Dedicated to People Flow™

KONE

HELSINKI 1:25 P.M.

Real-time route optimization helps Niklas and his fellow service technicians save time and fuel when visiting customers.

KONE's innovative mapping system helps service technicians to plan and view maintenance routes on an electronic map. The tool enables KONE to provide its customers with shorter response times, and ensures that our 14,000 service vehicles get around as efficiently as possible every day.

Corporate Responsibility Report

KONE 2010

We provide our customers and end users with People Flow solutions that enable people to move smoothly, safely, and without waiting in and between buildings. Read more about how our skilled employees work to deliver the best People Flow experience every day, everywhere, and at any time on pages 8, 22, 36, 54, and 66.

Dedicated to People Flow™.

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Providing industry-leading People Flow solutions

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

KONE's key customers are builders, building owners, facility managers, and developers. In addition, architects, authorities, and consultants are key parties in the decision-making process regarding elevators and escalators.

KONE has segmented its market according to the purpose of the building. The main segments are residential buildings, hotels, office and retail buildings, infrastructure, and medical buildings. KONE also serves special buildings such as leisure and education centers, industrial properties, and ships.

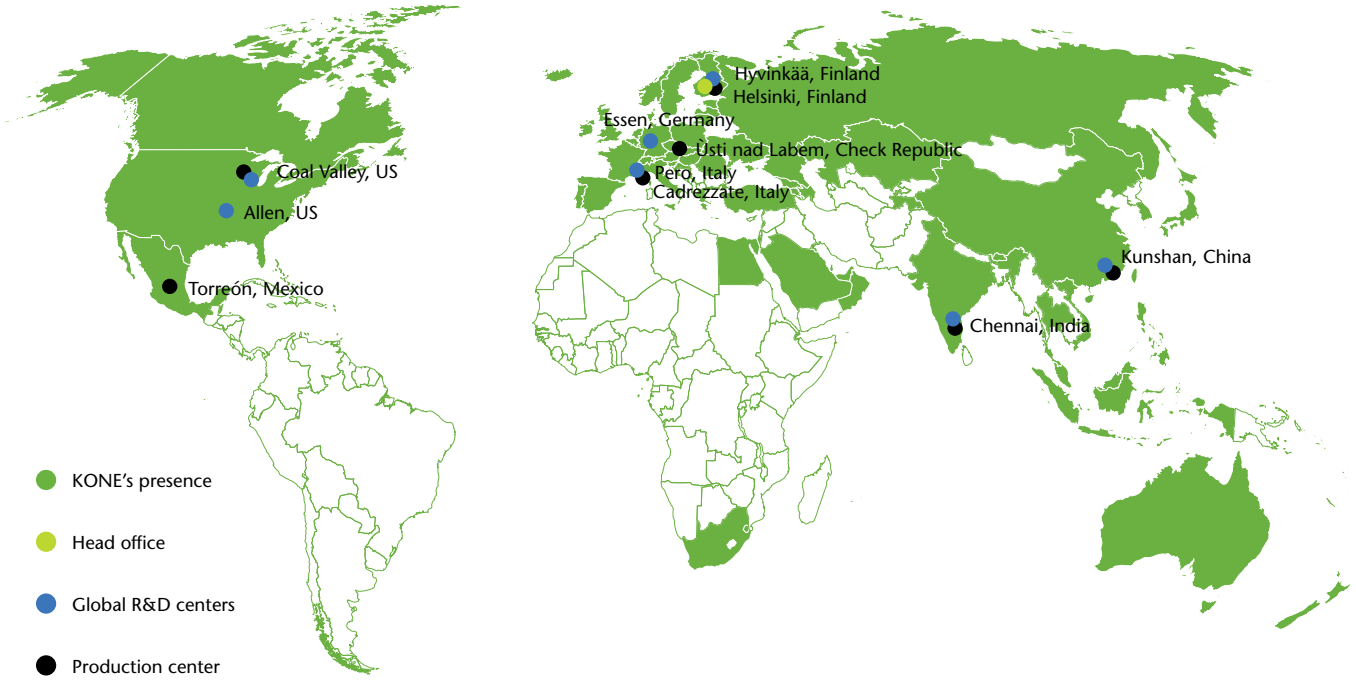
KONE serves hundreds of thousands of customers across the globe, the majority of which are maintenance customers. Our maintenance customers range from small facility management companies serving a single building to large global retail or hotel chains.

KONE operates through more than 1,000 offices around the world. We have eight global production units located in our main markets, as well as seven global R&D centers. In addition, KONE has authorized distributors in over 60 countries. KONE's head office is in Helsinki, Finland.

The KONE organization is divided into two business lines, Service Business and New Equipment Business, and four geographical areas, Central and North Europe, West and South Europe, Asia-Pacific, and the Americas. In 2010, the Major Projects unit, a separate business line, was combined with the New Equipment Business. KONE also established a new Customer Experience unit to further enhance its customer focus.

In 2010, KONE had annual net sales of EUR 5 billion and approximately 33,800 employees. KONE Corporaton's class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland. In 2010, KONE celebrated its centennial.

KONE worldwide



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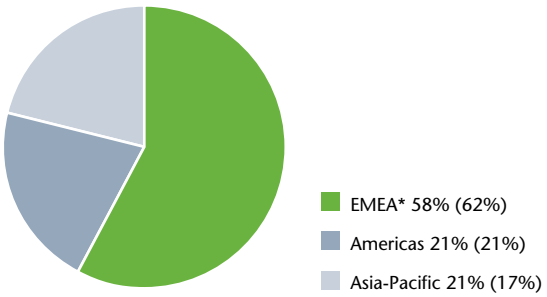
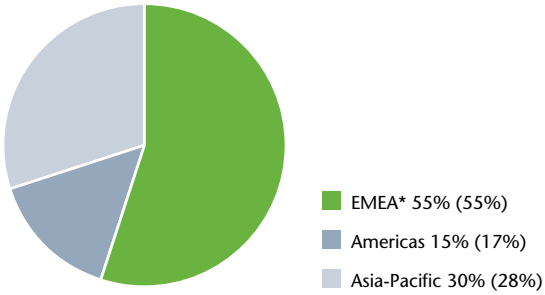
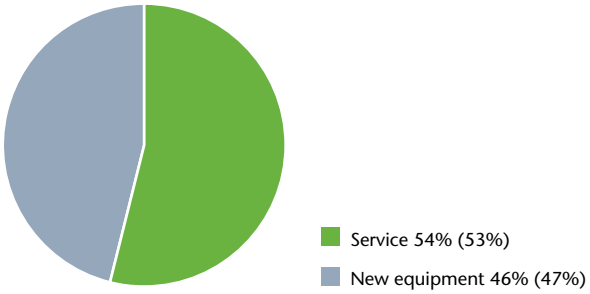
Sales by market 2010 (2009), %



Employees by market 2010 (2009), %



Sales by business 2010 (2009), %



* Europe, Middle East, Africa

Key financial figures		2010	2009	change %
Orders received	MEUR	3,809.0	3,432.4	11.0
Order book	MEUR	3,597.8	3,309.1	8.7
Sales	MEUR	4,986.6	4,743.7	5.1
Operating income	MEUR	696.4	600.3[1)]	16.0
Operating income	%	14.0	12.7[1)]	
Cash flow from operations (before financing items and taxes)	MEUR	857.2	825.1	
Net income	MEUR	535.9	466.4	
Total comprehensive income	MEUR	577.6	449.5	
Basic earnings per share	EUR	2.10	1.84	
Interest-bearing net debt	MEUR	-749.8	-504.7	
Total equity/total assets	%	49.3	47.0	
Gearing	%	-46.8	-37.7	

1) Excluding a MEUR 33.6 one-time restructuring cost related to the fixed cost adjustment program, which was booked in the second quarter.

Strengthening our business through corporate responsibility

Overall, 2010 was a year when KONE demonstrated good development in a number of key areas of its business. We raised customer loyalty, employee satisfaction was at a good level, and we reached our long-term operating profit target despite the ongoing challenges presented by the general economic environment. KONE launched several important products in 2010 and continued to expand its service operations, with the total number of elevators and escalators in our maintenance base exceeding 800,000.

Towards excellence in all areas of corporate responsibility

I was pleased to see the excellent development we achieved in all areas of corporate responsibility – from financial to environmental and social responsibility. Our commitment to continuous improvement and innovation is strongly tied to the KONE values. These are to delight our customers through a passion for performance and energy for renewal, while recognizing that we can only succeed by winning together. I believe that the breadth of our efforts to develop KONE distinguishes us from the competition.

One of the important milestones reached in 2010 was the 50 percent reduction in the energy consumption of new elevators – an ambitious target we set for ourselves in 2008. This reduction applies to the clear majority of KONE elevators delivered globally, thanks to new technologies developed in cooperation with our suppliers. We are also focused on reducing the carbon footprint of our own operations. In 2010, we achieved a reduction in our carbon footprint relative to net sales, mainly by raising the eco-efficiency of our car fleet.

We are also pleased to report the continuation of a positive trend in customer loyalty in 2010. I believe that our success on this front is directly linked to our efforts to raise KONE's customer focus by enhancing our skills to listen to customers' needs and respond to them with appropriate People Flow™ solutions. During 2010, we implemented tools to support and monitor our sales-related activities. We also strengthened our segment offering with the launch of several high quality and cost-competitive solutions, delivered with shorter lead times.

Employee engagement reflects the passion and dedication of our people

Our progress is the result of our employees' dedication and passion for what they do. We have continued to invest in our people and strive to make KONE a great place to work. Our emphasis over the past three years has been on leadership skills, which has helped us to maintain a good working spirit despite the challenging economic environment. Our most recent employee survey from early 2011 shows that employee engagement has increased and our people feel that their views and ideas are valued by

their colleagues. Empowering and motivating our employees plays a key role in our ongoing efforts to improve KONE's customer focus.

Adopting new perspectives to maintain continuous improvement

Having worked with our previous development programs for three years, it is time to adopt new perspectives. Given both our achievements so far and the challenges we perceive in our operating environment, we have defined a new set of development areas for the coming three years. These are: customer experience, employee engagement, innovative solutions for People Flow, service leadership, and delivery chain excellence. In everything we do, we bear in mind our three high priority areas of safety, quality, and simplification.

I am proud of the progress KONE has made on so many different fronts. It provides a solid platform for further development. We have set new long-term financial targets, but it is important to note that the work we do goes far beyond such targets. We recognize that creating value for our stakeholders is intrinsically linked to sustainability and our commitment to those whose efforts help us achieve our goals.

One of the important milestones reached in 2010 was the 50 percent reduction in the energy consumed by new elevators.

Matti Alahuhta

President & CEO
KONE Corporation

Sustainable urban environments for future generations

In 2010, KONE celebrated its first century in business. Over that time, KONE has been involved in a diverse range of industrial engineering businesses. Yet its main focus has always been the elevator and escalator business, where we are proud to have achieved an industry-leading status thanks to innovative, safe and eco-efficient solutions designed to deliver the best People Flow™ experience.

Looking forward, KONE's future growth will be determined by some key megatrends, of which urbanization is the most important. It is expected to drive the demand for elevators and escalators, as well as the maintenance market, for years to come. The rapid pace of urbanization is illustrated by the growth in the number of cities with over ten million inhabitants from just four in 1980 to 21 in 2010. By 2030, it is estimated that the world's urban population will have expanded to a total of five billion inhabitants – which is 1.4 billion more than today.

The growth of urban areas is most evident in Asia, where the long-term population growth and migration from rural communities is expected to continue. China, already the world's largest urban nation, is likely to see the addition of 350 million people to its urban population by 2025 to reach a total of nearly one billion.

KONE is ready to meet the challenge this presents to the entire building industry. Through global processes combined with a strong local presence in over 1,000 locations around the world, KONE is well-positioned to contribute to the different phases of urbanization with a local touch. Building urban areas where people can move around smoothly and safely supports the sustainable development of economies around the world.

KONE also has a long history of playing an active and constructive role within the communities where it operates in. The KONE Corporation Centennial Foundation was founded in 2010 to celebrate KONE's first 100 years in the elevator and escalator business. The Foundation's purpose is to advance and support developmental, educational and cultural activities for children and youth around the world. More specifically, the Foundation seeks creative ways of promoting such activities in countries where there are severely limited individual development opportunities for young people,

and where KONE is actively involved in the country's business life. The first grant made by the Foundation was a gift of a mobile library to be used in numerous Chinese cities.

I want to thank all our stakeholders for another successful year in KONE's 100-year history and ask for their continued support as we look forward to the opportunities ahead.

Antti Herlin

Chairman of the Board
KONE Corporation

Encouraging reading in Chinese schools

The KONE Corporation Centennial Foundation was founded in 2010 to celebrate KONE's pioneering 100 years in the elevator and escalator business. The foundation's mission is to advance and support developmental, educational, and cultural activities for children and young people around the world.

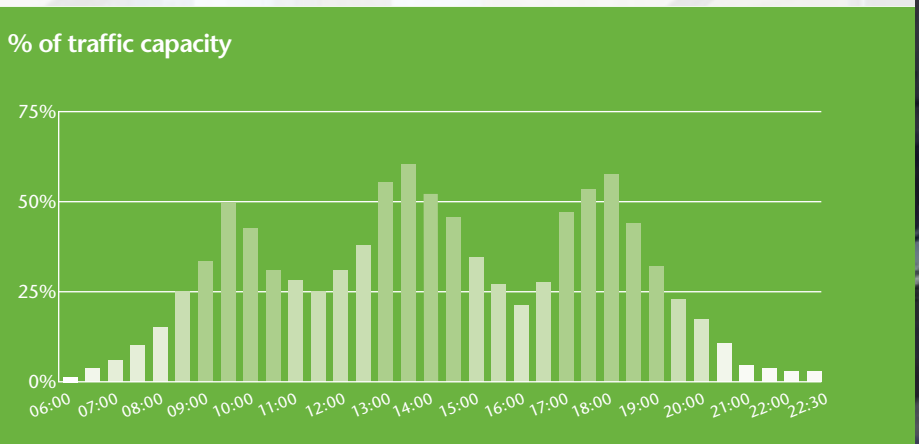
The foundation's first project is the funding of a mobile library to encourage reading among school-age children in China. To be launched in 2011, the library will carry thousands of children's books and be equipped for tutoring, teaching support, after-school reading clubs, and other related activities.

The mobile library will be operated in cooperation with the Beijing Times newspaper and will primarily serve schools for migrant children in 10 cities in eastern and southern China. These schools typically lack libraries or reading rooms of their own. The mobile library will benefit from expertise provided by Finnish library professionals. KONE employees and volunteers recruited by the Beijing Times will help with support activities such as the collection of books to be left in reading rooms created in the schools visited by the mobile library. In addition to the acquisition and conversion of the vehicle, the KONE Corporation Centennial Foundation's grant includes the cost of books, equipment, librarian and driver training and salary, as well as insurance and maintenance.

People Flow in a typical shopping center

A shopping center usually experiences three peaks:

- The first peak is at the beginning of the day and consists of employees and early shoppers, coffee shop visitors, and people who pass through the center on their way to work.
- The second is during the lunchtime period, when people access the food court area – typically not located on the ground level – or stop at the shopping center during their lunch break.
- The third peak comes after work, when most shoppers enter the center.
- After the third peak, the number of visitors quickly decreases until the center closes for the night.



Effective People Flow for KONE's customers

KONE delivers People Flow™ solutions for a wide range of buildings with very different people flow patterns.

In the retail sector, a pleasant shopping experience is enabled by optimized and uninterrupted People Flow, leading to increased consumer satisfaction and higher sales for retailers. KONE's retail customers conduct a significant share of their business during the main holiday periods, which is also when the largest number of people and goods move through their buildings. To ensure a smooth flow of people, major repairs and modernizations normally take place outside these busy periods. When possible, the maintenance work is scheduled outside store opening hours in order to minimize disruption.

Improving quality of life through elevator modernization

The modernization of an elevator in a multipurpose building in central Hannover, Germany has helped to significantly improve accessibility and quality of life for residents and visitors alike. With a medical practice, teacher's union, and media design agency operating from the building, providing better accessibility for all types of passengers was vital. This was achieved by replacing the old traction-driven elevator with a modern KONE MaxiSpace®, offering a 50 percent larger cabin, wider door opening, brighter lighting, and a greater load capacity.

With a narrow door opening, limited lighting, and restricted cabin space, the building's previous elevator was making accessibility particularly challenging for those using wheelchairs or traveling with baby strollers. In addition to improved accessibility, the modernization carried out by KONE also helped to ensure that the building's elevator equipment complied with modern safety standards.

The KONE MaxiSpace® elevator solution provides equal access for all who use the building, enabling easy entry and exit and a smooth, comfortable ride as well as helping to improve passenger safety. The modernization also helped to improve the building's image and value. Most importantly, it has improved quality of life for residents who are now able to continue living in their own homes for many years to come.

Urbanization continues to drive KONE's business

The direction and shape of the global elevator and escalator industry are driven by four megatrends: urbanization, changing demographics, the increasing importance of safety, and concern for the environment.

KONE contributes to sustainable urban development by developing energy-efficient solutions that move people smoothly and safely in urban environments.

Rapid urbanization

Urbanization is the single most important megatrend within the global elevator and escalator industry. It is expected to drive demand for years to come. For the first time in history, an equal number of people live in urban and rural areas. By 2030 it is estimated that the world's urban population will have reached five billion – 1.4 billion more than today[1].The number of cities with over 10 million inhabitants has increased from four in 1980 to 21 in 2010. It is expected to grow to 29 by the end of 2025.

The concentration of people in urban areas increases the importance of moving them efficiently from one point to another. More people will need to move through the same space at the same time. Buildings will be built higher and the flow of people inside them will need to be managed as efficiently as possible.

The growth of urban areas is most evident in Asia, where long-term population growth and migration from rural communities is expected to continue. China, already the world's largest urban nation, is likely to see the addition of 350 million people to its urban population by 2025. This increase is more than the current population of the United States, and it implies the addition of 50,000 skyscrapers to Chinese city landscapes. For the global elevator and escalator industry, Asia already represents more than half of new equipment deliveries.

Aging population

The global demographic structure is changing. In particular, the world's population is aging at an unprecedented rate. The total number of people aged 60 and over is expected to rise from 700 million in 2009 to two billion by 2050, representing a three-fold increase[2]. Although populations are aging the fastest in developing economies, similar trends are visible in nearly every country in the world.

The growing number of older people raises the importance of accessibility in buildings and urban infrastructure. This presents current and future generations with substantial challenges. In Europe for example, more than four million buildings with staircases of three floors or higher were still without an elevator in 2009. There is an ever-growing need for People Flow solutions that offer convenience and accessibility at the touch of a button. An elevator can help elderly residents live in their apartments longer, facilitate the lives of all residents in the building, as well as add value to an existing property.

Increasing importance of safety

Urban infrastructure systems in certain markets are aging. In Europe and North America, much of the urban infrastructure was built to support the rapid phase of urbanization that took place in the 1960s and 1970s. Today, much of that infrastructure, including buildings and public transportation networks, is aging. Increasing requirements for safety in these mature markets is a strong driver for modernization demand.

It is estimated that for instance in Europe more than two thirds of all elevators and escalators in operation are over 20 years old and in need of modernization[3].

1) Source: U.N. World Urbanization Prospects 2009 revision; McKinsey Global Institute
2) Source: OECD (Organization for Economic Co-Operation and Development) Demographic and Labour Force database
3) Source: European Lift Association (ELA)

National and international safety codes and standards play a key role in determining the safety level of elevators and escalators. Due to progress in codes and standards, there is a difference between the level of safety of new and existing equipment. Current codes and standards for existing elevators and escalators help to close this gap. Particularly in Europe, many countries have adopted strict standards for safety and modernization in recent years.

More stringent regulations challenge equipment suppliers to develop solutions that are in full compliance with current codes and standards. KONE is also a major contributor to the development of codes and standards through our active participation in professional associations and standardization committees, both on a national and international level.

