was collected centrally by the corporate organization.

In 2011 KONE deployed a new environmental performance software system. The environmental data was collected from branch offices using a customized data collection spreadsheet consolidated on the country level. The country-level data was entered into the new system. The data was then further consolidated globally in a combined effort with KONE's global carbon footprint assessment. The environmental performance has been reported in accordance with the Greenhouse Gas Protocol and ISO 14064 guidelines. KONE's environmental data for scope 1 and scope 2 GHG emissions has been assured by PricewaterhouseCoopers Oy.

Improved data collection methodology has resulted in improved accuracy in the figures for 2011. This has also had an impact on the figures for 2010 and 2009.

We aim to continuously improve our data collection and verification procedures in order to provide as accurate a representation as possible of our current progress relating to corporate responsibility.

We welcome any feedback on this report or our overall corporate responsibility performance. If you have any comments or suggestions, please contact corporate communications at [corporate.communications@kone.com](mailto:corporate.communications@kone.com).

### Carbon disclosure takes a huge leap forward

In 2011, KONE featured along with 25 other companies in the Carbon Disclosure Project's (CDP) Nordic Carbon Disclosure Leadership Index, scoring 83 points out of a possible 100 (2010: 61). The Carbon Disclosure Leadership Index highlights the companies listed on the Nordic OMX that have displayed the most professional approach to corporate governance practices regarding climate change information disclosure. The CDP is a global, non-profit climate change reporting system representing some 650 institutional investors.

# Independent assurance report on CO<sub>2</sub> emissions

## To the management of KONE Oyj

We have been engaged by the Management of KONE Corporation's (later "KONE") to perform a limited assurance engagement on the Scope 1 and Scope 2 CO<sub>2</sub> emissions (the "subject matter") for the period 1.1. – 31.12.2011.

## Management's responsibility

The Management of KONE is responsible for producing the Scope 1 and Scope 2 CO<sub>2</sub> calculation according to the Reporting Criteria as set out in Greenhouse Gas Protocol and in KONE's reporting principles.

## Practitioner's responsibility

It is our responsibility to present an independent conclusion on the Subject Matter information based on our limited assurance engagement. We do not accept, nor assume responsibility to anyone else, except to KONE for our work, for this report, or for the conclusions that we have reached.

We have conducted the assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance engagements other than audits or reviews of historical financial information". The ISAE 3000-standard requires compliance with ethical principles as well as planning and performing the assurance engagement to obtain limited assurance on whether any matters have come to our attention that would cause us to believe that the Subject Matter information will not give a balanced and appropriate view, in all material respects, on KONE's Scope 1 and Scope 2 CO<sub>2</sub> emissions in accordance with the Reporting criteria.

In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the carbon footprint information according to the Reporting Criteria. We have planned and performed our assurance engagement in a way that we have obtained appropriate amount of evidence to support our conclusions. Our work consisted of, amongst others, the following evidence gathering procedures:

- Conducting interviews with personnel responsible for Scope 1 and Scope 2 CO<sub>2</sub> emissions calculation and data collection and reporting;
- Testing the data completeness, comparability and accuracy on sample basis;
- Testing the data consolidation on sample basis;
- Inspecting the calculations and
- Assessing the certainty of calculation factors and assumptions.

## Conclusion

Based on the work described in this report nothing has come to our attention that would cause us to believe that the Subject Matter information will not give a balanced and appropriate view, in all material respects, on KONE's Scope 1 and Scope 2 CO<sub>2</sub> emissions in accordance with the Reporting criteria.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for carbon dioxide emissions evaluation. This independent assurance report should not be used on its own as a basis for interpreting KONE's environmental performance.

Helsinki, April 26, 2012  
PricewaterhouseCoopers Oy

Sirpa Juutinen, Partner  
Sustainability & Climate Change

# Glossary

## BREEAM

Building Research Establishment Environmental Assessment Method – a widely used assessment method developed by BRE Global to describe a building's environmental performance.

