Industrial Machinery Finland HEL:KNEBV

ESG Risk Rating

19.0

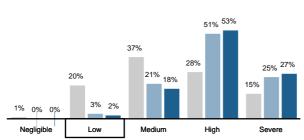
Updated Feb 3, 2021

-2.0Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking



Peers (Market cap \$37.0 - \$51.5bn)	Exposure	Management	ESG Risk Rating
1. KONE Oyj	42.5 Medium	57.7 Strong	19.0 Low
2. Parker-Hannifin Corp.	47.9 Medium	43.1 Average	28.1 Medium
3. Emerson Electric Co	46.2 Medium	35.8 Average	30.3 High
4. FANUC Corp.	45.4 Medium	33.7 Average	30.7 High
5. SMC Corp. (Japan)	43.1 Medium	24.6 Weak	32.9 High

Industrial Machinery Finland HEL:KNEBV

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

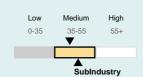
ESG Risk Exposure

42.5

0.0

Medium Momentum

Beta = 0.90



As KONE is primarily involved in the elevator and escalator business, any product quality or safety defects could result in potentially life-threatening accidents, leading to fines and high compensation payments. Furthermore, the company's products are used in public spaces for commuting, and failure to meet domestic safety regulatory requirements could result in loss of contracts and product recalls. KONE also faces challenges in recruiting and retaining highly skilled employees to continuously innovate its products and compete with their peers. In addition, strained labour relations with factory workers could expose the company to risks from strikes and lead to operational disruptions. Lastly, the company operates in an industry where direct competition is limited, which can create opportunities for unethical business practices such as price-fixing and collusion to occur.

The company's overall exposure is medium and is moderately below subindustry average. Human Capital, Product Governance and Business Ethics are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

57.7

+5.0

Strong Momentum

Strong Average Weak 100-50 50-25 25-0

KONE has formal commitments to ensure product safety and reports that it conducts product safety risk assessments to minimize accidents. It also discloses emergency response plans and processes that are audited regularly. Furthermore, in FY2019, 100% of its corporate units and production facilities were ISO 9001 certified. Regarding human capital development, the company discloses several talent recruitment and development initiatives. It also reports that it conducts annual performance reviews and employee engagement surveys. With regard to the management of business ethics issues, the company has established compliance systems with managerial oversight and requires all employees to complete its code of conduct training. In addition, KONE has an independent whistleblowing hotline that allows employees to report concerns confidentially 24/7, either by phone or web.

The company's overall management of material ESG issues is strong.

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Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure Score Category	ESG Risk Management Score Category	ESG Risk Rating Score Category	Contribution to ESG Risk Rating
Corporate Governance	9.0 High	45.2 Average	4.9 Medium	26.0%
Human Capital	6.3 Medium	51.4 Strong	3.2 Low	17.0%
Business Ethics	5.4 Medium	46.3 Average	3.0 Low	15.9%
E&S Impact of Products and Services	3.6 Low	51.3 Strong	2.1 Low	11.2%
Product Governance	7.6 Medium	78.8 Strong	1.6 Negligible	8.5%
Carbon -Products and Services	3.5 Low	60.0 Strong	1.4 Negligible	7.4%
Human Rights -Supply Chain	1.8 Low	29.5 Average	1.4 Negligible	7.2%
Occupational Health and Safety	2.9 Low	75.5 Strong	0.8 Negligible	4.2%
Carbon -Own Operations	2.4 Low	80.0 Strong	0.5 Negligible	2.5%
Overall	42.5 Medium	57.7 Strong	19.0 Low	100.0%

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

▲ Severe (0)

△ High (0)

△ Significant (0)

A Moderate (1)

Quality and Safety

▲ Low (0)

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Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

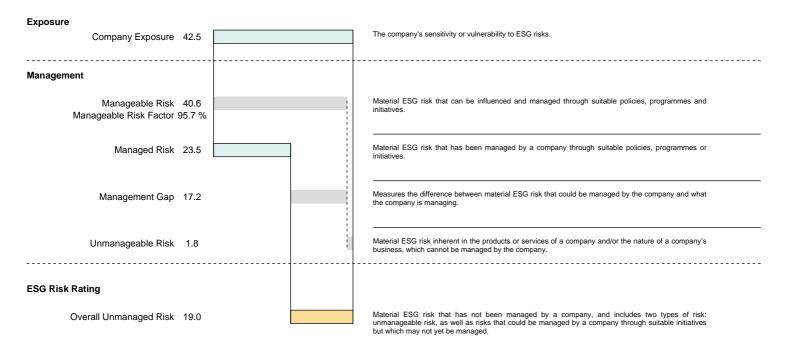
Category (Events)

⚠ None (18)	
Accounting and Taxation	Anti-Competitive Practices
Bribery and Corruption	Business Ethics
Carbon Impact of Products	Employees - Human Rights - SC
Energy Use and GHG Emissions	Environmental Impact of Products
Intellectual Property	Labour Relations
Labour Relations - SC	Lobbying and Public Policy
Marketing Practices	Occupational Health and Safety
Occupational Health and Safety - SC	Sanctions
Social Impact of Products	Society - Human Rights - SC



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Risk Decomposition



Momentum Details







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Issue



Corporate Governance

Contribution 26.0 %

Corporate Governance represents foundational structures for the management of ESG risks.

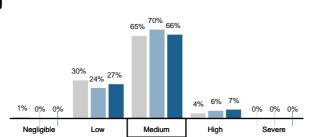
ESG Risk Rating

4.9

Medium Risk

NEGL	LOW	MED	HIGH	SEVERE
0-2	2-4	4-6	6-8	8+

ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	(1 st = lowest risk)	PERCENTILE (1 St = lowest risk)
Global Universe	2968 /4468	67th
Machinery INDUSTRY	90 /141	64th
Industrial Machinery SUBINDUSTRY	66 /96	69th

Peers (Market cap \$37.0 - \$51.5bn)	Exposure	Management	ESG Risk Rating
1. Parker-Hannifin Corp.	9.0 High	56.2 Strong	3.9 Low
2. Emerson Electric Co	9.0 High	50.6 Average	4.4 Medium
3. KONE Oyj	9.0 High	45.2 Average	4.9 Medium
4. FANUC Corp.	9.0 High	40.4 Average	5.4 Medium
5. SMC Corp. (Japan)	9.0 High	28.4 Weak	6.4 High



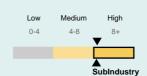
Industrial Machinery Finland HEL:KNEBV

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

9.0 High



The quality and integrity of the company's board and management and its remuneration systems are identified as the highest weighted governance areas of focus. The company is publicly traded, which leads to heightened scrutiny of its governance practices and increases the importance of governance structures, practices and behaviour. This translates into high exposure to baseline Corporate Governance risk.

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

45.2

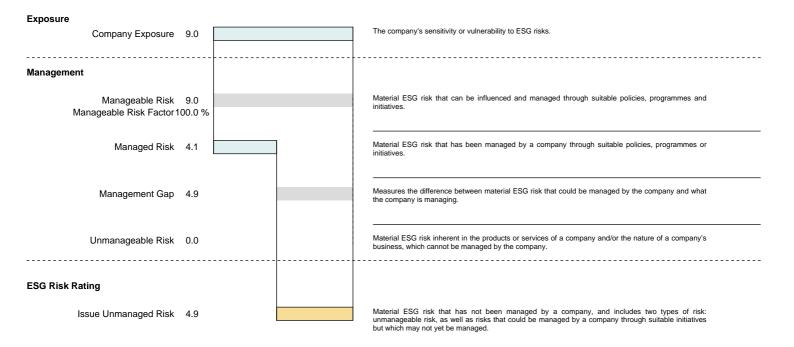
Average



The company is noted for showing particular strength in its stakeholder governance. On the other hand, it is noted for weakness in its audit and financial performance systems. It has average management of its 4 other governance pillars. Overall, we rate the company's corporate governance management as average.

Corporate Governance Pillars	Raw Score	Weight	Weighted Score
Board/Management Quality & Integrity	48	25.0%	12.0
Board Structure	47	15.0%	7.1
Ownership & Shareholder Rights	54	17.0%	9.2
Remuneration	36	25.0%	9.0
Audit & Financial Reporting	35	8.0%	2.8
Stakeholder Governance	52	10.0%	5.2
Totals		100.0%	45.2

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Issue



Human Capital

Contribution 17.0 %

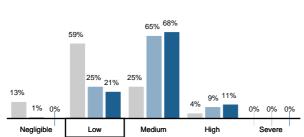
Human Capital focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.

