

HELPING CITIES GROW SUSTAINABLY

Sustainability Report 2021

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KONE IN BRIEF

At KONE, our mission is to improve the flow of urban life.

As a global leader in the elevator and escalator industry, KONE provides elevators, escalators, and automatic building doors, as well as solutions for modernization and maintenance to add value to buildings throughout their life cycle. Through more effective people flow, we make people’s journeys safe, convenient, and reliable in taller, smarter buildings.

We serve approximately 550,000 customers across the globe and have almost 1.5 million equipment in our maintenance base. Key customer groups include builders, building owners, facility managers, and developers. Architects, authorities, and consultants are also key influencers in the decision-making process regarding elevators and escalators.

Our objective is to be a leader in sustainability. We want to be the most trusted partner to our customers throughout their building life cycle and help them achieve their sustainability objectives, shaping better urban environments.

Sustainability is a source of innovation and a competitive advantage for us. It guides us in our daily work with our stakeholders. In addition to the environmental aspects of our offering and operations, our sustainability focus areas include safety, quality, diversity and inclusion, as well as ethics and compliance. KONE is committed to conducting its business in a responsible and sustainable way. We expect the same commitment from our suppliers.

KONE class B shares are listed on the Nasdaq Helsinki Ltd. in Finland.



We move
>1 billion
people every day

~550,000
customers

Operations in
>60 countries

~30,000
suppliers

<1,500,000
equipment in
KONE’s maintenance base

>60,000
employees

Authorized distributors
and agents in close to
100 countries

Sales
MEUR 10,514

➔ Read more [about KONE as a company](#) on [kone.com](#)

SUSTAINABILITY HIGHLIGHTS 2021



CDP 2021 'A' score for corporate sustainability leadership

EcoVadis platinum medal for sustainability performance



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

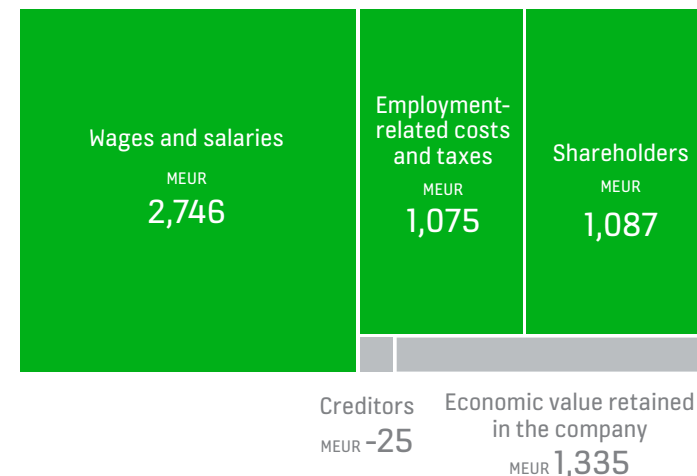
8 escalators and autowalks with the best A+++ rating



Introduced the first carbon-neutral maintenance service in the elevator industry, KONE Care™ DX

How KONE added economic value in 2021

Added value MEUR 6,217



KONE employed 62,720 people



Forbes' 2021 Global 2000: World's Best Employers list



145 nationalities



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

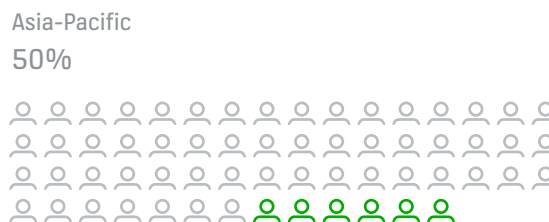
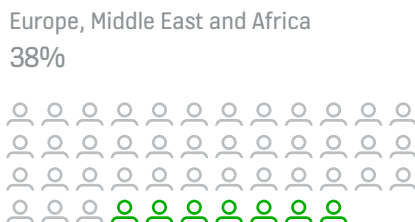
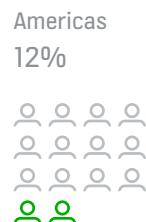


1.6 Industrial Injury Frequency Rate

96%

of KONE employees completed at least one compliance training session

Men
Women



TAKING SUSTAINABILITY TO NEW HEIGHTS

KONE has pledged very ambitious sustainability targets that are showing the way in the industry. Sustainable business is not a passing trend but a long-term commitment for us. President and CEO Henrik Ehrnrooth and Chairman of the Board Antti Herlin discuss sustainability at KONE.

Sustainability. The word on everyone's lips and a top focus for companies and governments today. The ever-expanding discussions about sustainability in media and in everyday conversation show that sustainability is not a passing fad. For KONE, sustainability has been one of our five strategic targets already for over 14 years.

"Sustainability has always been at the heart of KONE's business. It might not have always been called 'sustainability', but the aim to do the right thing for the planet and its people has always been there. In my mind, sustainable business practices are a requirement for long-term success," Antti states.

For KONE, sustainability means concrete actions; our ambition is to make cities sustainable places to live. A new phase of KONE's strategy, called 'Sustainable success with customers', was launched in 2021. Like the title suggests, the strategy continues the company's strong commitment to sustainable business.

"Improving energy efficiency and reducing our carbon footprint have been strong focus areas for KONE for decades. The progress in this area has been remarkable and we are continuously improving," Henrik says.

"Over the past years, corporate sustainability thinking has changed. Earlier, sustainability was seen as something that needs to be taken care of as rules and regulations that need to be met. Now, sustainability is seen as an asset that is fundamental to any company's success and it is also a source for growth," Antti adds.

Sustainability has become a key design principle for many of KONE's customers, and products and solutions are created and developed with sustainability aspects in mind.

"Our customers are asking for sustainable products and services, and that is something their own customers and end-users expect as well. We also want to be one step ahead and offer them solutions that they didn't know they needed," Henrik envisions and continues:

"In addition to our dedication to sustainability with our products and solutions, we remain committed to the United Nations Global Compact and its principles on human rights, labor standards, environmental protection, and anti-corruption."

2021, ANOTHER EXCEPTIONAL YEAR

In 2021, the business environment changed rapidly due to continuously evolving COVID-19 restrictions across the globe, and that had a knock-on effect on KONE, our customers as well as our partners.

"Furthermore, 2021 was challenging due to severe disruptions of global supply chains and rapidly increasing inflation. For a global company like KONE, the situations varied in different locations. Our performance continued to be driven by empowered and accountable local teams. During the past few years, our clear global direction with local accountability has proven that we can perform strongly in very tough environments," Henrik remarks.

Strong performance comes down to KONE's unique culture which has always supported KONE people in renewal and performing well in changing environments.

"A strong and healthy company culture is one of KONE's key success factors and something worth investing in," Antti says.

One of the key factors in driving employee satisfaction at KONE is to strengthen diversity and inclusion of our employees. In 2021, we published a pledge to systematically increase diversity, equity, and inclusion (DEI).

"As a part of our pledge, we want to make a step-change in the share of women at the director level to 35% by 2030. We are proceeding well and are currently at 21%. However, DEI is not just a gender matter for us, and we work towards



Henrik Ehrnrooth,
President & CEO



Antti Herlin,
Chairman

increasing all aspects of diversity, throughout KONE," Henrik explains and continues:

"We are also continuously developing our ways of working and we want every KONE employee to act in an inclusive way. This is very important in terms of company culture development – and also from the business perspective."

Following this, KONE endorsed the UN Standards of Conduct and committed to LGBTIQ+ inclusion by partnering with Workplace Pride.

The uncompromisable core principles of KONE culture are safety, quality and sustainability.

"The safety of our people as well as our customers, partners, subcontractors and end-users, has always been of the utmost importance to us," Henrik says.

During the past year, we have focused on embracing, understanding and caring, promoting open communication and rewarding safe behavior to increase safety awareness.

The KONE Code of Conduct, an integral part of our company culture, was renewed in 2021. The new code has stronger emphasis on diversity and inclusion, expanded guidance on fraud, corruption, and fair competition, as well as sections on human rights and trade compliance.

“One of our strategic aims in sustainability is also to think about ethics and compliance aspects in everything we do. High standards in ethics and compliance help us win and retain business, meet investor expectations and make KONE a great place to work,” Henrik recounts.

Even though the COVID-19 pandemic has made our working environment challenging, we have been able to deliver on our customers' needs. Our customer survey ratings show that quality is among the top reasons why our customers choose KONE as a partner.

“Customer satisfaction related to quality increased in 2021 and we are working hard every day to improve our quality performance. We have applied Lean principles in our operations and are utilizing data and connectivity. These measures will eventually result in less equipment downtime and consequently a better user experience,” Henrik says.

SUPPORTING HUMANITARIAN CAUSES IN UKRAINE

In February 2022, an unexpected situation occurred when Russia launched an invasion on Ukraine. At the time of writing this, the war has been raging in Ukraine for nearly two months. KONE has local country organizations in both countries, with approximately 40 employees in Ukraine and 650 employees in Russia.

We are saddened and appalled by Russia's devastating and unprovoked attack on Ukraine, and it is of huge concern to all of us. We decided to cease deliveries to Russia from March 3, 2022, and have also stopped signing new orders there. We continue to follow this constantly changing situation closely. As always, the safety of our people is our top priority, and our thoughts go out to everyone affected by the war.

We have formed global and local crisis coordination teams and are working together, across borders, to manage the situation. From day one, the KONE countries neighboring Ukraine have helped enormously with transportation and accommodation. In addition, KONE has donated money through the Finnish Red Cross in aid of the war relief efforts in Ukraine. The KONE Centennial Foundation is also running a matching funds initiative for KONE employees worldwide.

LOOKING FORWARD

In the elevator and escalator industry, KONE has been pioneering with sustainable products, solutions, and services. One recent example is KONE Care™ DX, the world's first carbon neutral elevator maintenance, launched in the fall 2021.

“To maintain the advantage provided by the head start, innovation needs to be bold and fast. The bar is set high: we want to be a leader in sustainability,” Antti explains.

“There are two big shifts that we want to accomplish during this strategy phase; we want to embed sustainability in everything we do, and we want to increase the scope of our business with our customers through value added solutions,” Henrik continues.

KONE's ambitious environmental targets drive the progress of these two shifts.

“We have pledged for significant greenhouse gas emission reductions and aim to reach carbon neutral operations by 2030 by offsetting the remaining emissions. We are committed to a 50% cut in the Scope 1 and 2 emissions from our own operations by 2030, compared to 2018. We also target a 40% reduction in the Scope 3 emissions which are related to our products' materials and lifetime energy use,” Henrik says.

This target is in line with limiting global warming to 1.5°C, which is currently the most ambitious criteria for setting science-based targets.

“KONE was the first in the industry to validate science-based targets against the latest climate science and our targets are the most ambitious in the industry to date. With the



climate pledge, we are taking even stronger action and leading the way in our industry to create more sustainable urban environments,” Antti says.

As we face all the uncertainty in the world and navigate through a challenging market environment, sustainability continues to be a central focus area for KONE and we see great growth opportunities in the coming years. Sustainability is also a strategic target for most of our customers and we play a key role in helping our customers meet their own sustainability targets. The decisions we make today have an impact on what our world will look like in the future – and KONE is proud to continue our commitment to developing smart and sustainable cities.

MEGATRENDS IMPACTING KONE BUSINESS

Our business is shaped by three major megatrends: urbanization, sustainability, and technology. Together with the wider building industry, we play a role in developing smart and more sustainable cities.

URBANIZATION

IMPACT ON ELEVATOR AND ESCALATOR INDUSTRY

- Population expected to grow to 9.7 billion by 2050
- Around two-thirds of the global population will live in cities by 2050
- Rise in single occupancy living
- Age group 65+ growing the fastest

- Increased demand for elevators, escalators and other people flow solutions to enable accessibility and ease of moving in buildings
- Growing need to maintain and upgrade safe and reliable infrastructure in aging buildings
- More value placed on smooth people flow in cities
- Affordable housing

KONE'S RESPONSE

- Modernization solutions that can improve, for example, the accessibility and adaptability of a building
- Using insights based on data to create innovative solutions for healthier and smoother people flow in and between buildings
- Entry access and other intelligent solutions for accessibility, convenience and security
- Maintenance and modernization solutions that extend the already long lifetime of the equipment

SUSTAINABILITY

- Global warming
- Increasing likelihood of extreme weather events
- Depletion of the world's natural resources
- Increased awareness of social issues such as human rights and diversity and inclusion
- Heightened interest in health and well-being

- Green and net zero building a global priority
- Rising interest in embodied carbon data
- New demands for the climate resilience of logistics and equipment
- Increasing demand for circularity
- Rising customer, employee and equipment user expectations of environmental sustainability and social responsibility
- Rising interest in the use of healthy and environmentally friendly materials

- Most ambitious targets in the industry to cut greenhouse gas (GHG) emissions, Scopes 1-3
- Continuous work to improve the already best-in-class energy efficiency of our products and solutions
- First in the industry to offer carbon neutral carbon neutral elevators and maintenance
- Maintenance and modernization solutions that increase the long lifetime of the equipment
- Work on the climate resilience of the logistics network and solution design
- Focus on diversity, equity, and inclusion
- Increased focus on sustainability in our supply chain, including human rights
- Use of new and innovative materials contributing to good indoor air quality and health
- Widest range of Environmental Product Declarations and Health Product Declaration

TECHNOLOGY

- Digitalization, including the Internet of Things (IoT) and artificial intelligence (AI)
- Faster mobile networks
- Touchless technology
- Robotics

- Rising interest in building automation systems, for example, elevators and escalators that can be connected to the building ecosystem and users' devices
- New technologies enable improved user experience and smarter building management
- Need to form partnerships and co-innovate for smart and sustainable urban development
- Increasing need for cybersecurity and data privacy

- Creating better user experiences and more customizable People Flow® solutions to make buildings function better
- Smart, built-in connectivity and application programming interfaces that enable integration with third-party solutions such as service robots and building management systems
- Intelligent maintenance and modernization services that reduce equipment downtime, improve energy efficiency, and prolong equipment lifetime
- Partner ecosystem and co-creation with customers
- Using insights from user data to anticipate future needs
- End-to-end cybersecurity in our smart solutions

KONE'S STRATEGY: SUSTAINABLE SUCCESS WITH CUSTOMERS

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

CUSTOMER AT THE CENTER

KONE's strategy phase 2021–2024 is called Sustainable success with customers. We focus on increasing the value we create for our customers with new intelligent solutions and embed sustainability even deeper across all of our operations.

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

WHERE TO WIN AREAS

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

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

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

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

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

WAY TO WIN AREAS

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

Empowered people: having the most capable and engaged team of professionals who succeed in a changing world.

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

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

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

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

OUR CULTURE

The foundation for everything we do is our culture, which is built on safety, quality, sustainability as well as our values: care, customer, collaboration, and courage. Together with our mission, vision and strategy, our culture provides purpose and direction to the decisions we make.

MEASURING OUR PROGRESS

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



See the KONE strategy image on the next page



Sustainable success with customers

MEGATRENDS

URBANIZATION

SUSTAINABILITY

TECHNOLOGY

Dedicated to People Flow™ **KONE**

STRATEGIC TARGETS

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

WHERE TO WIN

We will lead the way in:

Core products and services

New solutions for customer value

Smart and sustainable cities

Service business in China

WAYS TO WIN

We will ensure our success through:

Empowered people

Marketing and sales renewal

Digital + physical enterprise

Lean KONE



CULTURE

SAFETY
QUALITY
SUSTAINABILITY

CARE

COLLABORATION

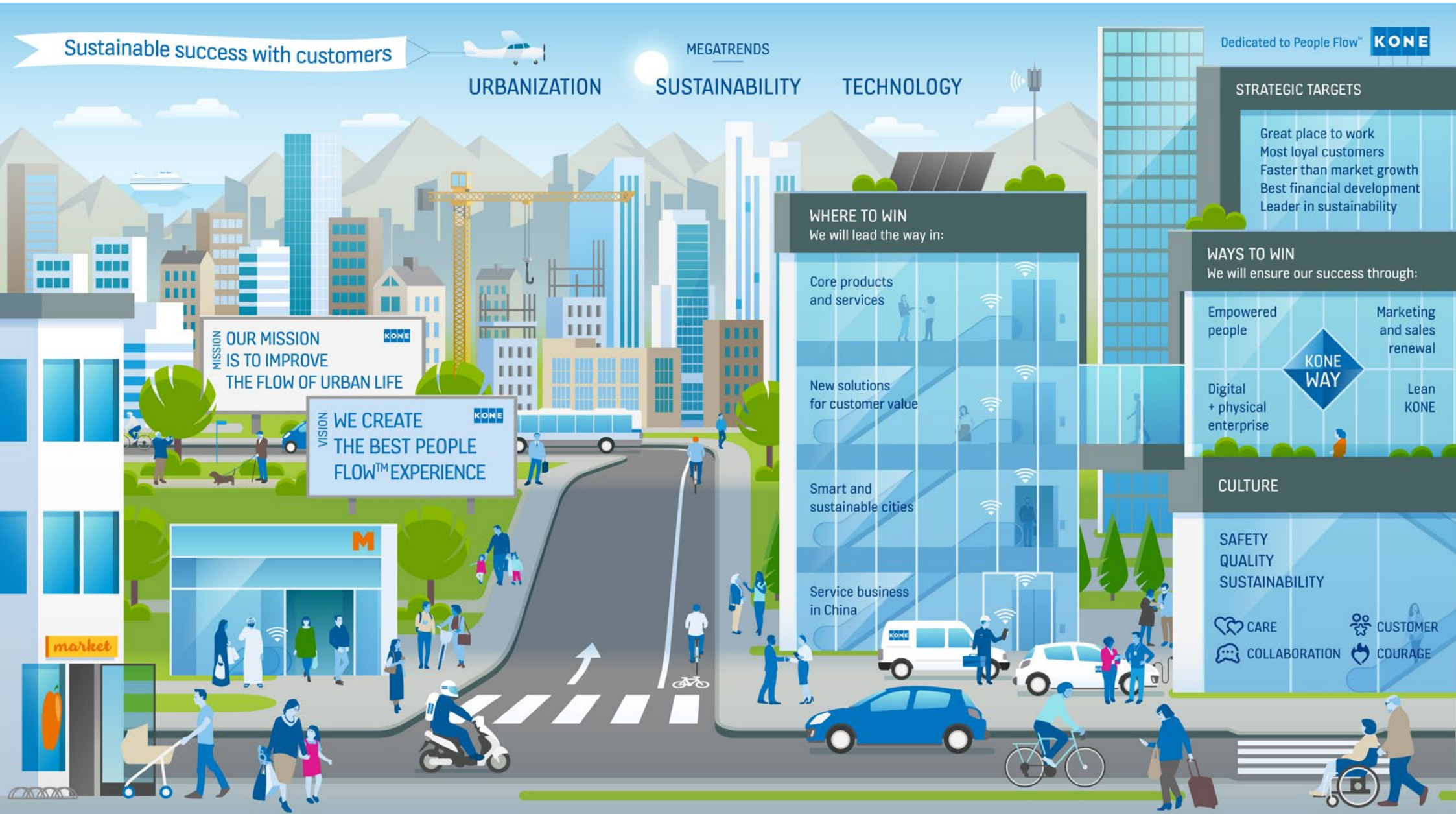
CUSTOMER

COURAGE

MISSION OUR MISSION IS TO IMPROVE THE FLOW OF URBAN LIFE

VISION WE CREATE THE BEST PEOPLE FLOW™ EXPERIENCE

market



CREATING VALUE FOR SOCIETY

KONE provides value for customers during the whole life cycle of the building and moves over 1 billion people every day.

In the new equipment business, we offer innovative, intelligent, and sustainable elevators, escalators, automatic building doors and integrated access control solutions to deliver the best people flow experience. In maintenance, we improve the safety and availability of the equipment in operation, and in modernization we offer solutions for aging equipment ranging from partial to full replacements.

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

New equipment deliveries are the main growth driver of the maintenance business as the majority of units delivered will become a part of KONE's maintenance base. KONE also maintains other manufactures' equipment. The main growth drivers for modernization are the aging installed base and increased requirements for efficient people flow, safety and sustainability. Having a strong maintenance base is crucial for the growth of the modernization business. KONE sees significant growth opportunities also in creating value for customers in new ways with the help of new technologies and connectivity.

KONE has identified the following strategic inputs that are crucial in creating value for customers, shareholders and society: competent and engaged people and strong leadership; innovative, sustainable offering and global processes and systems; best partners; efficient manufacturing and delivery chain; solid financial position; environmentally sustainable operations, as well as a strong brand and solid reputation. In addition to these, KONE sees that the life cycle business model and the existing maintenance base of close to 1.5 million units have a crucial role in value creation.



Although we have a significant direct impact on society, a great deal of the value we create is the result of collaboration with our large network of KONE's customers, partners, and suppliers, as well as through use of elevators, escalators, and integrated access control solutions manufactured and maintained by us.