## CDP (Carbon Disclosure Project)

A global not-for-profit climate change reporting system representing some 650 institutional investors.

## Eco-efficiency

The concept of creating goods and services while using fewer resources and creating less waste and pollution.

## EI99 (Eco-Indicator 99 method)

A Life Cycle Impact Assessment (LCIA) method that also forms the basis for the calculation of eco-indicator scores for materials and processes. The methodology is highly compatible with ISO 14042 requirements.

## GHG (Greenhouse gas)

The gaseous constituents of the atmosphere that cause the greenhouse effect. Water vapor (H<sub>2</sub>O), carbon dioxide (CO<sub>2</sub>), nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>), and ozone (O<sub>3</sub>) are the primary greenhouse gases in the Earth's atmosphere. There are also a number of entirely man-made greenhouse gases.

## GHG Protocol (Greenhouse gas protocol)

The most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions.

## Green Mark

The Building and Construction Authority's Green Mark Scheme is an initiative which aims to promote environmental awareness in the construction and real estate sectors in Singapore.

## Green Star

A national, voluntary environmental rating system regulated by the Green Building Council of Australia that evaluates the environmental design and construction of buildings.

## GRI (Global Reporting Initiative)

The GRI guidelines are widely used for the reporting of economic, environmental, and social performance.

## IIFR (Industrial Injury Frequency Rate)

A measure of occupational safety. IIFR is the number of lost-time injuries that result in an absence from work of more than one work day or shift per million hours worked.

## ISO 14001

A global standard for corporate environmental management systems developed by the International Organization for Standardization.

## ISO 9001

A global standard for organizations' quality management systems developed by the International Organization for Standardization.

## LCIA (Life Cycle Impact Assessment)

The investigation and quantifying of the environmental impact caused or necessitated by a given product or service.

## Lean

A set of methods and tools used to identify and eliminate waste.

## LEED (Leadership in Energy and Environmental Design)

LEED is an internationally recognized green building certification system developed by the US Green Building Council.

## Net zero energy building

A carbon-neutral building which produces as much energy as it uses over the course of a year. Net zero energy buildings can be independent of the energy grid supply. Energy can be produced on-site, usually using technologies such as solar, wind, and geothermal.

## REACH

A European Community Regulation (EC 1907/2006) on chemicals and their safe use. It deals with the Registration, Evaluation, Authorization and restriction of Chemicals.

## RoHS

The Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive (2002/95/EC). This directive restricts the use of six hazardous materials in the manufacture of various types of electronic and electrical equipment.

## tCO<sub>2</sub>e

Tonne (1,000 kg) of carbon dioxide equivalent. Quantities of greenhouse gas emissions, expressed in tonnes and reported to the equivalent global warming potential of carbon dioxide over 100 years.

## UIS (Units in Service)

Elevators, escalators, and automatic building doors under KONE service contracts.

## VOCs (Volatile Organic Compounds)

Organic chemical compounds which have significant vapor pressures and can affect both the environment and human health. They include a range of different chemicals, some of which may have both short-term and long-term health effects.