ESG Risk Rating

3.2



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE		PERCENTILE () (1 st = lowest risk)
Global Universe	2043 /4222	49th
Machinery INDUSTRY	12 /141	9th
Industrial Machinery SUBINDUSTRY	6 /96	6th

Peers (Market cap \$37.0 - \$51.5bn)	Exposure	Management	ESG Risk Rating
1. KONE Oyj	6.3 Medium	51.4 Strong	3.2 Low
2. Emerson Electric Co	7.7 Medium	48.5 Average	4.2 Medium
3. FANUC Corp.	7.4 Medium	45.5 Average	4.2 Medium
4. SMC Corp. (Japan)	6.3 Medium	20.1 Weak	5.1 Medium
5. Parker-Hannifin Corp.	8.1 High	22.8 Weak	6.3 High



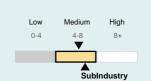
Industrial Machinery Finland HEL:KNEBV

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

6.3 Medium



KONE relies on a workforce of around 60,000 employees working in over 60 countries. This exposes the company to risks from labour relations issues such as worker strikes and stoppages at its different sites. Additionally, designing and maintaining digitally advanced elevators and escalators requires specific engineering expertise. This means that the company needs to attract and retain a highly-skilled workforce to innovate and compete.

The company's exposure to Human Capital issues is medium and moderately below subindustry average.

Exposure Analysis Subindustry Issue Exposure 7.0 Issue Beta x 0.90 Company Issue Exposure 6.3

Beta Indicators	Beta Signal
Labour Relations	0.00
Operating Performance	-0.02
Solvency	-0.02
Financial Flexibility	-0.03
Asset Performance	-0.03
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.10
Baseline	+1.00
Overall Beta	0.90



Industrial Machinery Finland HEL:KNEBV

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

51.4 Strong

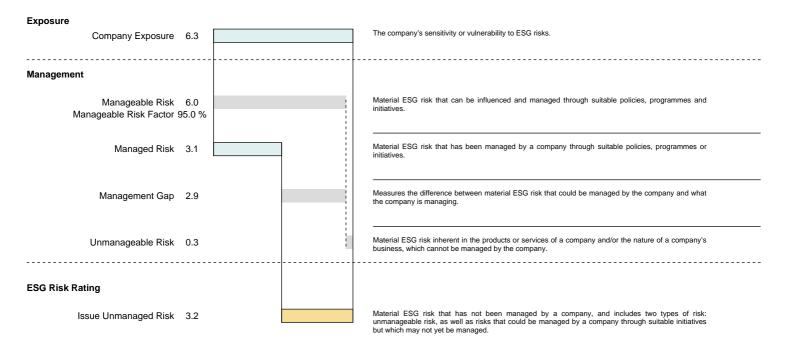


KONE has formal commitments addressing freedom of association and prohibiting workplace discrimination. The company also reported that 65% of its workforce was covered by collective bargaining agreements at the end of FY2019. Regarding talent recruitment, KONE reports that it runs apprenticeship programmes and collaborates with educational institutions to recruit staff. Talent development initiatives include technical training programmes and certifications that are offered through the company's global learning management system. The company also reports that it conducts employee engagement surveys to measure employee satisfaction and annual performance reviews. Regarding workplace diversity, the company reported that 18% of director-level positions were held by women in 2019.

In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Freedom of Association Policy	100	7.5%	7.5
Collective Bargaining Agreements	75	15.0%	11.3
Human Capital Development	75	30.0%	22.5
Discrimination Policy	50	5.0%	2.5
Diversity Programmes	25	12.5%	3.1
Employee Training	20	7.5%	1.5
Employee Turnover Rate	20	15.0%	3.0
Working Hours Policy	0	7.5%	0.0
⚠ Labour Relations	Category 0	0%	0.0
Weighted Sum			51.4

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Issue

AW/

Business Ethics

Contribution 15.9 %

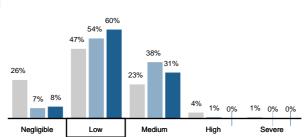
Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

ESG Risk Rating

3.0



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE		PERCENTILE (1 St = lowest risk)
Global Universe	2150 /4090	53rd
Machinery INDUSTRY	36 /137	26th
Industrial Machinery SUBINDUSTRY	30 /96	31st

Peers (Market cap \$37.0 - \$51.5bn)	Exposure	Management	ESG Risk Rating
1. Emerson Electric Co	5.7 Medium	58.8 Strong	2.5 Low
2. KONE Oyj	5.4 Medium	46.3 Average	3.0 Low
3. Parker-Hannifin Corp.	6.0 Medium	40.5 Average	3.7 Low
4. FANUC Corp.	5.7 Medium	27.6 Average	4.2 Medium
5. SMC Corp. (Japan)	5.4 Medium	18.1 Weak	4.5 Medium

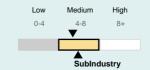
Industrial Machinery Finland HEL:KNEBV

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

5.4 Medium



KONE is the third-largest manufacturer of elevators and escalators globally and operates in an environment where there is limited direct competition. This can create situations for unethical business practices like collusion and price-fixing to occur. Additionally, with the company operating in over 60 countries, it will need to comply with several compliance frameworks, which exposes the company to risks from accounting irregularities.

The company's exposure to Business Ethics issues is medium and moderately below subindustry average.

Exposure Analysis			
Subindustry Issue Exposure		6.0	
Issue Beta	х	0.90	
Company Issue Exposure	·	5.4	

Beta Indicators	Beta Signal
Accounting and Taxation	0.00
Anti-Competitive Practices	0.00
Bribery and Corruption	0.00
Business Ethics	0.00
Intellectual Property	0.00
Lobbying and Public Policy	0.00
Sanctions	0.00
Operating Performance	-0.02
Solvency	-0.02
Financial Flexibility	-0.03
Asset Performance	-0.03
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.10
Baseline	+1.00
Overall Beta	0.90

Industrial Machinery Finland HEL:KNEBV

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

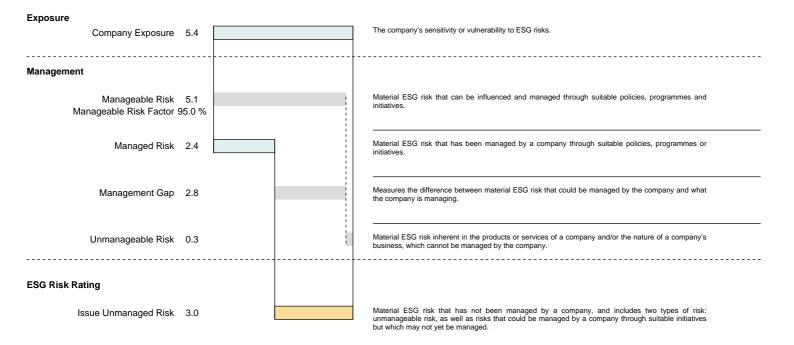
46.3 Average



KONE commits to prohibit bribery and corruption and minimize conflicts of interest. The company reports that all employees are required to complete the company's code of conduct online training. The training covers topics such as conflicts of interest, fair competition, anti-bribery and privacy. KONE reports that its global compliance committee comprising three executive board members and the head of global compliance is responsible for overseeing compliance and ethics issues. However, the company does not report on whether it conducts ethical risk assessments and does not disclose internal monitoring systems to detect corruption. Regarding whistleblowing systems, the company has an independent hotline that allows employees to report concerns confidentially 24/7, either by phone or web.In our view, the company's management of the issue is average.

Management Indicators	Raw Score	Weight	Weighted Score
Bribery & Corruption Programmes	50	25.0%	12.5
Business Ethics Programme	50	25.0%	12.5
Lobbying and Political Expenses	50	10.0%	5.0
Whistleblower Programmes	50	25.0%	12.5
Bribery & Corruption Policy	25	7.5%	1.9
Political Involvement Policy	25	7.5%	1.9
▲ Accounting and Taxation	Category 0	0%	0.0
♠ Anti-Competitive Practices	Category 0	0%	0.0
Bribery and Corruption	Category 0	0%	0.0
♠ Business Ethics	Category 0	0%	0.0
♠ Intellectual Property	Category 0	0%	0.0
▲ Lobbying and Public Policy	Category 0	0%	0.0
▲ Sanctions	Category 0	0%	0.0
Weighted Sum			46.3

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Issue

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E&S Impact of Products and Services

Contribution 11.2 %

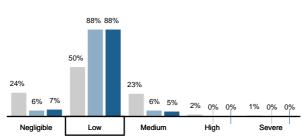
E&S Impact of Products and Services refers to the management of the inherent characteristics of input materials, and the impacts during use, disposal and recycling (excluding Carbon).