➔ See the KONE value creation image on the next page



HOW KONE CREATED VALUE FOR SOCIETY IN 2021

INPUTS

PEOPLE AND LEADERSHIP

- >60,000 employees representing 145 different nationalities, ca. half of employees in the field
- Global diversity and inclusion strategy
- Personnel voluntary turnover rate 7.8%
- Wide development opportunities on all organizational levels around the world
- Management systems and certificates (e.g. ISO 14001, ISO 9001, OHSAS 18001)
- Governance structures, ethical business practices and compliance, 96% of employees completed at least one compliance training during 2021

INNOVATIONS, PROCESSES AND SYSTEMS

- >5,000 granted or pending patents globally
- R&D spend 1.8% of sales, 7 global R&D units
- ~1,500 technology professionals in R&D, ca. half in software development
- Global KONE Way processes and systems
- Safe and efficient maintenance and installation methods

BRAND AND REPUTATION

- One of the leading brands in the elevator and escalator industry

PARTNERING

- Co-creation with customers
- Partnering to co-develop new technologies and solutions
- Collaboration with >300 universities and educational institutes
- Distributors and agents important part of go-to-market

MANUFACTURING AND DELIVERY CHAIN

- 10 manufacturing units in 7 countries
- ~2,000 component suppliers and thousands of installation suppliers
- Optimized logistics network
- Supplier sustainability assessment

FINANCIAL

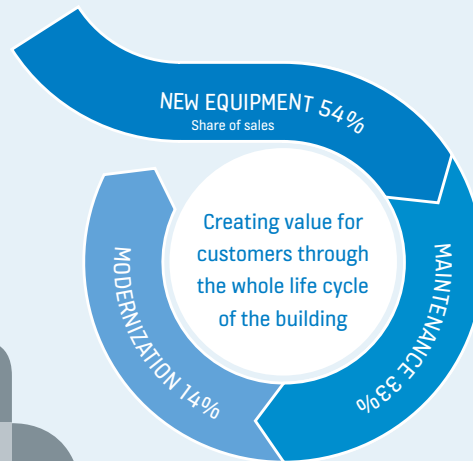
- Equity EUR 3.2 billion
- Interest-bearing net debt EUR -2.2 billion
- Net working capital EUR -1.5 billion
- Capital expenditure 2.1% of sales

NATURAL RESOURCES

- Materials used 1,795,400 tonnes
- Heating and vehicle fleet fuels 443,100 MWh
- Electricity and district heat 86,100 MWh
- Water consumption 328,000 m³

BUSINESS MODEL

SUSTAINABLE SUCCESS WITH CUSTOMERS



OUTPUTS

MOVING OVER 1 BILLION PEOPLE EVERY DAY

- ~196,000 new elevators and escalators ordered in 2021
- Maintenance and modernization services, <1.5 million units in maintenance base

THE MOST SUSTAINABLE OFFERING

- Best in class energy efficiency, ISO 25745 A-class energy rating as the first elevator company
- Up to 70% energy savings through modernization of elevators
- Focus on safety and accessibility

EMISSIONS AND WASTE

- Carbon footprint from own operations 130,900 tCO₂e
- Waste 37,400 tonnes
- Wastewater effluents 8 tonnes
- Carbon footprint from our products and value chain 15,6 MtCO₂

IMPACT

SHAREHOLDERS

- Operating income EUR 1,295 million
- Dividend EUR 2.10 per class B share (incl. extraordinary dividend), total amount of dividends MEUR 1,087
- Return on equity 32.0%

SOCIETY

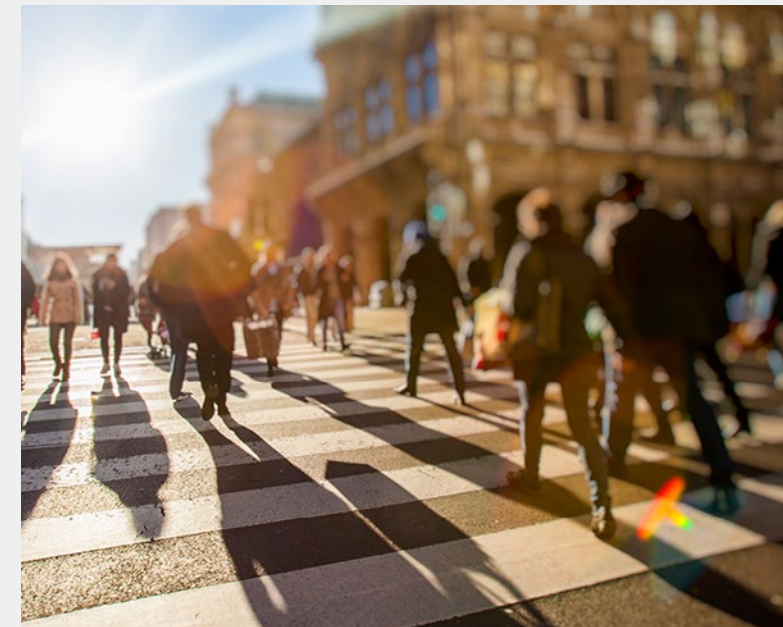
- Recognized for our contribution to better societies and urban environment by several external parties, e.g. CDP, EcoVadis, Forbes as well as The Financial Times' Diversity Leaders and Climate Leaders report
- Wages, salaries, other employment expenses and pensions EUR 3.2 billion
- Industrial Injury Frequency Rate (IIFR) 1.6
- 81% of external hires into leadership positions from local communities
- 21% of director level positions held by women
- Increased amount of skilled workforce
- Direct purchases EUR 4.3 billion
- Income taxes EUR 298.1 million with effective tax rate 22.6%

ENVIRONMENT

- 15% reduction in absolute GHG emissions from our own operations (Scope 1 and 2) compared to 2018
- 0.4% increase in our product-related GHG emissions (Scope 3) relative to products ordered compared to 2018
- 80% of green electricity
- 91% of waste recycled or incinerated
- Corporate units as well as all manufacturing and R&D units are ISO 9001 and ISO 14001 certified
- 88% of key suppliers with ISO 14001 certification at the end of 2021

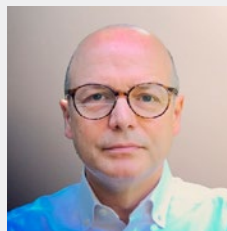


ARTICLE



The human-centric city is making a comeback

Policymakers tell us that our cities will grow by an additional 2 billion people by 2050. To accommodate this growth in a sustainable way, urban planning must be more human-centric, technologically driven, and consensually supported. Professor Tim Stonor agrees.



Professor Tim Stonor, architect, recognized expert in spatial design, and Managing Director of UK-based Space Syntax, a leader in technology-driven urban planning strategies, has a compelling message: many of the world's great urban centers became less desirable to live in due to their inability to cope with mounting maladies such as overcrowding,

inadequate sanitation, susceptibility to pandemics and, more contemporarily, dependency on the automobile.

Further, the arts of human-centric urban planning and spatial design were forgotten.

But Stonor's life's work has been to dramatically reverse these concepts by re-introducing time-honored spatial principles of what make cities successful aided by the latest modeling tools and involving urban stakeholders to make it all work.

RETURN TO WALKABLE CITIES

"Humans are transactional by nature," states Stonor.

"A historical foundation of the city is that it evolved from a walkable grid of streets, self-navigable, and within reasonable distance of work and the necessities of life. This model began to break down about 150 years ago."

"Our mission is to restore these human-centric principles to urban centers but in a way that is sustainable and scalable to accommodate the huge growth to come."

Stonor's back-to-basics approach to human-centric urban design always begins with observation and evidence-based data.

He applauds his global team of colleagues who have pioneered the art of urban modeling, creating algorithms and digital tools to aid in Space Syntax's work. But he is adamant in elevating the anthropological dimension of his endeavor, going so far as to benchmark a city based upon Space Syntax's own 'Walkability Index' – a tool that allows existing places to be benchmarked and new proposals to be objectively tested in terms of whether they deliver car-dependence, with its associated problems – or walkability, with the social, economic and environmental benefits found in walkable places.

URBAN LIFE THRIVES AT STREET LEVEL

"We are in a different place today in urban design than we were a couple of decades ago," Stonor explains. "Our planning is now much more human-centric, informed by a vast array of public and private datasets that tell us how people move, where they transact... even where they commit crime."

Stonor's designs bring people back to street level where transacting is natural. He eschews long, high-speed thoroughfares that divide and segregate cities, opting instead for pedestrian spaces and reconnected neighborhoods.

He wants fewer cars, lower carbon emissions, and higher 'footfall' in the spirit of one of his admired colleagues, Danish

"Our mission is to restore these human-centric principles to urban centers but in a way that is sustainable and scalable to accommodate the huge growth to come."

architect Jan Gehl, a paragon of pedestrian-oriented city design. And he loves shady trees, especially in arid cities to bring down street temperatures and beckon people once again to the plazas, esplanades, piazzas, and bazaars where they belong.

THE IMPORTANCE OF EARLY COLLABORATION IN URBAN PLANNING

Stonor sternly opposes designing in isolation, an affliction that he believes has contributed to many malfunctioning urban centers of the modern era.

"Successful urban planning involves early collaboration with those who know how the layers of a city work – its 'system of systems'; people-moving networks, energy networks, communication networks and road networks," he argues.



Similarly, traditional notions of how new and existing city buildings are designed and utilized require closer collaboration with their owners, managers, and users, notes Tessina Czerwinski, program director for smart and sustainable cities at KONE.

"We typically have planned buildings in cities for specific

purposes with a projected outlook of 50 to 100 years. This has changed."

"Technological advances, changes in demographics, and shifts in business patterns highlight the importance of new building life cycle thinking; more resilient, better connected, environmentally friendly, and easily adaptable for new uses."

"Buildings are the skeleton of a city," Czerwinski says. "And how we tap into technology to use and connect with them makes a difference for the human experience of future cities."

ELEVATOR DATA TELLS STORIES OF HUMAN BEHAVIOR

The degree to which human-centric urban design can succeed depends to a great extent upon sound data, Stonor believes. It provides long sought understanding about human behavior previously missing.

His point could hardly be made clearer by intriguing data KONE has shared.



"We move over one billion people every day," Czerwinski observes. "Our data tells stories of human behavior, changing lifestyle patterns, and building resilience through collaboration."

One recent example KONE shared was data about elevator use from major cities of the world that tracked the COVID-19 pandemic and response since the beginning of the pandemic.

"It told us which infrastructures are resilient and mission critical, and what it means for the life of a neighborhood," adds Czerwinski.

"With the help of technology – and in close collaboration with our customers and partners – we can create smoother people flow not only in and between buildings, but also in neighborhoods and cities at large. Through this multidimensional approach, our urban surroundings can become more resilient."

➔ Read **what elevators can teach us about the pandemic, and about the future of our cities** on [kone.com](https://www.kone.com)

SUSTAINABILITY FOCUS AREAS

KONE's sustainability reporting follows the Global Reporting Initiative's (GRI) guidelines. During 2019–2020, we updated our materiality assessment. The identified material topics were ranked according to their impact on our value chain, business implications and stakeholder interest. The findings of the assessment were utilized when defining the current phase of KONE's strategy – Sustainable success with customers, as well as to update our reporting.

We have divided our material topics into four reporting areas: Providing the most sustainable offering; Working towards a more sustainable future; Empowering our people and attracting the best talent; and, Being a good corporate citizen. KONE has integrated the management of its sustainability focus areas into its operations throughout the organization.

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



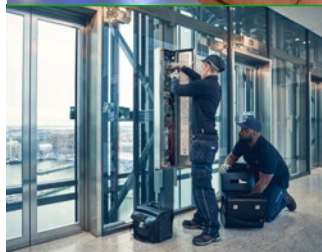
PROVIDING THE MOST SUSTAINABLE OFFERING

- Creating value for our customers
- Lifetime environmental impact of our products
- Cybersecurity and data privacy
- Quality of our solutions
- End user safety and accessibility



WORKING TOWARDS A MORE SUSTAINABLE FUTURE

- Sustainable innovations
- Sustainable business models
- Carbon-neutral operations



EMPOWERING OUR PEOPLE AND ATTRACTING THE BEST TALENT

- Competence development
- Fair employment practices
- Diversity and inclusion
- Employee and subcontractor safety and well-being



BEING A GOOD CORPORATE CITIZEN

- Generating long-term returns
- Creating wealth via taxes and employment
- Ethical business practices



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

MANAGING SUSTAINABILITY

KONE has integrated the management of its sustainability focus areas into its operations throughout the organization.

Our everyday work is guided by KONE's Code of Conduct and various other company policies and guidelines, outlined in the table at the back of the report. Sustainability and its management are ultimately the responsibilities of KONE's Executive Board and our President and CEO.

KONE's Sustainability Board is a steering committee dedicated to sustainability topics, climate and environment among the priority areas. Several members of KONE's


Executive Board are members of the Sustainability Board, chaired by KONE's Executive Vice President of Operations Development.

Our management and supervisors work to ensure that our employees are familiar with and comply with the legislation, regulations, and internal operating guidelines of their respective areas of responsibility, and that our products and

services are in full compliance with all codes and standards applicable to them.

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

➔ Read more about **KONE's non-financial risks and their mitigation in our Annual Review**, pages 23–24

 Read more about our **sustainability-related management systems** on page 54

COMMITMENT TO GLOBAL GOALS AND INITIATIVES

UN GLOBAL COMPACT

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

UN SUSTAINABLE DEVELOPMENT GOALS

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

UN STANDARDS OF CONDUCT FOR BUSINESS TACKLING DISCRIMINATION AGAINST LGBTI PEOPLE

KONE is a Supporter of the United Nations Standards of Conduct for Business Tackling Discrimination against Lesbian, Gay, Bisexual, Trans, and Intersex People.

PARIS PLEDGE FOR ACTION

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

SCIENCE BASED TARGETS INITIATIVE

KONE has announced its climate pledge with science-based targets for significant reductions in our greenhouse gas (GHG) emissions by the year 2030, in line with limiting global warming to 1.5°C. KONE's ambitious

targets have been validated against the latest climate science by the Science Based Targets initiative (SBTi).

CLIMATE LEADERSHIP COALITION'S CALL ON CARBON

Call on Carbon initiative encourages companies to place a price on carbon and future-proof their business models to combat climate change.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

KONE is a Supporter of the Task Force on Climate-related Financial Disclosures (TCFD) develop recommendations for more effective climate-related disclosures.

STAKEHOLDER ENGAGEMENT AND MEMBERSHIPS

We work closely with our stakeholders on the various topics of sustainability and maintain an active dialogue with them. KONE is a long-standing participant in organizations developing codes, standards, as well as other organizations advancing sustainable development.

KONE's main stakeholders are our customers, employees, shareholders, partners and suppliers, distributors, media, educational institutions, and local communities.

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



ACTIVE CONTRIBUTOR TO CODES AND STANDARDS

KONE is a long-standing participant in organizations developing codes, standards, and guidelines for improving safety, accessibility, cybersecurity, energy efficiency, and circular economy.

The aging of urban infrastructure systems in cities around the world is a major concern. For example, in Europe, 85–95% of the buildings that exist today will still be standing in 2050.

Many countries have adopted strict standards for improving safety through modernization of the existing equipment and upgrading them to the latest state-of-the-art solutions. We contribute to the development of standards addressing, for example, elevator modernization and enhancing safety of existing elevators. Safety enhancements include improving levelling accuracy of the elevator to prevent tripping and falling or adding electronic sensors to elevator doors to prevent collision with passengers as well as providing a voice link to the service center to assist passengers in case of any emergencies.

As a technology provider, KONE manufactures equipment and services that meet applicable codes and standards and may include additional safety features that exceed the applicable regulatory requirements. Today, energy efficiency in modernization of existing elevator and escalator equipment is gaining in importance.

In 2021, KONE joined Climate Leadership Coalition's Call on Carbon initiative, which promotes placing a price on carbon and future-proof business models to combat climate change.

MEMBERSHIPS AND POSITIONS OF TRUST

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



Read more about [stakeholder engagement](#) on page 55

PROVIDING THE MOST SUSTAINABLE OFFERING

Energy-efficient elevators, escalators, automatic doors, and modernization solutions are the key to reducing CO₂ emissions and climate resilience. At KONE, we want to be the most trusted partner for our customers throughout their building life cycle and help them achieve their sustainability objectives. Every day we work to deliver the best experience for our customers and end users. The safety of the billion people who use KONE equipment daily is our highest priority.



See **data and charts** regarding this reporting area on pages 56–59

Designed to provide the best tenant experience, 110 North Wacker, Chicago, US, is a state-of-the-art skyscraper featuring the latest in technologies, such as KONE 24/7 Connected Services and KONE Office Flow. The building holds the US Green Building Council LEED Gold Status and Well Core Platinum Status.



Learn more about **110 North Wacker** on [kone.com](https://www.kone.com)

HELPING CUSTOMERS ACHIEVE THEIR GREEN BUILDING TARGETS

Environmental sustainability and the well-being of citizens are at the center of green urbanism. KONE aims to be the best partner for climate resilient and sustainable buildings throughout their life cycle.

The demand for more sustainable communities can be addressed, in part, through green and smart buildings. In transforming the built environment, circular material flows and net zero emissions play a key role. Sustainable, healthy building design and construction, minimized and renewable energy consumption, as well as improved indoor air quality are all contributing factors.

Our offering includes KONE People Flow® Planning and Consulting services and solutions, best-in-class energy-efficient solutions, and sustainable materials. Energy-efficient features lay the foundation for low-carbon building operations.

SUPPORTING GREEN BUILDING THROUGHOUT THE BUILDING'S LIFE CYCLE

KONE supports green building from the planning phase to the recovery phase. Our offering holds the widest range of externally assured product information in the industry, such as Environmental Product Declarations (EPD) and energy efficiency documentation according to ISO 25745. We also publish Health Product Declarations (HPD).

We use healthy and durable materials that contribute to good indoor air quality. Supported by relevant documentation, the new and innovative interior materials of, for example, our KONE DX Class elevators meet the green building certification requirements for LEED, BREEAM, WELL, Ecolabel, Nordic Swan, and other local green building labels.

The long lifetime of our products can be extended even further with our maintenance and modernization services. With our customizable maintenance services, including intelligent KONE 24/7 Connected Services, we can predict issues and

KONE as a trusted partner throughout the building life cycle

Circular resources

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

Tailored product life extension

- Over 60% energy savings by modernizing an elevator with the best available technology.

Predictive maintenance

- KONE 24/7 Connected Services for more reliable equipment and faster repairs.
- KONE Care™ DX carbon-neutral maintenance



Best-in-class energy efficiency according to ISO 25745

- 23 elevators with the best A-class rating.
- 8 escalators and autowalks with the best A+++ rating.

Smart and green building design

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

Externally assured product information

- 11 elevator models and two escalator models with third-party verified Environmental Product Declarations (EPD).
- Product certifications for a local green building system.

Durability and sustainability of materials and solutions

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

take action before problems occur. Combined with our tailored modernization services, we can help keep our equipment in service for decades. In 2021, we launched KONE Care™ DX carbon-neutral maintenance, followed by carbon-neutral KONE DX Class elevators in 2022.

Up to 90% of the materials in our solutions can be recovered. We also work closely with our suppliers to increase the recycled content in our metals, without compromising the safety or quality of the equipment.

- ➔ Read about our **carbon-neutral KONE Care™ DX maintenance** on page 22
- ➔ Read about **carbon-neutral DX Class elevators** on [kone.com](https://www.kone.com)

LIFETIME VALUE THROUGH ENERGY EFFICIENCY

KONE contributes to green building through optimized and renewable energy consumption, long-lasting, reliable and healthy materials, and circularity. We constantly focus on the energy efficiency of our products and optimize material use, targeting a 40% reduction in emissions related to the materials used and lifetime energy consumption per products ordered.

KONE can help customers reduce their carbon footprint by providing products with a long lifetime, high energy efficiency, and low embodied carbon. Our durable and long-lasting products are designed and tested in our reliability laboratories for climate resilience under the most stringent environmental conditions. Due to the long lifetime of KONE equipment, the electricity used by our solutions during their lifespan has a significant impact on the environment. Energy efficiency and energy-efficient features, such as the KONE EcoDisc® motor, regenerative drive, smart electrification, and standby mode, set the stage for low-carbon building operations.

BEST-IN-CLASS ENERGY EFFICIENCY

KONE constantly strives to improve the energy efficiency of its solutions. For example, KONE MonoSpace® 500, our current machine-room-less volume elevator, is up to 90% more energy efficient than KONE's elevators from the 1990s. Compared to a baseline elevator, the KONE MonoSpace® 500 has the potential to significantly reduce the amount of greenhouse gas emissions from use phase energy consumption, lowering our customers' carbon footprint.