Concern for the environment

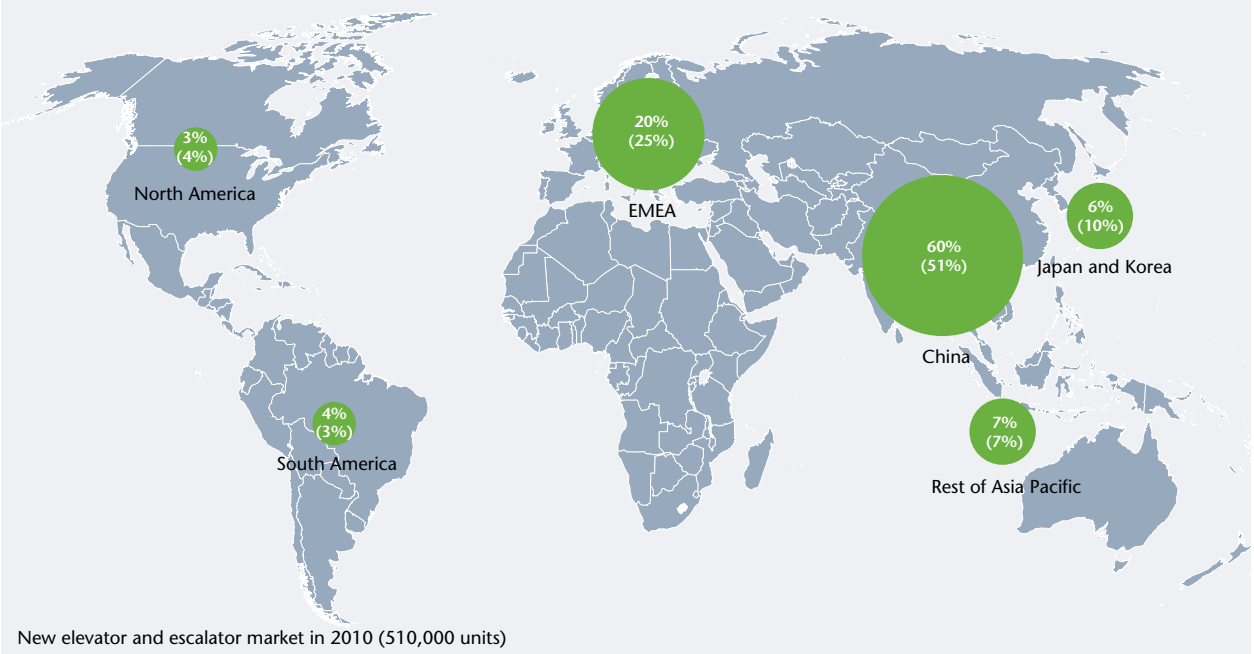
Environmental awareness is growing across the world. Global greenhouse gas emissions have risen rapidly over the past century, extreme climate conditions have become a reality, and natural resources are becoming scarce. The deteriorating environment is affecting people's quality of life. All these factors are increasing the weight placed on environmental factors in all consumption decisions.

Buildings consume approximately 40 percent of the world's energy, and elevators and escalators can

The concentration of people in urban areas increases the importance of moving them safely and efficiently from one point to another.

Global elevator and escalator markets

Units per region 2010 (2009)



New elevator and escalator market in 2010 (510,000 units)

Source: KONE estimates

account between two and 10 percent of the energy consumption of an individual building. The elevator and escalator industry can play a vital role in helping to counter climate change and its negative effects by providing innovative solutions that help to reduce the energy consumption of buildings.

The demand for energy-efficient solutions for moving people in and between buildings is driven by voluntary sustainability ratings and national green building ratings. These are becoming more common and are on increasing importance to our customers. Sustainable urban building refers to building practices that improve energy efficiency, use sustainable materials and reduce a building's negative impacts on human health and the environment. The two most widely recognized global assessment methods are the Building Research Established Environmental Assessment Method (BREEAM) and the Leadership in Energy and Environmental Design (LEED). They consider the entire life cycle of the building, from sustainable design and construction to operation and maintenance.

Saving energy through modern technology

The European-wide E4 study, completed in 2010 and supported by the European Commission's Intelligent Energy Europe Programme, took an in-depth look at the energy consumption of the installed elevator and escalator base across Europe.

The study demonstrated that there is a knowledge gap regarding energy consumption across different building types and the potential savings that modernization – and specifically introducing energy-efficient elevator and escalator technology – can bring in terms of reducing energy consumption.

The results from the E4 study demonstrate that by modernizing an elevator installed in 1985 or earlier using the best available technology, energy savings of as much as 63 percent can be achieved.

Estimated energy demand of elevators in the EU-27

	Running (TWh)	Stand by (TWh)	Total (TWh)	Savings (%)
Technology in existing equipment	8.7	9.7	18.4	
Best available technology	4.2	2.6	6.8	63

Source: de Almeida et al. 2009: Estimation of saving potentials

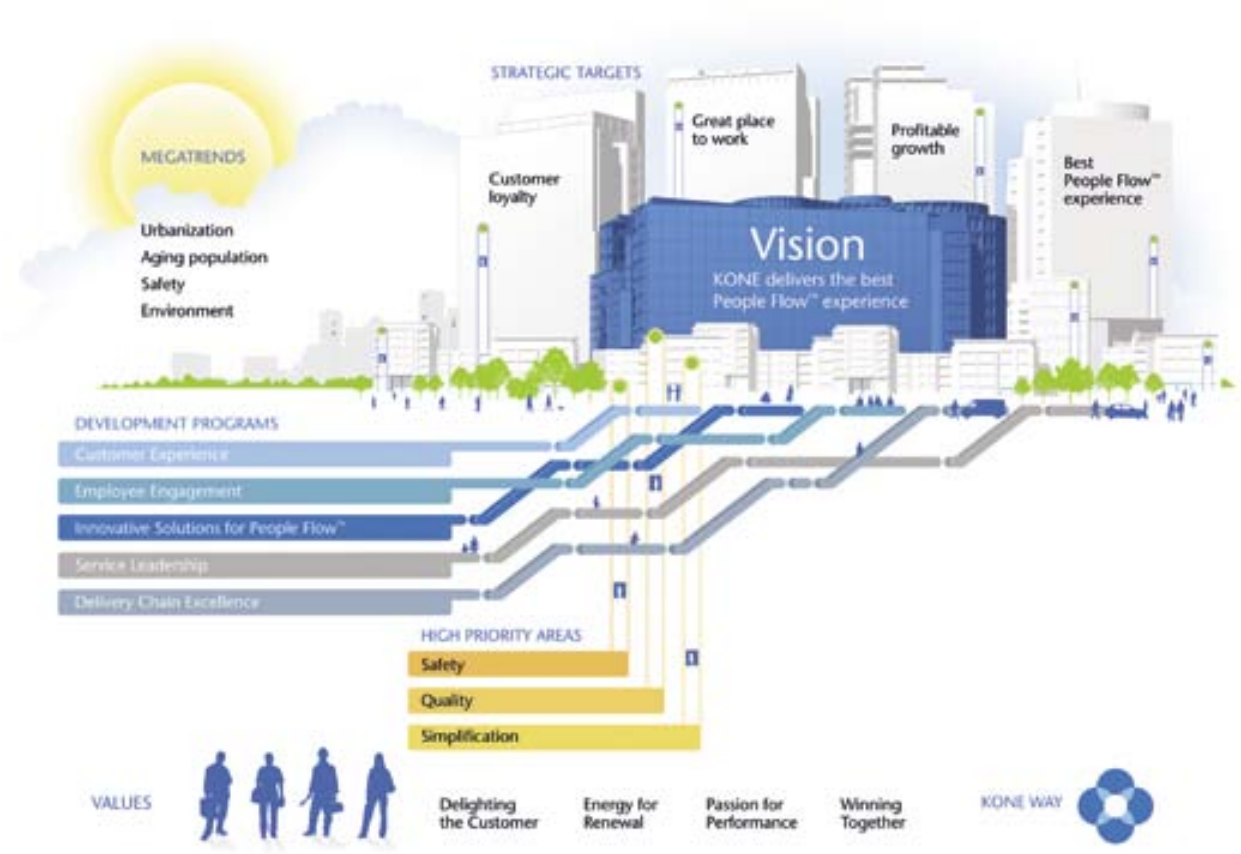
Turning strategy into reality

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

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

Development programs support our strategy

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



Our target is to foster customer loyalty, make KONE a great place to work, lead the industry in profitable growth, and provide the best user experience.

response to both achievements and changes in the business environment.

The development programs defined for 2008–2010 were Customer Focus, People Flow™ Solutions, Environmental Excellence, Operational Excellence and People Leadership. They have enabled KONE to make demonstrable progress in reaching its strategic objectives. Our customers have become increasingly loyal, our employees' leadership capabilities and involvement have grown, KONE has grown at a faster pace than the market – with consistently improved profitability – and we have made important steps in enhancing the overall People Flow™ experience.

Redefined development areas

To ensure KONE continues to meet its goals, build on its strengths, and tackle development needs, we have identified five new development areas to drive change and implement our strategy over the next three years. These are Customer Experience, Employee Engagement, Innovative solutions for People Flow™, Service Leadership, and Delivery Chain Excellence. Each development area has a dedicated owner who is responsible for implementing it across the company. Achievements are monitored systematically against pre-determined measures and targets, and communicated internally through various employee forums.

We have also refined the three high-priority areas that are the backbone for everything we do. These are safety, quality, and simplification. We strive for zero accidents as it is our strong belief that all accidents are preventable. We want to delight our customers by continuously improving our products, services, and processes. And we want to simplify our tools and ways of working in order to maximize quality, productivity, and customer satisfaction. These high-priority areas support our key development programs and help bring the KONE strategy to life.

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

KONE Development Programs

Customer Experience: Using the increased understanding of different customers and markets served by KONE to create best-in-class interactions with customers, across the business system.

Employee Engagement: Ensuring a leadership culture that engages, empowers, and inspires employees. Providing personal and professional development and growth opportunities for all people at KONE. Promoting wellbeing and safety in the work environment.

Innovative Solutions for People Flow™: Providing the best user experience by utilizing our segment understanding and translating this into industry-leading technologies, eco-efficient innovations, and appealing visual design.

Service Leadership: Ensuring the best life-cycle performance of our customers' equipment by extending our technicians' capabilities and securing high quality service performance.

Delivery Chain Excellence: Securing seamless and cost-competitive deliveries all the way from suppliers to the installation phase, performed to the highest quality and eco-efficiently.

Creating value through profitable growth

In economic terms, KONE's foremost responsibility is to its shareholders. Our objective is to achieve sustainable and profitable growth by meeting the needs and expectations of our customers in the most efficient way.

KONE's long-term financial targets

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

Economic performance not only creates value for our owners, it also brings important benefits to other stakeholders. It allows us to continue to serve our customers better, to provide employment opportunities, sustain suppliers, and pursue an active role in the community. Through the active and continuous development of our entire business system, we aim to become an even stronger player within our industry.

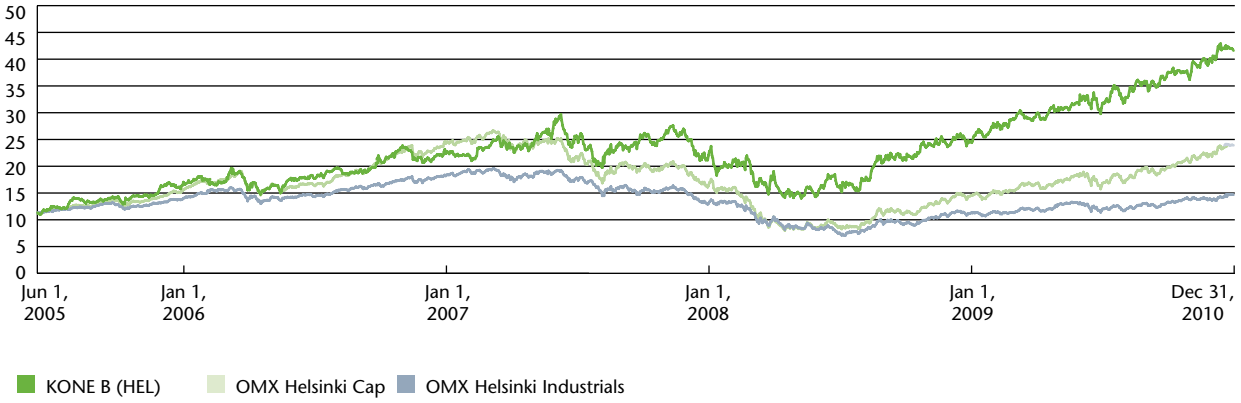
Long-term targets and profitable growth

In 2010, KONE achieved the long-term financial targets that were set in May 2008. For the past several years, KONE has consistently grown faster than the overall market. Net working capital improved from EUR -122 million at the beginning of 2008 to EUR -394 million at the end of 2010. The long-term EBIT margin target of 14 percent was achieved in 2010. As a result of achieving its previous long-term targets, it specified new targets in the beginning of 2011.

KONE's growth and long-term success is driven by a clear understanding of the needs and requirements of our customers as well as several megatrends that provide growth opportunities in our business. We can continue to grow faster than the market only if we understand and act upon these needs and trends, and are able to offer the leading solutions and services within our industry.

Profitable growth is essential for KONE's ability to fulfill its economic responsibility. The aims of

Share price KONE OMXH Cap



our company-wide development programs are to continuously improve KONE's competitiveness and to help us achieve our strategic targets. Our internal control systems ensure consistent financial performance and give us the ability to achieve our long-term targets.

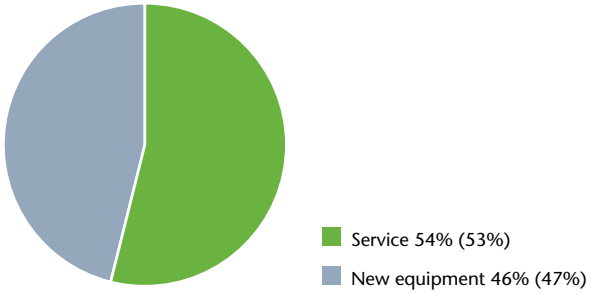
Growth and stability

During 2010, KONE's performance developed positively. Despite a challenging operating environment in most parts of the world, KONE's sales exceeded the previous year's level and the growth in orders received accelerated towards the end of the year. Sales amounted to EUR 5.0 billion (4.7 billion), an increase of five percent from the previous year. Orders received increased by 11 percent compared to 2009, reaching EUR 3.8 billion (3.4 billion).

Our systematic efforts to develop KONE's geographic presence and focus on areas of growth have been important contributors to our profitable growth in recent years. Whereas Europe, Middle East and Africa (EMEA) represents over half of the world's installed elevator and escalator base, the Asia-Pacific region currently represents approximately over two thirds of the new equipment market measured in units. This rapid change in the shape of the industry is driven by the strong trend toward urbanization, particularly in Asia-Pacific. However, KONE's broad global reach provides stability, especially when the markets are challenging. In 2010, the growth in KONE's sales in the Asia-Pacific region more than offset the impact of more mixed new equipment markets in the EMEA region and the Americas. Although KONE continued to strengthen its position in most important markets, development in the Asia-Pacific – and especially in China – was particularly strong. The share of Asia-Pacific sales grew to 21 percent (17 percent) of the group total, while EMEA represented 58 percent (62 percent), and the Americas remained unchanged at 21 percent.

New equipment sales grew both in volume and monetary value, and accounted for 46 percent of KONE's total sales in 2010 (47 percent in 2009). New equipment installations are the most important source of growth for the maintenance business. Our focus on building lasting customer relationships and delivering high service quality have allowed us to secure a high rate of conversion of our new equipment installations into our maintenance base. The number of units maintained by KONE exceeded 800,000 at the end of 2010. Maintenance grew and accounted for 37 percent (34 percent) of total sales in 2010. Although the global maintenance market remains highly competitive, the long-term nature of these contracts

Sales by business 2010 (2009), %



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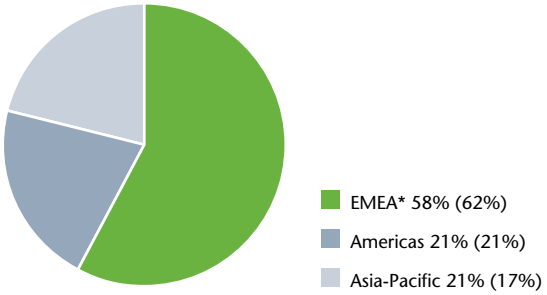


* Europe, Middle East, Africa

improves visibility and provides stability against fluctuations in the new equipment market.

The modernization of aging elevator and escalator equipment represents an important potential for future growth. The demand for modernization is being driven by a combination of aging populations, and growing safety and environmental demands. Modernization solutions, which range from the replacement of individual components to full replacement, can significantly improve the safety, accessibility, energy efficiency, and performance of equipments. In 2010, modernization accounted for 17 percent (19 percent) of KONE's sales.

Profitability and financial strength

KONE's operating income rose to EUR 696.4 (600.3) million in 2010, and in relative terms we achieved the long-term target of 14 percent of sales. The improvement was the result of good progress in a number of different areas, principally the growth in Asia-Pacific, alongside enhanced overall quality and productivity. Quality improvements ranged from better product quality and accuracy of the total delivery chain to better installation and maintenance quality. Productivity also increased in KONE's maintenance business and in the installation of new equipment. Translation exchange rates and favorable sourcing costs were further positive contributors to the profit improvement.

KONE's financial strength allows us to be proactive in developing the company for the long term. KONE ended 2010 with an increased net cash position, the result of strong cash flows and a further reduction in net working capital over the year. Net working capital improved largely as a result of faster inventory rotation and good payment terms, resulting in a more favorable ratio of advance payments received to inventories. At the end of 2010, KONE's net cash position was EUR 749.8 millions (504.7 millions).

Cash flow from operations is KONE's principal source of funding, and we aim to maintain negative working capital in order to ensure healthy cash flow at all times. Although KONE has no specific target for its capital structure, our aim is to maintain strong credit quality to provide ample access to external funding should the growth of the business demand it. KONE's strong balance sheet provides stability in an economic climate that remains uncertain. It also allows us to capture potential business opportunities to create value, when they arise.

Internal control and capital management

KONE's internal control system is designed to ensure that the Group's operations are efficient and profitable, that the business risk management is adequate and appropriate, and that the financial information is accurate and reliable. These systems and controls enable us to oversee the business's adherence to agreed operating principles and instructions. These are fundamental to secure KONE's financial performance and the ability to achieve our long-term targets.

KONE's internal control procedures are laid down in carefully defined principles and instructions. A unified and globally harmonized framework provides processes, tools, and instructions to cover both managerial and external financial reporting.

KONE's monthly management planning, forecasting, and financial reporting process represents a key control procedure that ensures the effectiveness and efficiency of our operations. This process includes in-depth analyses of actual performance and deviations from plans, the prior year's performance, and the latest forecasts for the business. It covers financial information as well as key performance indicators that measure the operational performance, both on a business unit and corporate level. The process is designed to ensure that any deviations from plans in terms of financial or operating performance and financial management policies are identified and communicated efficiently, and that action is taken in a harmonized and timely manner.

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

Understanding stakeholder expectations

Like any business, the way we act affects the world in which we operate. It is our responsibility to ensure we carry out our business in a way that is sustainable and makes a positive contribution to our stakeholders.

The sustainable development of KONE not only benefits our shareholders, but also enables us to deliver the best People Flow™ solutions to our customers; provide our employees with training and development opportunities within the company; and build long-term and mutually beneficial relationships with our suppliers. Through both our local and international presence, KONE contributes to the sustainability of the global economy.

Shareholders

Our shareholders and the financial community are important stakeholders for KONE, as they are our ultimate decision-makers and providers of capital for our business and its growth. At the end of 2010, KONE had close to 30,000 shareholders, ranging from institutional investors and companies to individuals, public institutions, and non-profit organizations. KONE aims to generate a return on shareholders' investment by conducting its business in a profitable, sustainable, and transparent manner. We conform to our disclosure obligations as a publicly listed company, and aim to provide information about our business performance and future prospects transparently. In addition to quarterly financial reporting, KONE's senior management and our investor relations team regularly meet with shareholders and investors to discuss the development and outlook for our business.

Customers

KONE's key customers are builders, building owners, facility managers, and developers. Architects and consultants are other key decision-makers regarding elevators and escalators. KONE has segmented its market according to the purpose of the building. The main segments are residential buildings, hotels, office and retail buildings, infrastructure, and medical buildings. KONE also serves special buildings such as leisure and education centers, industrial properties, and ships. KONE has approximately 400,000 customers globally, the majority of which are maintenance customers.

KONE has conducted an annual global customer loyalty survey since 2005, and twice-yearly surveys since 2009, to monitor loyalty and changing customer needs. The surveys cover nearly 20,000 customers from over 40 countries each year, with a response rate of approximately 50 percent – a relatively high percentage in a business-to-business environment. The surveys allow us to track trends over time and at various geographic levels. The results of the 2010 surveys revealed the continuation of an improving trend in customer loyalty.