ESG Risk Rating

2.1



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE		PERCENTILE k) (1 st = lowest risk)
Global Universe	335 /1225	28th
Machinery INDUSTRY	12 /140	9th
Industrial Machinery SUBINDUSTRY	9 /96	9th

Peers (Market cap \$37.0 - \$51.5bn)	Exposure	Management	ESG Risk Rating
1. KONE Oyj	3.6 Low	51.3 Strong	2.1 Low
2. SMC Corp. (Japan)	3.6 Low	23.8 Weak	2.9 Low
3. FANUC Corp.	3.8 Low	23.8 Weak	3.1 Low
4. Parker-Hannifin Corp.	4.0 Medium	26.3 Average	3.2 Low
5. Emerson Electric Co	3.8 Low	11.3 Weak	3.5 Low



Industrial Machinery Finland HEL:KNEBV

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

3.6 Low



The E&S Impact of industrial machines is directly linked to the operational use of products by customers, such as machine makers, food processors, car makers, general manufacturers, utility companies, chemicals processors, construction companies and environmental management companies. Specifically, energy efficiency and safety are customer priorities and drive purchasing decisions, and must therefore be considered in product designs. Most customers require industrial machinery companies to produce energy-efficient equipment to reduce their own energy costs and emissions. Additionally, regulations on emissions, effluents and waste are affecting customer demand for more ecologically friendly industrial machines, particularly in China, which has recently strengthened its regulations. As a consequence, clients require machinery companies to disclose more environmental information about their products so that customers do not violate regulations. Accordingly, industrial machinery companies are focusing more on innovation to build more environmentally responsible machinery. For instance, recent developments in electric vehicles call for more energy-efficient engines, environmental damage caused by refrigerants have necessitated changes in air conditioning systems, and growing concern about water pollution has affected water filtration system design. Best practice includes transparent disclosure of the E&S impacts of each product, the establishment of ecodesign in the R&D process, and frequent consultation with relevant stakeholders.

The company's exposure to E&S Impact of Products and Services issues is low and moderately below subindustry average.

Exposure Analysis			
Subindustry Issue Exposure		4.0	
Issue Beta	х	0.90	
Company Issue Exposure		3.6	

Exposure Analysis

Beta Indicators	Beta Signal
Environmental Impact of	0.00
Social Impact of Products	0.00
Operating Performance	-0.02
Solvency	-0.02
Financial Flexibility	-0.03
Asset Performance	-0.03
Headquarters Location	-0.03
Sales Location	0.05
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.10
Baseline	+1.00
Overall Beta	0.90

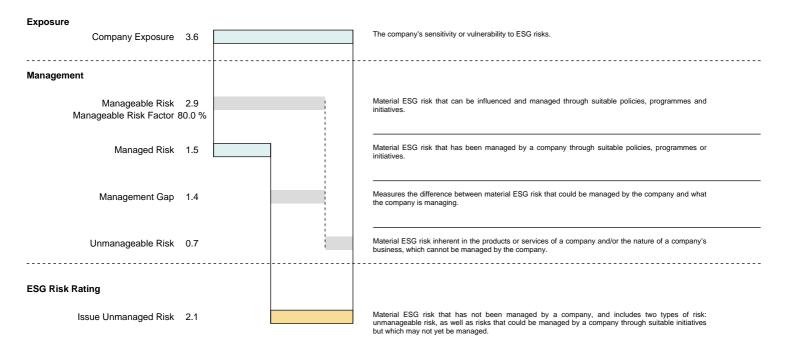
Industrial Machinery Finland HEL:KNEBV

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.





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Issue

Product Governance

Contribution 8.5 %

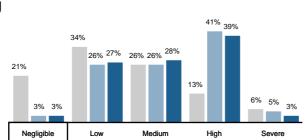
Product Governance focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

ESG Risk Rating

1.6



ESG Risk Rating Distribution



ESG Risk Rating Ranking

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UNIVERSE	(1 St = lowest risk)	PERCENTILE (1 St = lowest risk)
Global Universe	413 /3513	13th
Machinery INDUSTRY	3 /141	2nd
Industrial Machinery SUBINDUSTRY	2 /96	2nd

Peers (Market cap \$37.0 - \$51.5bn)	Exposure	Management	ESG Risk Rating
1. KONE Oyj	7.6 Medium	78.8 Strong	1.6 Negligible
2. Parker-Hannifin Corp.	8.0 High	62.5 Strong	3.0 Low
3. SMC Corp. (Japan)	7.2 Medium	32.5 Average	4.9 Medium
4. FANUC Corp.	7.6 Medium	25.0 Average	5.7 Medium
5. Emerson Electric Co	8.0 High	11.3 Weak	7.1 High

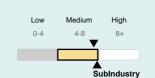
Industrial Machinery Finland HEL:KNEBV

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

7.6 Medium



Escalators and elevators need to be designed and maintained well to prevent accidents and safety issues. Companies like KONE are exposed to product quality and safety risks and could become involved in compensation lawsuits in the event of an injury or fatality due to equipment malfunction. Additionally, the company's products are also used in public spaces for commuting and any failure in meeting the domestic regulatory requirements could result in product recalls and operational disruptions.

The company's exposure to Product Governance issues is medium and similar to subindustry average.

Exposure Analysis Subindustry Issue Exposure 8.0 Issue Beta x 0.95 Company Issue Exposure 7.6

Beta Indicators	Beta Signal
Marketing Practices	0.00
Quality and Safety	0.02
Operating Performance	-0.02
Solvency	-0.02
Financial Flexibility	-0.03
Asset Performance	-0.03
Headquarters Location	-0.03
Sales Location	0.05
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.05
Baseline	+1.00
Overall Beta	0.95

Industrial Machinery Finland HEL:KNEBV

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

78.8 Strong

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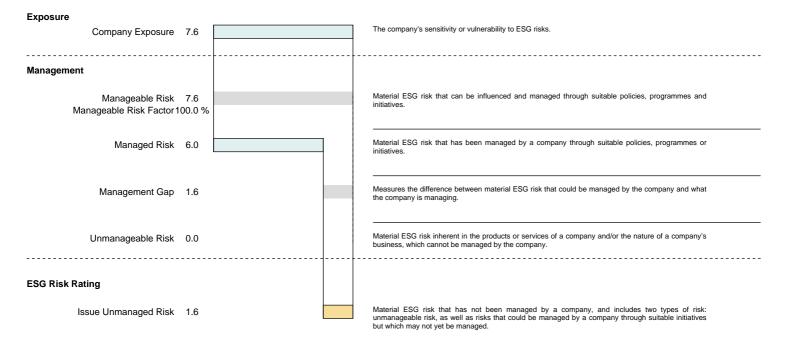
KONE has formal commitments to comply with applicable regulations governing product quality and safety. The company reports that it uses product safety risk assessment tools such as the kaizen continuous improvement methodology to improve the safety, quality, and efficiency of its installation processes. KONE also reports that it collaborates with its customers to prevent situations that could lead to safety risks. Additionally, the company reports that all workers undergo product safety training to perform their work in a safe manner. Regarding quality management certifications, KONE reported that all its corporate units and production facilities were ISO 9001 certified as of 2019.

The company has above average preparedness measures to address Product Governance issues and has been implicated in minor controversies related to the issue. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
QMS Certifications	100	45.0%	45.0
Product and Service Safety	75	45.0%	33.8
Quality and Safety	Category 2	10%	0.0
	Category 0	0%	0.0
Weighted Sum			78.8



Industrial Machinery Finland HEL:KNEBV





Industrial Machinery Finland HEL:KNEBV

Issue

5

Carbon - Products and Services

Contribution 7.4 %

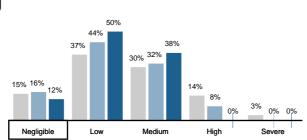
Carbon - Products and Services refers to a company's management of the energy efficiency and/or GHG emissions of its services and products during the use phase.