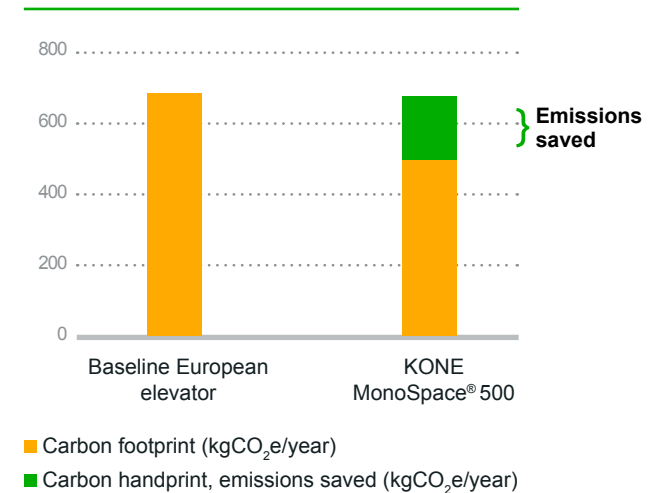
In terms of potential energy efficiency gains, the European Union's study on energy-efficient elevators and escalators (E4) concluded that by utilizing the best technology available today, energy savings of up to 63% can be realized by modernizing elevators installed in 1985 or earlier.

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

KONE is the first elevator and escalator company to have achieved the best A-class energy efficiency classification for a number of its installed solutions. The classification is granted according to the international ISO 25745 standard for the energy performance of lifts, escalators and autowalks. We have a wide range of best-in-class energy performance references for our products in various building types, several market areas and product specifications. In 2021, KONE held a total of 23 best A-class ratings for elevators, and eight best A+++ classifications for escalator and autowalk models according to ISO 25745.

In 2020, KONE received the highest possible Grade 1 energy labeling in China for the majority of our elevator motors sold in the Chinese domestic market. In 2021, we continued to maintain the same highest performance level.

KONE MonoSpace® 500 DX elevator can save up to 26% of CO₂e annually



The carbon handprint indicates the beneficial environmental impact of a solution compared to a baseline product. The calculation is based on the elevator using 630 kg load, 1.0 m/s speed and 12 m height. European baseline elevator emission reported in European commission's report on Ecodesign preparatory study for lifts, published in 2019.

SMART USE OF MATERIALS AND CIRCULARITY

We optimize material use, for example, through robotics and automation, product design, recycling waste wherever possible, and reusing packaging materials.

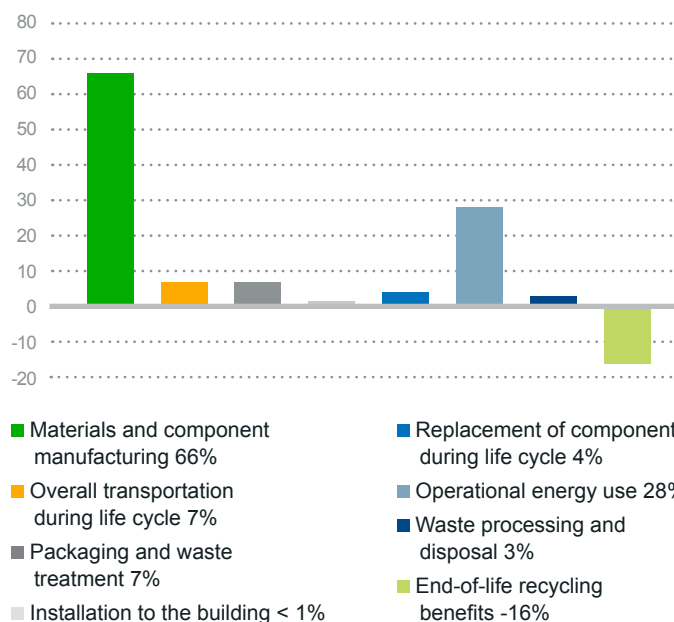
We strive to reuse and recycle in both our operations and our delivery chain. KONE's modernization solutions, on the other hand, contribute to the renovation and repurposing of buildings, saving valuable natural resources. Our products are fit for disassembly – reuse and recycling – and we prioritize the smart use of resources and the recycling of materials.

After the lifetime energy use of our long-lasting products, the second-largest contributor to the environmental impact of our products is materials. Over 90% of the material used to manufacture elevators and escalators is metal. The current share of recycled content in our products is relatively low. We are collaborating with our suppliers to increase the recycled content in the materials used for our products. We actively look for new partners and ways of working to find alternative materials with lower embodied carbon emissions and to develop processes to reuse and recycle materials more effectively.

In 2021, we systematically worked on resource efficiency and circularity by continuing to harmonize KONE's elevator and escalator product offering resulting material savings.

A growing trend is wood-based construction. KONE's manufacturing unit in Finland continues to hold the Forest Stewardship Council (FSC®) chain of custody certification, providing credible assurance that elevators manufactured in this unit come with wooden components from environmentally and socially responsible sources. KONE's subsidiaries in Great Britain and Ireland continue to hold the FSC® chain of custody certification, meaning that customers can now be provided this assurance for the full delivery chain for elevators installed in these countries.

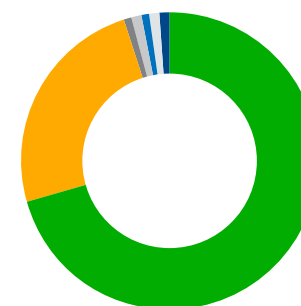
Life cycle carbon footprint of KONE MonoSpace® 700 DX elevator is approximately 24 tCO₂e



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

As part of our day-to-day logistics process, a large share of our packaging is reusable and circulate between our manufacturing units and suppliers. The majority of our packaging materials can be recycled, and some parts of the

Material content of KONE MonoSpace® 700 DX elevator



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

packaging are also designed to be used as tools during the installation of our equipment. Calculated using the life cycle assessment method, in 2021, KONE used 1,795,400 tons of product and packaging materials.

COMMUNICATING THE ENVIRONMENTAL AND HEALTH IMPACTS OF KONE SOLUTIONS

KONE's environmental responsibility covers the full life cycle of its products, from design and manufacturing to installation, maintenance, modernization, and end-of-life treatment. In order to illustrate the environmental impacts of our solutions during their entire lifetime, we publish third-party-verified Environmental Product Declarations (EPD) in compliance with the EN 15804 standard. The declarations can be used by our customers to obtain green building certifications, and KONE's EPDs can deliver the maximum number of relevant credits, for example, for LEED certification. EPDs also carry important information about the carbon embodied in our products, and they can be used when calculating the overall carbon footprint of buildings. Both embodied carbon as well as the overall carbon footprint of buildings are areas where regulatory requirements for new construction are emerging in several European countries.

In 2021, we published third-party verified EPDs for three elevators and two escalators. KONE has received altogether third-party verified EPDs for 11 elevator models and 2 escalator models, making KONE the elevator and escalator company with the most EPDs published.

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

ENVIRONMENTAL PERFORMANCE OF OUR SUPPLIERS

A key element when designing our products is working together with our suppliers to select sustainable and healthy materials, and to avoid the use of hazardous substances. KONE has stringent global guidelines for all KONE suppliers

and partners, as well as internal stakeholders, outlining which substances are not allowed or are to be removed from all KONE products.

In 2021, we continued to screen our 200 key suppliers' sustainability performance. Our assessment includes basic criteria that must be met in order to continue doing business with KONE, as well as criteria to encourage our suppliers to continuously improve, for example, the energy efficiency of their operations and reduce their carbon footprint. We continuously improve our data collection capabilities together with our suppliers. This enables us to provide transparent and reliable information to our customers about the material content, recycled content and environmental impacts of our products.

RECOGNITION FOR ENVIRONMENTAL SUSTAINABILITY

KONE's solutions have been recognized by a number of external parties and recommended for green-building-certified buildings. During 2021, we received Singapore Green Building Product (SGBP) certifications for the KONE 3000S MonoSpace®, KONE MiniSpace™ and KONE 3000 TranSys™ elevators. KONE currently has seven SGBP-certified solutions and is the first elevator and escalator company to have all certifications with the highest possible ratings. The SGBP-certified solutions are recommended for Green Mark-certified buildings. Green Mark is a green building certification scheme by the Singapore Building and Construction Authority, promoting energy efficiency and climate-smart circular solutions in the construction and real estate sectors.

KONE has also received several approved Byggarbedömningen (BVB) assessments for its products. During 2021, approved assessments were received for the KONE TranSys™ DX and MonoSpace® 700 DX elevators, as well as for the TransitMaster™ 140T escalator. BVB is a nonprofit organization that evaluates solutions for buildings and drives the use of healthy and environmentally sustainable building materials.



- ➔ Read about **circularity in maintenance and modernization** on pages 22–23
- ➔ Read about **developing sustainable smart cities and low-carbon communities** on [kone.com](https://www.kone.com)
- ➔ Read about our **supplier sustainability** on pages 50–52

EXTENDING PRODUCT LIFETIME

The lifetime of elevators, escalators, autowalks, and automatic doors is typically long and can be extended through maintenance and modernization services. Maintenance and modernization can also help reduce the energy use and carbon footprint, as well as contribute to a circular economy.

Improving the energy efficiency of existing buildings is crucial for reaching targets in global greenhouse gas reductions. In Europe, for example, 85–95% of the buildings that exist today will still be standing in 2050. In China, the most populous country in the world, the construction and urbanization boom that started around 25 years ago is creating a huge opportunity in terms of maintaining and modernizing existing elevators.

CUSTOMIZABLE MAINTENANCE SERVICES

KONE's preventive maintenance methods help us to maximize the safety of elevators, escalators, and automatic doors, and keep them running smoothly. With our customizable maintenance services, including intelligent KONE 24/7 Connected Services, we can predict issues, and take action before a disruption occurs, thereby improving the availability of the equipment. Smart and predictive maintenance also helps minimize the equipment's environmental footprint.

KONE's maintenance services can provide energy savings through, for example, the frictionless running of escalators, or by changing elevator lamps to LED lighting.

Our solution design contributes to the circular economy through modularity. We reuse as many of the modular parts as is feasible and recycle according to country-specific capabilities and regulations. We reduce the need for natural resources, for example, by using a solution that cuts the length of our electricity and communications cable needing periodic replacement by 50%, which in turn also halves the need for copper and plastic used in replacing the cable. Combined

with our tailored modernization services, we can help keep equipment in service for decades.

KONE's maintenance services are available for both KONE equipment and for equipment manufactured by other companies.

As of 2021, KONE is the first elevator and escalator company to introduce carbon-neutral elevator maintenance. The service, KONE Care™ DX, is tailored for KONE DX equipment. Emissions are reduced through the energy efficient KONE DX elevator and smart maintenance, as well as by striving to reduce the carbon emissions of travel to sites. KONE compensates the remaining CO₂ emissions through a third party – South Pole. All our projects with South Pole are certified by Gold Standard®, a standard body established to verify that projects that reduce carbon emissions feature the highest levels of environmental integrity and also contribute to sustainable development.



- Read more about **KONE Care DX™** on kone.com
- Read about our **offsetting program** on kone.com
- Read how predictive technology, carbon-neutrality, and round-the-clock support make **KONE Care™ DX maintenance service** the gold standard in sustainable elevator care on kone.com

EXTENDING EQUIPMENT LIFETIME THROUGH MODERNIZATION

Our modernization services help customers determine when and how to upgrade their equipment to extend the equipment lifetime as well as optimize its smooth operation. KONE's modernization solutions are modular, ranging from small upgrades to full replacements. Modularity allows the retention, reuse, and recycling of existing components, while extending the lifetime of the equipment. For example, retaining components such as the elevator counterweight, guide rails and landing doors when upgrading to a new, lighter, and smarter elevator saves up to 40% of embodied carbon emissions compared to a full replacement. Further emission reductions are achieved with the significant energy savings gained by using stand-by mode and gearless hoisting machinery, both standard features in our modernization solutions, as well as our regenerative drive that feeds electricity back to the building.

Our modernization offering is connected to KONE's digital platform, enabling a range of services. These include KONE 24/7 Connected Services, which provide, for example, information on upcoming maintenance needs, thereby reducing both equipment downtime and the number of unplanned maintenance visits.

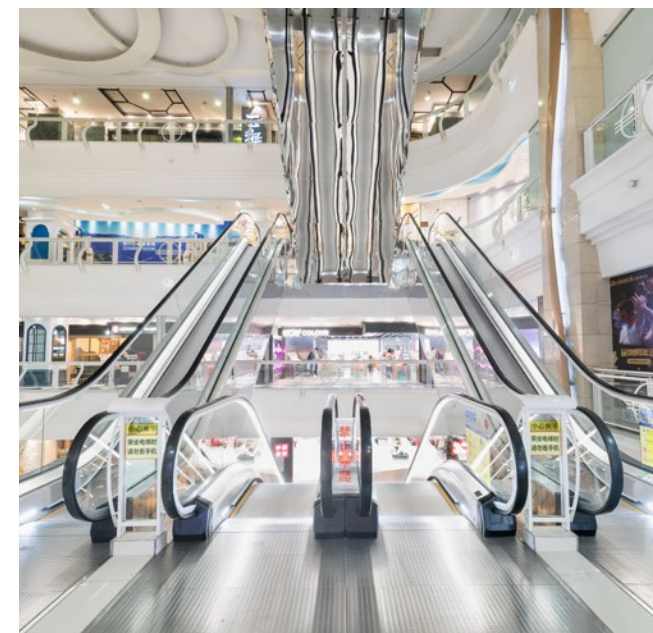
- ➔ Read more about **KONE's digital platform** on page 26
- ➔ Read more about **our maintenance and modernization solutions** for elevators, escalators, and automatic doors on kone.com

Modernization: from component upgrades to full replacements

Typical timeline



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



Read how **convenience and safety was improved at Metro City mall, Shanghai, China**, while also increasing the eco-efficiency of its escalators on kone.com

CONTINUAL IMPROVEMENT OF OUR QUALITY PERFORMANCE

Our customer survey ratings show that quality is among the top reasons why our customers choose KONE as a partner. We want to deliver consistent high quality to make people’s journeys safe, reliable and convenient – quality is a requisite of, for example, ride comfort. It is an integral part of KONE’s culture, and it is embedded into all our processes.

KONE systematically collects customer feedback through transactional surveys and an annual customer loyalty survey. In our transactional surveys, we collect and assess feedback on installation, modernization, and maintenance quality. During the reporting year, customer satisfaction relating to quality increased. In our annual customer loyalty survey, our net promoter score stayed at a good level.

We also closely follow other quality metrics, for example, the accuracy and timeliness of our deliveries. Despite the COVID-19 pandemic, we were able to continue being a trustworthy partner to our customers thanks to our reliable deliveries.

Utilizing data and connectivity enables us to, for example in maintenance, predict issues and take action before equipment disruption occurs, thereby improving the availability of the equipment and resulting in a better user experience.

We advocate a ‘quality starts with me’ attitude – everyone at KONE contributes to the customer experience. Our leaders are empowered to take ownership of quality and encourage teams to make continuous improvements. We recommend sharing lessons learned among employees, and we promote data and information transparency, which supports making the right decisions and improvements.

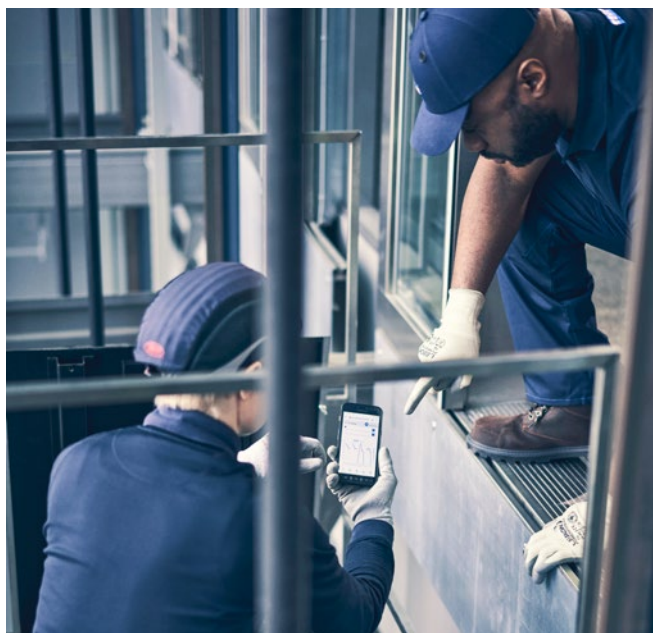
To make sure that our employees have the skills to resolve quality challenges effectively, we provide practical guidance and effective, easy-to-use problem-solving tools. Our employees are also encouraged to take part in improving the quality of our products and processes through Lean and Six Sigma projects. Supported by our global and local quality teams, we strive to identify improvement opportunities, investigate root causes, and take any necessary actions. In 2021, we continued to focus on process fundamentals.

CONTINUAL IMPROVEMENT MANAGEMENT PRACTICES

KONE continued to develop its management practices and capabilities based on its Continual Improvement approach

by expanding the Lean Six Sigma program. Our strategy to embed the Lean Six Sigma improvement method into operations and management beyond manufacturing is based on world-class industry practices, which we are adapting to best fit each KONE unit’s needs. With Lean management, we are strengthening our daily operational team management, focusing on uninterrupted workflow, customer value and continual improvement of KONE’s way of working within teams. With Six Sigma, KONE emphasizes methods and skills for improving complex processes, drawing on data analytics and, for instance, the data driven DMAIC (define, measure, analyze, improve and control) method.

We increased awareness of these methods at all levels of the organization. We also provided more formal training on problem-solving skills through Lean Six Sigma Belt training.



- ➔ Read more about [quality in our supply chain](#) on page 52
- ➔ Read more about [our maintenance services](#) on page 22

CYBERSECURITY AS AN ESSENTIAL PART OF CONNECTED TECHNOLOGIES

Digitalization and connectivity present a great opportunity for us to serve our customers in smarter and more innovative ways, creating more value for them. As cities become smarter and our solutions more digital, the importance of cybersecurity and data privacy grows. During the reporting year, the development process of KONE DX Class elevators, the world's first digital elevator series, was certified to comply with well-established cybersecurity processes and industry-wide best practices.

Our objectives in cybersecurity include identifying the risks to enterprise infrastructure and applications so that they can be mitigated before any risks materialize; enabling business continuity; and making sure adequate controls are considered throughout the product development life cycle – including protecting our solutions in use. We benchmark our cybersecurity maturity and measure our improvement against the National Institute of Standards and Technology (NIST) cybersecurity framework.

When developing new solutions, we follow secure software development processes to embed cybersecurity and privacy into our digital solutions. KONE aims to always ensure that our products and services are developed with cybersecurity in mind from the start, so that we can keep our solutions updated throughout their long lifespan.

KONE openly collaborates with its stakeholders and interest groups to improve cybersecurity. For example, we participate in the cybersecurity standardization initiatives in our industry and continue aligning our connected solutions with the industry standards, such as ISO 27001, IEC 62443, and ISO 8102-20, and other best practices.

Through role-based learning paths, a cybersecurity champion network, and campaigns such as a cybersecurity week, we educate everyone at KONE to understand how to act digitally safe. In addition, we constantly follow the evolving threat

landscape using threat intelligence, and we practice handling cybersecurity incidents through simulations and exercises.

We expect our suppliers and partner companies to demonstrate a high level of cybersecurity, and we track the cybersecurity of our supply chain.

In 2021, KONE was certified to comply with the IEC 62443-4-1 standard, confirming that well-established cybersecurity processes and industry-wide best practices are used in the development of KONE DX Class elevators, the world's first digital elevator series with built-in connectivity.

We monitor our digital environment around the clock and take any necessary actions. During the reporting year, we focused, for example, on automating our cybersecurity operations.

To complement our testing processes, we also launched a bug bounty program for targeted security researchers to help us identify any potential vulnerabilities in our products.

In addition, we conducted a thorough maturity assessment, encompassing enterprise, product, and industrial risks. We identified key strengths and areas for further development and adjusted our target maturity levels.

PROTECTING DATA PRIVACY

We protect our customers', solution users' and employees' right to data privacy. We recognize evolving data protection legislation and comply with the requirements for cybersecurity and data protection across jurisdictions, for example, the European Union's General Data Protection Regulation (GDPR). We follow any legislative changes to personal data processing globally and locally. Our solutions only collect the data necessary for the respective solution's purpose, and we delete the identifying data when it is no longer needed. We strive to process data in a pseudonymous or anonymous format where possible and limit access to the data on a need-to-know basis. We use only trusted vendors for personal data processing and use secure transmission of personal data by encrypting it.