In November 2010, KONE established a new Customer Experience unit to support its efforts to become the industry leader in customer loyalty. The unit acts as a catalyst for development initiatives identified by the surveys and through other customer feedback, working together with sales teams to establish best practices for enhanced customer experience. Its capabilities include market intelligence, segment management, account management development, customer process and communications expertise, and competence development – including sales and customer service.

Employees

Understanding a company's strategy is one of the key elements of employee engagement. KONE promotes active dialogue with its employees to ensure that every employee understands the company's direction and their role in executing the strategy, including our approach to corporate responsibility. Annual performance reviews form a process for continuous dialogue and individual development. They provide an opportunity for employees

and managers to openly discuss opportunities and issues, and ways to improve performance.

We also regularly measure how satisfied employees are with KONE as a workplace, creating action plans for the key improvement areas. In 2010, special attention was paid to improving awareness of development opportunities, job rotation, and professional growth.

KONE's European Annual Employee Forum brings together senior management and employee representatives to discuss important issues. Employees can stay up to date with the latest KONE news and events through internal employee publications and intranet sites. At the end of 2010, KONE had approximately 33,800 employees.

Suppliers

KONE aims to improve customer value and profit contribution by proactively engaging with best-in-class suppliers through collaborative teamwork. KONE's sourcing organization plays a key role in ensuring that our suppliers are aligned with KONE's objectives and approach to corporate responsibility. KONE organizes an annual Supplier Day for strategic suppliers to share objectives and best practices, and to recognize performance. The theme of the Supplier Day 2010, held in Shanghai, was environmental excellence.

Since 2007, KONE has conducted an annual supplier survey among its strategic suppliers to track and drive continuous improvement. The survey collects feedback from suppliers in nine areas: relationships, process, organizational culture and communications, strategic alignment, quality, innovation, environment, continuous improvement, and KONE overall as a customer. The supplier survey results indicate that the relationships between KONE and its strategic suppliers are valued for being both fair and transparent.

Cooperation with educational institutions

KONE actively works with educational institutions and participates in recruitment fairs and various student activities. We share and develop competence through research, traineeships, thesis projects, and other forms of cooperation. KONE's local organizations provide internships for technical and economics students in their home countries, while KONE's International Trainee Program (ITP) enables students to apply for trainee positions abroad.

Authorities, regulators, and non-governmental organizations

KONE is an active participant and a major contributor to the development of standards and guidelines for improving safety, accessibility, energy efficiency, and other important aspects of elevator and escalator products around the world. Our experts participate in the European Standardization Organization (CEN) and International Standardization Organization (ISO) committees that develop standards for elevators and escalators.

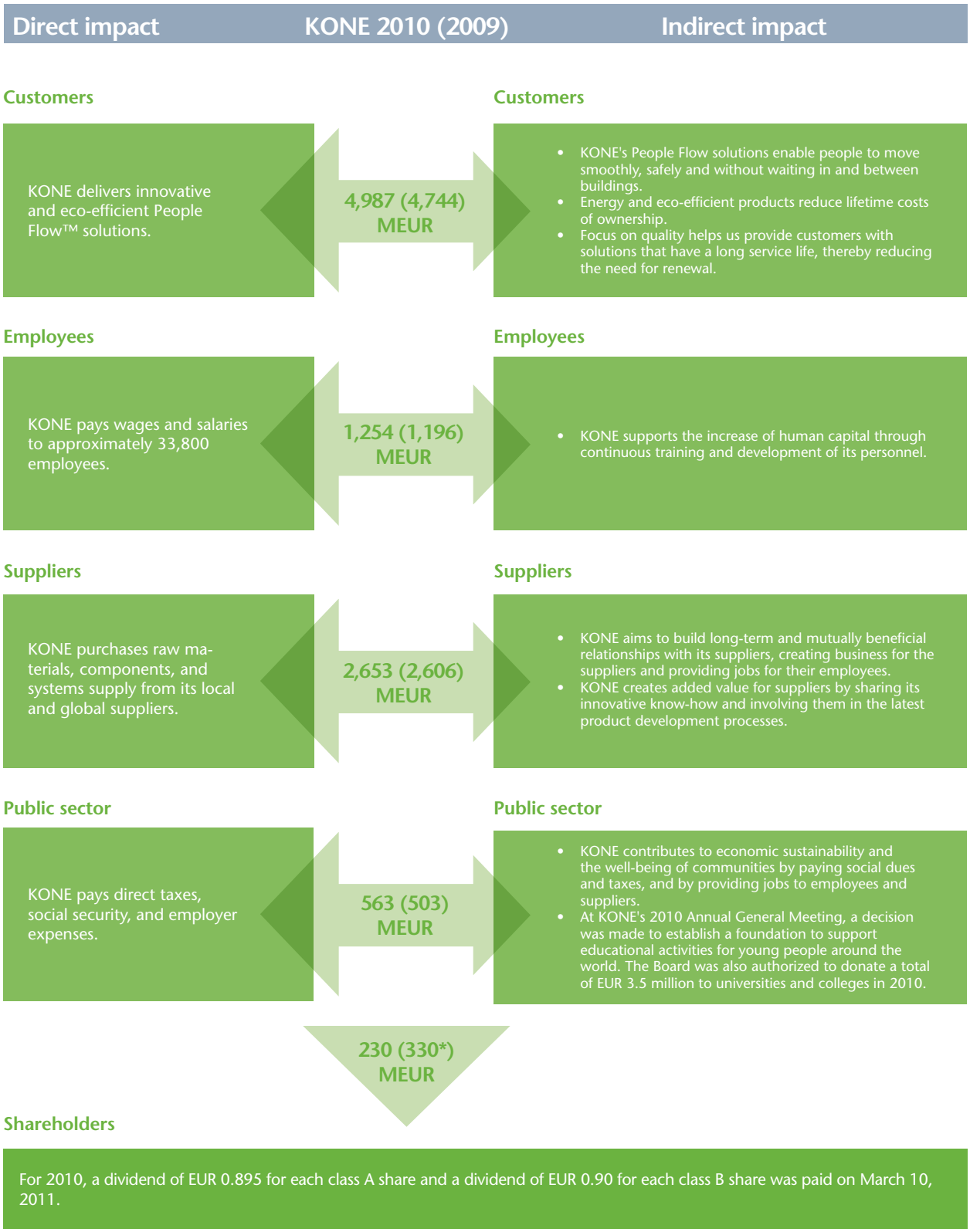
Our participation in national and international trade associations, such as the European Lift Association (ELA), the Pacific Asia Lift and Escalator Association (PALEA), and the National Elevator Industry, Inc (NEII) in North America, provides an opportunity for us to promote safety, accessibility, and energy efficiency within our industry. Additionally, we are in active dialogue with organizations that promote the interests of individuals with impaired mobility.

In order to drive forward environmental responsibility, KONE has joined the WBCSD (World Business Council for Sustainable Development), ERT (Energy and Climate Change), and the US, Finnish, Dutch and Czech Green Building Councils. We are also an active participant in several national and international forums such as the Association of German Engineers (VDI), one of the largest technical-scientific associations in Europe.

Added value distributed to KONE's stakeholders

MEUR		2010	2009	2008
Customers	Sales	4,987	4,744	4,603
Suppliers	Costs of goods, materials, and services purchased	-2,653	-2,606	-2,507
Added value		2,334	2,138	2,096
Distribution of added value to stakeholders				
Employees	Wages and salaries	1,254	1,196	1,161
Public sector	Direct taxes and employers' contributions	563	503	523
Creditors	Interest on debt and borrowings	-6	-20	5
Shareholders	Dividends	230	330	164
Economic value retained in the company		294	129	243

KONE's economic impacts

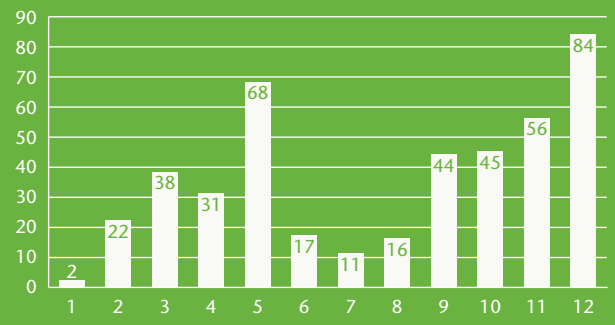


*) The dividends for 2009 include an extra dividend of EUR 0.6475 for class A shares, and and an extra EUR 0.65 for class B shares in recognition of KONE's centennial.

Capturing new ideas

The KONE Innovation Tool gives employees the opportunity to participate in the creation of our industry-leading innovations. Anyone can submit an idea, and many have already being turned into real projects.

Ideas by month, 2010



Innovative People Flow solutions

KONE's elevator, escalator, and automatic building door technologies are the foundation of smooth people flow. In 2010, the KONE Technology Organization wanted to encourage all employees to participate in finding new, innovative People Flow™ solutions by introducing an online tool for sharing and processing ideas.

Employees can submit their ideas via the Innovation Tool at any time, and they will be visible to the whole community. Other users can then contribute by voting and commenting on the ideas. The ideas collected in the tool are regularly reviewed and evaluated, with the best ones being selected for further development. The tool currently has more than 850 users, and this number is steadily increasing.

A built-in idea development process ensures that good ideas will eventually lead to real actions. KONE has already received tens of ideas that have been turned into real projects, product and process improvements, or corrective actions.

Ensuring high quality accessibility

Urbanization continues to create new challenges in rapidly growing cities. KONE contributes to sustainable urban development with eco-efficient People Flow™ solutions. People Flow means people moving smoothly, safely, comfortably, and without waiting in and between buildings.

People Flow for our end users

KONE systematically studies what end users need when they are moving within a building in order to understand how our solutions and services can deliver the best possible user experience. Through innovative design and technology, KONE strives to make the elevator or escalator ride as safe, comfortable, and efficient as possible.

KONE views People Flow from three different perspectives:

- Improving end-user experience with solutions that make it easier for people to move in and between buildings.
- Understanding our customers' challenges and helping them achieve their targets by optimizing People Flow in their buildings.
- Understanding how different building types function, how they are connected, and how use evolves and changes throughout a building's life cycle.

Elevators, escalators, and automatic doors should operate correctly and be integrated seamlessly with a building's other systems. In order to minimize lines and bottlenecks, KONE ensures functional connections within and between buildings by positioning equipment in the most appropriate locations, based on a detailed analysis of the flow of people and goods.

Designed for better accessibility

People Flow is about providing high quality accessibility for everybody. Our solutions are designed to meet ever-more stringent safety and accessibility standards. The most efficient way to ensure accessibility on a daily basis while improving and expanding on the functionalities that the equipment offers is through preventative maintenance and timely modernization.

KONE works closely with specific end-user groups to see where further accessibility improvements can be made. Research on accessibility is a continuous effort, and we maintain an active dialog with associations that promote the interests of individuals with impaired mobility to better understand their needs. In addition, KONE is an active member in the European Lift Association's (ELA) accessibility working group.

People Flow for our customers

For our customers, People Flow means that we understand their challenges and provide them with the best solutions throughout the life cycle of their buildings. We work closely with our customers from the design phase and right through the building phase. Once equipment is installed, we provide maintenance solutions that ensure smooth operation and, when appropriate, offer modernization solutions for aging equipment. We are committed to helping our customers achieve the best People Flow experience at every stage of their building's life cycle.

KONE focuses on the design of its solutions in order to give the passengers a pleasant experience that also adds value for the building and its users, combining functionality, usability, and aesthetics. Integrating different interior designs, lighting options, and

components makes it possible to create a look and feel to suit any type of building. With the right solutions, the building's architectural appearance can continue seamlessly from the façade, through the lobby, and into the elevators. In addition to choosing a suitable solution from the award-winning KONE design collections, we can work closely with our customers to create a customized design based on a wide selection of materials and components.

People Flow solutions for different building types

Different types of buildings have different traffic patterns and people flow. This applies both horizontally and vertically, and within and between buildings. These traffic patterns determine both the optimal location and the amount of equipment required. KONE has extensive knowledge and expertise in understanding different environments, their functionality and how they are connected.

Residential buildings, for example, must offer safe and easy people flow for their occupants at all times. Aging populations, particularly in Europe and North America, are creating a demand for improved accessibility and better end-user experience. In addition to helping people move around smoothly and safely, KONE solutions for public transportation hubs and airports are designed to cope with the demands of large numbers of passengers within short time frames. In these environments in particular, downtime is costly and disruptive, therefore our maintenance and modernization services are designed to ensure uninterrupted people flow at all times of day and night.

Even the smallest changes can greatly improve convenience for end users:

- Increased elevator cabin size improves building access for people with for instance baby strollers and those using wheelchairs.
- Automatic doors that stay open longer and elevators with accurate leveling make entry and exit easier and safer.
- Elevators equipped with seats increase comfort for elderly and disabled passengers.
- Mirrors provide better visibility for wheelchair users, allowing them to back out of elevators safely if the elevator cabin is too small to turn around in.

Sustainable People Flow innovations

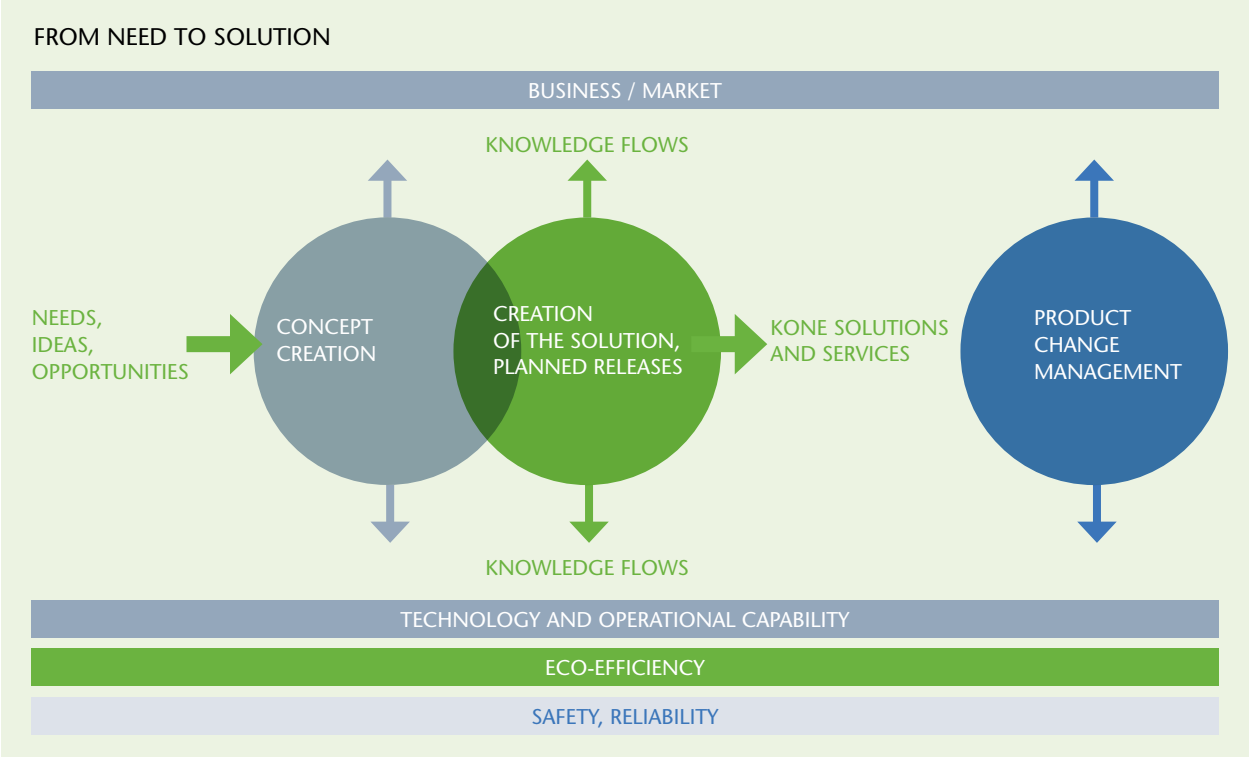
KONE's solution creation process has inputs from a wide variety of sources, the most important of these being the needs of our customers. Other inputs include opportunities presented by the market and ideas generated through our own innovation processes.

We collaborate closely with our customers and partners, as well as universities and research centers, in a continuous search for new ideas and opportunities.

In order to understand the needs of our customers and end users in different environments, KONE continuously studies user requirements and monitors market trends. Throughout the entire solution creation process, safety and quality are of utmost importance.

Eco-efficiency drives the solution creation process

Eco-efficiency is one of the key drivers of our solution creation process and is at the heart of the entire KONE offering, from low-rise and high-rise elevators to escalator and door solutions. When we are developing new solutions, the focus is on minimizing environmental impact throughout the lifespan of the equipment, beginning with the extraction of raw materials and ending with recycling, waste treatment, and the reuse of recovered materials.



Safety, reliability, and eco-efficiency are the foundations of KONE's solution creation process.

Safety, quality, and eco-efficiency create the foundation for sustainable People Flow innovations.

We aim to:

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

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

Leading the way in People Flow innovation

Innovations such as the KONE EcoDisc® hoisting machine and the KONE MonoSpace® elevator have been helping building owners to cut energy consumption for more than a decade. The KONE JumpLift™ helps increase safety, save time, and boost productivity during building construction. The KONE InnoTrack™, which requires no pit, enables the installation of an energy-efficient People Flow solution in locations where previously it may not have been possible.

Eco-innovation milestones

- **1987:** The V3F frequency converter is launched, improving energy efficiency of KONE hoisting machines.
- **1991:** KONE becomes the first company to utilize regenerative drives in its elevators.
- **1993:** The energy efficient planetary gear for escalators is introduced.
- **1996:** The first machine-room-less elevator, the KONE MonoSpace®, is launched, providing up to 70 percent energy savings compared to conventional technology.
- **2004:** The KONE EcoMod™ solution is launched, enabling escalator modernization without removing the truss, saving construction time and materials.
- **2005:** KONE MonoSpace is the first elevator to include LED lighting as a standard feature.
- **2006:** KONE unveils the solar-powered elevator concept.
- **2007:** The KONE InnoTrack™ autowalk is launched, equipped with the first energy-efficient gearless drive in an autowalk.
- **2009:** High-performance regenerative drives for a full range of KONE elevators are launched.
- **2009:** The new efficient gear outside step band drive is launched for KONE escalators and autowalks.
- **2009:** The KONE MiniSpace™ elevator receives an A-class energy classification based on the VDI guideline.
- **2010:** The eco-efficient sliding door solution is launched.
- **2010:** The KONE MonoSpace® elevator receives an A-class energy classification based on the VDI guideline.

Energy efficiency plays a key role through a solution's life cycle

KONE is a pioneer in developing eco-efficient solutions in the elevator industry. Eco-efficiency means creating more goods while using fewer resources, such as materials and water, and creating less waste and pollution in the process.

Energy efficiency makes a difference

Since its launch in 1996, the KONE MonoSpace® elevator, powered by the EcoDisc® hoisting technology, has saved an amount of electricity equivalent to that produced by a 400 MW power plant, which is equivalent to:

- the consumption of three million barrels of oil, or
- the CO_2 emissions of 160,000 cars driving once around the world.

Based on environmental Life Cycle Assesments of KONE's elevators and escalators, the biggest environmental impact relates to the amount of electricity used by the equipment over its lifetime. This underlines the importance of continuing to develop and improve energy-efficient innovations for elevator and escalator solutions.

Contributing to the development of sustainable buildings

KONE is helping to combat climate change and contributing toward next-generation green buildings by delivering eco-efficient elevator, escalator, and automatic door solutions for LEED-rated buildings and for net-zero energy buildings.

Green building certifications such as LEED and BREEAM are one of the factors behind the increase in demand for eco-efficient elevators and escalators. The green building market is expected to grow from around EUR 100 billion in 2010 to almost EUR 400 billion in 2015[1)].

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

KONE actively follows the latest green building and energy efficiency trends related to elevators through its involvement in the working groups that are defining the new ISO 25745 (Energy Performance of Lifts and Escalators) standard, development of parts two and three of the VDI 4707 guidelines (German Elevator Energy Efficiency Performance Guideline), as well as through its involvement with green building

1) Source: U.S. Dept. of Commerce, U.S. Dept of Energy, and various other sources. Calculated and estimated by SBI Energy.

associations. KONE also actively participates in the development of international energy measurement standards.