ESG Risk Rating

1.4



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE		PERCENTILE sk) (1 st = lowest risk)
Global Universe	48 /632	8th
Machinery INDUSTRY	16 /137	12th
Industrial Machinery SUBINDUSTRY	7 /96	7th

Peers (Market cap \$37.0 - \$51.5bn)	Exposure	Management	ESG Risk Rating
1. KONE Oyj	3.5 Low	60.0 Strong	1.4 Negligible
2. Parker-Hannifin Corp.	4.5 Medium	25.0 Average	3.4 Low
3. SMC Corp. (Japan)	4.5 Medium	25.0 Weak	3.4 Low
4. FANUC Corp.	4.8 Medium	25.0 Average	3.6 Low
5. Emerson Electric Co	4.8 Medium	7.5 Weak	4.4 Medium



Industrial Machinery Finland HEL:KNEBV

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

3.5 Low



Carbon impact of products and services refers to energy efficiency and carbon emissions of Industrial Machinery products in the use phase of their life cycle and is directly linked to the operational use by customers, such as machine makers, food processors, car makers, general manufacturers, utility companies, chemicals processors, construction companies and environmental management companies. Thus, exposure depends on customers' business operations and impacts a wide variety of industries. Industrial Machinery companies face increasing demand for clean technologies from customers who prefer energy-efficient products that can lead to costs savings and operational efficiencies. Additionally, regulations on emissions are affecting customer demand for more ecologically friendly industrial machines, particularly in China, which has recently strengthened its regulations. Industrial Machinery companies can manufacture energy-efficient pumping products, elevators and escalators, heating, ventilating and air conditioning systems, and industrial processing products. These companies may also supply systems and services that enhance energy efficiency through factory automation or design optimization. In addition, growing investment in renewable energy and electric cars provides market opportunities in areas such as wind and tidal current turbines, solar panels, and hybrid and electric motors. Best practice includes integration of environmental considerations in product design and development processes, investment in R&D for clean technologies, and transparent disclosure of the carbon and energy performance of products.

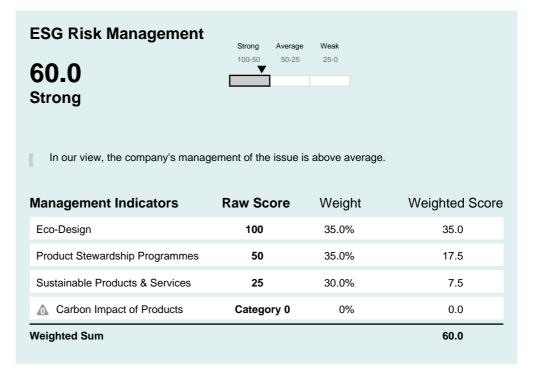
The company's exposure to Carbon -Products and Services issues is low and significantly below subindustry average.

Exposure Analysis		
Subindustry Issue Exposure		5.0
Issue Beta	х	0.70
Company Issue Exposure		3.5

Beta Indicators	Beta Signal
Carbon Impact of Products	0.00
Operating Performance	-0.02
Solvency	-0.02
Financial Flexibility	-0.03
Asset Performance	-0.03
Carbon Solutions Offering	-0.10
Qualitative Overlay	0.00
Subindustry Correction Factor	-0.11
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.30
Baseline	+1.00
Overall Beta	0.70

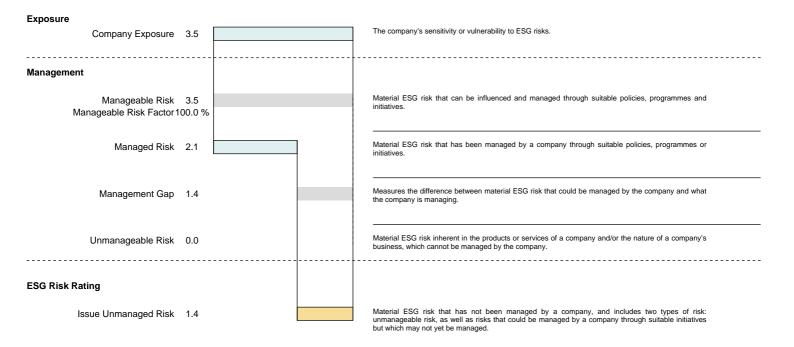
Industrial Machinery Finland HEL:KNEBV

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.





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Issue



Human Rights - Supply Chain

Contribution 7.2 %

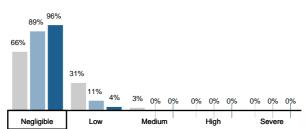
Human Rights - Supply Chain focuses on a company's management of fundamental human rights issues occurring in its supply chain.

ESG Risk Rating

1.4



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 St = lowest risk)	PERCENTILE (1 St = lowest risk)
Global Universe	283 /1161	25th
Machinery INDUSTRY	42 /141	30th
Industrial Machinery SUBINDUSTRY	32 /96	33rd

Peers (Market cap \$37.0 - \$51.5bn)	Exposure	Management	ESG Risk Rating
1. Emerson Electric Co	1.7 Low	54.5 Strong	1.0 Negligible
2. FANUC Corp.	1.8 Low	40.0 Average	1.2 Negligible
3. KONE Oyj	1.8 Low	29.5 Average	1.4 Negligible
4. Parker-Hannifin Corp.	2.0 Low	30.2 Average	1.5 Negligible
5. SMC Corp. (Japan)	1.8 Low	18.8 Weak	1.5 Negligible



Industrial Machinery Finland HEL:KNEBV

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

1.8 Low



The industrial machinery subindustry produces both finished products and custom-designed components. Companies in the subindustry are dependent on complex global supply chains to deliver the components that feed into their production lines. Due to the globalization of the subindustry, understanding and managing potential supply chain risks have become a strategic priority. Specifically, suppliers' human rights issues in emerging countries have become critical. Machinery parts are largely commoditized and suppliers face intense competition to lower prices, which can lead to poor work conditions, low wages, discrimination, or abuse of the right to freedom of association. Labour unrest at suppliers can result in problems with product delivery, negatively affecting their operations. Strikes lasting only a few days can lead to production slowdowns or even temporary shutdowns, resulting in millions of dollars in lost production value. Regulatory agencies also carry out inspections and impose fines. In 2012, the U.S. Securities and Exchange Commission began requiring companies to publicly disclose their use of conflict minerals that originated in the Democratic Republic of the Congo or an adjoining country. The California Transparency in Supply Chains Act and the UK government's Modern Slavery Act both require certain companies to make annual statements on actions taken to eradicate slavery and human trafficking from their businesses and suppliers. Best practice includes setting strong standards for suppliers beyond legal compliance and leveraging buying power to encourage adoption of these standards.

The company's exposure to Human Rights -Supply Chain issues is low and moderately below subindustry average.

Exposure Analysis				
Subindustry Issue Exposure		2.0		
Issue Beta	x	0.90		

Beta Indicators	Beta Signal
Labour Relations - SC	0.00
Occupational Health and Safety	y - 0.00
Employees - Human Rights - S	C 0.00
Society - Human Rights - SC	0.00
Operating Performance	-0.02
Solvency	-0.02
Financial Flexibility	-0.03
Asset Performance	-0.03
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.10
Baseline	+1.00
Overall Beta	0.90

Industrial Machinery Finland HEL:KNEBV

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

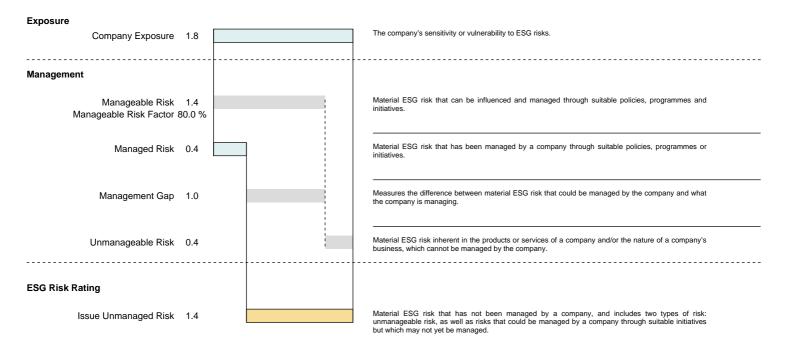
29.5 Average

In our view, the company's management of the issue is average.