- ➔ Read about **KONE's digital platform** on page 26
- ➔ Read why **IEC 62443-4-1 means increasingly more secure digital services** kone.com

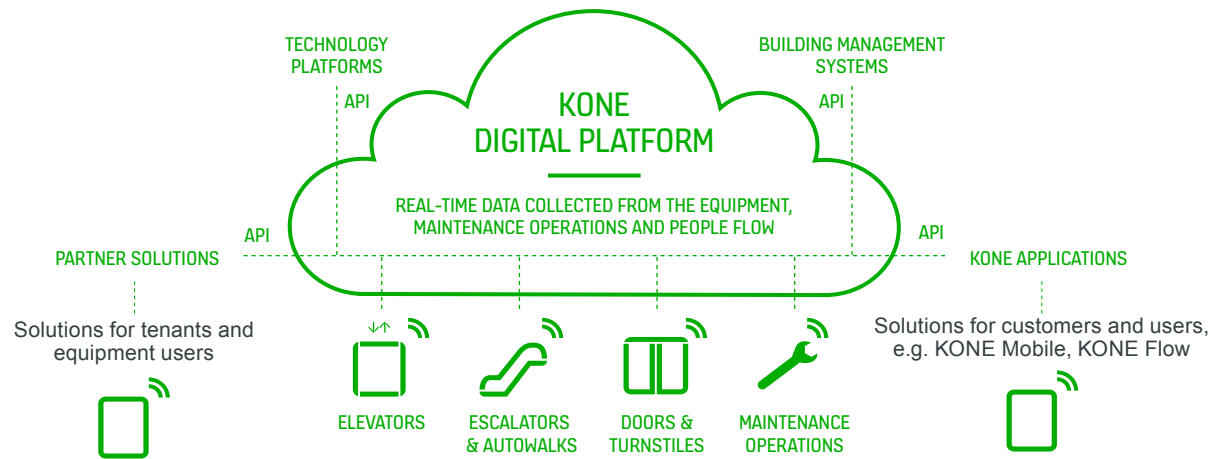
KEY LAUNCHES TO SUPPORT BETTER URBAN ENVIRONMENTS

We continue to create unique value to meet our customers' needs and support their respective businesses. Working together with our customers and partners, we strive to expand our offering with value adding products and services in a smart and sustainable way.

In 2021, KONE introduced KONE Care™ DX maintenance service, the first carbon-neutral maintenance service in the elevator industry. By using AI-powered predictive maintenance, automatic updates, remote servicing and in-person or digital support, KONE Care™ DX maximizes uptime and prolongs the equipment life. The service comes with KONE 24/7 Connected Services, KONE's flagship solution for predictive maintenance. All KONE Care™ DX maintenance activities will be carbon-neutral through a combination of emission reduction actions that we are implementing to reach the targets of our climate pledge, and carbon offsetting programs.

KONE Lane turnstile was introduced to the market. This next generation access gate solution offers improved space-efficiency, reducing the need for floorspace by up to 90% compared with conventional similar products. The solution is ideal for offices and multiuse developments and can be adjusted to suit various design styles. KONE Lane won two Red Dot Design Awards. KONE Lane was awarded for comprehensive technological features and innovative design that can fundamentally change access control with regard to functionality and aesthetics. Other awards were given to KONE Office Flow, KONE Digital Experience Car and the KONE TravelMaster™ Premium Kit escalator design solution, which were recognized for their design quality, innovation, and smart connectivity. The Office Flow solution received a Red Dot award in the Smart Products category for its ability to intelligently control the flow of visitors, providing a much-improved user experience.

Connecting customers, users and employees to equipment and data



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

We continued the global rollout and extension of the KONE DX Class offering. This elevator series featuring built-in connectivity and an enhanced user experience replaces the previous KONE elevator range across all geographical areas. The materials used contribute to good indoor air quality and meet green building certification requirements, supported by relevant documentation. With the KONE DX Class offering, we are able to fully support our customers in achieving the desired

certification for their building, such as LEED, BREEAM, WELL, Nordic Swan Ecolabel and other local green building labels.

➔ Read more about our **key launches in 2021** in our Annual Review, on page 10

EVERYONE CONTRIBUTES TO SAFETY

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

Safety is a joint effort that involves everyone, from technology and maintenance service providers to building owners and equipment users. At KONE, safety is our highest priority. We work systematically to develop a culture where people look after each other and actively promote safety. KONE's global safety management system, KONE Way for Safety, harmonizes the safety management practices across KONE and sets the minimum requirements for us to do our best to ensure the health and safety of our workers, our partners, and the users of our equipment.

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

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

COVID-19 PANDEMIC

Prompted by the COVID-19 pandemic, KONE published elevator etiquette for staying healthy. In 2021, we continued

6 ways to improve elevator safety	6 ways to improve escalator safety	5 ways to stay healthy during the COVID-19 pandemic
<ul style="list-style-type: none"> • Adequate lighting prevents accidents and makes people feel safer • A two-way voice communication system improves safety and passengers' peace of mind • Interior doors and automatic landing doors prevent accidents and improve accessibility • Accurate stopping prevents people from tripping on the door sill • An emergency system that includes an alarm with a two-way phone and an emergency power supply for calling help • Integrated air purifiers remove bacteria, viruses and dust from the air 	<ul style="list-style-type: none"> • Anti-fall and anti-ride barriers provide additional balustrade height and prevent passengers from climbing onto the handrail and falling from height • Directional lighting and signage provide visual guidance to improve building navigation • Colored or lit areas provide with a clear understanding of interface areas • Multiple horizontal steps reduce the risk of tripping and falling on entry/exit • Easy-to-use, accessibly labelled emergency stop buttons bring the unit to a controlled stop if necessary • Handrail sanitizer reduces bacteria and viruses on the handrail, improving hygiene and minimizing the risk of infections 	<ul style="list-style-type: none"> • Avoid direct hand contact with buttons • Avoid crowds • Practice social distancing • Regular cleaning of surfaces • Make the most of the available technology, such as KONE's remote call app, media screen, or the KONE 24/7 Connected Services preventive maintenance system <p>Read KONE's elevator etiquette for staying healthy in its entirety on kone.com</p>

to promote the etiquette in KONE's social media channels. In all parts of the organization, we have done our utmost to keep our maintenance services and other operations running during the pandemic to make sure that people and materials keep moving.

- ➔ Read about **the safe use of equipment** on kone.com
- ➔ Read about **KONE's health and well-being solutions** on kone.com
- ➔ Read **what elevators can teach us about the pandemic, and about the future of our cities** on kone.com

ENABLING AND IMPROVING ACCESSIBILITY

As populations age, demand for accessible, safe, and convenient People Flow® solutions increases. Buildings and transportation hubs must be designed and built in a way that enables people with impaired mobility to move around easily.

Good building accessibility is about creating spaces that are designed to be user-friendly, also for people who, for example, use wheelchairs, canes, or mobility scooters, as well as those with vision or hearing impairments. KONE can help through both planning and solutions for accessibility and convenience.



By using data, simulation tools, and the expertise of KONE People Flow Planning and Consulting specialists and data scientists, customers can quickly see how to reduce crowding and bottlenecks and enable people to move around safely and conveniently in buildings.

Our elevator solutions help improve accessibility. For example, larger elevator cabins improve building access for people pushing a stroller or using a wheelchair. Escalators, elevators, and autowalks give easier access to buildings and for example public transport. For the elderly and disabled, elevator seats increase comfort. Automatic doors that stay open longer and elevators with accurate leveling make entry and exit easier and safer. For wheelchair users, elevator mirrors provide better visibility and help back out of elevators safely.

Accessibility can be improved also by using high-contrast numbers and braille in elevator buttons, voice announcement systems to indicate the floors, and media screens giving guidance on floors as well as on how to reach the destination in the building.

With our connected elevators, we can use new ways to improve accessibility. KONE collaborates with organizations that boost accessibility for the blind or visually impaired. As an example, BlindSquare's self-voicing mobile application helps users navigate in and between buildings, including riding elevators safely by allowing the user to call an elevator and go directly to their floor with the aid of guidance prompts.

- ➔ Listen to our [podcast on inclusive technology](#) on [kone.com](#)
- ➔ Read more about [boosting accessibility](#) on [kone.com](#)
- ➔ Read about [KONE's participation in organizations developing codes, standards, and guidelines for improving for example safety and accessibility](#) on page 16

5 ways to improve accessibility

- By modernizing an elevator, the space inside the car can be increased by up to 50%
- Wide-opening doors make entry and exit easier for passengers using a wheelchair or pushing a stroller
- Accessories such as handrails and mirrors provide support and help improve visibility
- Braille signalization and audio announcements help people with hearing and vision impairments
- An elevator can be installed in a building that does not have one – in the stairwell or attached to an outside wall

WORKING TOWARDS A MORE SUSTAINABLE FUTURE

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



See **data and charts** regarding this reporting area on pages 56–59

Under the theme 'Sharing future happiness', Finland's striking 'Snow Cape' Pavilion at Expo 2020 Dubai highlighted the country's commitment to sustainability. Inside the Pavilion, KONE provided visitors with a smooth people flow and multisensory experiences through, for example, our connected KONE DX Class elevator. KONE was a National Partner in the Pavilion.



Learn more about the **Finland Pavilion at Expo 2020 Dubai** on [kone.com](https://www.kone.com)

الشريك الوطني
National Partner

KONE

الشريك الرئيسي
Key Partner

Wärtsilä Fiskars Konecranes
Metso Outotec Nokia Fortum ISKU
Collaprimo Neles Black Donuts
Education Finland Finnair Genelec
Granlund Haaga-Helia iLOQ
Smart Nuclear Energy Solutions Valmet

شريك المعرض
Exhibition Partner

Halton Business Oulu Evergreen Farm
Finnish Water Forum Flexbright Health Comes from Finland
JedX Medcare LAHQVA Liana Technologies Logonet
LuxTurrim5G Ecosystem Marinetek Naava
SITRA Stone From Finland Visit Finland

INNOVATING FOR A BETTER TOMORROW

Innovations can play a significant role in addressing the climate crisis. By working together with our customers and partners we can best innovate sustainable solutions with the greatest impact. Increasing resource efficiency is one of our top priorities. Our solution design contributes to the circular economy, with a long lifetime and modularity as key features of our products, supported by our maintenance and modernization services. We participate in building the foundations of future urban communities.

KONE has made systematic, long-term investments in research and development (R&D). We have approximately 1,500 dedicated technology professionals working in R&D in Finland, China, Italy, India, the United States, and Mexico. Our R&D process involves a continuous search for new ideas and opportunities.

In 2021, in order to best meet the changing needs of our customers in an agile manner, we adjusted our organizational structure in some parts of the KONE Technology & Innovation unit, and as a new role, appointed a Chief Innovation Officer.

We focus on developing smart and sustainable solutions that adapt to future needs. Our starting point covers a wide variety of sources, the most important being our customers, partners, equipment users, and the data we gather from the equipment we service.

An internal innovation challenge on environmental sustainability generated 245 ideas from all over the world. The winning ideas are being developed further.

COLLABORATIVE APPROACH AND CUSTOMER ENGAGEMENT

We strive to expand our offering with value-adding products and services in a smart and sustainable way. Our basic principle is to always start with our customers' needs, and to experiment with new solutions together with our customers in a diverse

team setup. Constant dialogue with our customers is crucial in our innovation process.

We invite ideas from outside the company through innovation competitions. During the reporting year, we invited ideas on services that could be connected to our KONE DX Class elevator, the world's first digital elevator series with built-in connectivity. The competition sought to involve customers, partners, and end-users in making people flow smoother and smart buildings more adaptable through the KONE digital platform and secure, open application programming interfaces (APIs). The KONE digital platform and open APIs allow new digital services and solutions to be tailored and plugged in throughout the entire lifetime of a building. The competition generated 460 ideas, giving KONE valuable input on how customer needs are evolving.

We also work with external partners from different sectors in multidisciplinary research and strategic foresight to anticipate the future needs of KONE's customers and society at large. This allows us to continue delivering solutions that create value for them.

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

In 2021, we continued our participation in the EU-funded SPARCS project, which innovates energy-positive and zero-carbon communities together with cities, other industrial companies, research institutions and citizens. The project has focused on solutions to improve energy efficiency in buildings and sustainable future mobility through community engagement, with several stakeholders involved in the project.



KONE continued to build the Flow of Urban life Veturi innovation program, co-funded by Business Finland. In the four-year program, KONE collaborates with customers and partners to tackle global challenges related to urbanization and climate change through solutions for smart and sustainable cities.

In 2021, we completed the two-year KEKO Smart Building Ecosystem project, co-funded by Business Finland. The project aimed at making buildings more human-centric and minimizing the environmental impacts of buildings.

➔ Read about KONE's **key launches in 2021** on page 26

➔ Read how **innovative engineering and collaboration help transform buildings and urban spaces** on [kone.com](https://www.kone.com)

OUR COMMITMENT TO REACHING ZERO

Buildings and construction account for 39% of global greenhouse gas (GHG) emissions.* Two-thirds of KONE's GHG emissions come from the lifetime energy consumption of our equipment, while materials and packaging account for one-third.

We are committed to combatting global climate change by maximizing our positive impacts on the environment and minimizing adverse impacts – throughout the value chain. Together with our customers, suppliers and partners, we develop smart and sustainable technologies for people flow and strive to be the preferred partner for smart and sustainable cities.

OUR CLIMATE PLEDGE AND SCIENCE-BASED TARGETS

In 2020, KONE announced its climate pledge with science-based targets for significant reductions in GHG emissions by the year 2030, in line with limiting global warming to 1.5°C. KONE's targets are the most ambitious in our industry and have been validated against the latest climate science by the Science Based Targets initiative (SBTi). Furthermore, KONE has pledged to have carbon neutral operations by 2030 with our manufacturing units reaching the target in 2024.

KONE committed to a 50% reduction in emissions from its own operations: direct GHG emissions that occur from sources that are controlled or owned by us, for example, vehicles (Scope 1), and our indirect GHG emissions associated with the purchase of electricity, heat, or cooling (Scope 2) by 2030, compared to the 2018 baseline.

In addition, KONE targets a 40% reduction in emissions related to its products' materials and lifetime energy consumption (Scope 3) over the same target period, relative to products ordered. Our actions to reach this target help our

customers reduce their carbon footprint and contribute to more sustainable supply chains.

We successfully completed our Environmental Excellence program 2017–2021, exceeding many of the set targets. We launched our new Climate and environmental excellence program, with four focus areas: partner with customer, offering, operations, and mindset and behavior.

Internally, we promote environmental and climate actions globally, for example, during dedicated theme days. In 2021, KONE launched global, virtual information sessions related to our sustainability focus areas, including the environment. We trained KONE employees in our climate pledge and circularity. KONE units from 29 countries participated in the World Wildlife Fund's Earth Hour in 2021 by switching off lights in KONE facilities. Every year on World Environment Day, several KONE units engage in environmental activities. For example, KONE's manufacturing unit in India continued their decade-long tradition of promoting energy and water conservation and planting trees on the factory premises. Sustainability was also one of the themes of our annual supplier day, focusing on the environmental supplier requirements.

RECOGNITION FOR OUTSTANDING CLIMATE AND SUSTAINABILITY PERFORMANCE

In 2021, KONE was once again recognized by CDP for its actions aimed at reducing emissions, mitigating climate risks, and developing a low-carbon economy. KONE achieved a place on CDP's prestigious A List, signifying that we ranked among a small number of high performers out of the 12,000 companies that were scored. KONE has disclosed through CDP since 2009 and has received a leadership score of A or A- for nine consecutive years. The scoring ranges from A to D and is based on an independent assessment against the scoring criteria defined by CDP. KONE also earned a place on CDP's 2021 Supplier Engagement Leaderboard, which recognizes leading companies for supplier engagement



in climate issues. CDP is an international not-for-profit organization that runs a global disclosure system that enables companies, cities, states, and regions to measure and manage their environmental impacts.



Read about [the 2021 achievements in KONE's Environmental Excellence program 2017–2021](#) on page 56



Read more about [KONE's supplier sustainability](#) on pages 50–52

* Global Status Report 2017. Published by UN Environment and the International Energy Agency

ACTION ON CLIMATE AND THE ENVIRONMENT

In 2021 we made good progress in our ambitious emission reduction targets.

During the reporting year, we were able to reduce our overall emissions by almost 15% compared to 2018, mainly due to our systematic transition to renewable electricity in our facilities globally, and the transitioning of our fleet to lower-emission vehicles.

Our emissions per product ordered decreased by 0.3% compared to 2020 and increased by 0.4% compared to 2018. The major contributing factor was our product's further improved energy efficiency. We achieved this, for example, by increasing the share of eco-efficient regenerative drives in elevator installations in the Asia-Pacific region, and by replacing older elevator technologies with modern energy-efficient elevators.

In addition to our long-term emission-reduction target, KONE's objective in 2021 was to reduce the carbon footprint of its operations by 7% compared to a 2019 baseline. We exceeded this target, reducing our emissions by almost 15% from the baseline. As our operations are expanding, we also measure comparable carbon footprint scope. We were able to reduce our emissions by 20% in 2021 compared to 2019 with comparable operational carbon footprint scope.

In 2021, KONE continued to implement an internal carbon cost to encourage the transition toward carbon neutrality.

VEHICLE FLEET

KONE's vehicle fleet accounted for approximately 84% of our Scope 1 and 2 greenhouse gas emissions in 2021. The total size of KONE's fleet was approximately 18,000 vehicles. Service vehicles make up two-thirds of the fleet, and benefit scheme cars account for a third.

The total carbon footprint of KONE's vehicle fleet increased by 9% compared to the previous year (2% compared to 2019) due to increased work-related driving. However, COVID-19

How KONE reduces the environmental impacts of its operations

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

restrictions still impacted business operations globally during the year.

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

Many KONE subsidiaries are taking steps to renew their vehicle fleets. For example, in our maintenance operations in 2021, KONE started piloting e-cargo bikes and e-scooters in Austria and replacing old motorcycles with new electric ones in Hong Kong.

As an example, nearly 30% of our car fleet in Norway and over 10% of our fleets in the Netherlands, Sweden and Israel are composed of electrified vehicles. In Finland and Sweden, we also use biofuels to reduce our emissions, especially in the light commercial vehicle segment, where electrified alternatives are still scarce.

FACILITIES

Globally, KONE operates in over 1,000 facilities, including office spaces and installation and service operation hubs. Our facilities accounted for approximately 16% of our Scope 1 and 2 greenhouse gas emissions in 2021. KONE is committed to reducing electricity consumption in its operations and set a target to increase the share of green electricity to more than 50% by the end of 2021 and to 100% by 2030.

During the reporting year, we exceeded our green electricity target. Our green electricity accounted for 80% of all our electricity consumption (2020: 41%). Apart from India, all of our manufacturing units use only on-site or purchased renewable electricity. The majority of KONE's global

subsidiaries purchased 100% renewable electricity during the reporting year. Large solar panel installations were completed at KONE factory premises in Chennai, India, during 2020 and were in operation from the beginning of 2021.

We reduced our overall facility-related carbon footprint by 39% compared to 2020 (54% compared to 2019). The reported electricity and district heat emissions (12,200 tCO₂e) take into account green electricity produced using renewable sources (market-based calculation method). Our location-based electricity/district heat carbon footprint emissions were 34,400 tCO₂e. Our target was to reduce our facility-related carbon footprint by 15% by 2022, from the base year 2017. We exceeded the target already in 2021, achieving a reduction of 53%.

KONE's Global Facilities Policy outlines our approach to selecting and managing our facilities. It aids in developing fit-for-purpose facilities and eco-efficient operations, as well as in providing a safe and secure work environment for KONE employees. We are working towards this target by, for example, optimizing energy usage in heating, ventilation, air conditioning and lighting systems, increasing the share of green electricity to 100%, and setting up on-site renewable energy production. We also encourage investments in electric vehicle charging infrastructure at our facilities and favor eco-efficient service suppliers. Our objective is to have any new KONE buildings designed according to LEED, BREEAM, WELL, or other green building rating systems. Green buildings should also be favored when relocating KONE facilities to existing buildings.

BUSINESS TRAVEL

Greenhouse gas emissions from business travel were still impacted in 2021 by COVID-19. Our business travel increased significantly during 2021 but was still less than the pre-COVID level, with most meetings taking place virtually.

LOGISTICS

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

The greenhouse gas emissions from logistics grew by 3.4% in absolute terms, while the number of units delivered grew by 7.1%. Thus, relative to units delivered, KONE's logistics emissions decreased by 3.5% compared to the previous year. The calculation takes into account the "Aviation-induced Radiative Forcing" (RF) coefficient, in line with the newest emission calculations guidelines. As a reference, with the old calculation method, the year-on-year emissions per units would be registered as -4.3%.

The biggest factors impacting our logistics carbon footprint were:

- Ocean freight emission reduction in China due to the shorter average distance to destination countries
- Road freight emission reduction in Europe and the Americas due to truck utilization improvement
- Slight road freight emission increase in India due to the volume and distance increase in our distribution.

OPTIMIZING MATERIAL USE AND MINIMIZING WASTE

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

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

As part of our day-to-day logistics process, a large share of our packages are reusable and circulate between our manufacturing units and suppliers. The majority of our packaging materials can be recycled, and some parts of the packaging are also designed to be used as tools during the installation of our equipment.

KONE has global guidance and advice on waste management. Our objective is to prevent or minimize waste, or, where generating waste cannot be avoided, reuse and recycle. KONE's site waste management plans provide information on our approach to waste management, including practical advice on organizing and handling recycling in our facilities.

The main waste sources are materials used for our products, packaging, and office waste. Our objective is to reduce the waste generated in our manufacturing, offices and customer sites.

KONE constantly monitors all waste consumption as part of our regular facility monitoring. Our long-term target for waste management is 0% landfill waste at our manufacturing units by 2030. Waste is always handled according to applicable laws and regulations, and we aim to exceed legal requirements.