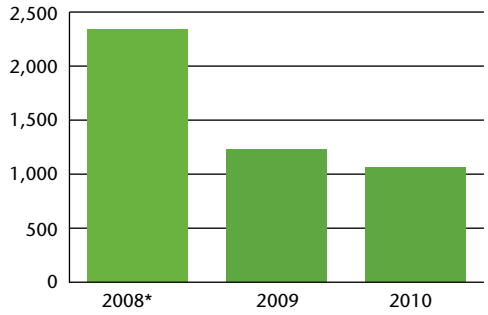
KONE's environmental product declarations provide comprehensive information about the environmental impacts of its products, such as the CO_2 emissions produced and the materials used during both the production and operation of KONE elevators and escalators.

50 percent reduction in energy consumption

During 2010 KONE achieved its 50 percent energy reduction target for volume elevators. The ambitious target was set in 2008 and the achieved energy reduction covers the clear majority of KONE elevators delivered globally. By reducing the energy consumption of elevators, KONE seeks to decrease the environmental impact of buildings, which account for 40 percent of global energy consumption. KONE's new range of volume elevators that are currently offered consume 50 percent less energy than the typical KONE elevator configuration from 2008*.

KONE has reduced the energy consumption of its volume elevators by 50% by 2010

kWh/year



The basis for the calculation is an elevator speed of 1 m/s, a load of 630 kg, 150,000 starts per year, a travel height of 9 m and 4 floors.

* Offering launched in 2006.

Based on environmental life cycle assessments of KONE's elevators and escalators, the biggest environmental impact relates to the amount of electricity used by the equipment over its lifetime.

Today, KONE's European volume elevators consume 60 percent less energy, Asian volume elevators 50 percent less, and US volume elevators 40 percent less energy than in 2008*. The reduction has been achieved by new technologies developed by KONE and its suppliers, such as more efficient motors, regenerative technologies that recover the energy from ascending and descending elevators, as well as more efficient lighting and standby solutions.

During 2010, KONE elevators received energy efficiency ratings in measurements performed by independent third parties. In Europe KONE MonoSpace® and KONE MiniSpace™ elevators and in Asia the KONE 3000S MonoSpace®, KONE 3000S MiniSpace™ and KONE MiniSpace™ elevators received an 'A-class' as defined by VDI 4707. The VDI guideline is a European-based code of practice which was established by the Association of German Engineers (Verein Deutscher Ingenieure) and aims at classifying elevators based on their energy consumption. The classification ranges from A to G, from the most to the least energy efficient system.

Top-class energy efficiency for small residential buildings

In 2010 KONE became the first company in the elevator and escalator industry to achieve the VDI 4707 guideline A-class rating for its European and Asian volume elevators. The VDI 4707 guideline rates the energy efficiency of an elevator. KONE Austria decided to take things one step further by upgrading a KONE elevator in a five-story residential building in Vienna to achieve an AAA result – A in standby, A in running, and A overall.

"An elevator's biggest environmental impact results from the electricity used to power its day-to-day use. The main factors from an efficiency perspective are hoisting, energy regeneration, car lighting, and standby operations," says Robert Fröhlich, a Field Support Engineer with KONE Austria.

In small residential buildings, standby operation can make a huge difference in terms of reducing energy consumption because the elevator is often in operation for less than an hour a day.

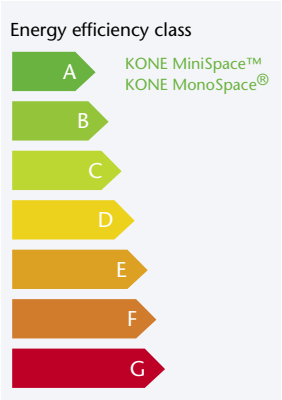
KONE has expanded its offering to include a VDI A-class package and a set of innovative new features in order to decrease the standby energy consumption of its elevator solutions. The improvements deliver an AAA result even for residential buildings where the frequency of usage of the elevator is very low.

"Achieving major reductions in energy consumption is extremely challenging in small residential buildings like this one, so we are very proud to be able to prove that KONE can deliver AAA results for elevators in these types of buildings as well," Fröhlich concludes.

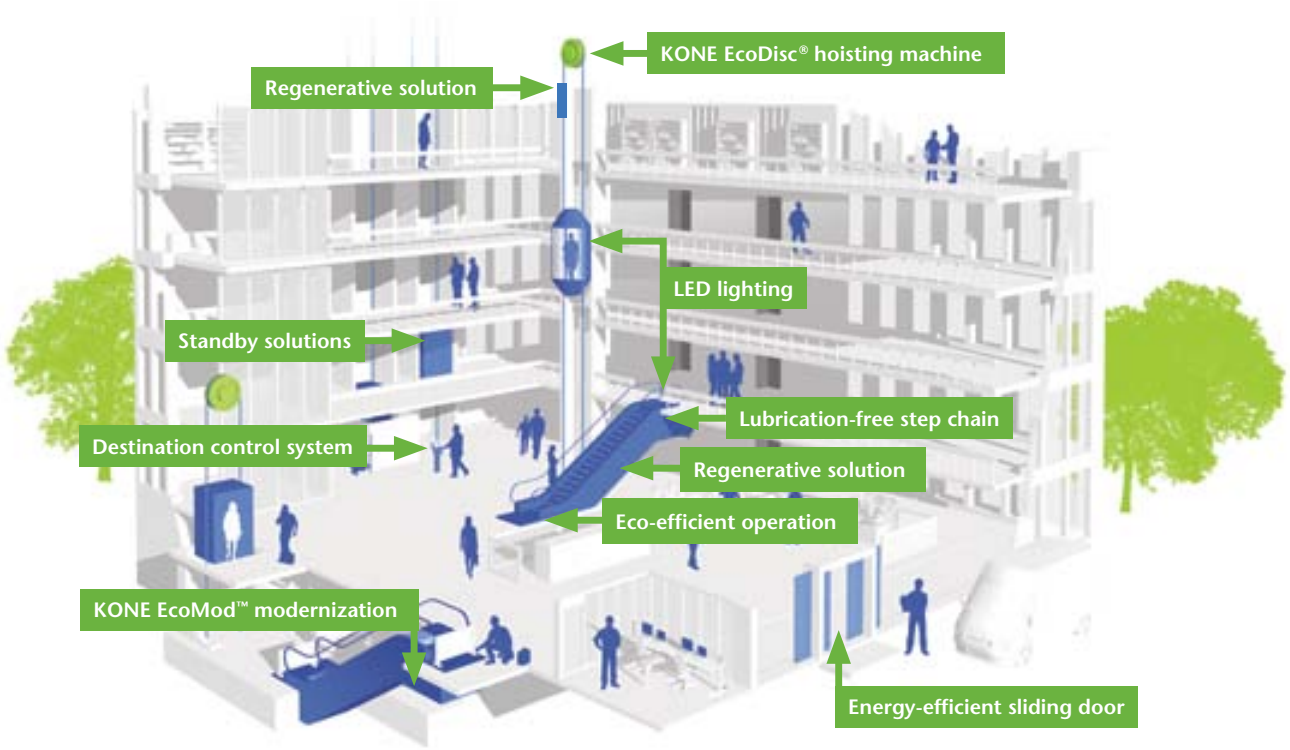
Energy efficiency performance of KONE elevators according to VDI 4707*

	KONE MonoSpace®	KONE MonoSpace®	KONE MiniSpace™	KONE 3000S MonoSpace®	KONE MiniSpace™	KONE MiniSpace™
Location	Austria	Germany	China	China	China	Germany
Load (kg)	630	1,000	1,350	1,350	1,600	4,000
Speed (m/s)	1	1	2.5	1.75	6	3
Energy efficiency class	A	A	A	A	A	A

* Guideline issued by the Association of German Engineers (Verein Deutscher Ingenieure). Energy efficiency class provided by TÜV.



Improving the eco-efficiency of elevators, escalators, and doors



Eco-efficient solutions for elevators

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

Eco-efficient solutions for escalators

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

Eco-efficient solutions for building doors

- KONE's energy-efficient sliding door solution regulates the door's opening width and opening time based on the outside temperature, providing savings of up to 4000 kWh per year in building heating and cooling costs.

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

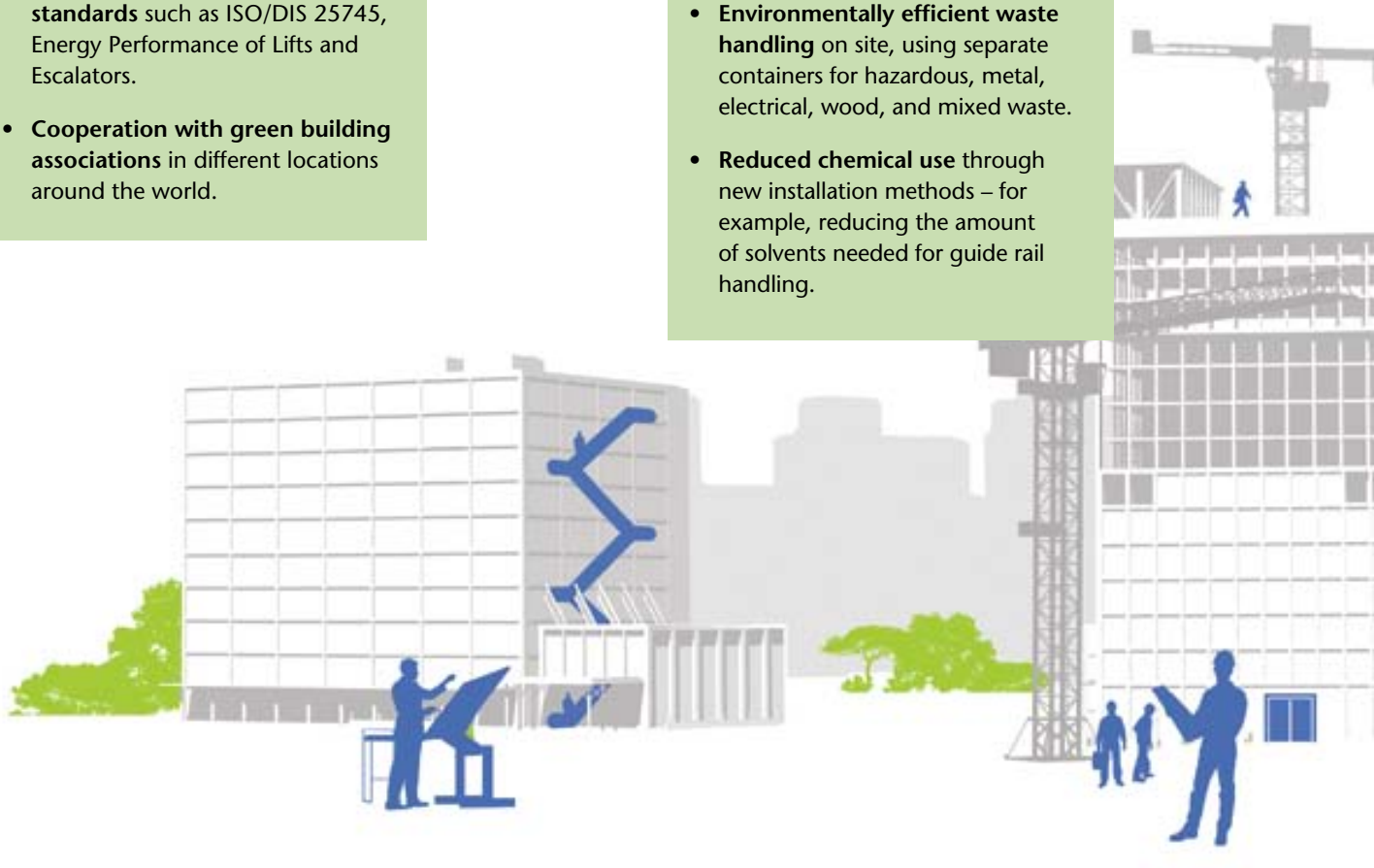
We provide services that help our customers achieve their eco-efficiency goals in every phase of their building's life cycle – from designing and constructing the building to maintaining and modernizing it. We pay careful attention to the way our services are produced and delivered to ensure that they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

Supporting green building design

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

Eco-efficient construction

- **Efficient installation processes** and methods that reduce the number of technicians required on site and the environmental impacts of traveling.
- **Clearly defined site requirements** that need to be fulfilled before installation starts, eliminating unnecessary site visits.
- **Environmentally efficient waste handling** on site, using separate containers for hazardous, metal, electrical, wood, and mixed waste.
- **Reduced chemical use** through new installation methods – for example, reducing the amount of solvents needed for guide rail handling.

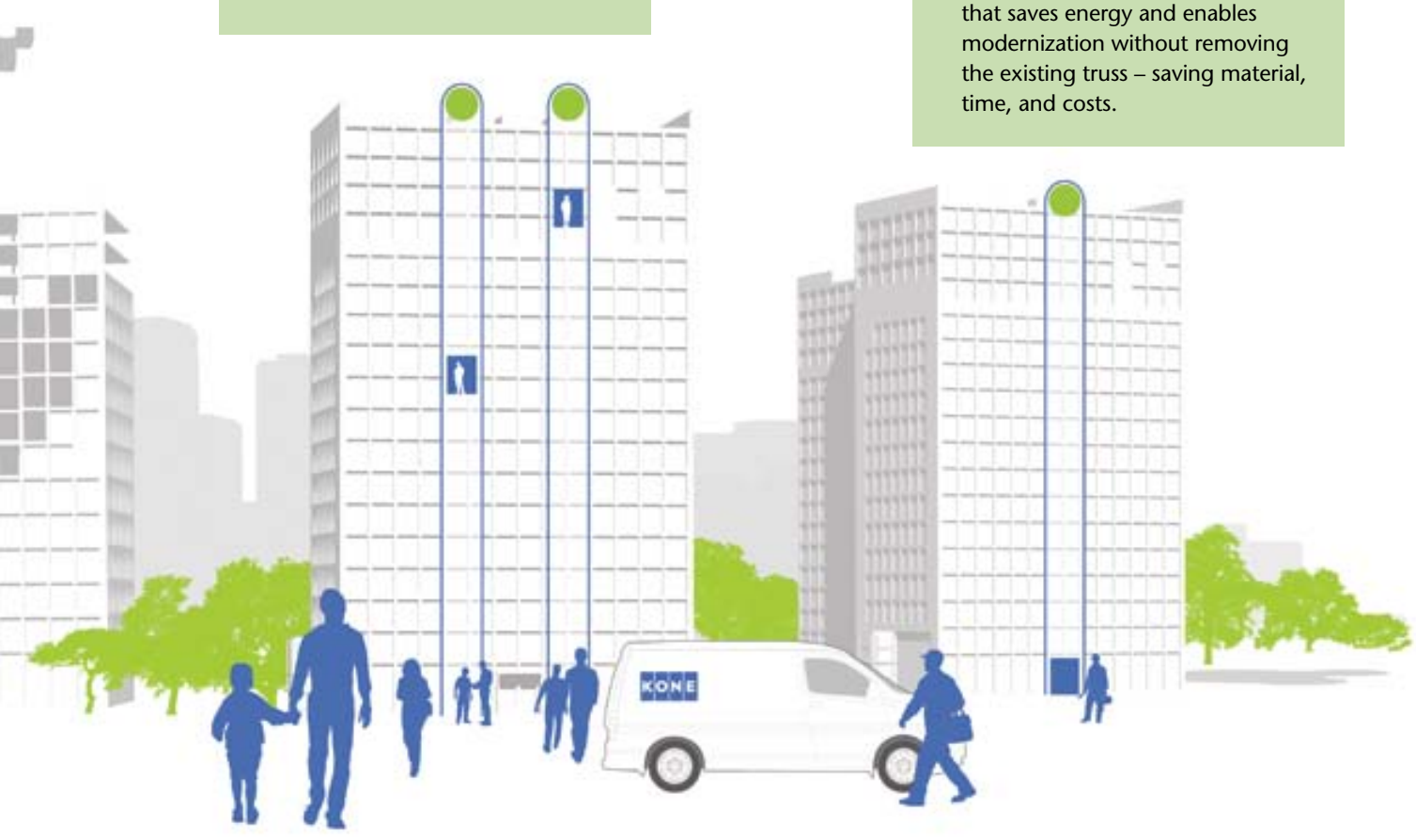


Efficient maintenance processes

- **Regular professional maintenance** that helps prevent breakdowns and increases equipment lifetime.
- **Route-planning technology** to optimize technicians' driving routes, thereby reducing emissions.
- **Wireless technology and remote monitoring solutions** to provide technicians with real-time information, which enables better-planned maintenance visits and reduces the number of unnecessary call-outs.
- **Eco-safe driving principles** followed by all service technicians.
- **Spare part stocks in vehicles** to reduce visits to warehouses and further decrease emissions.
- **Eco-efficient vehicle fleet.**

Eco-efficiency through modernization

- **Up to 70 percent energy savings potential from** elevator and 40 percent from escalator modernization.
- **The thorough KONE Care for Life™ assessment** identifies the energy-saving potential of elevators and escalators.
- **A broad portfolio of elevator modernization solutions,** ranging from retrofitted LED lights to a completely new elevator equipped with energy regeneration technology.
- **The environmentally efficient KONE EcoMod™ solution** that saves energy and enables modernization without removing the existing truss – saving material, time, and costs.



Life cycle assessments of our products

KONE's environmental responsibility covers the full life cycle of its products, from design and manufacturing all the way to maintenance and modernization. KONE's life cycle analysis, carried out in accordance with the ISO 14040 standard, shows that our greatest environmental impact stems from the energy consumed by our products during their operational lifetime. Electricity production has a large environmental impact because it is carbon intensive and often relies on fossil fuels, particularly natural gas and crude oil. Energy production also results in atmospheric emissions, which include particulates, carbon dioxide (CO_2), nitrogen oxide (NO_X), and sulfur oxide (SO_X).

Life cycle assessment (LCA) covers the essential environmental aspects at different stages of the product's lifetime from raw material production, component manufacturing, transportation, installation, use, and maintenance to end-of-life treatment. According to the assessment, our environmental impact excludes acidification[1)], eutrophication[2)], ozone depletion[3)], water withdrawal, noise pollution, and impact on biodiversity. A life cycle analysis has been conducted on all KONE volume elevators and escalators.

The water consumption in KONE's production and maintenance processes is minimal; however, we continue to optimize and further minimize our usage of water. In China, the water usage per unit produced decreased by over 30 percent in 2010.

Life cycle assessment of an elevator

The assessment is based on the KONE MonoSpace® elevator, with a load range of 320–1000 kg, an estimated lifetime of 25 years, and a frequency of 150,000 starts per year traveling between five floors. The KONE MonoSpace represents more than two-thirds of all elevators ordered from KONE in 2010.

About 75 percent of carbon dioxide (CO_2) emissions, 51 percent of nitrogen oxide (NO_X) emissions, and 57 percent of sulfur oxide (SO_X) emissions are generated during the use stage. By comparison, material production accounts for 14 percent of the total carbon dioxide emissions, while component manufacturing accounts for six percent. About 90 percent of the total primary energy is consumed during the use stage.

Life cycle assessment of an escalator

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

About 91 percent of CO_2 emissions, 91 percent of NO_X emissions, and 86 percent of SO_X emissions are generated during the use stage. By comparison, during material production CO_2 emissions are seven percent, while component manufacturing accounts for one percent. About 90 percent of total primary energy is consumed during the operational stage.

Monitoring and managing the environmental impact of our products

As well as carefully measuring the environmental impact of our products during their production and operational life span, it is also important to consider what happens to them when they reach the end of their useful lives. The majority of the materials that make up an elevator or escalator's weight can be directly reused or recycled. KONE acts safely, responsibly, and in accordance with the relevant regulations in relation to the collection and processing of electro-mechanical waste from its products. Wherever possible, KONE aims to reduce or eliminate the need to use hazardous materials in the manufacture of its products.

Use of highly recyclable materials

At the end of its life cycle, approximately 55 percent of the material weight of a dismantled elevator can be sorted and reused without pre-processing. The metals that make up approximately 93 percent of an elevator and 91percent of an escalator's material weight are fully recyclable, providing a clear reduction in environmental impact by reducing the demand for primary metals as raw materials. Plastics are used for energy recovery or landfilled. Packaging for our products includes wood (77 percent), cardboard and paper (11 percent), plywood (nine percent), and plastics (three percent). These materials can be recycled or used for energy recovery. KONE focuses on using wood, cardboard, and paper materials from sustainable sources and provides customers with origin of wood certificates upon request depending on availability.

1) Acidification 9.79E 05 per functional unit
2) Eutrophication 0.011 per functional unit
3) Ozone depletion 1.04E 08

Use and treatment of hazardous materials

KONE elevators are mainly composed of steel and cast iron. In order to fulfill our safety requirements towards our employees and our customers, we maintain and continuously update a list of restricted substances.