Management Indicators	Raw Score	Weight	Weighted Score
Scope of Social Supplier Standards	75	15.0%	11.2
Human Rights Policy	70	10.0%	7.0
Conflict Minerals Policy	25	15.0%	3.7
Supply Chain Management	25	30.0%	7.5
Conflict Minerals Programmes	0	30.0%	0.0
▲ Employees - Human Rights - SC	Category 0	0%	0.0
▲ Labour Relations - SC	Category 0	0%	0.0
♠ Occupational Health and Safety -	Category 0	0%	0.0
▲ Society - Human Rights - SC	Category 0	0%	0.0
Weighted Sum			29.5



Industrial Machinery Finland HEL:KNEBV





Industrial Machinery Finland HEL:KNEBV

Issue

Occupational Health and Safety

Contribution 4.2 %

Occupational Health and Safety focuses on the management of workplace hazards affecting a company's own employees and on-site contractors. Where relevant, it may also include HIV/AIDS programmes.

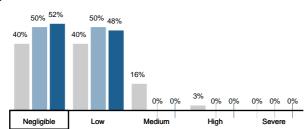
ESG Risk Rating

8.0

Negligible Risk

NEGL	LOW	MED	HIGH	SEVERE
0-2	2-4	4-6	6-8	8+

ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK F (1 St = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	121 /1987	7th
Machinery INDUSTRY	14 /137	10th
Industrial Machinery	11/96	11th

Peers (Market cap \$37.0 - \$51.5bn)	Exposure	Management	ESG Risk Rating
1. KONE Oyj	2.9 Low	75.5 Strong	0.8 Negligible
2. Parker-Hannifin Corp.	2.9 Low	61.4 Strong	1.2 Negligible
3. FANUC Corp.	2.7 Low	42.3 Average	1.6 Negligible
4. Emerson Electric Co	2.9 Low	31.9 Average	2.0 Negligible
5. SMC Corp. (Japan)	2.6 Low	19.4 Weak	2.1 Low



Industrial Machinery Finland HEL:KNEBV

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

2.9 Low



Most occupational injuries for industrial machinery companies happen during the manufacturing process or maintenance work. Unlike other manufacturing businesses, industrial machinery companies produce very customized equipment. Therefore, it is hard for companies to systematically adopt safety measures for each operation. Manufacturers for small parts, such as nuts and bolts, can apply a safety mechanism; however, it is difficult for companies that manufacture nuclear power generators or food processing machines, for example, to standardize safety management systems. Therefore, companies rely on health and safety teams to train dedicated people to enhance the overall safety culture. Health and safety incidents have led to regulatory audits and fines. Also, lost time due to injuries or fatalities can lead to added costs for companies, from employee compensation, hiring and retraining needs, and/or operational disruptions. In addition, many companies still have unresolved issues regarding chemicals and materials that cause chronic illness for employees after prolonged exposure, such as asbestos, which have resulted in regulatory fines or compensation payouts. Health and safety risks may decline in future years, due to the industry's increasing reliance on robotics, data analytics and 3D printers, which reduce the need for manual labour. Best practice includes quality certifications such as OHSAS 18001, management and board committee oversight of safety risks, and regular safety training sessions for all employees, including top management.

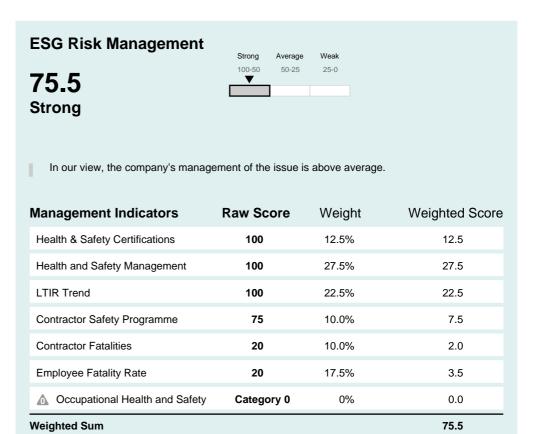
The company's exposure to Occupational Health and Safety issues is low and moderately below subindustry average.

Exposure Analysis			
Subindustry Issue Exposure		3.0	
			ī
Issue Beta	Х	0.95	l

Beta Indicators	Beta Signal
Occupational Health and Safety	0.00
Operating Performance	-0.02
Solvency	-0.02
Financial Flexibility	-0.03
Asset Performance	-0.03
Headquarters Location	-0.03
Assets Location	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.06
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.05
Baseline	+1.00
Overall Beta	0.95

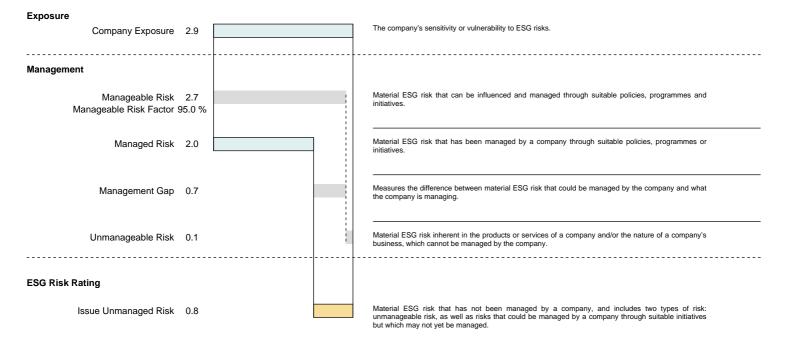
Industrial Machinery Finland HEL:KNEBV

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.





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Issue

🐎 Carbon - Own Operations

Contribution 2.5 %

Carbon - Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions.

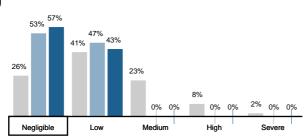
ESG Risk Rating

0.5

Negligible Risk

NEGL	LOW	MED	HIGH	SEVERE
0-2	2-4	4-6	6-8	8+

ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE		PERCENTILE k) (1 st = lowest risk)
Global Universe	43 /2461	3rd
Machinery INDUSTRY	6 /141	5th
Industrial Machinery SUBINDUSTRY	3 /96	3rd

Peers Table

Peers (Market cap \$37.0 - \$51.5bn)	Exposure	Management	ESG Risk Rating
1. KONE Oyj	2.4 Low	80.0 Strong	0.5 Negligible
2. Emerson Electric Co	2.7 Low	50.8 Strong	1.3 Negligible
3. FANUC Corp.	2.7 Low	32.5 Average	1.8 Negligible
4. Parker-Hannifin Corp.	3.5 Low	44.5 Average	1.9 Negligible
5. SMC Corp. (Japan)	2.7 Low	20.5 Weak	2.1 Low



Industrial Machinery Finland HEL:KNEBV

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

2.4 Low



Manufacturing of industrial machinery and equipment requires large amounts of energy for assembly processes and moving materials along production lines that are increasingly complex. In addition, facilities have electricity requirements for lighting, heating and air conditioning. Strong energy management is an essential part of the transition towards the smart factory, which integrates equipment such as advanced robotics with intelligent devices to optimize and streamline manufacturing processes. Companies can optimize operations and realize cost savings through energy efficiency initiatives, as well as minimize risks related to energy price volatility and carbon regulations. As of 2017, over 40 countries have implemented carbon pricing programmes, such as cap-and-trade or carbon taxing, which can add tens of millions of dollars in annual energy costs, depending on where a company operates. Differences in exposure are determined mostly by the geographic location of plants, but company size, market segment and production volumes are also important differentiating factors. Larger companies tend to have higher energy bills and emission levels. Nonetheless, larger industrial companies may be better positioned to leverage opportunities to achieve economies of scale and reduce payback periods for energy efficiency investments. Best practice includes group-wide implementation of energy efficiency measures, such as retrofitting or upgrading equipment and streamlining processes, use of renewable power, environmental and energy management systems certified to ISO 14001 and ISO 50001, and public reporting of emission data. The industry is exhibiting progress on energy efficiency. However, the upfront costs to overhauling facilities and adopting new practices, as well as the changing regulatory landscape, have been barriers to improvement.

The company's exposure to Carbon -Own Operations issues is low and moderately below subindustry average.