During 2021, our total waste amount decreased by 5.5%. The proportion of recycled and incinerated waste remained at a high level, amounting to 91% of the total waste generated by

KONE units globally. In the 10 manufacturing units at the end of the year in our data collection scope, the share of recycled or incinerated waste was 99%. Only 0.4% was put into landfill.

OPTIMIZING ALREADY MINIMAL WATER USAGE

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


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

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

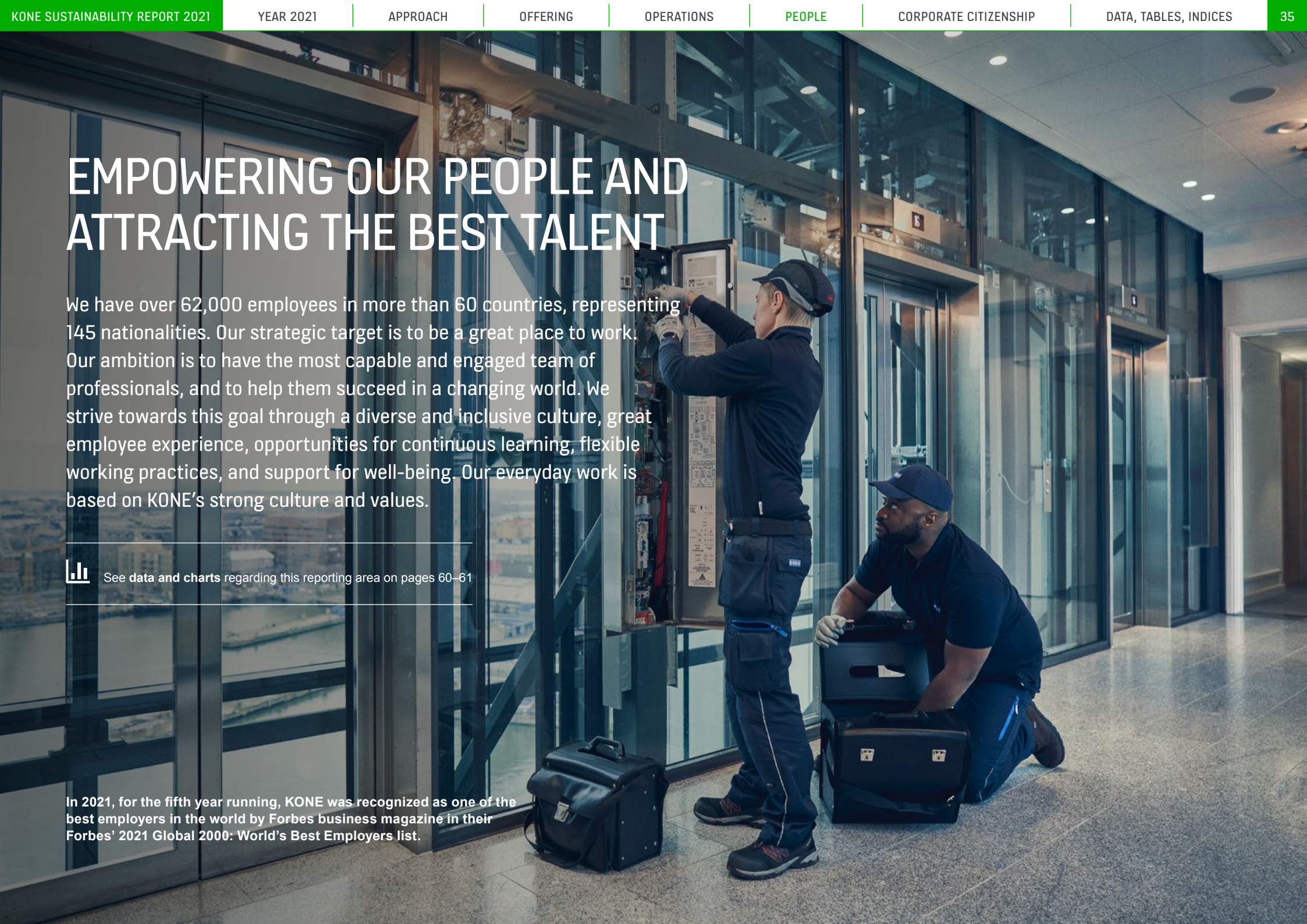


EMPOWERING OUR PEOPLE AND ATTRACTING THE BEST TALENT

We have over 62,000 employees in more than 60 countries, representing 145 nationalities. Our strategic target is to be a great place to work. Our ambition is to have the most capable and engaged team of professionals, and to help them succeed in a changing world. We strive towards this goal through a diverse and inclusive culture, great employee experience, opportunities for continuous learning, flexible working practices, and support for well-being. Our everyday work is based on KONE's strong culture and values.

 See data and charts regarding this reporting area on pages 60–61

In 2021, for the fifth year running, KONE was recognized as one of the best employers in the world by Forbes business magazine in their Forbes' 2021 Global 2000: World's Best Employers list.



BUILDING GREAT EMPLOYEE EXPERIENCES

Employees are key to KONE's success. To be a great place to work, we want to offer the best employee experience from the moment a person applies to KONE, through the years they work for us, until they leave the company. Our unique and strong culture has always supported our employees and KONE in successfully renewing their skill set and our business according to the changing environment.

Constantly changing employee expectations of work are met with our strong culture, a sense of purpose, and an employee-first mindset that includes flexible working practices, meaningful work, continuous learning opportunities, and a focus on well-being.

We have defined the first version of the KONE Employee Journey together with our employees from all over the organization. This has helped us gain an understanding of their experience at KONE and how it is affected by various changes, as well as the key experiences that can be further developed. We have also introduced co-creation tools and ways of working together, involving all employees in the discussion about meaningful moments in various phases of the journey. Based on this, we started to train our human resources (HR) professionals in cascading the people-centric approach throughout the organization and are working with colleagues from different teams to ensure people-centricity throughout the company.

KONE'S CULTURE AND VALUES LAY THE FOUNDATION

At KONE, we are passionate about safety, quality, sustainability and the KONE values – care, customer, collaboration, and courage – which together form a strong foundation for our company culture.

Our culture is created by each one of us, by every action we take, every day, all around the world. It is embedded in the

ways we collaborate, the way we see the world and our impact on it, and the way we bring our culture and values to life.

ACTIVE DEVELOPMENT OF KONE'S CULTURE

Work on developing KONE's culture continued. We selected three priorities: inclusion, outside-in thinking, and sustainability.

The work on KONE's company values, refreshed in 2020, also continued. The values were embedded in KONE's people processes, including how new employees are onboarded and how employees' performance is assessed. We also launched a global e-learning course on KONE's culture and values. By the end of 2021, close to 12,000 employees had completed the course. Various discussions on global culture and values continued online, with hundreds of employees across the global organization joining them.

KONE launched a new set of leadership principles. They consist of simple and easy-to-remember guidelines that leaders can use to support KONE's culture and values. KONE's leadership principles are: Set the scene for the future, Create a sense of purpose and belonging, and Empower for results. Each leadership principle is supported by an example set of behaviors, indicating what that principle may look like in practice.



- ➔ Read more about **KONE's culture and values** on kone.com
- ➔ Read how for us at KONE, **a strong company culture is a compass for customer success** on kone.com

DIVERSITY, EQUITY, AND INCLUSION

As an employer, KONE is committed to an equal opportunity approach, according to which people are recruited to the positions that best suit their abilities. We respect and value differences and believe in an inclusive workplace that empowers individuals. We value diversity in all its forms and welcome new perspectives to our business. We believe that our future success depends on our collective ability to build diverse and inclusive teams, communities, and networks.

We know that when people are valued as their authentic selves, they are happy and perform at their best.

To continue to strengthen diversity, equity, and inclusion (DEI) at KONE, we published a diversity and inclusion D&I pledge to systematically increase DEI at KONE, and corporate-level goals for leaders and HR. As a specific example, we aim to make a step-change in the share of women at the director level to 35% by 2030. We are currently at 21%. To further increase the diversity of experiences and perspectives at KONE, we will continue hiring people from outside our industry, with competencies that complement ours. As we aim to become as diverse as our customers and the communities we serve, we work to increase cultural diversity in our global business units and functions.

In 2021, we focused on systematically reinforcing a culture by launching an Empowered by Inclusion learning journey to help our leaders to drive an inclusive culture and by organizing global training to increase awareness around LGBTQI+ inclusion. We also published a D&I toolkit containing practical tips and guidance for all employees to act and speak in an inclusive way.

KONE endorsed the UN Standards of Conduct to publicly show its commitment for promoting LGBTQI+ inclusion, and partnered with Workplace Pride, a not-for-profit foundation dedicated to improving the lives of lesbian, gay, bisexual, transgender, intersex and queer (LGBTQI+) people in



workplaces worldwide. We celebrated Pride month together with local pride organizations and our employees took an active part in sharing their stories and standing with the LGBTQI+ community.

Throughout the year we celebrated diverse talent and promoted KONE as an inclusive workplace.



Read more about **D&I and our pledge** on kone.com

Read more **about women who work for KONE and bring with them their unique perspectives and backgrounds** on kone.com

CONTINUOUS DEVELOPMENT OPPORTUNITIES

People are key to the success of our strategy; we foster a collaborative culture in which people are motivated to develop their competencies and deliver the best results for our customers. We strive to have the most capable and engaged team of professionals who succeed in a changing world, and we support them by offering continuous learning opportunities and facilitating professional growth.



KONE's upskilling program focuses on driving competence development efforts for five organization-wide competences using a role-based approach. The program covers over 80% of KONE employees and sets competence development priorities and targets.

In 2021, KONE continued to adapt to the COVID-19-related travel restrictions by increasing remote learning possibilities. Tracked learning exceeded 2.3 million hours, an average of 43 hours per KONE employee. As examples, we continued to virtualize many of the certification programs, such as site surveyor and safe installations, and programs such as maintenance supervisor and operation manager development, as well as solution selling.

In the second year of the deployment of our learning library, the total learning hours increased by 12% compared to 2020. Our 360° feedback measures our leadership competences such as collaboration, inclusion, and developing talent. The assessment is included in all our key leadership development programs on all manager and leadership levels, and it should be completed at least every three years. In 2021, approximately 904 employees completed the 360° assessment, with more than 13,000 colleagues giving them feedback.

FACILITATING PROFESSIONAL GROWTH

We facilitate the professional growth, motivation, engagement, and continuous development of our people through performance discussions, which take place at least twice a year. In addition, we actively encourage all employees to prepare individual development plans and encourage all managers to have regular development discussions with members of their teams. In 2021, 83% of employees whose development is tracked in our people management tool documented their development plan. The expectation is for all employees to have a career development discussion with their managers at least once a year.

In addition to using these discussions to set goals and review job content, KONE managers are advised to discuss the career development and growth opportunities of their teams. Since 2020 and throughout 2021, due to the COVID-19 pandemic, managers have been encouraged to discuss employee well-being in conjunction with development discussions.

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

KONE has mentorship programs on the global, area and local level. Globally, KONE facilitates mentoring as part of its global employee programs, and the population covered in the process remained on the level of the year 2020 (ca. 80 mentors for 90 mentees). There were more than 5,700 internal job rotations, including approximately 4,400 promotions and close to 1,300 lateral moves.

➔ Read how **the work of KONE's service technician Jesús González has been transformed by technology** on [kone.com](https://www.kone.com)

EMPLOYEE WELL-BEING

At KONE, we believe that fostering employee well-being is a key factor in having a sustainable organization with energized, resilient, and motivated employees. Our care for our employees is reflected in our culture and our values and demonstrated in our global and local programs that focus on employee well-being.

We want to holistically support our employees' well-being. In 2021, the concept of well-being was broadened to include physical, emotional, financial, and social well-being. As one concrete example, in 2022, KONE will take out life insurance covering all KONE employees.

KONE has a global framework and program for employee well-being. Our Elevate Your Health program is open to all our employees. The program covers topics ranging from work ergonomics to the importance of sleep, adequate physical activity, managing stress, as well as feeling safe and staying connected in the hybrid working environment. We also help our leaders pay attention to the well-being of their teams through various e-learning programs, toolkits and short guides.

KONE has set up a Well-Being Champions program consisting of volunteer employees in selected countries. The purpose of the program is to raise awareness and promote well-being activities, programs, and services throughout the organization and close to the employees, and to inspire employees to take care of their well-being. We are further expanding the network to cover more countries.

As part of our efforts to improve employee health and well-being, we monitor medical insurance data and carry out in-depth reviews in specific locations. The objective of these reviews is to benchmark existing well-being programs, provide recommendations, and enable preventive actions.

In 2021, we actively increased the possibilities for flexible working to help our employees have a better work-life balance.



We believe that flexibility is about creating sustainable working practices that enable KONE employees to build long-term careers with us. Through flexible ways of working, we believe

we can increase diversity in our teams and support employee well-being.

EMPLOYEE SAFETY

At KONE, safety is our highest priority. Our employees' physical, emotional and social safety is fostered through global and local initiatives. We want all of our employees, subcontractors, and partners to have the necessary competence, tools and instructions to stay safe.

Safety is an integral part of our company culture. We embrace an understanding and caring culture also when it comes to safety and promote open communication and active participation at all levels. We regularly recognize and reward safe behavior and share best practices to help our employees, subcontractors, and partners return home safely after each working day.

MANAGING WORKPLACE SAFETY

The KONE Way for Safety, our safety management system, guides us in the continual improvement of safety. It defines our safety policy, how we manage safety risks and opportunities, and how we promote safety. It applies to the safety management of KONE employees, subcontractors, and partners, and extends to the safety of equipment users. The KONE Way for Safety is based on the ISO 45001 standard on occupational health and safety management systems. Consultation and active employee participation are an integral part of implementing, maintaining, and improving the KONE Way for Safety.

Safety is a key criterion in the risk assessments covering KONE's core processes, projects, and daily operations. Workplace safety risk and hazard assessments are conducted against legal and other requirements as well as our own stringent requirements. In case of a suspected safety risk, all workers, whether employees, subcontractors, or partners, must stop working and take the necessary actions – for example, ask for help.

Annual safety audits are carried out as part of the KONE management system audit scheme to measure compliance

with policies, rules, and defined working methods. Audit findings are used to systematically improve safety at KONE.

KONE employees are required to complete global safety training, covering our safety management framework and KONE's Health and Safety Policy, which together present our safety objectives, commitment, and responsibilities. The e-learning is available in 36 languages, and it is mandatory for all employees. At the end of the reporting year, over 80% of employees had completed the training. To complement the global e-learning, role-based safety training and regular refresher training are arranged locally by KONE country organizations according to the local requirements. KONE also sets requirements for subcontractor training. Depending on the local practices, subcontractors may participate in safety training and toolbox talk sessions arranged by KONE.

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

A new safety leadership e-learning course was launched in 2021. The course is available in 16 languages, and by the end of the reporting year, more than 6,400 leaders had completed it, covering over 90% of the targeted audience. In 2022, we will organize workshops and webinars to further support our leaders.

Each year, KONE organizes a global safety week that presents KONE employees with training opportunities, events and activities. Many countries organize local events and training together with customers and subcontractors during the week. In 2021, our safety week focused on safe behavior, complemented with topics such as anti-harassment and anti-discrimination, diversity and inclusion, and mental well-being.

During the reporting year, the focus of global safety activities was on raising our employees' and subcontractor



workers' awareness of their role in safety. Special attention was also paid to improving the transparency of our safety measures and performance and improving the flow of information.

We organized our first company-wide safety stand-down in June for all our employees and subcontractor workers to draw attention to the importance of safe behaviors after a number of high-consequence incidents that had taken place earlier in the year. We also initiated a new global and annual year-end safety campaign that focuses on the positive outcomes of safety, to serve as a reminder of the importance of taking ownership of personal safety.

THE COVID-19 PANDEMIC

Our priority has been on protecting the health and safety of our employees and subcontractors, and minimizing the impacts on our customers and equipment users. To support our employees in safe ways of working we, for example, developed COVID-19-related safety instructions for construction sites and buildings, and distributed personal protective equipment to our people in the field. We also had COVID-19 safety e-learning available for a number of KONE roles. We continue to monitor and manage the situation, following the instructions of, for example, the World Health Organization, as well as local governments and health authorities.

OUR SAFETY PERFORMANCE

A safe working environment is the cornerstone of all our operations. KONE therefore monitors and analyzes a wide range of lagging and leading safety performance indicators.

During the reporting year, our industrial injury frequency rate (IIFR) was 1.6, resuming its pre-pandemic positive progress after the exceptional year of 2020, when the COVID-19 pandemic caused operational shutdowns in a number of countries and consequently lower injury levels. Our target is to reach IIFR 0.6 by 2030. Our average lost days per injury was 27.8 days.

We are saddened to report that one KONE employee lost his life as a result of a work-related accident, and 14 employees were injured in high-consequence work-related incidents.

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

For each incident, we identify the causes and the lessons learned, and take actions to try to prevent any re-occurrence. The relevant details are shared across our global safety network and business units. We will continue to do our utmost to make sure that all our employees and subcontractor workers return home safely at the end of each working day.

IMPROVING OUR SAFETY PERFORMANCE

At KONE, we believe that a caring culture lays the foundation for improving our safety performance. We therefore encourage our workers', customers' and partners' safety commitment and involvement in making improvements through targeted safety promotion, and by communicating relevant improvement results and maintaining documented information as evidence of continual improvement. We furthermore drive the continual improvement of our safety management system, the KONE Way for Safety, and certify units in accordance with the ISO 45001 standard on occupational health and safety management systems.

We systematically eliminate risks and develop safer procedures in our installation sites through, for example, a Lean construction program. In service business, our technical help desk organization helps maintenance technicians work safely and efficiently by providing training and guidance in solving technical issues. In order to enable workers' participation and to ensure employee consultation, KONE has local safety forums with workers and their representatives. KONE's management teams and leadership actively contribute to the safety committee's activities. We will continue promoting safe behavior and a culture that supports the KONE Way for Safety.

Our global safety reporting system, KONE Safety Solution, is used for reporting and managing employee, subcontractor, third-party, and user-related near-misses and incidents. A mobile application is provided to all KONE employees to

enable immediate on-site recording of any near-misses or incidents. Employees are encouraged to actively report near-misses and incidents, as it provides valuable information for improving safety. We understand the importance of trust and mutual respect, and we recognize that mistakes and errors can be made unintentionally, and when they do occur, we do not lay blame. Deliberate violations are not tolerated, however. We focus on uncovering root causes and making changes to organizational systems and practices to encourage safe behavior.

In 2021, we received close to 150,000 near-miss reports, an increase of 22% compared to the previous year. Local safety personnel analyze the reported data and use the results to improve safety. Incidents, lost days per injury, and near-misses are part of each unit's monthly reporting to global functions. Lessons learned from incidents and near-misses are shared in quarterly safety network meetings. In addition, safety managers discuss concerns and share best practices on a monthly basis. We strive to increase the volume of incident and near-miss reports, but also to improve the quality of the reports, their investigation, and corrective actions. In 2022, we plan to expand our incident analysis by introducing human factors analysis as part of the routine investigation process.

➔ Read more about **safety throughout the value chain** on kone.com

➔ Read about **equipment user safety** on page 27

EMPLOYEE DIALOGUE AND ENGAGEMENT

At KONE, we believe that employee engagement can be strengthened through open and timely communication and dialogue about our culture, values, goals, and strategic direction. An important channel of dialogue is our employee survey, which offers our people an opportunity to give feedback and provides insights into employee engagement.

We encourage a dialogue with our employees and nurture collaboration. KONE's internal communication and collaboration channels and tools serve as both a channel for the latest news and events, as well as a platform for virtual teamwork. The latest KONE updates are also shared regularly through various newsletters and, for example, through the internal CEO question and answer sessions each quarter. Another source of information is the quarterly financial results webcasts, in which employees can send questions through chat.

A further channel for dialogue is the European Employee Forum that KONE hosts every year. In these meetings, employee representatives and top management come together to discuss topics ranging from safety to business development. A smaller working group meets two to four times a year to ensure continuous discussion on important developments affecting KONE employees. In 2021, the Employee Forum was conducted virtually due to the COVID-19 pandemic. In addition to regular business updates and discussions about our current strategy, specific focus areas were Lean practices at KONE, smart and sustainable field operations, safety, sustainability, and quality.

MEASURING ENGAGEMENT

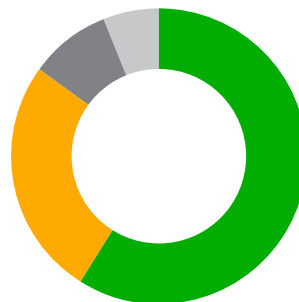
The most important instrument for measuring employee engagement at KONE is our Pulse employee survey. The survey offers our people an opportunity to give feedback and

provides insights into employee engagement. In 2021, KONE conducted a global, shorter-than-usual Light Pulse survey. A total of 49,181 KONE employees took the Light Pulse survey, and we reached a global response rate of 84%. Overall, the survey results declined slightly compared to the record-high results of the 2020 survey; however, all results remained clearly above the external global, and mostly also above the high-performance, benchmark.