An elevator may include fluorescent lamps that contain mercury and the elevator may contain a lead battery. Both require a dismantling and hazardous waste management procedure to be followed.

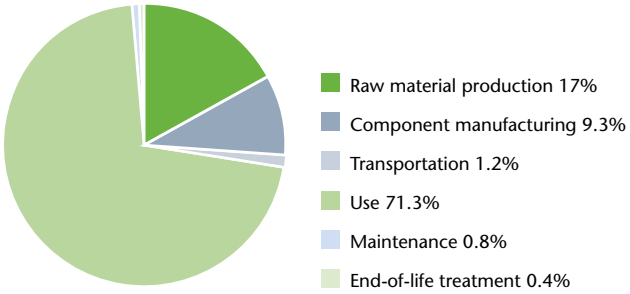
Electronics and electromechanical components are serviced or recycled to reduce waste. If components are disposed of, the waste is collected and treated separately at a local certified electronic waste treatment facility.

The KONE EcoDisc® hoisting machine contains no oil. Our products do not contain radioactive materials, asbestos, lead or cadmium pigments in paints, condensators containing PCBs or PCTs, nor do they contain ozone layer depleting chemicals such as CFCs and chlorinated solvents, or mercury, in other applications than lighting and batteries, or cadmium stabilizers in plastics. All these are included on KONE's restricted substances list.

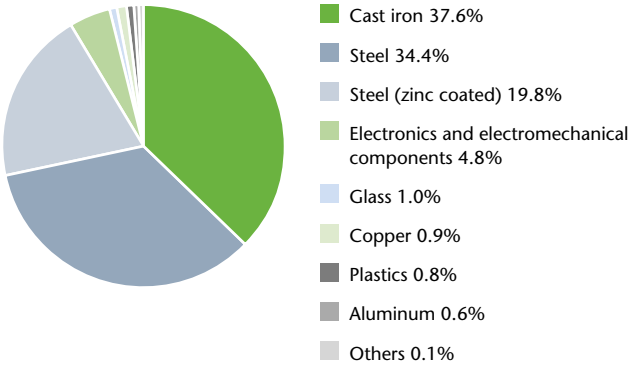
KONE complies with the EU's REACH (Registration, Evaluation, Authorisation & Restriction of Chemicals) directive. KONE is considered a downstream user, and is not categorized as a manufacturer or importer of chemicals. KONE is also voluntarily working towards compliance with the RoHS Directive (The Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment), meaning that KONE is working to restrict the use of six hazardous materials used in the manufacture of elevators and escalators. In recent years KONE has placed special emphasis on reducing the use of volatile organic compounds (VOCs) in its products and processes.

Elevator

The stage of the life cycle Eco-indicator 99 value, %

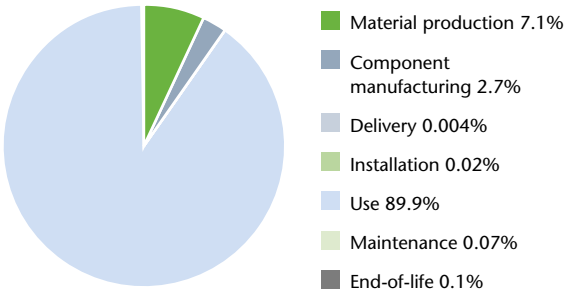


Material weight, %

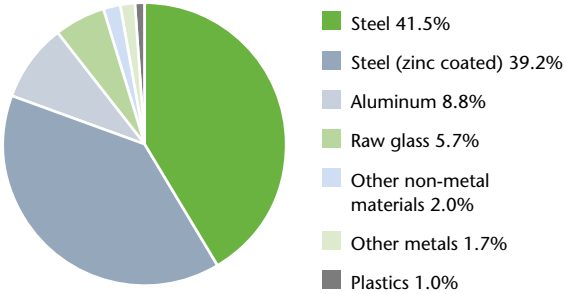


Escalator

The stage of life cycle Eco-Indicator 99 value, %



Material weight, %



Delivering high quality, eco-efficient, and cost-competitive solutions

KONE's supply chain aims to ensure that the right items are in the right place at the right time at all phases of a product's manufacturing and delivery process, whether it be an elevator, escalator, or automatic door.

Manufacturing an elevator can take anything from a few weeks to several months, depending on the building and the chosen materials. KONE assembles all the key components in its own factories, and other components are provided by external suppliers. All the elevator parts are sent to the KONE distribution center nearest to the customer's construction site. When the elevator shaft is ready the equipment can be quickly delivered and installed.

Effective supply operations eliminate waste and reduce process variation, making it possible for KONE to deliver high quality, eco-efficient, and cost-competitive solutions that meet customers' business needs.

Developing an eco-efficient, world-class delivery chain

The KONE delivery chain incorporates all the actions and processes that are involved in bringing a product from the factory to the final installation site. The chain ends when the installation is accepted by the customer.

KONE systematically develops its manufacturing capabilities and supply operations in order to create a harmonized and eco-efficient delivery chain. We focus on improving internal effectiveness, increasing collaboration with the different parties and teams in the delivery chain, and synchronizing all delivery process phases to ensure accurate deliveries from suppliers through to installation. By improving the efficiency of its operations and optimizing processes, KONE aims to further decrease its overall carbon footprint and improve quality and safety.

As of 2011, Delivery Chain Excellence was named one of KONE's five global development programs to foster this development.

KONE's delivery chain consists of eight production centers, seven global distribution centers for elevators, and four distribution centers for spare parts. A total of 2,600 people keep KONE's supply operations running, covering new equipments, modernization and spares supply. Our delivery chain also incorporates a significant number of material and logistics service providers.

Employee engagement and training drives continuous improvement

KONE strives to create a culture of continuous improvement and to implement LEAN principles in its supply operations. LEAN is a set of methods and tools that helps us to identify and eliminate waste in any processes and thus add value for our customers.

KONE employees are actively encouraged to play their part in improving processes, products, methods, and the working environment. One example of this is the Idea Management System (IMS), which has been established in all production centers to collect, analyze, and implement employee input effectively and enable the employees who put forward the best ideas to receive recognition. Using problem-solving tools and methodologies, employees from different levels of the organization work together to identify the root causes of problems and find a solution.

Employees learn and develop the necessary competencies through global learning solutions, which are developed based on the KONE strategy, development activities, and operational needs. As a key part of this learning, all team leaders in supply operations have received training in LEAN principles and leadership skills.

Optimizing supply processes to reduce carbon footprint and minimize waste

Examples of the initiatives we are taking to further reduce the carbon footprint of our operations include a reduction in work in progress, work that has not been completed but has already incurred a capital investment from the company (WIP), and improvement in operational planning. Typical WIP reduction programs focus on reducing WIP in local operations, while operational planning takes a wider view and focuses on identifying, prioritizing, and tackling the main problem areas across the entire delivery chain.

KONE is also actively implementing the different LEAN tools and methods to improve the effectiveness of its operations. For instance, KONE has implemented the 5S methodology in all its production centers. The

KONE strives to create a culture of continuous improvement and to implement LEAN principles in its supply operations.

name 5S comes from five words: sort, stabilize, shine, standardize, and sustain. The methodology covers simple improvements in daily routines that help make work easier, safer, and more efficient, while improving quality. The 5S methodology is maintained and continuously improved using employee input, and is audited on a regular basis both locally and globally.

Following LEAN principles, KONE is also using the 7 wastes concept to identify and reduce waste in all its supply operations. In LEAN manufacturing, waste means all work that does not add value. The seven most typical types of waste are inventory, movement, overproduction, over-processing or incorrect processing, transportation, waiting, and defects. By following this concept we have already achieved significant improvements in efficiency, material flow and handling, workstation ergonomics, as well as quality and safety. Furthermore, by eliminating unnecessary activities we have been able to cut energy and material consumption.

A solid supplier network

Our suppliers play a vital role in helping us deliver high quality solutions to our customers. In order to serve the needs of our customers as efficiently as possible, KONE has established a global supply network supported by an optimized distribution and delivery network.

KONE's Supplier Code of Ethics addresses the following topics

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

Read more at kone.com

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

The components provided by external suppliers are sent either to our engineering and production centers or directly to our distribution centers. Some suppliers consolidate different elevator components into modules for delivery to KONE's distribution centers, which helps minimize the amount of packaging and logistics.

Supplier risk management

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

Following strict quality standards

The Supplier Excellence Certification Program is a key element of KONE's supplier quality management process. As part of the program, our key suppliers' sites are assessed based on criteria such as environmental and quality management systems, performance scorecards, and supplier audit result.

Our suppliers' factories are also required to attain Supplier Excellence certification. Currently, 66 supplier factories are certified. In addition, KONE's Supplier Quality Management team regularly audits our suppliers.

Building solid relationships with suppliers

KONE's success as a global business is based on reliability, innovation, dedication, and responsibility.

KONE aims to be an attractive business partner and seeks reliable, fair relationships for our benefit and the benefit of our suppliers. This is why we strive to uphold ethical business practices, and expect the same level of commitment to environmental excellence and ethical behavior from our partners, suppliers, and subcontractors.

To put this commitment into action, all suppliers are required to act in compliance with the KONE Supplier Code of Conduct. The code emphasizes the values that KONE follows in its global operations. We require our suppliers to be committed to ethical conduct and act in full compliance with all applicable laws. A breach of the code by a partner may result in the termination of all its contracts with KONE.

KONE suppliers should also conduct their business operations in a manner that minimizes adverse impacts on the environment. Keeping the environment in mind, we expect our suppliers to strive for continuous improvement in their products and services.

KONE's Supplier Code of Conduct is available at www.kone.com.

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Continuous and open dialog fosters innovation

We aim to build long-term, mutually beneficial relationships with our suppliers and to be a trusted and reliable business partner, and a customer of choice. This continuous and open dialog also fosters innovation with suppliers.

For example, KONE has entered into an agreement concerning new energy-efficient AC drives that have been designed in close collaboration with its supplier Vacon. The regenerative drives are built on the latest technology platform. They help KONE's customers save a remarkable amount of energy due to the specific technological innovations that were incorporated into the products. The regenerative drives can recover up to one-third of an elevator's total energy consumption.

Safety is of utmost importance every step of the way

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

We ensure the safety of our products and services through rigorous attention to our design, manufacturing, installation, and maintenance processes. Risks are thoroughly analyzed across all our processes, and safe practices are promoted for our employees and subcontractors, as well as the users of our equipment. In KONE's product development process, potential hazards affecting the full life cycle are systematically identified and eliminated before products are released.

We drive continuous improvement of our safety performance and strive to achieve a culture of 100-percent responsibility and commitment from all our people. In our 2010 annual employee survey, the question about KONE's commitment to employee safety again received a very high score. Together with other industry stakeholders, KONE is actively involved in the development of codes and standards that enhance the safety of elevators, escalators, and building doors.

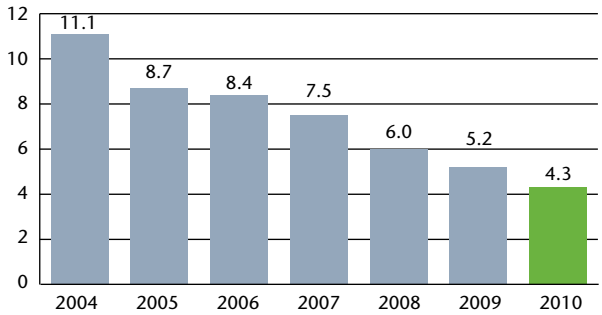
Managing safety performance

KONE has global policies, processes, and guidelines to ensure KONE business activities, including subcontractor operations, are organized and conducted in a structured and globally harmonized way.

We focus on making sure every KONE employee has the needed competence to perform their work in a professional and safe manner. They receive training to a general level in health and safety, as well as training relevant to their respective work roles and tasks. The role of the unit heads is to actively take the lead on safety. Every manager is responsible for ensuring that all necessary arrangements are in place to protect the safety of their teams and the general public. Employees and subcontractors follow the defined rules and methods to ensure the safety of themselves and others who may be affected by their activities.

Audits are used to measure compliance with KONE's policies, rules, and work methods. Immediate corrective actions are taken if deviations are identified. If other obstacles to safe working are identified, the work in question stops until a safe way to continue has been

IIFR development



To support continuous improvement in KONE's safety performance, a global process is in place to report and investigate accidents and near-miss incidents. The underlying root causes must be identified and corrective actions properly devised to ensure that the accident or near-miss incident is not repeated.

approved. Members of the senior management teams periodically participate in workplace safety audits. In cases where there are deliberate or repeated deviations from policies, rules, or defined working methods, the violations procedure is used. This procedure may result in corrective or disciplinary action as appropriate. If a subcontractor violates any policies or rules, it may result in their removal from the site and termination of their contract.

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

Continuous improvement

To support continuous improvement in KONE's safety performance, a global process is in place to report and investigate accidents and near-miss incidents. The underlying root causes must be identified and corrective actions properly devised to ensure that the accident or near-miss incident is not repeated.

KONE tracks the number of lost time injuries of one day or more, per million hours worked, as a key performance indicator. In 2010 our industrial injury frequency rate (IIFR) was 4.3 – a 17 percent reduction compared to 2009. Our ultimate target is to achieve zero accidents.

We ensure the safety of our products and services through rigorous attention to our design, manufacturing, installation, and maintenance processes.

Environmental responsibility in our operations

For KONE, environmental responsibility is a combination of reducing the environmental impact of our own operations and offering our customers innovative solutions that are both energy- and eco-efficient. KONE is committed to proactively working to reduce the environmentally harmful impacts of its operations and solutions.

According to KONE's environmental statement, we provide safe, environmentally efficient, and responsible high-performance services, modernizations, and solutions. We strive for continuous improvement in all our business activities by following or exceeding applicable laws, rules, and regulations, and we work with our suppliers and customers to prevent or reduce emissions and waste generated by our business operations.

KONE reduced its relative carbon footprint in 2010

In 2010, KONE achieved a two percent carbon footprint reduction relative to net sales compared to the base year of 2009. KONE's absolute operational

Environmental excellence program

Key initiatives	Target 2010	Achievement 2010	Target 2013
We continue to reduce energy consumption and increase the eco-efficiency of our solutions	Energy consumption of volume elevators 50% below 2008* values	Energy consumption of volume elevators -50%, KONE elevators in Europe and Asia have achieved the VDI 4707 A class rating (the best energy performance)	Further improve the energy efficiency of the next generation of KONE elevators and escalators
We continue to minimize the carbon footprint of our operations	Annual CO_2e reduction of 5% of the operational carbon footprint, and 5% reduction in operational carbon intensity	Operational carbon footprint relative to net sales decreased by 2%, while the absolute figure increased by 3%	Reduce operational carbon footprint relative to net sales by 3% annually
Our processes fulfill ISO 14001 and green building requirements	All corporate functions, production units, and targeted country organizations are ISO 14001 and ISO 9001 certified	All KONE corporate functions, production units, and targeted country organizations (11) are ISO 14001 and ISO 9001 certified	OneISO and LEED implementation at new KONE production facilities and country offices
We develop environmental excellence jointly with our suppliers	100% of strategic suppliers meet ISO 14001 requirements	98% of KONE strategic suppliers are ISO 14001 certified	All KONE strategic suppliers meet ISO 14001 requirements
We communicate and gain recognition as the most eco-efficient company in our industry	Achieve GRI3 B level Corporate Responsibility Report	KONE 2009 Corporate Responsibility Report achieved GRI3 B level	KONE is valued as the leader in sustainability and eco-efficiency in our industry, report according to GRI B level

* Offering launched in 2006.

carbon footprint for 2010 increased by three percent compared to 2009. The increase was partly due to the extension of the reporting scope to cover spare parts logistics and local logistics in countries, as well as increased production volumes. The best results were achieved by our maintenance car fleet, which achieved a 4.6 percent reduction of carbon emissions per unit of equipment under KONE's maintenance, compared to its target of five percent.

In 2010, all KONE's corporate functions and all production units were ISO 14001 and ISO 9001 certified. In 2009, 10 country organizations were certified, and in 2010 one more country organization was certified. The focus for the future is to maintain the achieved certificates and increase the number of certified country organizations. In 2011, two more country organizations are expected to receive certification.

In terms of supplier certification, 98 percent of KONE's strategic suppliers met ISO 14001 requirements by the end of 2010, and work to achieve certification for one remaining strategic supplier is due to be completed during 2011.

Targets for 2013

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

In 2011 KONE set new environmental targets for 2013. We will continue to improve the energy efficiency of our elevator and escalator solutions, and focus on reducing the carbon emissions generated by our operations. The target is to reduce our operational carbon footprint relative to net sales by three percent annually between 2011 and 2013.

By 2013 KONE aims to maintain and extend OneISO (ISO 14001 and ISO 9001) coverage, and continue to contribute to green building requirements. Wherever possible, LEED principles will be implemented at new KONE facilities. In addition, KONE will continue to focus on the sustainability of its delivery chain by ensuring that all strategic suppliers fulfill the requirements of an ISO 14001-certified environmental management system.

Managing environmental issues

KONE's Quality and Environmental Board and Executive Board, both chaired by the President & CEO, are responsible for the company's environmental management. In 2010, the CEO reviewed the progress regarding environmental issues – including climate change – together with board members during both monthly Executive Board meetings and Quality and Environmental Board meetings.

In 2011, the environmental review will be conducted quarterly as part of the Executive Board and Quality and Environmental Board meetings. Both boards will review the progress of KONE's Environmental Excellence Program, for example, in relation to long-term objectives and short-term targets and initiatives.

The progress reports and future plans are issued and prepared by the Senior Vice President of Technology and KONE's Environmental Director. The Environmental Director coordinates the alignment and progress of KONE's corporate and local environmental programs with environmental managers. The Environmental Director is responsible for ensuring that short-term targets are ambitious in order to enable KONE to reach its long-term objectives.

Each country organization, as well as the individual production and business units, has an environmental manager who is responsible for ensuring that KONE's Environmental Policy is adhered to. The environmental manager is responsible for planning, implementing, and monitoring the local environmental excellence programs, including targets for minimizing harmful environmental impacts from our use of energy, waste, water, and fuel, and ensuring that local programs are aligned with the corporate-level program. Working together with the local unit's management team, the environmental manager is also responsible for ensuring that global and local environmental requirements are met in their respective organizations.

Internal and external environmental audits are carried out regularly. Internally, KONE conducts cross-functional audits where ISO 14001 experts from one unit assess the environmental performance of another unit. The units that have been certified also cooperate with the local authorities and KONE's global legal function in order to ensure compliance with the relevant requirements.

The environmental impact of KONE's operations in 2010

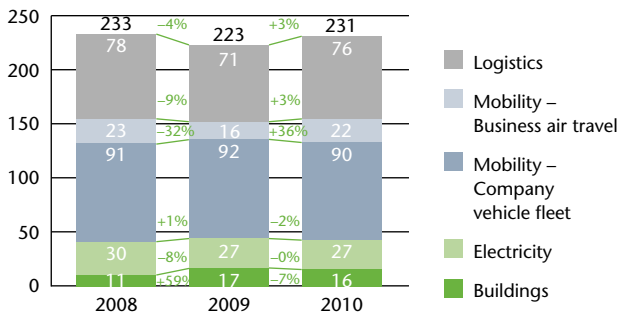
KONE's operational environmental work focuses on reducing our operational carbon footprint and improving material efficiency, as well as reducing waste, water consumption, and the use of hazardous substances. In order to address the areas that have the most significant environmental impacts, KONE has been assessing its carbon footprint since 2008.

According to the 2010 assessment, KONE's global greenhouse gas emissions amounted to 3.0 (2009: 2.9) M tCO_2e (million tonnes of carbon dioxide equivalent), of which 21 percent were generated by the production of materials used to manufacture our products, and another 71 percent by the production of electricity used to operate them over their lifetime.

The carbon footprint analysis reveals that less than one tenth of KONE's emissions are a direct result of its operations. In 2010, KONE's operational carbon footprint relative to overall operations (net sales) decreased by two percent compared to 2009. KONE's 2010 absolute operational carbon footprint amounted to 231K tCO_2e (tonnes of carbon dioxide equivalent), representing a three percent increase compared to the 2009 figure of 223K tCO_2e.