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# GRI index

Comparison with Global Reporting Initiative guidelines				
	GRI Content	Included	Page	Comments
<b>1. Strategy and analysis</b>				
1.1	CEO's statement	Yes	6-7	
1.2	Key impacts, risks, and opportunities	Yes	4-5, 8-9, 13-14	
<b>2. Organizational profile</b>				
2.1	Name of the organization	Yes	Back cover	
2.2	Primary brands, products, and services	Yes	2	
2.3	Operational structure	Yes	2	<a href="http://www.kone.com/corporate/en/company/KONEs_organization/Pages/default.aspx">www.kone.com/corporate/en/company/KONEs_organization/Pages/default.aspx</a>
2.4	Location of organization's headquarters	Yes	2	
2.5	Number of countries and location of operations	Yes	2, 5	
2.6	Nature of ownership and legal form	Yes	2	
2.7	Markets served	Yes	2	
2.8	Scale of the reporting organization	Yes	2, 10	
2.9	Significant changes regarding size, structure, or ownership	Yes	43	
2.10	Awards received in the reporting period	Yes		<a href="http://www.kone.com/corporate-responsibility">www.kone.com/corporate-responsibility</a>
<b>3. Reporting principles</b>				
<b>Report profile</b>				
3.1	Reporting period	Yes	43	
3.2	Date of most recent report	Yes	43	
3.3	Reporting cycle	Yes	43	
3.4	Contact point for questions regarding the report	Yes	Back cover	
<b>Report scope and boundary</b>				
3.5	Process for defining report content (materiality, prioritizing topics, and stakeholders using the report)	Yes	3-5, 43	Stakeholders presented on page 3 are expected to use the report.
3.6	Boundary of the report	Yes	43	
3.7	Limitations on the report's scope or boundary	Yes	43	
3.8	Basis for reporting subsidiaries, joint ventures, leased facilities, outsourced operations, and other entities affecting comparability	Yes	43	
3.9	Data measurement techniques and bases of calculations	Yes	43-44	
3.10	Explanation of re-statements	Yes		Reported in connection with the indicators in question.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods	Yes	43-44	
<b>GRI content index</b>				
3.12	GRI content index	Yes	46-47	
<b>Assurance</b>				
3.13	Assurance policy and practice	Yes	44	
<b>4. Governance, commitments, and engagement</b>				
<b>Governance</b>				
4.1	Governance structure of the organization	Yes	FS 56, 58	
4.2	Position of the Chairman of the Board	Yes	FS 60	
4.3	Independence of the Board members	Yes	FS 58	
4.4	Mechanism for shareholder and employee consultation	Yes	38-39, FS 56	
4.5	Impact of organization's performance on executive compensation (inc. social and environmental performance)	Yes	FS 58-59	Links to CR performance not reported.
4.6	Processes for avoiding conflicts of interest	Yes	FS 56	
4.7	Processes for determining Board members' expertise in strategic management and sustainability	Yes	FS 56, 60	
4.8	Implementation of mission and values statements, code of conduct, and other principles	Yes	8, 30, 41-42	
4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management	Yes	FS 57	Procedures related to CR management not reported.
4.10	Processes for evaluating the Board's performance	Yes	FS 56	
<b>Commitments to external initiatives</b>				
4.11	Addressing precautionary approach	Yes	14, 18-19	
4.12	Voluntary charters and other initiatives	Yes		No commitments to initiatives as defined by the GRI.
4.13	Memberships in associations	Yes	3	
<b>Stakeholder engagement</b>				
4.14	List of stakeholder groups	Yes	3	
4.15	Identification and selection of stakeholders	Yes	3	
4.16	Approaches to stakeholder engagement	Yes	3	
4.17	Key topics raised through stakeholder engagement	Yes	38-39	
<b>Economic performance indicators</b>				
<b>Management approach to economic responsibility</b>				
		Yes	2, 13-14, 30	
<b>Economic performance</b>				
EC1*	Direct economic value generated and distributed	Yes	15	
EC2*	Financial implications, risks, and opportunities due to climate change	Partly	9, 18-19	