In addition, we also organized Pulse Talks across all teams at KONE to ensure follow-up on the Pulse 2020 action plans and continued dialogue on engagement. 85% of KONE employees globally participated in the Pulse Talks.

Over half of our employees are in the field every day

Employees by job category, 2021

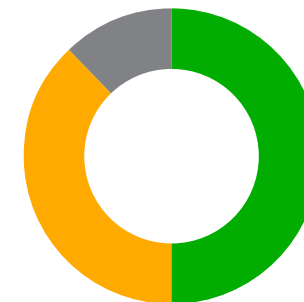


- Maintenance and modernization 59% (59%)
- New equipment, sales and installation 26% (24%)
- Administration, IT and R&D 9% (9%)
- Manufacturing 6% (7%)

(2020 figures in brackets)

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

Employees by market, 2021



- Asia-Pacific: 50% (48%)
- EMEA: 38% (39%)
- Americas: 12% (13%)

(2020 figures in brackets)

ATTRACTING AND RETAINING TALENT

To attract the best talent and retain employees at KONE, in addition to working towards our goal of being a great place to work, we continue to promote KONE as a great employer. We received recognition on that front in many of our markets again in 2021.

We aim to attract employees with new kinds of competencies that complement our existing skills and capabilities. KONE's apprentice programs enable us to effectively recruit new professionals. We also collaborate actively with educational institutions. In 2021, we continued to further strengthen the collaboration in our employee advocate program in order to provide information about KONE in schools, universities, and other relevant institutions.

KONE offers various summer traineeships and thesis opportunities in several countries. The KONE International Trainee Program offers students and graduates opportunities to work on projects at different KONE units around the world. The trainee program was cancelled in 2021 due to travel restrictions caused by the COVID-19 pandemic, but the program will be relaunched again when possible.

FAIR EMPLOYMENT PRACTICES

At KONE, creating a great place to work also means treating every employee fairly. Local human resources (HR) professionals manage personnel-related policies and ensure that we comply with local legislation and any relevant labor union practices in every country we operate in. Through our HR operating model and people processes, we strive to ensure the consistent guidance and alignment of our practices. All employees and managers have access to consistent and unified support from our centralized HR services teams, and they can make use of our self-service tools to gain better visibility into their own data, and to take direct action.

EQUAL PAY AND REWARDING PERFORMANCE

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

We aim to pay our employees fairly and strive to ensure that the legal requirements are met in the countries we operate in. Employment contracts are managed at the national level, and there are differences in national legislation. The compensation and other benefits of the Board of Directors, President and CEO, and the Executive Board are disclosed in [KONE's Annual Review 2021](#) and in our [Remuneration Report](#).

USE OF SUBCONTRACTED WORKFORCE

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

RECOGNITION FOR BEING A GREAT PLACE TO WORK

For the fifth year running, KONE was recognized as one of the best employers in the world by Forbes business magazine.

In China, two leading recruitment websites recognized KONE as a great employer. KONE was included in the listing for 100 Employer Excellence of China and Excellence Corporate Social Responsibility Award by 51job, and the 2021 China Best Employer Award by zhaopin.com. KONE India was certified as a Great Place to Work for the second consecutive year and listed in the AVTAR Group and Working

Mother Media's list of the 100 Best Companies for Women in India for the sixth consecutive year. KONE India was also recognized by The Economic Times on their Best Workplaces for Women 2021 list. The recognition was received for building sustainable careers for women, and for introducing many initiatives in mentorship, well-being, growth opportunities, and work-life balance. KONE India also won awards with respect to their work and culture. KONE Malaysia won the HR Asia Best Companies to Work for in Asia for the second year in a row.

In Finland, for the eleventh consecutive year, KONE retained its first-place ranking in the Engineering category on Universum's list of 100 Most Attractive Employers among students and professionals. KONE France and KONE Belgium were named Top Employer in 2021, and KONE France was also given the 'Happy Trainees' certification. KONE Turkey was named a Great Place to Work and KONE Oman, Qatar, Saudi and UAE achieved the Top Employer Certificate. KONE Germany won an award for their apprenticeship program. KONE Mexico were ranked the 44th best company for women in Mexico.

BEING A GOOD CORPORATE CITIZEN

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



See **data and charts** regarding this reporting area on page 61

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

PROGRESS ON FINANCIAL TARGETS

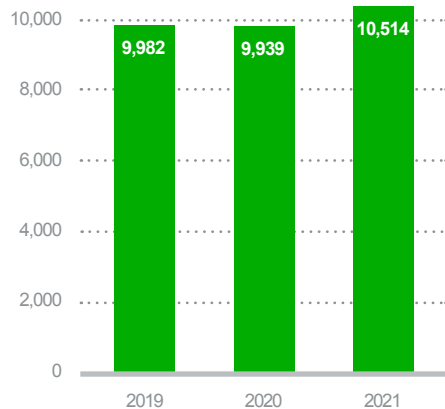
We continuously develop our business with a long-term focus. We have a challenger mindset and we are constantly developing our competitiveness in order to strengthen our position as one of the global leaders in the elevator and escalator industry.

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

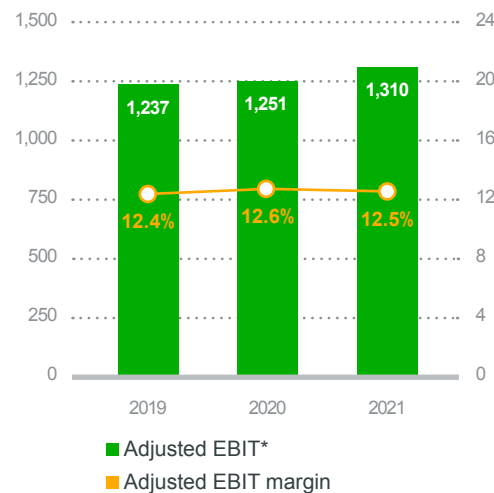
has clearly improved over the last decade and remained on a good level in recent years.

Our strong financial performance has enabled steadily developing dividends to our shareholders, and our track record on dividend distribution has been sustainable long-term. KONE had over 88,000 shareholders at the end of 2021 (2020: >72,000).

Sales (MEUR)

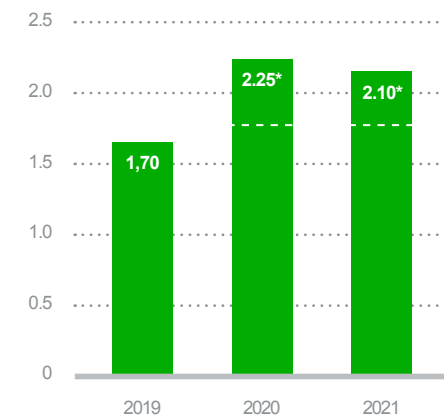


Adjusted EBIT (MEUR) and adjusted EBIT margin (%)



* KONE presents adjusted EBIT as an alternative performance measure for comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from this calculation. In 01-12/2021, the figure excluded costs of EUR 14.5 million related to restructuring measures in KONE's global business lines and functions. During 2017-2020, restructuring costs excluded were related to our Accelerate program.

Dividend per class B share (EUR)



* An extraordinary dividend of EUR 0.50 was paid in 2020 and EUR 0.35 in 2021.

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

➔ Read more about our financial performance in [our Annual Review 2021](#)

CREATING WEALTH THROUGH TAXES AND EMPLOYMENT

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

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

KONE's income taxes globally amounted to EUR 298.1 million in 2021 (2020: 276.9 million), with the ten largest countries by sales accounting for 68% (2020: 78%) of the corporate taxes. Income taxes of the Finnish KONE companies totaled EUR 40.1 million in 2021 (2020: 49.6 million). Our largest direct economic impacts come from the employment opportunities we provide.

While KONE is a global company with global processes and guidelines, our operations are very local. In our subsidiaries, management and field personnel are predominantly local. In 2021, the largest KONE countries by the number of employees were China, the United States and India.

Value distributed

Wages and salaries	MEUR	2,746
Creditors	MEUR	-25
Employment-related costs and taxes	MEUR	1,075
Shareholders	MEUR	1,087
Economic value retained in the company	MEUR	1,335



- Read [KONE's tax strategy](#) on [kone.com](#)
- Read about [KONE signing up to a sustainability-linked loan](#) on [kone.com](#)
- Read more about [our people](#) on pages 35–43

ETHICAL BUSINESS PRACTICES

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

A dedicated compliance team, including regional teams in China and North America, develops and implements KONE's global compliance program. Our global and regional compliance committees advise and make decisions on compliance policies, training and initiatives, investigations into allegations of employee misconduct, and mitigation of human rights, fraud and corruption risks.

KONE CODE OF CONDUCT

The KONE Code of Conduct forms an integral part of our company culture and is the foundation of our ethical business practices. It sets out the responsible and ethical conduct expected of KONE employees and companies and explains how we conduct our business in a responsible and ethical manner, in order to earn and retain customer trust. The KONE Code of Conduct was renewed in 2021 to better reflect our new values and strategy. With an even stronger emphasis on diversity and inclusion, expanded guidance on fraud, corruption, and fair competition, and new sections on human rights, trade compliance, and cybersecurity, the Code of Conduct is well aligned with international practice and stakeholder expectations. Integrity, responsibility, and accountability are highlighted as essential themes. Also emphasized is KONE's non-retaliation policy, which states that we do not tolerate any form of retaliation against anyone

having made a good faith compliance report. All KONE employees are expected to understand and abide by the [Code of Conduct](#), which is available on [kone.com](#) in 33 languages.

CONTINUED FOCUS ON TRAINING AND AWARENESS BUILDING

In 2021, the Code of Conduct e-learning course was refreshed to reflect the changes in the new Code of Conduct and assigned to all KONE employees. The course is available in 37 languages. Regular face-to-face compliance training is also provided to managers and other target groups. A total of 96% of KONE employees completed at least one compliance training session in 2021, including the Code of Conduct e-learning.

During the reporting year, we continued our awareness-building efforts with the quarterly series of Integrity Matters articles, which are based on real-life cases at KONE. The articles were published on KONE's global intranet and provided guidance on key compliance topics. The series continues in 2022.

Further compliance-awareness-building activities included a week-long event in Kunshan Park, China, KONE's largest production and R&D base.

The development of KONE's culture through training and awareness building remains the most important action when it comes to internal mitigation of compliance risks. All KONE employees are required to complete at least one annual training session on ethics and compliance.

KONE'S COMPETITION COMPLIANCE POLICY

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



KONE'S SUPPLIER AND DISTRIBUTOR CODES OF CONDUCT

KONE's Supplier Code of Conduct sets out the ethical business practice requirements that we expect from our suppliers, including our zero tolerance for bribery and corruption, and the standards we require from our suppliers in terms of labor and human rights, health and safety, and environmental issues. We expect our suppliers to comply with the requirements of the KONE Supplier Code of Conduct in all their dealings with us, as well as with their own employees and suppliers, and third parties, including government officials. All our suppliers are expected to sign KONE's Supplier Code of Conduct. KONE may terminate its contracts with suppliers if they fail to adhere to the Code.

By the end of 2021, 80% of KONE's total spend was with suppliers and installation subcontractors who have signed KONE's Supplier Code of Conduct or equivalent. The [KONE Supplier Code of Conduct](#) is available in 30 languages on [kone.com](#).

KONE's Distributor Code of Conduct was updated in 2021, and it covers topics similar to the Supplier Code of Conduct. As KONE's business partners, our distributors are expected to comply with the requirements of our Distributor Code of Conduct in all their dealings with KONE, as well as in respect of their own employees, customers, and suppliers, and third parties, including government officials. Our target is to have the Code signed by all our distributors. By the end of 2021, 100% (2020: 100%) of our distributors in China, and 99% (2020: 88%) of our distributors in the rest of the world, had signed the Code. The [KONE's Distributor Code of Conduct](#) is currently available in six languages and can be read on [kone.com](#).

KONE'S GLOBAL TRADE COMPLIANCE POLICY

KONE's Global Trade Compliance Policy highlights our commitment to full compliance with all applicable national and

international trade compliance laws, rules and regulations, including trade sanctions, export controls, and customs regulations. The policy sets out the trade compliance principles and expectations applicable to all KONE employees.

THIRD-PARTY DUE DILIGENCE

In order to meet increasing legal and third-party requirements and to comply with applicable laws and regulations, we take a risk-based approach when screening and monitoring third parties with whom we do business. As part of the due diligence process, we have implemented a new compliance-screening solution to manage third parties through five key stages: onboarding, risk assessment, due diligence, risk mitigation and monitoring.

The solution carries out automatic screenings against sanctions lists, other official watchlists, sanctioned ownership data and adverse media records on an ongoing basis and alerts the Compliance team in case of new findings. The process ensures comprehensive documentation and provides consistency for the overall due diligence of those included in the process. The solution currently covers suppliers representing 76% of KONE's total spend, as well as customers and other third parties included on the basis of selected risk criteria.

REPORTING AND FOLLOW-UP OF CONCERNS

All KONE employees are expected to understand and abide by KONE's Code of Conduct and to report any violations using the channels available for this purpose. Our internal reporting channels include reporting to management, human resources (HR), legal, or compliance. We also have a confidential externally hosted reporting channel, the Compliance Line, to which all employees, suppliers, and distributors have phone and/or web access. Reports can

be made in the employee's native language and can be anonymous where permitted under data protection laws. Reports can be submitted on a range of topics, including fraud and theft, fraudulent reporting, corruption, competition law, harassment and discrimination, data protection and confidentiality, environment and safety, trade compliance, and conflicts of interest.

All reports are handled by a dedicated, impartial KONE compliance team, led by our Head of Compliance Investigations.

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

In 2021, we received a total of 152 reported compliance allegations, of which 41% were received through the Compliance Line. Of these reports, 35% were fraud/corruption-related, 35% were HR-related, 10% related to conflicts of interest, and the remaining 20% fell under various other categories. In total, 40% of the 141 cases closed in 2021 were either substantiated or partially substantiated, and disciplinary actions in those cases ranged from coaching discussions to termination of employment, with 23 employees being dismissed or resigning as a result of the compliance investigations.

CONTINUOUS WORK ON HUMAN RIGHTS

At KONE we are committed to respecting human and labor rights across our entire delivery chain, including our own operations, suppliers and business partners. We manage business-related human rights risks by embedding human rights in our strategy, policies and processes. We are a committed Participant of the UN Global Compact and its ten principles on human rights, labor, environment, and anti-corruption.

Our expectations for employees and partners are set out in our Code of Conduct, and our Supplier and Distributor Codes of Conduct. As part of renewing KONE's Code of Conduct, we added a new section on human rights to highlight our commitment to respect and endorse internationally recognized labor and human rights standards, and to emphasize that we take steps to remediate adverse impacts on human rights that we become aware of. In 2021, the Global Compliance Committee took responsibility for the oversight of the human rights program at KONE. The Committee will be assisted by a human rights working group whose members represent all parts of KONE's business.

HUMAN RIGHTS IN THE SUPPLY AND DELIVERY CHAIN

As part of our sustainability commitments, we expect our supply chain to demonstrate high standards of compliance and ethics, and respect for labor and human rights. All our suppliers and installation subcontractors are expected to sign KONE's Supplier Code of Conduct, which sets out our ethical business practice requirements, including the standards we require in terms of labor and human rights. By the end of 2021, 80% of KONE's total spend was with suppliers and installation subcontractors who have signed KONE's Supplier Code of Conduct or equivalent.

During the year, we continued focusing on human rights in the supply chain by further developing the supplier human



rights assessment process within KONE. The COVID-19 pandemic continued to impact the roll-out of on-site assessments; however, an extensive online questionnaire was rolled out to over 200 key suppliers' production sites to assess their potential and actual human rights risks. Extensive

human rights training was also provided to our internal human rights assessors.

- ➔ Read more about **KONE's culture and values** on page 36
- ➔ Read more about **our codes of conduct** on pages 47–48

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

KONE produces selected components in-house, and our own production consists largely of the assembly of sourced components. KONE's supplier relationships provide business opportunities and employment for thousands of suppliers globally; our suppliers and their sub-tier suppliers are a critical part of KONE's supply chain. A total of 30,000 suppliers provide KONE with raw materials, components, modules, logistics and installation services, as well as other indirect materials and services.

KONE has ten production sites for elevators, escalators and building doors, nine global distribution centers for elevators, and six distribution centers for spare parts. Our elevator factory in Motala, Sweden, was sold in 2021.

KONE's supply chain operations cover new equipment production, modernization, and spares supply. We also work closely with selected key material suppliers and logistics service providers. Close to 4,000 people keep KONE's supply operations running.

Investments in production automation continued. KONE also continued to implement the manufacturing execution system (MES), with first-phase implementations in KONE factories in India and Mexico. MES is a computerized system that tracks and documents the transformation of raw materials to finished goods, providing information that helps understand how current conditions on the factory floor can be optimized to improve production output and quality. MES implementation continues in 2022, along with our other supply chain improvement activities.

We also continued our product harmonization in order to further increase flexibility and productivity. A new initiative to improve the agility of KONE's supply chain was started. The aim of the initiative is to ensure our capability to serve our customers in a changing business environment.

The logistics disturbances that started in the second half of 2020 continued in 2021. These disturbances include overall global capacity constraints, such as the availability of shipping containers, congestion in seaports, as well as the Suez Canal disruption. Despite the logistics as well as other challenges brought on by COVID-19, such as the disrupted availability of electronic components in 2021, the KONE supply chain was able to provide a constant and seamless flow of materials, products, and spare parts and to make deliveries according to customer need. We expect logistics costs to remain elevated in 2022 as a result of continued global disturbances.

RESPONDING TO CUSTOMERS' NEEDS

KONE continues to develop its supply chain with the needs of its customers as the guiding principle. In logistics, 2021 was the first year operating with a fully integrated global logistics organization. The new organization helped navigate operational challenges through, for example, fast decision-making. Together with our logistics partners, we began testing zero-emission ocean shipments. We have implemented new processes in our transport management system to optimize the material loading plan, thereby improving truck capacity utilization, and reducing carbon emissions. In 2022, we will work more closely with our logistics partners in order to learn from them, and to roll out further initiatives contributing to KONE's ambitious climate pledge of reaching carbon-neutral operations by 2030.

In packaging solutions, while keeping the focus on protecting our products better during transport and optimizing end-to-end transportation costs, in 2021 we explored more environmentally sustainable ways of packing. We aim to replace wood with cardboard, as well as reduce the use of plastic.

Global logistics



In total, over 4.2 million packages were delivered to new installation sites, and around 1.5 million packages of spare parts to existing customer sites. The 4.2 million packages amount to a weight of 1,470 million kilograms, or 4.2 million cubic meters in volume.

Top 10 supplier locations*

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

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

IMPROVED QUALITY AND PRODUCTIVITY THROUGH LEARNING

At KONE, we employ various optimization techniques and tools to improve the productivity and quality of our supply chain. An example of these is continual improvement, supported by Lean and Six Sigma methods and management practices. Through these methodologies we, for example, control process variations throughout the supply chain and in product and process transitions and reduce waste.

We continued our Lean awareness training for KONE leadership teams, and significantly increased the number of Lean Six Sigma professionals and projects in 2021.

We continued our Lean capability process control and zero-defect programs during the reporting year.

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

We will continue investing in our continual improvement capabilities.

LONG-TERM RELATIONSHIPS WITH SUPPLIERS

KONE maintains long-term relationships with its suppliers. We manage our suppliers according to a tailored approach that involves regularly assessing multiple factors. These factors include the extent of our business with the supplier, the supplier's innovation potential, the criticality of the materials or services they provide, and KONE's level of integration with the supplier.

Our supplier management and measurement tools include KONE's Supplier Code of Conduct, as well as an environmental annex as a standard part of our supplier contracts, and audits, quality and sustainability assessments, supplier performance assessments, and a supplier certification program. In 2021, KONE started continuous automatic screening of suppliers using publicly available information, such as sanctions lists and other official watchlists.

Most of our purchased raw materials and components for new equipment production come from approximately 200

key suppliers, the majority of whom are located in the same regions as KONE factories or distribution centers.

COLLABORATING WITH SUPPLIERS FOR A TRANSPARENT AND SUSTAINABLE SUPPLY CHAIN

In 2021, KONE continued its supplier sustainability assessments, in which we measure our approximately 200 key suppliers' performance in terms of their environmental and social responsibility. If improvement needs or non-compliance with KONE requirements are identified, we require corrective measures from the supplier. For example, we collect life cycle inventory data from our material suppliers, enabling accurate and reliable greenhouse gas (GHG) emission reporting from our suppliers. They are expected to implement emission reduction measures, such as increasing recycled content in the materials used for KONE products. With data collected from the supply chain we are able to provide transparent and reliable information to our customers on material content, as well as on the environmental impacts of our products.