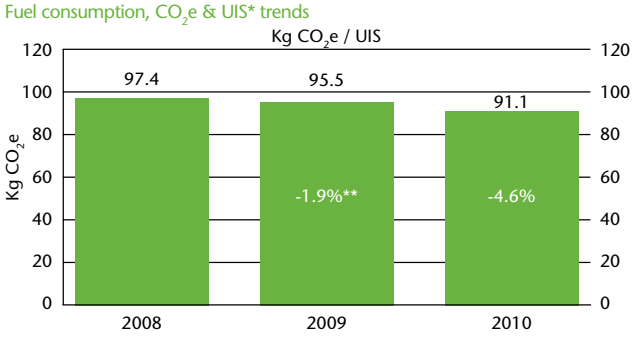
With 90K (2009: 92K) tCO_2e in 2010, the major source of carbon emissions continued to be our maintenance vehicle fleet, which is used by our service technicians. The other major components are our logistics network with 76K (71K) tCO_2e, electricity consumption with 27K (27K) tCO_2e, business travel with 22K (16K) tCO_2e, and fuels for heating and processes in buildings with 16K (17K) tCO_2e.

Operational carbon footprint, $KtCO_2e$



Car fleet relative carbon emissions

Fuel consumption, CO_2e & UIS* trends



* Units in service
** Reduction per year

More cars, less emissions: eco-safe driving brings results

With about 14,000 vehicles, KONE's vehicle fleet is responsible for almost 40 percent of our carbon footprint. We have been tackling this issue in a number of different ways, all designed to ensure that our maintenance personnel have the knowledge, skills, and equipment to get around in the most eco-efficient way possible. In 2010, KONE achieved a 4.6 percent reduction in car fleet carbon footprint.

The eco-safe driving program helps us reduce CO_2 emissions and overall fleet-related costs well as protect KONE drivers and other road users. Our aim is to create a culture of driving excellence by promoting safe, efficient, and economical driving using some simple but effective guidelines. These handy tips – including closing your windows to reduce drag, changing gear at lower revs to save fuel, and buckling up before you leave for a safer journey – are delivered through an illustrated in-vehicle handbook.

KONE France has been further motivating its more than 3,000 drivers through the Jeu Roule Habile eco-safe driving challenge. The challenge includes driver-level reporting related to fuel consumption, driving fines, and vehicle accidents and repairs. The most eco-safe drivers are rewarded with a prize – though the biggest reward is the reduction in fuel consumption, CO_2 emissions, and vehicle accidents. We are now looking at expanding the challenge to cover other countries.

The KONE vehicle fleet

Altogether, 39 percent of KONE's operational greenhouse gases are emitted by our global vehicle fleet, making it clearly the biggest contributor in terms of CO_2e. In 2010 our fleet consisted of 14,000 (2009: 13,300) vehicles emitting 90K (2009: 92K) tCO_2e. The absolute vehicle fleet carbon footprint decreased by two percent, whereas the relative carbon footprint (per unit in service) reduction was 4.6 percent.

Project O_2xygen was launched in 2008 with the aim of reducing the CO_2e generated by our global vehicle fleet. To help achieve this objective, we have implemented a renewed global fleet policy, improved our vehicle selection lists, and launched the new eco-safe driving program. Although Project O_2xygen concluded in 2009, we are continuing our efforts to further reduce CO_2e and make KONE's vehicle fleet as efficient and eco-friendly as possible through actions such as vehicle rightsizing, a call-out rate reduction program, using route optimization technology, and using alternative fuels that generate lower CO_2 emissions.

KONE continuously looks for new and innovative ways of reducing the carbon footprint of its vehicle fleet. For instance, we have recently taken into use two Citroën C-Zero vehicles: 100-percent electrically powered city cars that produce no carbon dioxide emissions or noise. These will be used in the French cities of Paris and Nice. We are also looking to order further electric vehicles for use in other cities.

In 2010 KONE was awarded the International Green Fleet Award (2nd prize) and International Fleet Innovation Award (3rd prize) at the Fleet Europe Awards in Brussels, Belgium.

Logistics

Logistics account for 76K (2009: 71K) tCO_2e, or 33 percent of KONE's operational carbon footprint, making it the second biggest contributor after the vehicle fleet in terms of tCO_2e emissions.

The logistics carbon footprint relative to units delivered to customers rose by two percent, and the absolute CO_2 increase was seven percent. The increase was

How KONE is reducing the environmental impacts of transportation

Development action	Impact on eco-efficiency
Maximizing use of railway transportation	Less CO_2 emissions per tkm
Improving space utilization ratio in loading	More products delivered per shipment
Minimizing use of airfreight	Less CO_2 emissions per tkm
Centralizing volumes to main suppliers	Fewer transportation routes and improved transportation efficiency ratio

Emissions can be reduced by optimizing transportation networks, improving space utilization, and using more environmentally benign methods of transportation.

How KONE is reducing packaging-related emissions and waste

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

Packaging materials can be reused, recycled, or used for energy recovery.

mainly a result of increased production volumes. The increasing focus on the Asian market also had an impact on the carbon footprint development. For 2010, the reporting scope has been extended to cover spare parts logistics, with the exception of shipment by air.

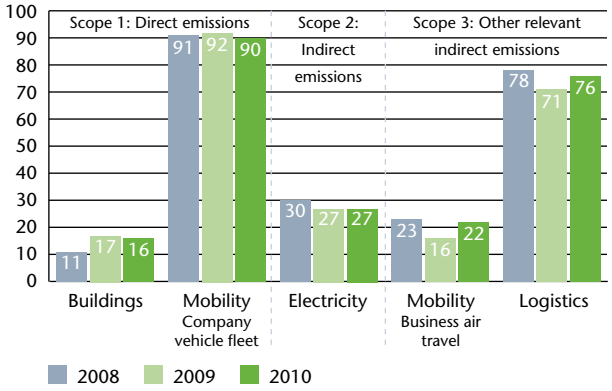
KONE's logistics operations are based on accurate, reliable, and timely information in all phases of the delivery chain, and using distribution models that take eco-efficiency into account. Special attention is paid to reducing the impact of transportation through route and shipment optimization, as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

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

KONE recognized at National Energy Conservation Awards, India

The Bureau of Energy Efficiency (BEE), a statutory body under the Indian government's Ministry of Power, has been recognizing manufacturers that have achieved excellence in energy conservation since 1991. In December 2010, KONE was awarded second prize in the general category in recognition of the energy conservation efforts implemented at its manufacturing facility in Chennai, India.

Absolute operational carbon footprint per category, $KtCO_2e$



Relative operational carbon footprint

	2008	2009	2010	YoY
Mobility Company vehicle fleet	97 $kgCO_2e$/UIS**	96 $kgCO_2e$/UIS	91 $kgCO_2e$/UIS	-5%
Electricity	849 $kgCO_2e$/HC	800 $kgCO_2e$/HC	804 $kgCO_2e$/HC	+0%
Mobility Business air travel	669 $kgCO_2e$/HC	464 $kgCO_2e$/HC	637 $kgCO_2e$/HC	+37%
Logistics*	1.35 T CO_2e/Unit	1.24 T CO_2e/Unit	1.27 T CO_2e/Unit	+2%
Overall Operations	50.5 $kgCO_2e$/K€	47.0 $kgCO_2e$/K€	46.2 $kgCO_2e$/K€	-2%

*) Excluding India
**) Units in service (UIS)

Electricity

Electricity consumption accounts for 27K (2009:27K) tCO_2e, or 12 percent of KONE's carbon footprint. The carbon footprint resulting from the use of electricity comprises both electricity consumption and the carbon intensity of electricity production. The electricity is used in KONE's offices, warehouses, and production facilities.

Electricity consumption remained at the 2010 level despite the increase in production volumes. In fact, due to the six percent increase in the amount of green electricity used compared to 2009, KONE was able to reduce the greenhouse gas (GHG) emissions generated by the electricity it uses. In total, 11 (2009: 12) percent of the electricity used in our operations comes from renewable sources.

KONE's key country organizations have committed to specific energy consumption and electricity saving programs. For example, KONE's Finnish country organization is aiming to reduce electricity consumption at its facilities by nine percent by 2016, using 2008 as the base year. In turn, KONE's German country organization has signed a 100 percent renewable energy contract with its energy supplier. Our Italian production unit also uses renewable energy; together with other energy saving actions, this resulted in a 35 percent decrease in the factory's carbon footprint in 2010.

Business air travel

Business air travel accounts for nine percent of KONE's carbon footprint. In 2010 air travel related GHG emissions increased by 36 percent to total 22K (2009: 16K) tCO_2e. The relative increase was 37 percent.

KONE actively encourages the use of virtual meeting tools in order to reduce the need for travel. In 2010 virtual meeting time again increased by 40 percent. KONE also added video conferencing to its set of virtual tools in order to further facilitate global collaboration and decrease the need for travel.

Fuels for heating and building processes

In 2010 fuels for heating and building processes generated 16K (2009: 17K) tCO_2e of GHG emissions. This represents a decrease of seven percent compared to 2009. The reduction was achieved through an increased daily management focus on facility-related environmental issues.

Focusing on material management and waste optimization

In 2010, KONE used 189K (2009: 180K) tonnes of materials for producing its elevators and escalators.

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

Waste is always handled in local KONE organizations according to applicable laws and regulations. KONE aims to be as material efficient as possible, and we intend to exceed legal requirements. Only four percent of the waste generated by KONE's global delivery chain, which comprises 10 engineering and production sites, is sent to landfill. The remaining 96 percent is recycled or incinerated.

Although the water consumption in KONE's production and maintenance processes is minimal, we are continuing to optimize and further minimize our usage of water. KONE uses municipal water, and waste water is released into community treatment systems that fulfill local regulations. The total amount of water used in our production and our office facilities was 270K (2009: 280K) m^3, a four percent reduction compared to the previous year. In China, for example, water usage per unit produced decreased by more than 30 percent in 2010.


KONE

Highlights of environmental achievements in KONE manufacturing units in 2010:

Italy:

- Waste -20%
- Wood waste -37%
- Energy saved with photovoltaic system 4% (Cadrezzate)
- Water -5% (Pero)

Finland:

- Incoming waste -19%
- Scrap steel -24%

China:

- Oil -5% per unit
- Water -33% per unit
- Electricity -18% per unit
- Hazardous waste -44%
- Paper -21% per unit

Czech Republic:

- Water -14 %
- Thermal energy -14 %
- Metal scrap -17%

Mexico:

- Water -5%
- Wood pallet -12%

United States:

- Electricity -20% per unit
- Waste -45%

The collected environmental data represents 77 percent of all employees at KONE. The data was collected from KONE's 10 production centers, and in 22 major country organizations with sales, installation, and service operations. The 10 production centers (eight global manufacturing units and two local factories) form KONE's global supply line and thus represent a fully global perspective. The 22 reporting country organizations represent KONE's Asian, European, and American customer-related operations.

The aim was to collect data concerning the entire operations of the reporting units. Due to the number of branch offices in the larger countries, in certain cases a sample of the units was used and then this data was extrapolated to 100 percent using the specific and relative background drivers of the corresponding reporting organization. The data collected from the reporting organizations was then extrapolated for the entire KONE organization.

In 2010, the Mobility carbon footprint category was divided into Vehicle fleet and Business air travel. The carbon footprint assessment was performed in compliance with the GHG Protocol reporting standard and guidelines by a third party.

Improved data collection has resulted in more accurate figures for 2010, and has thus also had an impact on the figures for 2008 and 2009.

KONE environmental data 2010

Material used, tonnes				
Activities	Materials	2010*	2009*	2008*
Manufacturing	Metals (steel, aluminum, copper)	159,000	152,000	154,000
	Glass	1,700	1,600	1,600
	Plastics	1,300	1,200	1,300
	Misc.	8,400	8,000	8,100
Packaging	Wood	15,400	14,600	14,800
	Cartonboard	1,900	1,800	1,900
	Plastics	500	500	500
Office consumables	Paper	300	500	600
Total		188,500	180,200	182,800

* Calculation is based on the units deliverd to the customer (2010: 60K, 2009: 57K units and 2008: 58K units) and LCA data.

Energy consumption					
Activities		Units	2010	2009	2008
Direct	Heating fuel	liters	657,000	538,000	683,700
	Natural gas	m^3	4,947,000	4,357,000	3,422,200
Indirect	Electricity consumption	kWh	64,467,000	64,704,000	90,834,200

GHG emissions, tCO_2e				
Activities		2010	2009	2008
Direct	Fuels for heating & manufacturing	15,000	15,000	10,000
	Gases for cooling systems	1,000	2,000	1,000
	Vehicle fleet	89,800	91,900	91,200
Indirect electricity	Electricity consumption	27,000	27,000	30,000
Other relevant indirect	Air travel*	21,500	15,800	23,300
	Employee commuting	10,100	9,700	12,400
	Logistics	76,400	71,000	78,000
	Production of materials for products**	649,000	619,000	627,000
	Waste*	500	400	700
	Energy use during product lifetime**	2,136,000	2,053,000	2,077,000
Total		3,026,300	2,904,800	2,950,600

* 2009 restated
** 2008 and 2009 restated

Waste, tonnes			
	2010	2009	2008
Recycling flows	32,900	27,400	42,300
Incinerators	2,400	4,700	3,300
Landfill	1,520	1,660	1,150
Hazardous*	750	650	-
Total	37,570	34,410	46,750

* 2009 restated

Water consumption, m^3			
	2010	2009	2008
Total	270,000*	280,000	-

* 2010 is only the second year for which we are reporting water usage.
Accurancy of this figure will increase in following years' reports. We assume that the value is still underestimated.

Smooth People Flow at every step of the construction process

One of the biggest logistical challenges during construction is getting workers and goods to the right place at the right time. With optimum planning and the right combination of People Flow™ solutions, builders can save hundreds of man-hours on every project.

One example of KONE's solutions for builders is the construction time elevator. This is the final elevator that KONE's installation team equips with protective materials so that it can be used during the construction stage. KONE's unique scaffoldless, in-shaft installation method makes installation of the construction time elevators faster, safer, and more efficient.

Construction time elevators operate at the same speed and load as the final elevators. When the building is finished, the final signalization and interior are installed in the elevators. After installation is complete, the elevator is seamlessly handed over to the KONE service team who provide a smooth ongoing people flow experience.

Engaging, motivating and developing people

KONE has approximately 33,800 employees in more than 50 countries worldwide. It is our objective to provide all our employees with fair treatment, equal opportunity and a safe working environment, as well as to make KONE a great place to work. We offer our people versatile opportunities that support personal growth and career development. As a reflection of this, a significant proportion of our employees have long tenures with KONE.

KONE follows the highest ethical principles in all its activities. Our employees have the right to a safe and healthy working environment, personal wellbeing, and the right to work in an environment free of discrimination of any kind.

The ultimate objective of KONE's personnel strategy is to help the company reach its business targets. Its main goals are to continue ensuring the availability, engagement, motivation, and continuous development of our employees. To achieve these goals, we need to attract, retain, lead, and develop the right number of people with the right set of competencies and attitudes to support KONE's current and future business objectives. We must continue to foster a shared understanding of our business objectives and operating values, a safe and motivating working environment, as well as an inspiring leadership style.

Offering continuous development and learning

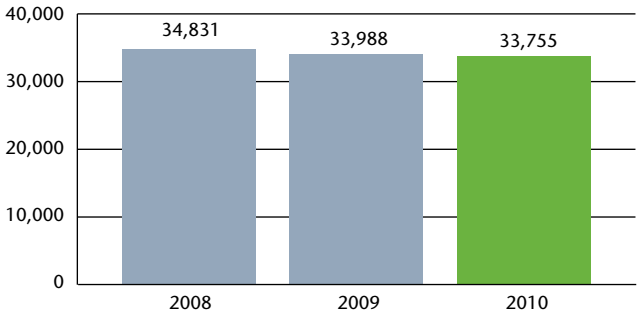
Continuous investment in developing our personnel is vital to achieving our strategic goals. We believe that learning first and foremost happens on the job and in collaboration with co-workers. KONE employees are also given ample opportunities to expand their experience and competencies by taking on new projects or through job rotation. Learning can also take place through local or global training programs. The global programs, which are aligned with KONE's strategy, are designed to strengthen common operating models and promote collaboration and cross-cultural knowledge sharing.

In 2010 we initiated the development of an online learning management system to be launched in 2011. This system will help us offer even more effective training for our employees worldwide on for example product releases, IT tools, and guidelines.

Developing competencies

Every employee plays a role in KONE's success. To identify the development needs and key skills needed in each role, we have defined a set of competencies that are deemed necessary to successfully carry out

Number of employees, Dec. 31



Experiencing People Flow

To celebrate its centennial anniversary, KONE organized a global People Flow Day event in October 2010. The event took place in over 70 locations worldwide, with around 800 KONE employees visiting over a hundred sites around the world. During the day, employees visited hotel, office, medical, public transportation, residential, and retail buildings.

The event gave KONE's employees a great opportunity to step away from their everyday work and see what the company's vision of offering the best People Flow experience means in practice. Employees traveled to the selected sites to see how people really move in different types of buildings and to meet a customer from one of the target building types.

"I really enjoyed the opportunity to get out of the office and do something different from my day-to-day work. It was great to spend a day talking to customers and end-users, and really thinking from their perspective – it really made the People Flow concept come to life and was an excellent experience," said Wally Lobegeier, Regional Service Manager for Brisbane, Queensland, Australia.

By observing and talking to both customers and end users, and seeing how people move inside different types of buildings, KONE gathered valuable information on elevator and escalator end-user experience. The data obtained is now being used to both help develop new solutions and improve existing ones. The aim is to meet the current needs of our customers and end users alike, thereby delivering the best People Flow experience for them.

the responsibilities that each role entails. The generic competencies, such as customer focus, cross-cultural awareness, interpersonal sensitivity, environmental awareness, and openness to ideas, are linked to approximately 160 identified KONE roles, such as accountant, sales director, or maintenance technician. In 2010, every employee had a primary KONE role assigned, and employees and their managers were instructed to evaluate the competencies linked to the role as part of performance discussions.

We have also defined six leadership competencies – decision making, executing, winning through people, collaborating, business acumen, and customer focus – that have been integrated into our leadership learning programs, assessment practices, and tools.

Improving leadership capabilities

In 2010, personnel development activities continued in line with the People Leadership development program that was created in early 2008 to improve leadership capabilities in order to inspire, engage, and develop people for outstanding performance. The delivery of two global leadership development programs – the Supervisor Development Program for first-level line managers and the Leadership Lift program for top management – continued. The first complete round of the six-module supervisor program was finalized for more than 2,000 supervisors globally and refresher training was started.

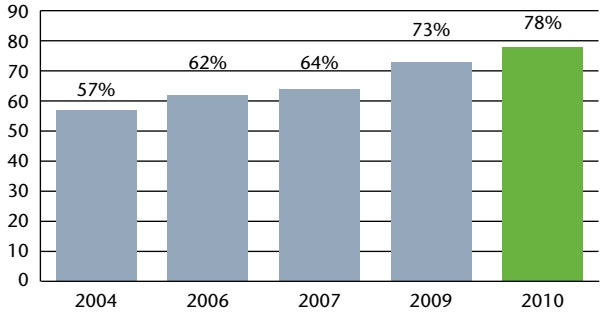
The last three Leadership Lift programs, with more than 120 participants from top management, were completed at the International Institute for Management Development (IMD). A new leadership program for middle management, KONE Leader, was launched and delivered for close to 800 managers, and an e-learning package for new managers was also launched. Many other leadership-related training and development actions continued on both local and global levels. Global guides on coaching and mentoring were published and deployed to help develop people within units, across units, and globally.

Our aim is to make sure all employees understand KONE's strategic direction and their role in executing the strategy.

Engaging employees

We define employee engagement as a combination of attitudes, perceptions and behaviors relating to how satisfied, proud and committed employees are to work at KONE. Employee Engagement is one of KONE's new strategic development programs for the next three years, but it is something that has always been highly valued within the organization. Engagement is just as important to individual employees as it is for KONE as a business. If our employees are engaged, it means they are getting more enjoyment out of coming to work each day and are relishing the challenges their job presents them with.

Employee survey response rate



This survey has been conducted annually since 2009.

Understanding the company's strategy is one of the key elements driving employee engagement. KONE promotes active dialogue with its employees to ensure that all KONE people understand the company's strategic direction and their role in executing the strategy. Employees are invited to participate in workshops and team events to define actions to reach the required business targets. Unit heads, leaders, and managers have the responsibility to ensure that all action plans have a clear connection to the corporate strategy and development programs. The personal contribution of each employee to the strategy's execution is discussed, agreed, and reviewed in annual performance development discussions and as part of individual target setting.