Comparison with Global Reporting Initiative guidelines				
	GRI Content	Included	Page	Comments
	<b>Market presence</b>			
EC6*	Policy, practices, and spending on local suppliers	Partly	30	
	<b>Indirect economic impacts</b>			
EC8*	Development and impact of infrastructure investments provided for public benefit	Partly	6	
	<b>Environmental performance indicators</b>			
	<b>Management approach to environmental responsibility</b>	Yes	4, 9-10, 18-23, 30-33, 35, 41-42, 44	
	<b>Materials</b>			
EN1*	Materials used by weight or volume	Yes	22	
	<b>Energy</b>			
EN3*	Direct energy consumption	Yes	34-35	Heating fuel and natural gas reported in m <sup>3</sup> .
EN4*	Indirect energy consumption	Yes	33, 35	
EN5	Energy saved due to conservation and efficiency improvements	Yes	33-34	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Yes	10, 18-21, 23	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Partly	34	Reductions achieved not reported.
	<b>Water</b>			
EN8*	Total water withdrawal by source	Yes	34-35	
	<b>Emissions, effluents, and waste</b>			
EN16*	Total direct and indirect greenhouse gas emissions	Yes	35, 44	
EN17*	Other relevant indirect greenhouse gas emissions	Yes	35	
EN18	Initiatives to reduce greenhouse gas emissions	Yes	32-34	
EN21*	Total water discharge by quality and destination	Yes	34	
EN22*	Total amount of waste by type and disposal method	Yes	34-35	
	<b>Products and services</b>			
EN26*	Mitigating environmental impacts of products and services	Yes	10, 18-21, 23	
	<b>Transport</b>			
EN29	Environmental impacts of transportation	Yes	31-34	
	<b>Social performance indicators</b>			
	<b>Labor practices and decent work</b>			
	<b>Management approach to labor practices and decent work</b>	Yes	25-26, 37-38	
	<b>Employment</b>			
LA1*	Total workforce by employment type, employment contract and region	Partly	37-38, 40	Not reported by employment type or employment contract.
	<b>Labor/Management relations</b>			
LA5*	Minimum notice period regarding operational changes	Yes		According to local legislation.
	<b>Occupational health and safety</b>			
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Partly	25	Injury rate reported.
LA8*	Education and prevention programmes regarding serious diseases	Partly	38	
	<b>Training and education</b>			
LA11	Programmes for skills management and lifelong learning	Yes	37	
	<b>Diversity and equal opportunity</b>			
LA13*	Composition of governance bodies and breakdown of employees	Partly	40	Breakdown by gender reported.
	<b>Human rights</b>			
	<b>Management approach to human rights</b>	Yes	30, 37, 39, 41-42	
	<b>Investment and procurement practices</b>			
HR2*	Suppliers and contractors that have undergone human rights screening and actions taken	Partly	30	Percentage not reported.
HR3	Employee training on policies and procedures concerning human rights relevant to operations	Partly	41-42	Description of Code of Conduct and training. Training hours or percentage of employees not reported.
	<b>Child labor</b>			
HR6*	Operations identified as having significant risk for child labor and measures taken to contribute to the elimination of child labor	Yes		No risks related to the use of child labour have been identified in KONE's own operations.
	<b>Forced and compulsory labor</b>			
HR7*	Operations identified as having significant risk for forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor	Yes		No risks related to the use of forced or compulsory labour have been identified in KONE's own operations.
	<b>Society</b>			
	<b>Management approach to society</b>	Yes	3, 8-9, 41-42,	
	<b>Public policy</b>			
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly	Yes	FS 4	
	<b>Compliance</b>			
SO8*	Significant fines and sanctions for non-compliance with laws and regulations	Yes		No significant fines or sanctions during the reporting period.
	<b>Product responsibility</b>			
	<b>Management approach to product responsibility</b>	Yes	24-27, 41-42	
	<b>Customer health and safety</b>			
PR1*	Assessment of health and safety impacts of products	Yes	24-27	

\* GRI Core indicator



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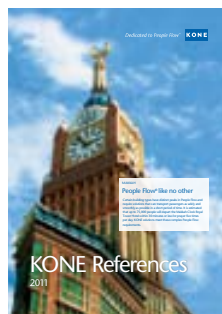
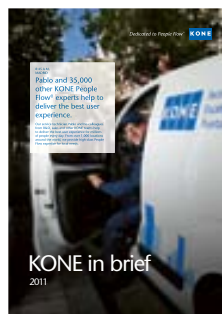
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