Exposure Analysis Subindustry Issue Exposure 3.0 Issue Beta x 0.80 Company Issue Exposure 2.4

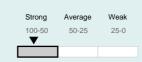
Beta Indicators	Beta Signal
Energy Use and GHG Emission	ns 0.00
Operating Performance	-0.02
Solvency	-0.02
Financial Flexibility	-0.03
Asset Performance	-0.03
Carbon Emissions	-0.10
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.20
Baseline	+1.00
Overall Beta	0.80

Industrial Machinery Finland HEL:KNEBV

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

80.0 Strong

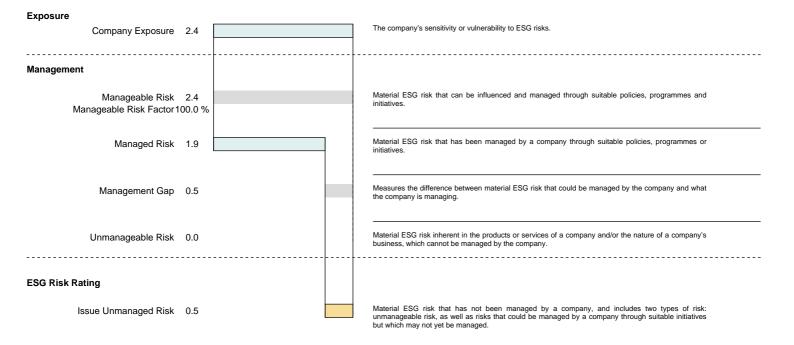


In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Carbon Intensity	100	15.0%	15.0
EMS Certification	100	10.0%	10.0
Environmental Management System	100	10.0%	10.0
GHG Reduction Programme	100	20.0%	20.0
Renewable Energy Programmes	100	5.0%	5.0
Scope of GHG Reporting	100	5.0%	5.0
Carbon Intensity Trend	50	17.5%	8.7
Renewable Energy Use	40	12.5%	5.0
Environmental Policy	25	5.0%	1.2
⚠ Energy Use and GHG Emissions	Category 0	0%	0.0
Weighted Sum			80.0

Industrial Machinery Finland HEL:KNEBV

Risk Decomposition







Management Details -

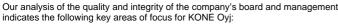


Corporate Governance

Board/Management Quality & Integrity

48 Average Performer

Raw Score



- RPTs are approved by the board as a whole and the oversight and review of RPTs raises concerns.
- Zero non-executive directors have relevant industry experience as a public or private company executive however one or more non-executive directors have relevant industry experience as a public company outside director.
- The company has not disclosed voting results and the company discloses a shareholder engagement policy.

Overall, KONE Oyj positions itself as an Average Performer with regard to its Board/Management Quality & Integrity compared to peers.

Indicators	Score
Board Experience	30
Director Track Record	80
Board Capture	50
Related Party Transactions	10
Director Stock Ownership	60
Executive/Board Misconduct	50
Business Practices Controversies	50
Governance Controversies	50
Shareholder Engagement and Responsiveness	50

Board Structure

47 Average Performer

Raw Score

In reviewing the company's structural board features, we note the following for KONE Oyj:

- The nominating committee lacks an independent majority and the chairman of the board is on the nominating committee.
 - The Chair and CEO roles are separate and the Chair is the former CEO.
- 50% or more of the board has 10 years or more of tenure and there is a market standard regarding long-tenured directors as non-independent.

Overall, KONE Oyj positions itself as an Average Performer with regard to its Board Structure compared to peers.

Indicators	Score
Board Leadership	10
Board Tenure	20
Board Independence	50
Nominating Committee Effectiveness	0
Director Disclosure	100
Voting Structures	70
Directors not Elected by Shareholders	30
Risk Oversight	100
Board Diversity	80

Ownership & Shareholder Rights

54 Average Performer

Raw Score

KONE Oyj's Ownership & Shareholder rights regime includes the following key areas of focus:

- There are differential voting rights within a single class of stock.
- There is a controlling shareholder with 50% or more of voting rights and the dominant shareholder is an investor with board representation.
- The company has a controlling shareholder and a supermajority is required for charter/bylaw amendments, according to market regulations.
 Overall, KONE Oyj positions itself as an Average Performer with regard to its Ownership & Shareholder Rights compared to peers.

Indicators	Score
Director Appointment & Removal	70
Proportionality - One Share/One Vote	20
Ownership Structure	40
Capital Issuance Risks	60
Shareholder Action	60
Poison Pill & Takeover Defences	80
Supermajority Provisions	50



60

0

50

0

Appendix



Management Details

Remuneration

36 Average Performer

Raw Score



- There is no recoupment or clawback policy disclosed and there is no recoupment or clawback policy disclosed.
- No disclosure regarding equity vesting provisions upon change in control and no disclosure regarding equity vesting provisions upon termination outside a change in control.
- The remuneration committee lacks an independent majority and a representative of the controlling shareholder is on the remuneration committee. Overall, KONE Oyj positions itself as an Average Performer with regard to its Remuneration compared to peers.



Pay for Failure

Internal Pay Equity

Clawback Policy

CEO Termination Scenarios

Audit & Financial Reporting

35 Underperformer

Raw Score

In reviewing the company's Audit & Financial reporting features, we note the following for KONE Oyj:

- The audit committee lacks an independent majority and audit committee independence meets market standards.
- Non-audit fees paid to the auditor are greater than 100% of audit and audit-related fees.
- The audit committee met fewer than 6 times during the year and there are no independent members of the audit committee with financial expertise.

 Overall, KONE Oyj positions itself as an Underperformer with regard to its Audit & Financial Reporting compared to peers.

Indicators	Score
Audit Committee Structure	0
Audit Committee Effectiveness	50
Auditor Fees	0
Audit Rotation Policy	70
Auditor Change	50
Reporting Irregularities	50

Stakeholder Governance

52 Outperformer

Raw Score

In reviewing the company's practices regarding ESG stakeholder governance, points of attention for KONE Oyj are: ESG Governance, GHG Reduction Programme and ESG Performance Targets.

- ESG Governance: A management committee is responsible for overseeing ESG issues
 - GHG Reduction Programme: The company has a strong programme
- ESG Performance Targets: Executive compensation is not explicitly tied to ESG performance targets

Indicators	Score
ESG Governance	100
ESG Reporting Standards	75
Verification of ESG Reporting	50
Global Compact Signatory	100
ESG Performance Targets	0
Political Involvement Policy	25
Lobbying and Political Expenses	50
Bribery & Corruption Policy	25
Environmental Policy	25
Whistleblower Programmes	50
Tax Disclosure	0
Discrimination Policy	50
Scope of Social Supplier Standards	75
GHG Reduction Programme	100
Green Procurement Policy	60





Exposure Details



Human Capital

	Relations

0.00

Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

- 0.02

Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 10.58% Subindustry Median (2016-2018): 6.79% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

- 0.02

Beta Signal

The company has a strong debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.13 Subindustry Median (2018-2016): 0.36 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 10.36% Subindustry Median (2018-2016): 4.92% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

- 0.03

Beta Signal

The company has a very strong return on assets.

Return on Assets (2018-2016): 12.15% Subindustry Median (2018-2016): 5.64% Source: Morningstar, October 2019. All Rights Reserved. EA.S.1 - Qualitative Overlay

0.00

Beta Signal

The analyst did not apply a qualitative overlay.