Communication and collaboration

Open and timely communication is also an important element driving engagement. To support this, the renewal of KONE's global and local intranet sites continued in 2010. The renewal project focused on improving the quality of the content as well as the usability and layout of the intranet sites. As a result, we now have an efficient channel to share common information globally. At the end of 2010, KONE's intranet platform consisted of the global intranet and 18 local intranets serving some 12,000 users every week. Employees are encouraged to comment on news items, vote in opinion polls, and provide ideas and feedback regarding work-related topics. Development of this efficient online communication channel will continue through 2011 with the addition of more collaboration tools and enabling access for employees who do not use a computer as part of their everyday work.

All KONE employees can also stay informed about the latest news and events through internal employee magazines and newsletters that are published both globally and locally. In 2010, KONE published three editions of its global employee magazine, Move, in nine languages.

Since 1993 we have organized an annual Employee Forum that brings together top management and employee representatives to discuss issues ranging from safety to customer focus. In 2010 the theme was competence development, and 19 employees from 15 European countries participated. A smaller working group meets two to four times a year to ensure continuous consultation and communication on important developments affecting KONE employees.

Measuring employee satisfaction

We conduct an annual survey with our employees to measure their level of satisfaction with KONE as a workplace. More than 25,000 gave their feedback in the 2010 survey, and the global response rate reached an all-time high of 78 percent, up from 73 percent in 2009.

The survey covers areas such as employee engagement, strategy and change, leadership and values, customer, communication and collaboration, growth and development opportunities, as well as how respondents view their job and their managers. We also ask if people have seen actions being taken based on the results of the previous survey. In 2011 we will also include corporate responsibility as one topic to the survey.

The employee survey helps KONE measure employee engagement and gives employees an opportunity to provide their input into business planning, management decision making, and company strategy development. It also offers an insight into the level of engagement with KONE's core values. In 2010 the survey results were communicated and discussed in all units during the spring and summer, and action plans were then created for the key improvement areas per team and followed up by the Executive Board quarterly. In 2010 special attention was paid to improving awareness about development opportunities, job rotation, and professional growth.

In 2010 the global results remained roughly at the 2009 level. The highest scores related to KONE's approach to

Global Youth Camp

Every summer KONE holds a Global Youth Camp in Finland for the children of KONE employees worldwide. The camp is part of a long tradition at KONE to show the company's appreciation for its employees. It is also a fantastic opportunity for young people from around the world to meet. Some 100 participants aged 14–17 attend the camp each year, with over 25 nationalities and around a dozen different languages being represented.

safety, employees being treated with respect by their manager and being trusted to take actions that are needed to ensure good customer service. The greatest room for improvement was considered to be in the follow-up from previous surveys and in cross-functional collaboration.

Collecting and acting on feedback about KONE as an employer

In 2010 KONE continued conducting exit interviews, in order to collect detailed feedback on KONE as an employer and to understand the reasons behind an employee voluntarily leaving us. In 2010 the overall attrition rate was low. The main reasons for leaving KONE were personal reasons and pursuing better career opportunities elsewhere.

KONE uses the information provided in the exit interviews to improve personnel retention, working climate and employee engagement. The exit interviews also give us information about the effectiveness and quality of the recruitment and on boarding process and help to improve organizational processes, job design, remuneration, internal communication as well as career planning and development.

Ensuring professional and personal growth

Annual performance discussions help ensure that KONE's business objectives are met now and in the future, and encourage and support employee development. A performance discussion is a well-planned, structured discussion between manager and employee, and comprises three parts: goal setting, performance appraisal, and an individual development plan. The individual development plan helps to ensure professional and personal growth for the employee, while also securing competent resources for KONE's future needs. The completion rate of the annual performance discussions improved in 2010.

Our goal is to have two performance discussions with each employee annually. The first focuses on goal setting, performance appraisals, and reviewing the

individual development plan. The second acts as a mid-year progress review with follow-up discussion, coaching, as well as expanding upon previously set goals and ensuring they remain relevant. There is also a strong focus on the individual development plan during this second discussion.

New instructions focusing on identifying individual development activities and possibilities in KONE as part of the annual performance discussions were published at the end of 2010, and the training and coaching materials used for the performance discussions will be further developed during 2011.

Gaining insight into personal leadership performance

Managers and supervisors, including the CEO and KONE's Executive Board, conduct a 360-degree survey every second year to develop self-awareness of their leadership practices. The survey is tailored around KONE's values and leadership competencies. It functions as a tool for self-reflection, as it allows the individual to receive feedback on and insight into their personal leadership performance from their direct subordinates, immediate supervisors, and peers.

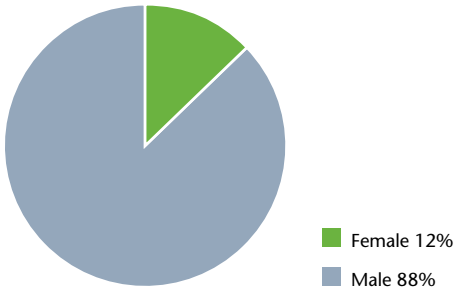
Preparing the leaders of the future

KONE aims to have the best possible professional in each position. Our annual leadership and talent review process ensures that resources are allocated in the right way to meet current and future business needs. In this process, we evaluate our management, identify successors, plan for career development, and identify potential candidates for future management positions.

Strengthening engagement and rewarding excellent performance

The aim of KONE's reward solutions is to motivate employees by strengthening their daily engagement and long-term commitment to the organization. We want to reward excellent performance and value-based behavior and actions that are aligned with our strategy and which contribute to KONE's success. KONE's reward practices aim to be fair and consistent.

Employees by gender, %



Gender distribution of management	Men	Women	Average age
Board of Directors	67%	33%	56.9
Executive Board	83%	17%	50.9
Management teams (top 701)*	85%	15%	44.5

* Excluding United States

KONE's reward practices are designed to attract, retain, motivate, and engage the best talent. The Total Reward Framework has been developed for this purpose. In addition to base pay, variable pay, and benefits, the framework includes aspects such as employee recognition, competence development, empowering leadership as well as flexibility, trust, and respect.

In 2010 we further developed our Grade and International Position Evaluation systems to ensure clarity in KONE's organizational structure, possible career paths, and reward practices, and also to ensure global consistency in role and pay evaluations.

Attracting new talent to secure future success

In line with our belief that job rotation is one of the best ways for employees to develop, KONE's open positions are always published first in an online recruiting tool for internal candidates. We also actively seek external candidates for key positions in order to ensure that we continuously renew the way we approach our business operations.

KONE aims to make itself visible to potential employees through a wide range of employer branding actions conducted on both global and local levels. Active collaboration with local schools and universities is important in helping us to attract the best talent and ensuring that they are interested in KONE as an employer. In 2011 we will conduct an employer branding review and fine-tune the global employer branding guidelines and recommendations.

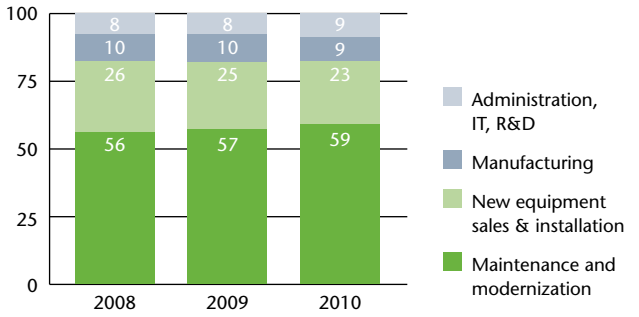
Every year we offer students and graduates opportunities to work on interesting projects in different KONE units globally through our

Personnel Dec 31 (15 largest countries)

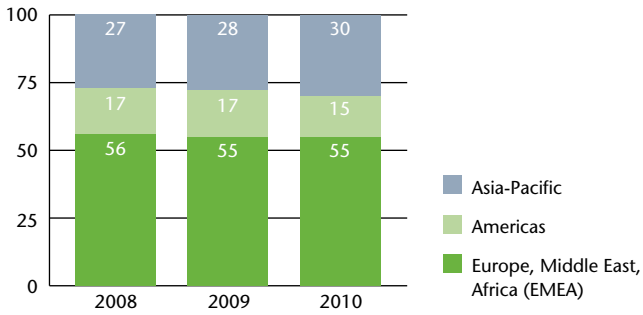
Country	2010	2009	2008
China	4,327	3,781	3,560
United States	3,842	4,377	4,603
France	3,559	3,722	3,863
India	2,904	2,843	2,913
Italy	1,861	1,932	1,863
Finland	1,750	1,703	1,780
United Kingdom	1,746	1,813	2,094
Germany	1,530	1,579	1,584
Spain*	1,182	987	1,067
Australia	1,134	1,111	1,159
Netherlands	984	1,001	1,034
Sweden	866	797	815
Canada	803	825	823
Belgium	722	693	729
Russia	688	717	622

* Figure includes of the addition of 240 employees following KONE's acquisition of the MARVI Elevator group in 2010.

Employees by job category, %



Employees by market, %



International Trainee Program. Most KONE internships require studies in business, engineering, information technology, or law, but there are also positions for students from other disciplines. The internship lasts for approximately six months, and it is an excellent stepping stone for a career at KONE. Sixteen trainees participated in the program in 2010. KONE also offers various summer traineeships and thesis opportunities in several countries.

Accepting and valuing diversity

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

Harmonizing key processes

In 2010 we continued working to further harmonize our key people processes. The roll out of the global employee master data system continued, covering 25,500 employees by the end of 2010. A common online tool for documenting performance discussions was rolled out in Finland, China, Hong Kong, and Malaysia. The roll out of this tool will continue in 2011, the goal being to completely replace the traditional paper-based process during the coming years.

Personnel by length of service (year end 2010)

Country	0–5 years	6–10 years	11 years and above
China	76.0%	18.1%	5.9%
United States	43.7%	16.5%	39.8%
France	46.9%	19.2%	33.9%
India	74.9%	10.1%	15.0%
Italy	26.7%	54.1%	19.2%
Finland	40.0%	16.6%	43.4%
United Kingdom	47.0%	22.7%	30.3%
Germany	29.1%	13.8%	57.1%
Spain	38.5%	26.9%	34.6%
Australia	51.9%	20.6%	27.5%
Netherlands	43.3%	14.2%	42.5%
Sweden	37.4%	12.4%	50.2%
Canada	64.2%	15.8%	20.0%
Belgium	32.5%	20.6%	46.9%
Russia	80.0%	7.2%	12.8%

Average length of service (year end 2010)

Country	Average length of service (years)
China	3.8
United States	11
France	10.6
India	5.3
Italy	13.7
Finland	12
United Kingdom	9.4
Germany	14.8
Spain	9.6
Australia	8.6
Netherlands	11.4
Sweden	15.5
Canada	6.9
Belgium	14.5
Russia	3.9

Committed to ethical business practices

As a global company, KONE does business in a huge variety of different cultural settings. Because of this, we consider it important to ensure that clear rules and guidance are in place for ethical business practices, and that these are easily accessible to all our employees worldwide.

The topics covered by the Code of Conduct include:

- Compliance with the laws and rules of society
- Commitment to non-discrimination
- Commitment to safety and health
- Freedom from disturbing behavior and sexual harassment
- Prohibition of child or forced labor
- Commitment to fair competition
- Commitment to the environment and sustainability
- Prohibition of conflicts of interest
- Prohibition of improper payments or benefits

KONE's Code of Conduct addresses matters regarding compliance with the laws and rules of society, the work environment, product and service marketing, fair competition, as well as the environment and sustainability. It sets out the standard of behavior that is expected of KONE employees and KONE companies, and gives clear guidance and rules regarding the kinds of behavior that are not tolerated. All our employees are expected to read and understand the Code of Conduct. For this purpose, and to help them learn how the code applies to their daily work, we provide training in 24 different languages. KONE's Supplier Code of Conduct sets out the ethical business practice requirements that we expect our suppliers to adhere to. The Supplier Code of Conduct is explained in more detail on page 40 of this report.

The goal of the Code of Conduct is to help employees deal with complex situations that may arise when conducting business in different cultural settings. We believe that our business should be conducted with honesty, integrity, and fairness across the globe.

Every KONE employee is expected to report any Code of Conduct violations to the corporate compliance officer or the global or local legal function.

Committed to fair competition

The principles of fair competition presented in the Code of Conduct are expanded on further in KONE's Competition Compliance Policy, which is also available in 24 languages. The policy outlines our unambiguous position against anti-competitive practices. It sets out the rules and principles that all KONE employees must follow in order to ensure that the company complies fully with competition laws.

Enforcing the Code of Conduct and the Competition Compliance Policy

A dedicated corporate compliance officer provides guidance on, and helps to ensure adherence to, the Code of Conduct. The compliance officer provides employees with any support they may require in

relation to complying with KONE codes and policies, and can be reached through multiple channels. Employees have the right to contact the compliance officer in their native language.

Increasing employee knowledge and awareness

Employees have access to two online training programs aimed at increasing knowledge and awareness of KONE's Code of Conduct and Competition Compliance Policy throughout the group. This online training complements classroom training, which is provided to employees in their respective units. Combined with easy access to the corporate compliance officer, these training programs play a key role in helping to ensure that KONE's employees are fully aware of our stance on ethical business practices.

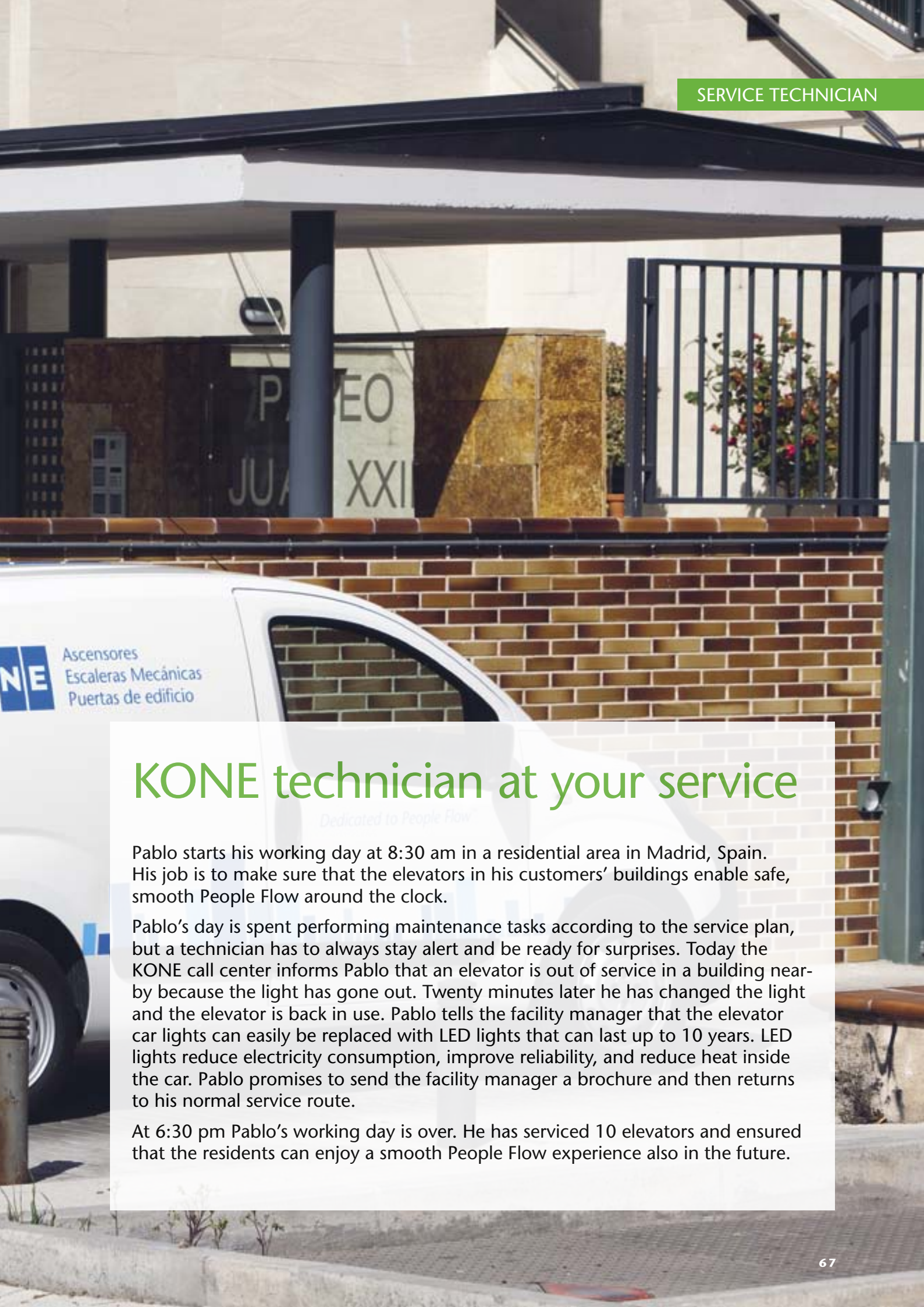
The programs use an interactive question-and-answer format that allows employees to apply their knowledge. As with the policy documents themselves, both training programs are available in 24 languages. Because the programs are conducted online, employees can complete them at their own convenience.

In 2009 KONE invited approximately 11,500 employees to complete the Code of Conduct e-learning program and 4,500 to complete the Competition Compliance Policy program. New employees and employees changing positions within the company, as notified by our country units, were subsequently invited to participate in the training during 2009 and 2010. The first global refresher training round covering the whole company will be launched during 2011, after which new employees will be automatically invited to complete the training on a quarterly basis via email.

It is anticipated that the number of employees who will be invited to participate in the Code of Conduct program during 2011 will be similar or slightly higher than in 2009. The participants for the Competition Compliance Policy program are determined globally and selected based on their role and position. These participants include the members of KONE's Executive Board, local management personnel, sales and sales support teams, as well as other employees who have access to competitive information. Where they feel it is necessary, KONE units can put forward additional participants.

The KONE Code of Conduct sets out the standard of behavior that is expected of our employees and KONE companies, and gives clear guidance and rules regarding the kinds of behavior that are not tolerated.


VADO
KONE



KONE technician at your service

Pablo starts his working day at 8:30 am in a residential area in Madrid, Spain. His job is to make sure that the elevators in his customers' buildings enable safe, smooth People Flow around the clock.

Pablo's day is spent performing maintenance tasks according to the service plan, but a technician has to always stay alert and be ready for surprises. Today the KONE call center informs Pablo that an elevator is out of service in a building nearby because the light has gone out. Twenty minutes later he has changed the light and the elevator is back in use. Pablo tells the facility manager that the elevator car lights can easily be replaced with LED lights that can last up to 10 years. LED lights reduce electricity consumption, improve reliability, and reduce heat inside the car. Pablo promises to send the facility manager a brochure and then returns to his normal service route.

At 6:30 pm Pablo's working day is over. He has serviced 10 elevators and ensured that the residents can enjoy a smooth People Flow experience also in the future.

Board of Directors

Antti Herlin
Chairman of the Board
b. 1956, D.Sc. (Econ.) h.c., D.Arts h.c.
Member of the Board since 1991.
Has served as Chairman of the Board since 2003. Previously served as CEO of KONE Corporation 1996–2006 and as Deputy Chairman 1996–2003.
Current key positions of trust: Chairman of the Board of Security Trading Oy and Holding Manutas Oy, Deputy Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company, Member of the Board of Technology Industries of Finland, Member of the Board of YIT Corporation, Member of the Board of Sanoma Corporation, and Member of the Board of Solidium Corporation.

Sirkka Hämäläinen-Lindfors
Vice Chairman of the Board
b. 1939, D. Sc. (Econ), D.Sc. (Econ.) h.c.
Member of the Board since 2004.
Previously served as Member of the Executive Board of the European Central Bank 1998–2003, as Governor and Chairman of the Board of the Bank of Finland 1992–1998, and as Member of the Board of the Bank of Finland 1991–1992.
Current key positions of trust: Chairman of the Board of the Finnish National Opera, Member of the Board of Sanoma Corporation and Member of the Board of Investor AB.

Matti Alahuhta
President & CEO, b. 1952, D.Sc. (Tech.), D.Sc. (Tech.) h.c.
Member of the Board since 2003. Employed by KONE Corporation since 2005. President of KONE Corporation since 2005, and President & CEO since 2006. Previously served as Executive Vice President of Nokia Corporation 2004, as President of Nokia Mobile Phones 1998–2003, and as President of Nokia Telecommunications 1993–1998.
Current key positions of trust: Chairman of the Board of the Aalto University Foundation, Member of the Board of UPM Kymmene Corporation, and Member of the Foundation Board of the International Institute for Management Development (IMD, Switzerland).