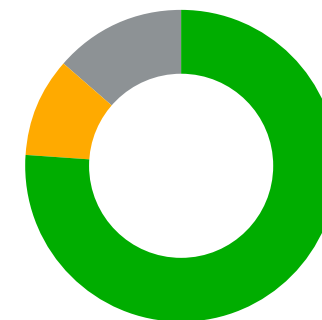
In 2021, we also conducted the first supplier human rights assessments among our key suppliers.

MAJORITY OF STRATEGIC SUPPLIERS AUDITED

All of KONE's key suppliers are audited regularly. The audits involve inspecting changes in products or production processes, validating follow-through on improvement initiatives, assessing quality and environmental management systems – especially when suppliers are not ISO certified – or pre-auditing the suitability of potential suppliers. In 2021, COVID-19 still restricted travel, and there was a slight decrease in the audit numbers with 88% of our key suppliers having been audited (2020: 91%). We review and prioritize our audit plan every year.

KONE's diagnostic audit program continued, and we carried out 55 third-party audits following the German automotive industry quality standard VDA6.3 (2020: 54).

Breakdown of material and service purchases from our supplier



Total MEUR 5,642.6

- Direct materials and supplies, subcontracting 76.29%
- Other production costs* 10.36%
- Selling, administrative and other expenses** 13.35%

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

** For example, administration expenses covering IT, marketing, training, and insurance

ASSESSING SUPPLIER RISKS

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

Our risk engineering audit concept covers, for example:

- Risks related to human rights
- Facility risks, such as fire risks and risks related to the main machinery
- Production risks, such as production transfer possibilities, buffer stocks and business continuity management
- IT risks, such as cyber risks
- Natural hazards
- Business continuity risks caused by extreme weather conditions (e.g., storms, floods, draughts, fires)
- COVID-19-related risk
- Second-tier supplier risks
- Financial risks.

CONTINUOUS DEVELOPMENT OF SUPPLIER PERFORMANCE

We monitor the performance of our key suppliers through monthly key performance indicators, and regular supplier quality and sustainability maturity assessments. The results are shared and discussed with each supplier.

If a supplier's performance does not meet our expectations, we initiate corrective actions or development projects and follow their progress.

DEVELOPING QUALITY TOGETHER WITH OUR SUPPLIERS

KONE's supplier development and supplier quality management function coaches our suppliers in implementing quality management best practices in their respective factories. This includes establishing control points in manufacturing lines in order to check specific product

and process characteristics that are considered critical to product quality.

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

KONE performs quality maturity assessments in order to verify its suppliers' compliance with the KONE Supplier Quality Standard. If any gaps are identified, suppliers are requested to take actions towards full compliance. Supplier quality maturity also guides us in making sourcing decisions and in planning business allocations between different suppliers. We continued to work towards our goal of zero defects by applying mistake-proofing methods in our supply chain.

KONE'S SUPPLIER EXCELLENCE CERTIFICATION PROGRAM

Our objective is to maintain a supplier base that complies with international quality and environmental standards as well as our own stringent standards. We expect our key suppliers to attain Supplier Excellence Certification. KONE's Supplier Excellence Certification is based on supplier results in quality and sustainability maturity assessments, including ISO 9001, ISO 14001 and ISO 45001 certifications.

In 2021, 100% of our strategic suppliers were ISO 9001 certified (2020: 100%), 88% were ISO 14001 certified (2020: 90%), and 73% of them had ISO 45001 certifications (2020: 68%).

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



SUPPORTING CHILDREN AND YOUTH

The KONE Centennial Foundation (KCF) is an independent non-profit organization founded by KONE in celebration of its 100th anniversary in 2010. It focuses on innovative programs that advance and support developmental, educational, and cultural activities for children and youth around the world.

KCF cooperates closely with local partners and a designated project coordinator in each country to plan and monitor projects, aiming to ensure the efficient allocation of resources and respect for the local culture and priorities. Wherever possible, KCF chooses projects where local KONE units can provide support and KONE volunteers can help in their spare time.

COVID RELIEF

Since the outbreak of the COVID-19 pandemic, KCF has contributed funds to help local marginalized communities cope with the crisis.

In 2021, KCF continued to prioritize community-based COVID relief efforts. In India, South Africa, Thailand, and Mexico, 2,142 vulnerable families received food aid or essential supplies delivered by KCF project teams or local community-based non-profit organizations. In addition, KCF made donations to Doctors Without Borders, the World Food Programme and Save the Children, supporting their global COVID relief efforts for the most vulnerable people.

KCF also started a matching funds campaign, encouraging KONE employees to get together to support children and youth in local communities. A group of KONE Thailand employees started a fundraising campaign aimed at helping the Zero-to-Hero Foundation purchase tablets to support children's learning during the pandemic. KCF matched the funds raised, doubling the total contribution made by KONE Thailand employees.

KCF PROJECTS IN 2021

In Finland, KCF, the Finnish Forum for Mediation and #reconciliation launched a new project called The Right to Reconciliation. The project aims to prevent violence and bullying in young people's daily lives by helping them develop conflict-resolution skills and by supporting youth-based initiatives to improve cross-cultural relationships.

In China, the KCF Joy of Reading mobile library has been serving children of migrant workers in cities and rural areas for over 10 years. In 2021, the mobile library continued working with Hangzhou City Library and Huzhou Library, delivering age-appropriate books and library services to over 9,700 children in 12 schools in Hangzhou and Huzhou. The mobile library also visited the Huzhou Children's Welfare Home and served children with special needs. KCF also supports the Dandelion School, a non-profit school for migrant children in Beijing.

KCF has been one of the main sponsors of the Westbury Youth Centre (WYC) in Johannesburg, South Africa since the center was founded in 2012. WYC offers marginalized youth in South African society skills development programs, social services, and entrepreneurship support. Throughout 2021, WYC provided services and skills development programs to 3,000 young people. WYC received government-issued SETA accreditation for its end-user computer training program, enabling WYC to offer students nationally recognized qualifications. In addition, WYC's parent organization, Mashup NPO, was active in a wide range of community affairs. Mashup's COVID relief food aid reached over 350 vulnerable families in Westbury.

Since 2017, KCF and KONE India have cooperated to support Single Teacher Schools (STS) in 20 impoverished villages near Chennai, where KONE has a large elevator factory. These STS provide instruction for about 600 children who are either poorly served by local schools or do not attend them regularly. In 2021, India experienced a devastating second wave of COVID-19 infections. Poor families struggled to get

basic supplies such as food and medicine during the nationwide lockdown. KCF and KONE India enabled STS to distribute emergency food aid to 675 families in the villages. STS schools managed to reopen in June, and student attendance gradually returned to the pre-pandemic level.

Since 2015, KCF has supported Arte y Cultura Xico (ACX), a local art-against-violence collective connected to a museum created by local people in Valle de Chalco, a municipality outside Mexico City. ACX sends young trainees to schools in troubled communities to teach local history and traditions and to hold art workshops. With KCF's help, ACX has obtained official non-profit status. In 2021, ACX launched various online activities for children and young people during the pandemic. KCF supported ACX's efforts to distribute 960 packages of COVID relief supplies to vulnerable families in its community.

Since 2017, KCF has supported the Zero-to-Hero Foundation's (Z2H) child development program in Na Yom, a rural village in Thailand. Z2H's baby club and the Active Learning model at Huana School have helped to greatly improve both teaching and learning. In 2021, despite the impact of long school closures due to the pandemic, Z2H students earned higher scores in cognitive and literacy skills than the national averages in Thailand's National School Readiness Assessment. The assessment results provided strong evidence that Z2H's model is making a difference, advancing children's development and improving learning outcomes. KCF also worked with Z2H and the local Buddhist temple to deliver COVID relief food to vulnerable families in Huana village.

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

➔ For more on KCF and their projects, visit konecentennialfoundation.org

DATA TABLES AND CHARTS

MANAGING SUSTAINABILITY

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

LISTENING TO OUR STAKEHOLDERS

Stakeholder group	Channels of dialogue	Assessments and key topics raised
KONE has ~550,000 customers worldwide. Our main customers are construction companies, building owners, facility managers and developers.	Customer meetings and events, constant dialogue through solution support, seminars and conferences, company reports, marketing materials, website and social media channels. Our annual customer loyalty survey comprises more than 20,000 customer interviews, and in 2021, in excess of 50,000 customers took part in our transactional surveys.	Our net promoter score developed positively. Customer surveys showed continued positive feedback on collaboration with our people, high quality of products and services, and our continued operations to support our customers during COVID-19.
KONE pays wages and salaries to over 62,000 employees in more than 60 countries.	Performance discussions, continuous face-to-face dialogue between employees and managers, training events, global learning solutions, innovation creation through innovation tool, internal social media channels, Compliance Line, company intranet and internal employee publications. In 2021, the Employee Forum was conducted virtually.	Pulse employee survey, Pulse Talks, annual performance discussions. In the 2021 Light Pulse survey, KONE again clearly scored above the external high-performance benchmarks. In the first year of the new strategy period and having to focus on the day-to-day activities due to COVID-19, many employees felt the need to learn more about the connection between their own work and the company's overall objectives.
KONE pays dividends to over 88,000 shareholders, ranging from institutional investors and companies to individuals, public institutions, and non-profit organizations.	An active and open dialogue: Financial disclosure is provided through stock exchange releases, as well as financial and other company reports. More personal channels of dialogue include management meetings with investors and analysts, annual general meetings, and capital markets days. Our dedicated investor relations team coordinates all KONE's investor relations activities. This ensures a fair and equal access to company information and to its spokespersons.	Discussions on current and future business performance including broader themes such as the digital transformation of the elevator and escalator industry and sustainability with a particular emphasis on diversity and inclusion. More near-term topics such as market recovery from the COVID-19 pandemic and the related implications of constraints in global supply chains as well as developments in the Chinese property market were also of interest.
KONE conducts business with ~30,000 suppliers with the majority of the products and services are purchased from ~4,000 suppliers.	Continuous one-to-one dialogue, annual supplier day for selected strategic suppliers, trade fairs, steering group meetings, supplier workshops. The 2021 supplier day was organized virtually.	Annual supplier Excellence Certification Program with regular sustainability and quality assessments and supplier audits. No material concerns raised. Discussions about day-to-day operational topics.
KONE has operations in over 60 countries and collaborates with authorized distributors and agents in almost 100 countries.	Continuous dialogue through daily contacts, regular country visits, distributors' meetings and various support tools. During 2021, while we were able to meet more distributors face-to-face than the year before, the majority of the meetings were conducted virtually.	Monitoring of sales-related activities and direct feedback from distributors. No material concerns raised.
KONE communicates proactively and openly with representatives of the media.	Press releases, interviews, background briefings, visits, press events, publications, company website and social media channels. During 2021, all media events were conducted virtually.	Media monitoring and analysis. Media coverage about for example financial updates and stock market information, new orders received, COVID-19 and its impacts to the industry, and industry reports.
KONE collaborates with educational institutions locally and globally.	KONE international trainee program (cancelled in 2021 due to COVID-19), CEMS global alliance of academic and corporate institutions, thesis opportunities, local internships, participation in recruitment fairs, common projects, guest lectures, participation in research programs and social media channels.	Most attractive workplace surveys, online tracking Recognition in various employee rankings globally.
KONE pays direct taxes, social security, and employer expenses in more than 60 countries.	Company website, stakeholder relations, reports, social media channels.	Sustainability surveys, reputation studies. No special issues raised during the reporting period.

WORKING FOR A MORE SUSTAINABLE FUTURE

KONE Environmental Excellence Program 2017-2021

The program supports the green transformation of urban environments into smart eco-cities, low-carbon communities and net zero energy buildings.

Key initiative	Achievements in 2021	Annual target
<p>Solutions Our solutions are highly eco-efficient and contribute to green building ratings.</p>	<p>Third-party verified Environmental Product Declarations (EPDs) published for three elevators and two escalators. KONE currently has EPDs for 11 elevator and 2 escalator models.</p> <p>KONE currently has Health Product Declarations (HPD) for six elevators and escalators.</p> <p>KONE's product and value chain emissions (Scope 3) per products ordered decreased by 0.3% compared to 2020 and increased by 0.4% compared to 2018.</p> <p>Renewed Singapore Green Building Product (SGBP) certifications for KONE 3000S MonoSpace®, KONE Minispace™ and KONE 3000 TranSys™ elevators. KONE currently has seven SGBP-certified products. We are the first elevator and escalator company to have only the highest possible Leader ratings.</p> <p>Approved Byggarubedömningen (BVB) assessments for KONE TranSys™ DX and MonoSpace® 700 DX elevators and KONE TransitMaster™ 140T escalator.</p> <p>KONE's manufacturing unit in Finland, KONE Great Britain and KONE Ireland continued to hold Forest Stewardship Council (FSC®) chain of custody certification for sustainably sourced wooden components.</p> <p>KONE solutions delivered to buildings certified with LEED, BREEAM, WELL and other green certifications globally.</p>	<p>Further reduction in energy consumption and used materials.</p> <p>Long term target: KONE's climate pledge announce with a target of 40% reduction in product-related carbon footprint from materials and lifetime energy use (Scope 3) relative to ordered products by 2030, from a 2018 baseline.</p>
<p>Operations We do business by developing resource efficiency and are committed to carbon neutrality.</p>	<p>KONE's operational carbon footprint decreased by almost 15% compared to 2018 (~3% compared to 2020) and KONE's logistics emissions relative to units delivered decreased by 3.5% compared to 2020. KONE's carbon footprint data is externally assured.</p> <p>A majority of our units purchase 100% renewable electricity. Solar panel installations were completed in our India and Czech Republic manufacturing site premises, and plans were made in Mexico to install solar panels in 2022.</p> <p>KONE Austria continued to offset their operational carbon footprint.</p>	<p>7% absolute reduction in the carbon footprint from our own operations (Scope 1 and 2) (baseline 2019), 4% reduction in our logistics carbon footprint (Scope 3) relative to units delivered. In 2022, our GHG emissions reduction target for our own operations (Scope 1 and 2) is 16% compared to 2019.</p> <p>Long term target: KONE's climate pledge with a target of 50% absolute reduction in the carbon footprint from our own operations (Scope 1 and 2) by 2030 (baseline 2018).</p>
<p>Culture We build a more sustainable eco culture together with our customers and suppliers.</p>	<p>Recognized for climate and sustainability performance: a place on CDP's A List and Supplier Engagement Leaderboard, awarded the Ecovadis Platinum medal and included in the FTSE4Good index.</p> <p>Our corporate and R&D units, all major manufacturing units and 26 major subsidiaries are ISO 14001 certified (2020: 26).</p> <p>Four KONE manufacturing units are ISO 50001 certified. At the end of 2021, 88% of our key suppliers were ISO 14001 certified (2020: 90%).</p> <p>KONE continued the supplier sustainability assessment for screening our suppliers' performance on environmental and social responsibility.</p>	<p>CDP Leadership. 100% of our key suppliers ISO 14001 certified.</p>

PROVIDING THE MOST SUSTAINABLE OFFERING, WORKING TOWARDS MORE SUSTAINABLE FUTURE

KONE's total greenhouse gas emissions, tCO₂e

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

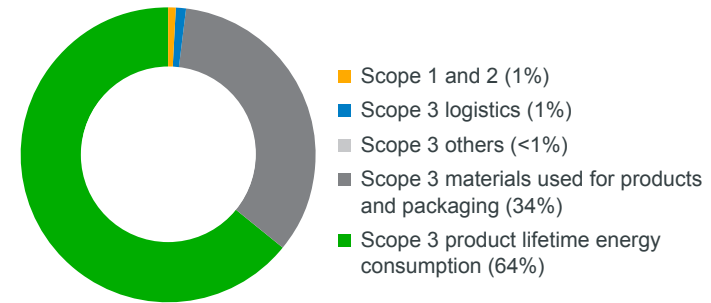
		2019	2020	2021
Direct emissions from own operations (Scope 1)*	Vehicle fleet	108,200	101,200	110,100
	Heating fuels	9,900	8,400	8,300
	Cooling gases	200	100	300
Emissions from purchased electricity and district heat in own operations (Scope 2)*	Electricity consumption, market-based (location-based 2021: 31,500 tCO ₂ e)	31,700	23,300	10,200
	District heat consumption, market-based (location-based 2021: 3,000 tCO ₂ e)	3,500	2,100	2,000
Total Scope 1 and 2 emissions		153,500	135,100	130,900
Indirect emissions from our value chain (Scope 3)	Materials used for products and packaging**	4,508,000	4,792,000	5,297,000
	Logistics**	184,600	177,900	184,000
	Waste***	2,700	2,500	3,700
	Business air travel	15,600	4,100	5,900
	Lifetime energy consumption of products**	8,746,000	9,138,000	9,963,500
	Annual energy consumption of products	400,500	418,000	452,500
	Total Scope 3 emissions	13,456,900	14,114,500	15,454,100
Total Scope 1, 2 and 3 emissions	13,610,400	14,249,600	15,585,000	

* KONE's environmental reporting covers over 90% of our Scope 1 and 2 emissions. The remaining emissions are extrapolated to cover 100% of KONE's operations.

** The product-related Scope 3 calculations are based on latest life cycle assessment data and products ordered from KONE during the reporting year. 2019 and 2020 logistics figures are restated due to improved calculation methodology.

*** Waste emissions increased due to materials destroyed and damaged in a fire at the KONE facility in Hyvinkää, Finland.

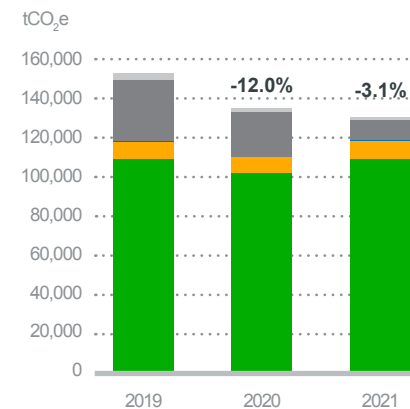
KONE's total greenhouse gas emissions in 2021



KONE's progress on science-based targets

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

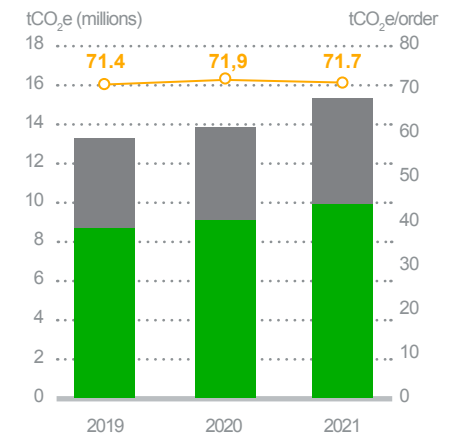
Target: 50% absolute reduction by 2030 from 2018 base-year and 7% absolute reduction in 2021 from 2019 base-year



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

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

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

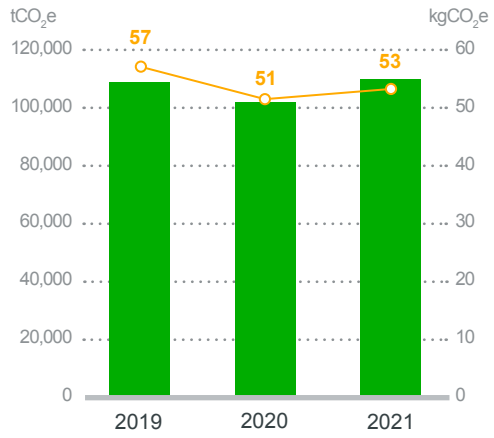


- Lifetime energy consumption of products, tCO₂e
- Materials used for products and packaging, tCO₂e
- Emissions relative to products ordered, tCO₂e/order

PROVIDING THE MOST SUSTAINABLE OFFERING, WORKING TOWARDS MORE SUSTAINABLE FUTURE

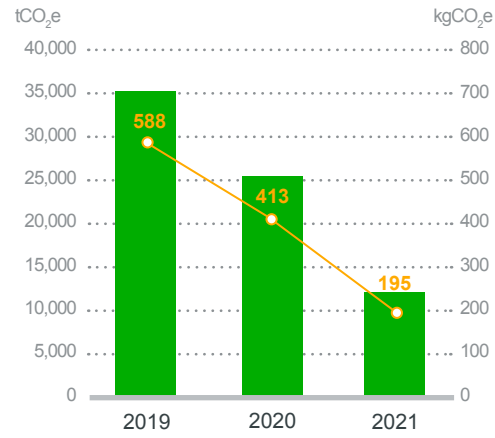
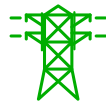
Carbon footprint trend per category

Vehicle fleet (Scope 1)*



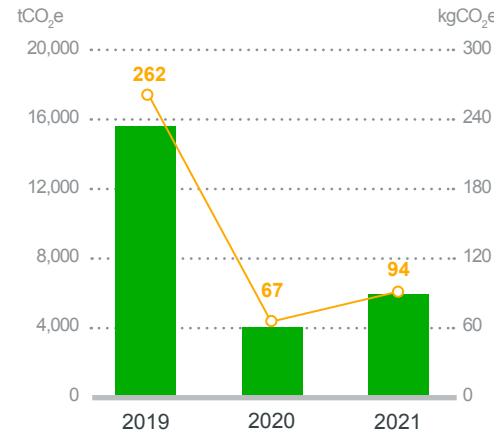
- Absolute emissions (tCO₂e)
- Emissions relative to units in service (kgCO₂e)

Electricity and district heat (Scope 2)*



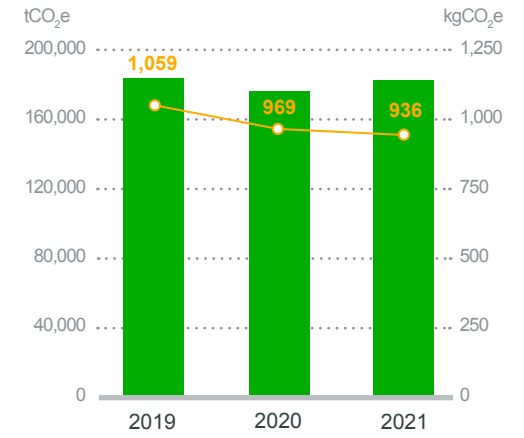
- Absolute emissions (tCO₂e)
- Emissions relative to headcount (kgCO₂e)

Business air travel (Scope 3)



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

Logistics (Scope 3)



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

* KONE's environmental reporting covers over 90% of our Scope 1 and 2 emissions. The remaining emissions are extrapolated to cover 100% of KONE's operations.