Management Details -

	m of Association P	olicy	S.1.1.1 - Work	ing Hours Policy	
100	7.50%	7.5	0	7.50%	0.0
Raw Score	Weight	Weighted Score	Raw Score	Weight	Weighted Score
The co	mpany has a strong policy	on freedom of association	Based on availab	ole evidence, the company hours	does not have a policy on wor
Sources KONE Code of Co	nduct; accessed 8 Deceml	per 2020			
S.1.2 - Discrir	nination Policy		S.1.3 - Diversi	ty Programmes	
50	5.00%	2.5	25	12.50%	3.1
Raw Score	Weight	Weighted Score	Raw Score	Weight	Weighted Score
	The company has an a	dequate policy	The company has a weak programme		
Criteria Commitment to ensure equal opportunity List of the types of discrimination the company is committed to eliminate Reference to the ILO conventions Sources KONE Code of Conduct; accessed 8 December 2020			 Diversity initiatives that go beyond legal compliance Initiatives supporting a diverse workforce Training and guidance regarding diversity Managerial or board level responsibility for diversity initiatives Mentorship programmes Employee affinity groups, diversity councils, or networking groups ✓ Targeted recruitment ✓ Diversity monitoring or audits Sources KONE Sustainability Report 2019 (FY2019) 		
S.1.4 - Collect	tive Bargaining Agr	eements	S.1.5 - Employ	ee Turnover Rate	
75	15.00%	11.3	20	15.00%	3.0
Raw Score	Weight	Weighted Score	Raw Score	Weight	Weighted Score
50-74% of the company's employees are covered by collective bargaining agreements			The company does not disclose data about employee turnover rates		



KONE Sustainability Report 2019 (FY2019)

Sources

KONE Sustainability Report 2019 (FY2019)



Management Details -

S.1.5.2 - Human Capital Development

75	30.00%	22.5	
Raw Score	Weight	Weighted Score	
	The company has a strong programme		

Criteria

- Quantitative targets related to human capital development
- Formal mechanisms to promote an open feedback culture
- Reporting on human capital risk assessment
 - Initiatives for talent retention
- Regular formal performance reviews for all permanent employees aligned with career development
- Initiatives for talent development
- Reporting on human capital development metrics
- Initiatives for talent recruitment

Sources

KONE Annual Review 2019 (FY2019) KONE Sustainability Report 2019 (FY2019)

S.1.6.1 - Employee Training

20	7.50%	1.5
Raw Score	Weight	Weighted Score
The company does not disclose the number of training days that employees receive		





Exposure Details



Business Ethics

EA.E.4 - Anti-Competitive Practices	
0.00	
Beta Signal	
The company is not involved in any controversies of this type.	
EA.E.7 - Business Ethics	
0.00	
Beta Signal	
The company is not involved in any controversies of this type.	
EA.E.23 - Lobbying and Public Policy	
0.00	
Beta Signal	
The company is not involved in any controversies of this type.	
EA.F.1 - Operating Performance	
- 0.02	
Beta Signal	
The company has a strong net income margin.	
Average Net Income Margin (2016-2018): 10.58% Subindustry Median (2016-2018): 6.79% Source: Morningstar, October 2019. All Rights Reserved.	





Exposure Details

EA.F.2 - Solvency

- 0.02

Beta Signal

The company has a strong debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.13 Subindustry Median (2018-2016): 0.36 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 10.36% Subindustry Median (2018-2016): 4.92% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

- 0.03

Beta Signal

The company has a very strong return on assets.

Return on Assets (2018-2016): 12.15% Subindustry Median (2018-2016): 5.64% Source: Morningstar, October 2019. All Rights Reserved.

EA.S.1 - Qualitative Overlay

0.00

Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00

Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00

Beta Signal





Management Details _____

000					
G.1.1 - Briber	y & Corruption Poli	су	G.1.1.1 - Bribe	ery & Corruption Pro	ogrammes
25	7.50%	1.9	50	25.00%	12.5
Raw Score	Weight	Weighted Score	Raw Score	Weight	Weighted Score
The company h	as a weak policy or a gene	eral statement addressing the issue		The company has an adec	quate programme
Criteria			Criteria		
Definition and	prohibition of facilitation page	ayments	Mechanisms f	or employees to consult or	ethical issues
Prohibition of	bribery		Operating guidelines addressing record keeping, approval procedures and		
Definition of b	ribery or corruption		appropriate be		
Guidelines of	what is considered accepta	able behaviour		y and corruption risk asses	
Definition of c	onflicts of interest and com	nmitment to minimize these			d corruption by employees
		out the company has a general	\simeq	oring system to detect corr	
statement add	dressing the issue		 Regular training on bribery and corruption Managerial responsibility for bribery and corruption 		
Sources					
KONE Code of Co	nduct; accessed 8 December	per 2020	Sources		
On Tuesday, December 15, 2020, Sustainalytics sent Kone Oyj the Sustainalytics ESG Feedback Report		Email from Investor Relations Specialist, received 13 December 2018 KONE Sustainability Report 2019 (FY2019)			
	anuary 29, 2020, Sustainal 3 Feedback Report	ytics sent KONE Oyj the			
The company prov	rided feedback on 13 Febru	uary 2020			
The company prov	rided feedback on 8 Januar	ry 2021			
G.1.2 - Whistl	eblower Programm	es	G.1.2.1 - Busi	ness Ethics Progra	nme
50	25.00%	12.5	50	25.00%	12.5
Raw Score	Weight	Weighted Score	Raw Score	Weight	Weighted Score
	The company has an ade	quate programme	The company has an adequate programme		
Criteria			Criteria		
		eived, the types of misconduct and	Annual training	g of employees on the Coo	e of Conduct
measures tak	en		Ethical risk assessments		
Structures in place to process whistleblower reports		Measures to deter non-compliance and reduce exposure to unethical			
Non-retaliation			opportunities		
Available in local languages		Commitment to address major business ethics risks			
Proactively communicated to employees		Managerial responsibility for business ethics			
Available to suppliers, customers and other third parties		9	tigation and corrective action	ons	
An independent, reporting hotline available 24/7		Operating guidelines			
Possibility for anonymous reporting and reports are treated confidentially		Board responsibility for business ethics issues		ssues	
Sources			Sources		
KONE Code of Conduct; accessed 8 December 2020		KONE Code of Conduct; accessed 8 December 2020			
KONE Sustainability Report 2019 (FY2019)		KONE Sustainability Report 2019 (FY2019)			

The company provided feedback on 13 February 2020



Management Details -

G.3.1 - Political Involvement Policy

25 Raw Score	7.50% Weight	1.9 Weighted Score
	The company has	a weak policy
Criteria		
Commits the company to disclose political donations and/or lobbying expenditures		

- Approved by senior management
 - Partially prohibits political involvement
- Prohibits political involvement of any kind on the company's behalf

Sources

KONE Code of Conduct; accessed 8 December 2020

G.3.2 - Lobbying and Political Expenses

50	10.00%	5.0
Raw Score	Weight	Weighted Score
Based on available evidence, the company made less than USD 0.5 million in political contributions or political spending in the last three years		

According to the LobbyFacts, KONE spent EUR 100,000 -EUR 199,998 (approx. USD 121,274 -USD 242,546) on lobbying between 2018 -2019.

Sources

Center for Responsive Politics, www.opensecrets.org; accessed 8 December 2020

LobbyFacts.eu, lobbyfacts.eu; accessed 8 December 2020





Exposure Details



E&S Impact of Products and Services

0.00

Beta Signal

The company is not involved in any controversies of this type.

EA.E.32 - Social Impact of Products

0.00

Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

- 0.02

Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 10.58% Subindustry Median (2016-2018): 6.79% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

- 0.02

Beta Signal

The company has a strong debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.13 Subindustry Median (2018-2016): 0.36 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 10.36% Subindustry Median (2018-2016): 4.92% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

- 0.03

Beta Signal

The company has a very strong return on assets.

Return on Assets (2018-2016): 12.15% Subindustry Median (2018-2016): 5.64%

Source: Morningstar, October 2019. All Rights Reserved.

EA.G.1 - Headquarters Location

- 0.03

Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

Finland: Lower exposure

Source: Sustainalytics Country Risk Rating, May 2019.

EA.G.3 - Sales Location

0.05

Beta Signal

The location of the company's sales indicates slightly higher exposure to this issue.

Europe, Middle East and Africa (EMEA): 41% (Slightly higher exposure) Asia Pacific: 39% (Average exposure)

Americas: 20% (Slightly higher exposure)
Source: Sustainalytics County Risk Rating, May 2019.

Morningstar, October 2019. All Rights Reserved.





Exposure	Details	_
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EA.S.1 - Qualitative Overlay	EA.S.2 - Subindustry Correction Factor
0.00 Beta Signal	0.00 Beta Signal
The analyst did not apply a qualitative overlay.	
EA.S.3 - Exceptional Event Adjustment	
0.00 Beta Signal	





Management Details -

E.2.1.7 - Recycled Material Use

30	25.00%	7.5
Raw Score	Weight	Weighted Score

There is evidence that the company uses recycled or reused material for its products, but data on the percentage of recycled/reused material used is not provided

Sources

KONE Sustainability Report 2019 (FY2019)

E.3.1.1 - Sustainable Products & Services

25	25.00%	6.3
Raw Score	Weight	Weighted Score

There is evidence that the company offers sustainability-related products or services but the revenues obtained from these are not disclosed

KONE has achieved best A-class energy efficiency classifications for some of its installations according to the ISO 25745 standard for the energy performance of its lifts, escalators and moving walks. Moreover, eight of KONE solutions have received the Singapore Green Building Product certificates. However, the company does not disclose the percentage of the company's annual revenue derived from sustainability-related products and services.