Anne Brunila
b. 1957, D.Sc. (Econ.)
Member of the Board since 2009.
Executive Vice President, Corporate Relations and Sustainability and Member of the Management Team of Fortum since 2009. Previously served as President and CEO of the Finnish Forest Industries Federation 2006–2009, in the Finnish Ministry of Finance (including General Director) 2002–2006, and in several advisory and executive positions in the Bank of Finland and the European Commission 1992–2002.
Current key positions of trust: Member of the Board of Sampo Plc, Member of the Board of Aalto University Foundation, Member of the Board of The Research Institute of the Finnish Economy ETLA, Member of the Board of the Finnish Business and Policy Forum EVA, Member of the Board of Finnish Energy Industries, Council Member of WBCSD (World Business Council of Sustainable Development), Member of State ownership steering group, Prime Minister's office, and Member of the Finnish Delegation of the International Chamber of Commerce.

Reino Hanhinen
b. 1943, M.Sc. (Eng.), D.Sc. (Tech.) h.c., vuorineuvos (Finnish honorary title)
Member of the Board since 2005.
Previously served as President and CEO 1987–2005 and as Group CEO of YIT Corporation 2000–2005, as Managing Director of Perusyhtymä Oy 1986–1987, as Managing Director of YIT Oy Yleinen Insinööritoimisto 1985–1986, and as Managing Director of Oy PPTH-Norden Ab 1976–1985.
Current key positions of trust: Chairman of the Board of Rautaruukki Corporation and Member of the Board of YIT Corporation.

Juhani Kaskeala
b. 1946, Admiral.
Member of the Board since 2009.
Previously served in the Finnish Defence Forces in several positions during years 1965–2009, as Commander of the Finnish Defence Forces 2001–2009, and earlier for instance as Military Assistant to the President of the Republic of Finland, and as a Defence Attaché in London, The Hague, and Brussels.
Current key positions of trust: Member of the Board of John Nurminen Foundation, Member of the Board of East Office of Finnish Industries Oy, Member of the Board of Oy Forcit Ab, and Member of the Trilateral Commission.

Shunichi Kimura
b. 1951.
Member of the Board since 2009.
President and CEO of Toshiba Elevator and Building Systems Corporation, alliance partner of KONE, since June 2008. Previously served in several positions in Toshiba Group since 1975, including as Toshiba Corporation's Executive Officer, Corporate Vice President, and as the President and CEO of Social Infrastructure Systems Company of Toshiba.

Sirpa Pietikäinen
b. 1959, M.Sc. (Econ.)
Member of the Board since 2006.
Member of the European Parliament since 2008 and as a negotiation theory lecturer and consultant since 1999. Previously served as a Member of Finland's Parliament 1983–2003 and as Finland's Minister of the Environment 1991–1995.
Current key positions of trust: Chairman of GLOBE EU, Chairman of the Finnish Association of Landscape Industries, Member of the Board of IDEA International (Institute for Democracy and Electoral Assistance), Member of the Board of Alzheimer Europe, Member of the Supervisory Board of Savings Bank, and Member of the Board of Lammi Savings Bank.

Jussi Herlin
b. 1984, student at the Helsinki School of Economics.
Deputy Member of the Board since 2007.
Current key position of trust: Member of the Board of Security Trading Oy.

Jukka Ala-Mello
b. 1963, M.Sc. (Econ.), Authorized Public Accountant
Secretary to the Board of Directors since 2006. Has served as Director of KONE Corporation and Managing Director and Member of the Board of Security Trading Oy and Holding Manutas Oy since 2006. Previously served as a Partner and APA Auditor in PricewaterhouseCoopers Oy 1993–2006 and Financial Manager of Panostaja Corporation 1990–1993.
Current key positions of trust: Member of the Board of Panostaja Corporation and Member of the Board of OWH-Yhtiöt Corporation.

Executive Board

Matti Alahuhta
President & CEO, b. 1952, D.Sc. (Tech.), D.Sc. (Tech.) h.c.
Member of the Board since 2003. Employed by KONE Corporation since 2005. President of KONE Corporation since 2005, and President & CEO since 2006. Previously served as Executive Vice President of Nokia Corporation 2004, as President of Nokia Mobile Phones 1998–2003, and as President of Nokia Telecommunications 1993–1998.
Current key positions of trust: Chairman of the Board of the Aalto University Foundation, Member of the Board of UPM Kymmene Corporation, and Member of the Foundation Board of the International Institute for Management Development (IMD, Switzerland).

Klaus Cawén
M&A and Strategic Alliances, Russia, Legal Affairs, b. 1957, LL.M. Member of the Executive Board since 1995. Employed by KONE Corporation since 1983. Previously served as General Counsel of KONE Corporation 1991–2001.
Current key positions of trust: Member of the Board of Oy Karl Fazer Ab, Member of the Board of Sponda Plc, and Member of the Board of Toshiba Elevator and Building Systems Corporation (Japan).

Henrik Ehrnrooth
CFO, b. 1969, M.Sc. (Econ.)
Member of the Executive Board and employed by KONE Corporation since 2009. Previously served at Goldman Sachs from 1998–2009, most recently as a Managing Director in the Investment Banking Division, and at UBS in various positions from 1994–1998.

Pekka Kemppainen
Service Business, b. 1954, Licentiate in Technology
Member of the Executive Board since 2005. Employed by KONE Corporation since 1984. Previously served in KONE Corporation as Executive Vice President, Asia-Pacific 2004–2010, as Executive Vice President, New Equipment Business, Elevators and Escalators 2001–2004, as Senior Vice President, New Equipment Business and Technology 1995–2001, and as Director of the Research Center 1990–1994.
Current key position of trust: Member of the Board of Toshiba Elevator and Building Systems Corporation (Japan).

Anne Korkiakoski
Marketing and Communications, b. 1964, M.Sc. (Econ.)
Member of the Executive Board and employed by KONE Corporation since 2008. Previously served as Director of Marketing and Communications of Elisa Corporation 2007–2008, as Nordic CEO of Euro RSCG Worldwide 2003–2006, as CEO of BNL Information OY 1992–2003, and as Marketing Consultant of Rubinstein Consulting 1989–1992.

Ari Lehtoranta
Central and North Europe, b.1963, M.Sc (Telecommunications)
Member of the Executive Board and employed by KONE Corporation since 2008. Previously served in KONE Corporation as Executive Vice President, Major Projects 2008–2010, in Nokia Siemens Networks/Nokia Networks as Head of Radio Access (Senior Vice President) 2005–2008, in Nokia Corporation as Vice President of Operational Human Resources 2003–2005, in Nokia Networks as Head of Broadband Division, Head of Systems Integration, Vice President for Customer Services for Europe, and Managing Director of Nokia Telecommunications in Italy, as well as in various other positions 1985–2003.
Current key position of trust: Member of the Board of Elisa Corporation.

Heikki Leppänen
New Equipment Business, b. 1957, Licentiate in Technology
Member of the Executive Board since 2005. Employed by KONE Corporation since 1982. Previously served in KONE Corporation as Senior Vice President, Technology 2004–2005 and as Head of Global Research and Development 2000–2004.

Juho Malmberg
Customer Experience, b. 1962, M.Sc. (Computer Science)
Member of the Executive Board and employed by KONE Corporation since 2006. Previously served in KONE Corporation as Executive Vice President, Global Development 2006–2010, in Accenture Finland as Managing Director 2002–2005, as Director, Nordic Outsourcing 2005, as Deputy Managing Director 1999–2002, and as Technology Director 1992–1999.
Current key position of trust: Member of the Board of F-Secure Corporation and Member of the Board of Kuntien Tiera Oy.

Pierre Liautaud (as of April, 2011)
Western & South Europe, Middle East & Africa
b. 1958, M.Sc, Member of the Executive Board and employed by KONE Corporation since 2011. Previously served in Microsoft EMEA as Vice President, Enterprise & Partner Group 2003–2006, then Area Vice President Western Europe 2006–2009. Previously served as CEO at @viso (Vivendi-Softbank, 1999–2001) and Activia Networks (2001–2003). Also served in IBM Corporation 1982–1999, most recently as Vice-President Marketing, Internet Division (1998) and General Manager, Global Electronics Industry (1999).

Vance Tang
Americas, b. 1967, MBA (Business)
Member of the Executive Board and employed by KONE Corporation since 2007. Previously served as Vice President and General Manager, Honeywell Building Control Systems 2004–2006, as Global Business Leader, Vice President, Trane Global Controls and Contracting 2002–2004, as Vice President, General Manager, Trane Asset Management Services 1999–2002, and as Business Leader and Manager in different divisions of the Trane Company 1990–1998.
Current key position of trust: Board Member and President of the National Elevator Industry, Inc. (NEII), and independent director of American Woodmark, Inc.

Kerttu Tuomas
Human Resources, b. 1957, B.Sc. (Econ.)
Member of the Executive Board and employed by KONE Corporation since 2002. Previously served as Group Vice President, Human Resources of Elcoteq Network Corporation 2000–2002 and as Personnel & Organization Manager of Masterfoods Oy (Mars) 1994–1999.
Current key positions of trust: Member of the Board of JTO School of Management and Kemira Oyj.

Noud Veeger
Asia-Pacific, b. 1961, M.Sc. (Econ.)
Member of the Executive Board since 2004. Employed by KONE Corporation since 1999. Previously served in KONE Corporation as Executive Vice President, Central and North Europe 2004–2010, as Managing Director of KONE Plc (UK) 2002–2004, as Director, New Elevator & Escalator Business, KONE Netherlands 1999–2002, as Director of OTRA Netherlands 1996–1998, and as Managing Director of HCI Central America 1993–1996.

Reporting scope

KONE has chosen to report using the Global Reporting Initiative (GRI) guidelines in order to facilitate easier comparison of our performance with other companies and to streamline our own corporate responsibility reporting efforts. KONE has published a Corporate Responsibility Report annually since 2008. The previous report was published in May, 2010. The reports follow GRI (G3) reporting guidelines as far as they are applicable.

The report for 2010 covers economic, social, and environmental responsibility. A table detailing how this report complies with the GRI guidelines is shown on pages 72–73. Based on our own assessment, KONE has followed the B Application Level of the guidelines. This Application Level has been checked by a third party, PricewaterhouseCoopers Oy. The reporting period corresponds with the calendar year and with KONE's financial year of January 1–December 31, 2010.

When developing the report content and choosing indicators, the driver has been the materiality to KONE's operations. The materiality analysis was performed by a team representing different organizational units within KONE. The purpose of this analysis was to identify and prioritize the key aspects of KONE's corporate responsibility. KONE's approach to corporate responsibility has been described also on pages 4–5, CEO's review, and 14–15, Strategy. All major local and regional organizations, and all production units are included in the reporting scope.

All financial data and a significant proportion of the employee-related data has been collected through KONE's enterprise resource management and financial reporting systems. All financial figures presented in this report are based on KONE Corporation's consolidated and audited financial statements for 2009 and 2010.

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

The environmental data was collected from local organizations using a customized data collection spreadsheet, consolidated on a country level, and then further consolidated globally in a combined effort with KONE's global carbon footprint assessment analysis. KONE's global carbon footprint assessment has been carried out by a third-party agency in accordance with the Greenhouse Gas Protocol and ISO 14064 guidelines.

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

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

Material topics for KONE

Honorable mention for the 2009 Corporate Responsibility Report

KONE's 2009 Corporate Responsibility Report received an honorable mention for its extensive reporting of energy and material efficiency in the review of Finnish corporate responsibility reports in 2010. The report was commended for its clear reporting of product energy efficiency and technological innovations. Material efficiency reporting was commended for the optimization of material and waste management, as well as for disclosing environmental data by material category and operation.

Glossary

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

Eco-efficiency
The concept of creating more goods and services while using fewer resources and creating less waste and pollution.

Eco-indicator 99 method
An impact assessment method for Life Cycle Assessment (LCA), and also forms the basis for the calculation of eco-indicator scores for materials and processes. The methodology is highly compatible with ISO 14042 requirements.

GHG (Greenhouse gas)
Greenhouse gases are gaseous constituents of the atmosphere that cause the greenhouse gas effect. Water vapor (H_2O), carbon dioxide (CO_2), nitrous oxide (N_2O), methane (CH_4), and ozone (O_3) are the primary greenhouse gases in the Earth's atmosphere. There are also a number of entirely man-made greenhouse gases.

GHG Protocol (Greenhouse gas protocol)
The GHG Protocol is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions.

GRI (Global Reporting Initiative)
The Global Reporting Initiative guidelines are widely used for the reporting of economic, environmental, and social performance.

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

ISO 14001
ISO 14001 is a global standard for corporate environmental management systems developed by the International Organization for Standardization.

ISO 9001
The ISO 9001 is a global standard for organizations' quality management systems developed by the International Organization for Standardization.

LCA (Life Cycle Assessment)
The investigation and valuation of the environmental impacts of a given product or service, caused or necessitated by its existence.

Lean
Lean is a set of methods and tools to identify and eliminate waste in any processes and thus add value to our customers.

LEED (Leadership in Energy and Environmental Design)
LEED is an internationally recognized green building certification system developed by the US Green Building Council.

NOx (nitrogen oxide)
A collective term for the nitrogen oxides produced during combustion that can contribute to the acidification of soil and water. NO and N_2O are considered to be greenhouse gases.

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

SO_2 (sulfur dioxide)
Sulfur dioxide is a gas formed from the combustion of fuels that contain sulfur, such as oil and coal. Sulfur dioxide contributes to the acidification of soil and water.

tCO_2e (K tCO_2e)
Tonne (1000 kg) of carbon dioxide equivalent. Quantities of greenhouse gas emissions, expressed in tonnes and reported to the equivalent global warming potential of carbon dioxide over 100 years.

VOC (Volatile Organic Compound)
Volatile Organic Compounds (VOCs) refer to organic chemical compounds which have significant vapor pressures and which can affect the environment and human health. They include a range of different chemicals, some of which may have both short-term and long-term health effects.

WIP
Work that has not been completed but has already incurred a capital investment from the company.

GRI index

Comparison with Global Reporting Initiative guidelines

	GRI Content	Included	Page	Comments
	1. Strategy and Analysis			
1.1	CEO's statement	Yes	4–6	
1.2	Key impacts, risks and opportunities	Yes	11–15	
	2. Organizational Profile			
2.1	Name of the organization	Yes	2	
2.2	Primary brands, products and services	Yes	2	
2.3	Operational structure	Yes	2	
2.4	Location of organization's headquarters	Yes	2	
2.5	Number of countries and location of operations	Yes	2	
2.6	Nature of ownership and legal form	Yes	2, 19	
2.7	Markets served	Yes	2–3	
2.8	Scale of the reporting organization	Yes	2–3	
2.9	Significant changes regarding size, structure or ownership	Yes	2	
2.10	Awards received in the reporting period	Yes	48, 49, 70	
	3. Reporting Principles			
	Report profile			
3.1	Reporting period	Yes	70	
3.2	Date of most recent report	Yes	70	
3.3	Reporting cycle	Yes	70	
3.4	Contact point for questions regarding the report	Yes	70, back cover	
	Report scope and boundary			
3.5	Process for defining report content (materiality, prioritizing topics and stakeholders using the report)	Yes	70, 14	
3.6	Boundary of the report	Yes	52, 70	
3.7	Limitations on the report's scope or boundary	Yes	70	
3.8	Basis for reporting subsidiaries, joint ventures, and other entities affecting comparability	Yes	52, 70	
3.9	Data measurement techniques and bases of calculations	Yes	70	
3.10	Explanation of re-statements	Yes	52	Reported in connection with the indicators in question
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	Yes	52	
	GRI content index			
3.12	GRI content index	Yes	72–73	
	Assurance			
3.13	Assurance policy and practice	Yes	70	The report does not have external assurance
	4. Governance, Commitments and Engagement			
	Governance			
4.1	Governance structure of the organisation	Yes	FS 56	
4.2	Position of the Chairman of the Board	Yes	FS 58	
4.3	Independence of the Board members	Yes	FS 58	
4.4	Mechanism for shareholder and employee consultation	Yes	59, FS 56	
4.5	Executive compensation and linkage to organization's performance	Yes	FS 58–59	Linkage to CR performance not reported
4.6	Processes for avoiding conflicts of interest	Yes	FS 57–58	
4.7	Processes for determining expertise	Yes	FS 56, 60	
4.8	Implementation of mission and values statements, code of conduct and other principles	Yes	40, 64–65	
4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management	Yes	FS 57	Procedures related to CR management not reported
4.10	Processes for evaluating the Board's performance	Yes	FS 56	
	Commitments to External Initiatives			
4.11	Addressing precautionary approach	Yes	18, 26–27	
4.12	Voluntary charters and other initiatives	Yes		No commitments to initiatives as defined by GRI
4.13	Memberships in associations	Yes	20	
	Stakeholder Engagement			
4.14	List of stakeholder groups	Yes	19–20	
4.15	Identification and selection of stakeholders	Yes	19	
4.16	Approaches to stakeholder engagement	Yes	19–20	
4.17	Key topics raised through stakeholder engagement	Yes	19–20, 22, 59–60	

GRI index

Comparison with Global Reporting Initiative guidelines

	GRI Content	Included	Page	Comments
	Economic Performance Indicators			
	Management approach to economic responsibility	Yes	14, 16, 18	
EC1*	Direct economic value generated and distributed	Yes	20–21	
EC2*	Financial implications, risks and opportunities due to climate change	Partly	28–29	
EC6*	Policy, practices and spending on local suppliers	Partly	21, 40–41	
	Environmental Performance Indicators			
	Management approach to environmental responsibility	Yes	44–45	
EN1*	Materials used by weight or volume	Yes	53	
EN2*	Recycled materials used	Partly	34	
EN3*	Direct energy consumption	Yes	53	Heating fuel and natural gas reported.
EN4*	Indirect energy consumption	Yes	50, 53	
EN5	Energy saved due to conservation and efficiency improvements	Yes	50–51	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Yes	29–33	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Partly	39, 50	Reductions achieved not reported
EN8*	Total water withdrawal by source	Yes	51, 53	
EN16*	Total direct and indirect greenhouse gas emissions	Yes	53	
EN17*	Other relevant indirect greenhouse gas emissions	Yes	53	
EN18	Initiatives to reduce greenhouse gas emissions	Yes	46-50	
EN19*	Emissions of ozone-depleting substances	Yes	35	
EN22*	Total amount of waste by type and disposal method	Yes	51, 53	
EN26*	Mitigating environmental impacts of products and services	Yes	29, 31–33	
EN29	Environmental impacts of transportation	Yes	47–50	
	Social Performance Indicators			
	Management approach to social responsibility	Yes	14–15, 40–42, 56, 64	
	Labor Practices and Decent Work			
LA1*	Total workforce by employment type, employment contract and region	Partly	62	Not reported by employment type or employment contract
LA5*	Minimum notice period regarding operational changes	Yes		According to local legislation
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Partly	43	Injury rate reported
LA11	Programmes for skills management and lifelong learning	Yes	58	
LA12	Employees receiving regular performance and career development reviews	Partly	60–61	Percentage not reported
LA13*	Composition of governance bodies and breakdown of employees	Partly	61	Breakdown by gender reported
	Human Rights			
HR2*	Suppliers and contractors that have undergone human rights screening and actions taken	Partly	40–41	Percentage not reported
HR3	Employee training on policies and procedures concerning human rights relevant to operations	Partly	65	Code of Conduct training conducted in 2009. Training hours or percentage of employees not reported.
HR6*	Operations identified as having significant risk for child labor and measures taken to contribute to the elimination of child labor	Yes	64	No risks related to the use of child labour have been identified in KONE's own operations.
HR7*	Operations identified as having significant risk for forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor	Yes	64	No risks related to the use of forced or compulsory labour have been identified in KONE's own operations.
	Society			
SO3*	Percentage of employees trained in anti-corruption policies and procedures	Partly	65	
SO8*	Significant fines and sanctions for non-compliance with laws and regulations	Yes		No significant fines or sanctions during the reporting period
	Product Responsibility			
PR1*	Assessment of health and safety impacts of products	Yes	26–27, 42	
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	Yes	19	

* GRI Core indicator

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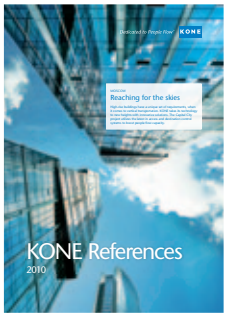
Read about KONE's
operations in these publications



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