PROVIDING THE MOST SUSTAINABLE OFFERING, WORKING TOWARDS MORE SUSTAINABLE FUTURE

Environmental impacts of KONE's operations

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

		2019	2020	2021
Energy consumption, MWh				
Direct	Heating and vehicle fleet fuels (heating oil, natural gas, LPG, petrol, diesel and diesel with biofuel blend)	428,200	407,400	442,100
	Biofuel (from 100% renewable sources)	500	800	1,000
Indirect	Green electricity (purchased and on-site production)	25,600	28,100	57,300
	Other than green electricity	43,900	40,200	14,400
	District heat	15,800	13,300	14,400
Total		514,000	489,800	529,200
Waste, tonnes				
	Recycled waste	34,700	33,600	31,900
	Incinerated waste	5,600	3,700	2,100
	Landfill waste	1,400	1,300	1,400
	Hazardous waste	1,200	1,000	2,000
Total		42,900	39,600	37,400
Water and effluents				
Water consumption, m ³	Municipal water	316,800	299,900	326,000
	Ground water	8,800	2,000	2,200
Total		325,600	301,900	328,200
	Wastewater effluents from manufacturing units, tonnes	8	8	8

		2019	2020	2021
Materials used, tonnes				
Manufacturing (calculated)	Metals (steel, aluminum, copper)	1,088,000	1,157,000	1,279,000
	Concrete	210,000	221,000	243,000
	Others	58,000	62,000	49,000
	Plastics	11,000	12,000	13,000
	Rubber	10,000	11,000	12,000
	Electronics	7,000	7,000	8,000
	Glass	5,000	5,000	5,000
Packaging (calculated)	Plywood	108,000	117,000	130,000
	Wood	33,000	34,000	37,000
	Metals	7,000	7,000	8,000
	Paper/cardboard	6,000	6,000	7,000
	Plastics	4,000	4,000	4,000
Office consumables (actual data)	Paper	500	400	400
Total		1,547,500	1,643,400	1,795,400

* The figures for manufacturing and packaging materials are based on latest life cycle assessment data and products ordered from KONE during the reporting year.

EMPOWERING OUR PEOPLE AND ATTRACTING THE BEST TALENT

Employees	
Total number of employees, year end	62,720
Share of women	12%
Share of women in director level positions	21%
Share of women in the Executive Board	14%
Share of women in the Board of Directors	38%
Voluntary turnover rate, compared to 12-month average headcount	7.8%
Total turnover rate	12%

Age distribution	-30	31-50	51-
All KONE employees	27%	57%	16%
Executive Board	0%	43%	57%
Board of Directors	0%	25%	75%

Gender distribution per market	Men	Women
EMEA	86%	14%
Asia-Pacific	90%	9%
Americas	88%	12%

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

Voluntary turnover rate*	
Region	
EMEA	5,6%
Asia-Pacific	9,4%
Americas	8,0%
Gender	
Female	7.7%
Male	8.4%
Age group	
30 and under	13.2%
31-50	6.6%
51 and above	2.7%

* Calculated from 12-month average headcount

New hires gender distribution per market	Men	Women
EMEA	80%	20%
Asia-Pacific	90%	10%
Americas	90%	10%

New hires age distribution per market	-30	31-50	51-
EMEA	48%	46%	6%
Asia-Pacific	68%	31%	1%
Americas	34%	53%	13%

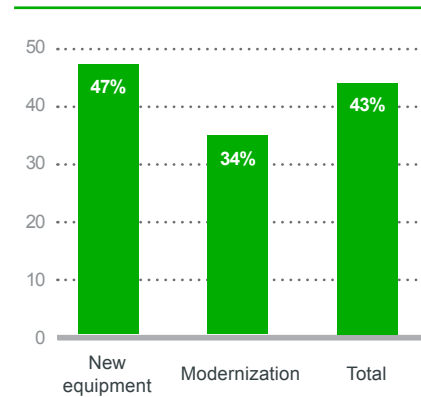
EMPOWERING OUR PEOPLE AND ATTRACTING THE BEST TALENT

Personnel by country Dec 31, 2021

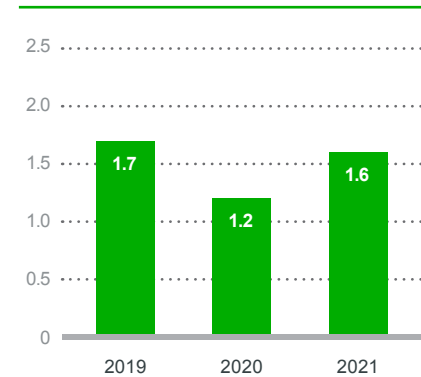
10 largest countries (2020 figures in brackets)



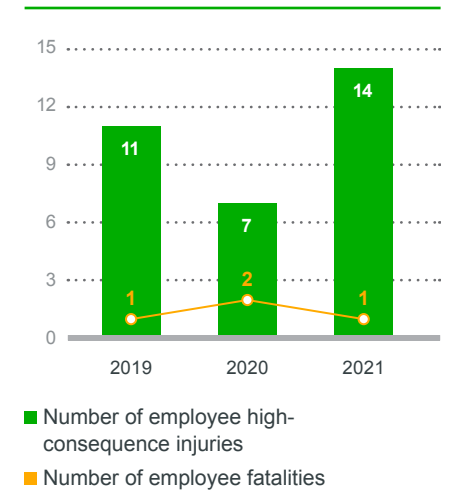
Subcontracting share of total labor costs in installation



Industrial injury frequency rate development among KONE employees

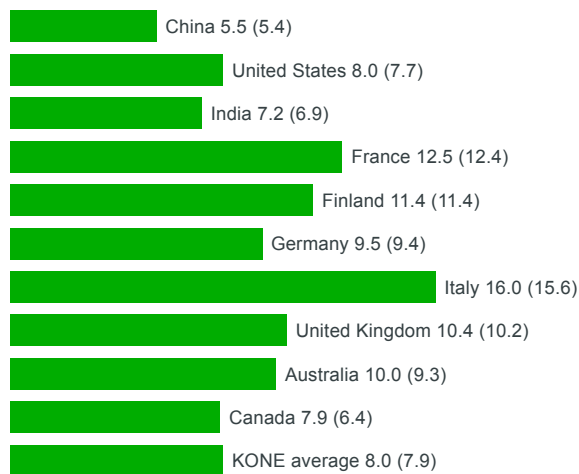


Number of employee fatalities and high-consequence injuries as a result of work-related injury



Average workforce tenure in years

10 largest countries (2020 figures in brackets)



BEING A GOOD CORPORATE CITIZEN

How KONE added economic value in 2021



Value distributed

Wages and salaries	MEUR	2,746
Creditors	MEUR	-25
Employment-related costs and taxes	MEUR	1,075
Shareholders	MEUR	1,087
Economic value retained in the company	MEUR	1,335

➔ Read more about our non-financial key performance indicators and our financial results in 2021 in [KONE Annual Review 2021](#)

REPORTING PRINCIPLES & SCOPE

KONE has chosen to report using the guidelines of the Global Reporting Initiative (GRI) to facilitate comparisons of our performance with other companies and to streamline our own corporate responsibility reporting efforts. KONE has published a Sustainability Report annually since 2008. The previous report was published on April 28, 2021.

This report has been prepared in accordance with the GRI Standards: Core option. A table detailing how this report complies with the GRI guidelines is shown on pages 64-7. We have self-declared that our reporting is in accordance with the Core level.

The reporting period corresponds with the calendar year and with KONE's financial year of January 1–December 31, 2021. When developing the report content and choosing indicators, the driver has been the materiality to KONE's operations. During 2019–2020, we conducted a materiality analysis and defined the focus areas for KONE's sustainability work (read more on page 14). KONE's approach to sustainability has also been described in the letter from the Chairman and the President and CEO on pages 5-6, and in the strategy description on pages 7-9.

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.

The personnel data is provided by our HR organization.

The collected environmental data covers over 90% of our Scope 1 and 2 emissions; remaining emissions have been extrapolated so that the figures account for 100% of KONE's operations. The actual vehicle fleet fuel consumption data has been collected from 43 countries, representing 94% of our total fleet globally. The actual facility-related environmental data has been collected from KONE's 10 manufacturing units and from 50 subsidiaries in Asia-Pacific, EMEA, and North

America. The collected facilities' data covers 96% (2020: 88%) of all KONE's employees and 100% of employees working at our manufacturing units. The Scope 2 emissions have been calculated according to the dual reporting principles of the GHG Protocol Scope 2 Guidance (market- and location-based method). In our total carbon footprint calculations, the market-based Scope 2 emissions are used. REGO guarantees of origin subject to European Energy Certificate System (EECS) and I-RECs have been acquired for the purchased green electricity, as well as some supplier specific instruments.

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

Business air travel data covering 30 subsidiaries and all manufacturing units, global functions and R&D, totaling 90% of our employees, has been collected from KONE's six biggest travel agencies and several local travel agencies.

The logistics data covers the transportation of products from KONE's manufacturing units to customers and that of the modules delivered straight from our suppliers to our customers, including all intermediary warehousing. Spare part deliveries are also within the reporting scope. Inbound logistics of materials to KONE's manufacturing sites is excluded from the scope. Product and spare parts logistics data has been calculated using an in-house logistics emission calculation tool developed by KONE's global logistics team.

The product-related Scope 3 emissions calculations include KONE's two main product types, elevators and escalators, for new construction, and for those modernization projects where new elevator units are delivered to the customer. The total emissions are based on the most sold products in each region

(Asia-Pacific, EMEA, and North America), multiplied by the number of all products ordered during the reporting year.

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

KONE uses the environmental performance software system by one of the world's leading EHS system vendors. The vehicle fleet and facility-related environmental data is first consolidated at the subsidiary or manufacturing unit level by local functions and is then entered into the environmental performance system. The data is further consolidated globally.

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

INDEPENDENT ASSURANCE STATEMENT

TO THE MANAGEMENT AND STAKEHOLDERS OF KONE OYJ

SCOPE AND OBJECTIVES

The Management of KONE Oyj commissioned us to perform a limited third-party assurance engagement regarding greenhouse gas emissions inventory for KONE's Scope 1, 2 and 3 (materials used for products and packaging, logistics, business travel, waste and lifetime energy consumption of products) emissions and factories water consumption data ("Selected information") disclosed in KONE's Sustainability Report 2021 ("Report") for the period of 1st January to 31st December 2021. The assurance engagement was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information'.

CONCLUSION

Based on the work described in this report, nothing has come to our attention that causes us to believe that the Selected information disclosed in KONE Sustainability Report 2021 is not reliable, in all material respects, based on the reporting criteria.

RESPONSIBILITIES

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

- Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard,

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

ASSURANCE PROVIDER'S INDEPENDENCE AND COMPETENCE

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

BASIS OF OUR OPINION

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

Our opinion is based on the following procedures performed:

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

INHERENT LIMITATIONS

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

Helsinki, Finland, 23rd March 2022

Mitopro Oy



Mikael Niskala
Independent Sustainability Practitioner



Tomi Pajunen
Independent Sustainability Practitioner

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

GENERAL DISCLOSURES		Related SDGs	Page	Further information
Organizational profile				
102-1	Name of the organization		Back cover	
102-2	Activities, brands, products, and services		3, 4, 10–11, 18	www.kone.com/en/company www.kone.com/en/products-and-services www.kone.com/en/company/organization-and-management
102-3	Location of headquarters		Back cover	
102-4	Location of operations		3, 4, 42	www.kone.com/en/company
102-5	Ownership and legal form		3, 55	www.kone.com/en/company/organization-and-management
102-6	Markets served		3, 4	www.kone.com/en/company
102-7	Scale of the organization		3, 4, 11, 60–61	
102-8	Information on employees and other workers	5, 8, 10	4, 42–43, 60–61	
102-9	Supply chain		50–52	
102-10	Significant changes to the organization and its supply chain		GRI and SDG indices	No significant changes.
102-11	Precautionary Principle or approach			KONE is committed to the UN Global Compact's ten principles. We apply the precautionary principle, especially in areas involving environmental risks.
102-12	External initiatives		15, 56	
102-13	Memberships of associations		16	
Strategy and analysis				
102-14	Statement from senior decision-maker		5–6	
102-15	Key impacts, risks, and opportunities		5–11, 14	Annual Review 2021, Board of Directors' report, p. 23–24.
Ethics and integrity				
102-16	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics		8–9, 15, 47–48	www.kone.com/en/company/vision-and-strategy www.kone.com/en/company/culture/
102-17	Mechanisms for seeking advice on ethical and lawful behaviour		47–48	
Governance				
102-18	Governance structure			Annual Review 2021: Corporate Governance Statement, p. 107–108.
102-19	Delegating authority		15, 54	
102-20	Executive-level responsibility for economic, environmental, and social topics		15, 54	
102-21	Consulting stakeholders on economic, environmental, and social topics		16, 55	Annual Review 2021: Corporate Governance Statement, p. 107–108.
102-22	Composition of the highest governance body and its committees			Annual Review 2021: Corporate Governance Statement, p. 107–108.
102-32	Highest governance body's role in sustainability reporting		15, 54	KONE Sustainability Report is reviewed by KONE's management and approved by the President and CEO.
102-35	Remuneration policies		43	Annual Review 2021: Corporate Governance Statement, p. 107–108. Remuneration report.

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

GENERAL DISCLOSURES		Page	Further information
Stakeholder engagement			
102-40	List of stakeholder groups	16, 55	
102-41	Collective bargaining agreements		Information not collected.
102-42	Identifying and selecting stakeholders	16, 55	
102-43	Approach to stakeholder engagement	16, 55	
102-44	Key topics and concerns raised	16, 55	
Reporting practice			
102-45	Entities included in the consolidated financial statements		Annual Review 2021, Subsidiaries, p. 97–99.
102-46	Defining the report content and the topic Boundaries	14, 62	www.kone.com/en/sustainability/sustainability-report/materiality-assessment/
102-47	List of material topics	14	
102-48	Restatements of information	57, GRI and SDG indices	
102-49	Changes in reporting	GRI and SDG indices	No significant changes.
102-50	Reporting period	62	
102-51	Date of the previous report	62	
102-52	Reporting cycle	62	
102-53	Contact point for questions regarding the report	Back cover	
102-54	Claims of reporting in accordance with the GRI Standards	62	
102-55	GRI content index	64–67	
102-56	External assurance	63	KONE's Scope 1, 2 and 3 (materials used for products and packaging, logistics, business travel, waste and lifetime energy consumption of products) emissions and factory water consumption data ("Selected information") data assured externally.
MANAGEMENT APPROACH		Page	Further information and omissions
103-1	Explanation of the material topic and its Boundary	14–15, 54, 14, 62	
103-2	The management approach and its components	15, 27, 54, 32–34, 36–43, 45, 47–48, 50–51	Our disclosures describe in detail KONE's climate-related opportunities and risks, as well as our governance, strategies and management of climate-related topics. For more information, see KONE's Annual Review 2021, p. 13.
103-3	Evaluation of the management approach	15, 27, 54, 32–34, 36–43, 45, 47–48, 50–51	

TOPIC-SPECIFIC DISCLOSURES		Related SDGs	Page	Further information and omissions
Economic standards				
Economic performance				
201-1	Direct economic value generated and distributed	8	4, 11, 44–46, 61	
201-2	Financial implications and other risks and opportunities due to climate change		30	Annual Review 2021, p. 13, 23.
Market presence				
202-2	Proportion of senior management hired from the local community	8	11, 46	Leadership position: KONE grades 1–3 (out of 6). Local: Employee is native to the country where the position is based.
Anti-corruption				
205-2	Communication and training about anti-corruption policies and procedures	16	47	Part of Code of Conduct training. Addressed also in Annual Review 2021, p. 23-24.
Anti-competitive behavior				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	16		Annual Review 2021, Review of Board of Directors, p 20–22, 26.
Tax				
207-1 (2019)	Approach to tax		46	www.kone.com/en/investors/governance/tax-strategy
207-2 (2019)	Tax governance, control, and risk management		46	www.kone.com/en/investors/governance/tax-strategy
207-3 (2019)	Stakeholder engagement and management of concerns related to tax		46	www.kone.com/en/investors/governance/tax-strategy
Environmental standards				
Materials				
301-1	Materials used by weight or volume	9, 12	59	
Energy				
302-1	Energy consumption within the organization	9, 13	59	
302-4	Reduction of energy consumption	9, 12, 13	33, 59	
302-5	Reductions in energy requirements of products and services	9, 11, 12, 13	18–19, 23	
Water and effluents				
303-1 (2018)	Interactions with water as a shared resource	9	34	In 2021, we started conducting a more detailed water impact analysis in our manufacturing units. The work will continue in 2022.
303-2 (2018)	Management of water discharge-related impacts	9	34	
303-3 (2018)	Water withdrawal	9	59	
Emissions				
305-1	Direct (scope 1) GHG emissions	9, 13	32–33, 57–58	
305-2	Energy indirect (scope 2) GHG emissions	9, 13	32–33, 57–58	
305-3	Other indirect (scope 3) GHG emissions	9, 12, 13	32–33, 57–58	
305-4	GHG emissions intensity	9, 13	58	
305-5	Reduction of GHG emissions	9, 13	32–33, 57–58	
Waste				
306-1 (2020)	Waste generation and significant waste-related impacts	9, 12	34	
306-2 (2020)	Waste by type and disposal method	9, 12	34, 59	
306-3 (2020)	Waste generated	9, 12	59	
Environmental compliance				
307-1	Non-compliance with environmental laws and regulations		GRI and SDG indices	No fines or sanctions regarding non-compliance with environmental laws and regulations.
Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria	12	50	Percentage of strategic suppliers audited.

TOPIC-SPECIFIC DISCLOSURES		Related SDGs	Page	Further information and omissions
SOCIAL STANDARDS				
Employment				
401-1	New employee hires and employee turnover	5, 8	60	
Occupational health and safety				
403-1 (2018)	Occupational health and safety management system	3, 8	39–41	
403-2 (2018)	Hazard identification, risk assessment, and incident investigation	3, 8	39–41	
403-3 (2018)	Occupational health services	3, 8	39–41	
403-4 (2018)	Worker participation, consultation, and communication on occupational health and safety	3, 8	39–41	
403-5 (2018)	Worker training on occupational health and safety	3, 8	39–41	
403-6 (2018)	Promotion of worker health	3, 8	39–41	
403-7 (2018)	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	3, 8	39–41	
403-8 (2018)	Workers covered by an occupational health and safety management system	3, 8	39–41	
403-9 (2018)	Work-related injuries	3, 8	41, 61	Industry injury frequency rate (IIFR), average lost days per injury, and total number of work-related fatalities and high-consequence injuries reported for employees. All injuries, including fatalities, are reported to the local authorities according to local regulations.
SOCIAL STANDARDS				
Training and education				
404-1	Average hours of training per year per employee	4, 8	38	
404-2	Programs for upgrading employee skills and transition assistance programs	4, 8	38	Global guidelines exist for supporting employees in transition.
404-3	Percentage of employees receiving regular performance and career development reviews	8	38	
Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	5, 8	37, 60	
Human Rights assessment				
412-1	Operations that have been subject to human rights reviews or impact assessments	16	47–49, 51	
412-2	Employee training on human rights policies or procedures	16	47–49	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	16	47–49, 51	
Supplier social assessment				
412-1	Operations that have been subject to human rights reviews or impact assessments	16	47–49, 51	Percentage of strategic suppliers audited.
Customer health and safety				
416-1	Assessment of the health and safety impacts of product and service categories	9, 11	21, 27	
Socioeconomic compliance				
419-1	Non-compliance with laws and regulations in the social and economic area	16	GRI and SDG indices	No significant fines or sanctions during the reporting period.

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