Sources

KONE Sustainability Report 2019 (FY2019)

E.3.1.6 - Eco-Design

100	25.00%	25.0
Raw Score	Weight	Weighted Score

Environmental impact is systematically considered at the design stage of products

Sources

KONE Sustainability Report 2019 (FY2019)

E.3.1.7 - Product Stewardship Programmes

50	25.00%	12.5
Raw Score	Weight	Weighted Score

The company has a programme for end-of-life product management but there are no clear targets or deadlines

Sources

Email from Investor Relations Specialist, received 13 December 2018 KONE Sustainability Report 2019 (FY2019)





Exposure Details



Product Governance

FAF 2	4 -	Marketing	Practices
	-	IVIAI NEULIU	riactices

0.00

Beta Signal

The company is not involved in any controversies of this type.

EA.E.28 - Quality and Safety

0.02

Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.F.1 - Operating Performance

- 0.02

Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 10.58% Subindustry Median (2016-2018): 6.79% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

- 0.02

Beta Signal

The company has a strong debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.13 Subindustry Median (2018-2016): 0.36 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 10.36% Subindustry Median (2018-2016): 4.92% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

- 0.03

Beta Signal

The company has a very strong return on assets.

Return on Assets (2018-2016): 12.15% Subindustry Median (2018-2016): 5.64% Source: Morningstar, October 2019. All Rights Reserved.

EA.G.1 - Headquarters Location

- 0.03

Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

Finland: Lower exposure

Source: Sustainalytics Country Risk Rating, May 2019.

EA.G.3 - Sales Location

0.05

Beta Signal

The location of the company's sales indicates slightly higher exposure to this issue.

Europe, Middle East and Africa (EMEA): 41% (Slightly higher exposure) Asia Pacific: 39% (Average exposure) Americas: 20% (Slightly higher exposure)

Source: Sustainalytics Country Risk Rating, May 2019. Morningstar, October 2019. All Rights Reserved.



0.00 Beta Signal



EA.S.3 - Exceptional Event Adjustment

0.00			
Beta Signal			





Management Details -

S.3.1.9.1 - Product and Service Safety Programme

75	45.00%	33.8		
Raw Score	Weight	Weighted Score		
The company has a strong programme				
Criteria				
Policy commitment to ensure product/service safety				
Managerial responsibility for product/service safety				
Public reporting on product/service safety issues				
Monitoring of product/service safety performance				

Regularly tested emergency response procedures to ensure product/service safety Sources

KONE Code of Conduct; accessed 8 December 2020

Regular employee training on product/service safety

Incident investigation and corrective action
 Product/service objectives or targets
 Regular external product/service safety audits
 Product/service safety risk assessment

KONE Sustainability Report 2019 (FY2019)

The company provided feedback on 13 February 2020

The company provided feedback on 8 January 2021

S.3.2.1 - QMS Certifications

100 Raw Score	45.00% Weight	45.0 Weighted Score		
90% or more of the company's sites has received external certification				
KONE reports that 100% of its corporate units and major manufacturing units are ISO 9001 certified.				

Sources

KONE Sustainability Report 2019 (FY2019)





Management Details -

Quality and Safety Events



Category 2 Event - Moderate

Incident History



Locations: Connecticut, USA, Hong Kong, Gurugram, Haryana, India

Tags: Product Quality and Safety

Connecticut lawsuit over toddler escalator injury

Trumbull Times (Connecticut) - 24 December 2020

Investigation finds braking system failure caused lift accident in Hong Kong South China Morning Post - 14 July 2018

Lift accident in condominium injures three persons in India Times of India - 31 May 2018





Exposure Details



Carbon - Products and Services

EA.E.46 -	Carbon	Impact of	Products
LA.L.TU	Carbon	IIIIDact OI	I I OUUCIS

0.00

Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

- 0.02

Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 10.58% Subindustry Median (2016-2018): 6.79% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

- 0.02

Beta Signal

The company has a strong debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.13 Subindustry Median (2018-2016): 0.36 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 10.36% Subindustry Median (2018-2016): 4.92% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

- 0.03

Beta Signal

The company has a very strong return on assets.

Return on Assets (2018-2016): 12.15% Subindustry Median (2018-2016): 5.64%

Source: Morningstar, October 2019. All Rights Reserved.

EA.P.9 - Carbon Solutions Offering

- 0.10

Beta Signal

The level of carbon solutions offered by the company indicates moderately lower exposure to this issue.





Exposure Details	
Exposure Details	

EA.S.1 - Qualitative Overlay	EA.S.2 - Subindustry Correction Factor
0.00 Beta Signal	- 0.11 Beta Signal
The analyst did not apply a qualitative overlay.	
EA.S.3 - Exceptional Event Adjustment	
0.00 Beta Signal	





Management Details

E.3.1.1 - Sustainable Products & Services

25 30.00% 7.5

Raw Score Weight Weighted Score

There is evidence that the company offers sustainability-related products or services but the revenues obtained from these are not disclosed

KONE has achieved best A-class energy efficiency classifications for some of its installations according to the ISO 25745 standard for the energy performance of its lifts, escalators and moving walks. Moreover, eight of KONE solutions have received the Singapore Green Building Product certificates. However, the company does not disclose the percentage of the company's annual revenue derived from sustainability-related products and services.

Sources

KONE Sustainability Report 2019 (FY2019)

E.3.1.6 - Eco-Design

100 35.00% 35.0

Raw Score Weight Weighted Score

Environmental impact is systematically considered at the design stage of products

Sources

KONE Sustainability Report 2019 (FY2019)

E.3.1.7 - Product Stewardship Programmes

50 35.00% 17.5

Raw Score Weight Weighted Score

The company has a programme for end-of-life product management but there are no clear targets or deadlines

Sources

Email from Investor Relations Specialist, received 13 December 2018

KONE Sustainability Report 2019 (FY2019)





Exposure Details



Human Rights - Supply Chain

EA.E.42 - Labour Relations - SC	EA.E.44 - Occupational Health and Safety - SC		
0.00 Beta Signal	0.00 Beta Signal The company is not involved in any controversies of this type.		
The company is not involved in any controversies of this type.			
EA.E.49 - Employees - Human Rights - SC	EA.E.50 - Society - Human Rights - SC		
0.00 Beta Signal	0.00 Beta Signal		
The company is not involved in any controversies of this type.	The company is not involved in any controversies of this type.		
EA.F.1 - Operating Performance	EA.F.2 - Solvency		
- 0.02 Beta Signal	- 0.02 Beta Signal		
The company has a strong net income margin.	The company has a strong debt-equity ratio.		
Average Net Income Margin (2016-2018): 10.58% Subindustry Median (2016-2018): 6.79% Source: Morningstar, October 2019. All Rights Reserved.	Debt to Equity Ratio (2018-2016): 0.13 Subindustry Median (2018-2016): 0.36 Source: Morningstar, October 2019. All Rights Reserved.		
EA.F.3 - Financial Flexibility	EA.F.4 - Asset Performance		
0.03	- 0.03		
deta Signal	Beta Signal		
The company has a very strong cash flow ratio.	The company has a very strong return on assets.		
Free Cash Flow Ratio (2018-2016): 10.36% Subindustry Median (2018-2016): 4.92% Source: Morningstar, October 2019. All Rights Reserved.	Return on Assets (2018-2016): 12.15% Subindustry Median (2018-2016): 5.64% Source: Morningstar, October 2019. All Rights Reserved.		





EA.S.1 - Qualitative Overlay	EA.S.2 - Subindustry Correction Factor
0.00 Beta Signal	0.00 Beta Signal
The analyst did not apply a qualitative overlay.	
EA.S.3 - Exceptional Event Adjustment	
0.00 Beta Signal	





Management Details —

S.2.1 - Scope	of Social Supplier S	Standards	S.2.1.3 - Conflict Minerals Policy		
75 Raw Score	15.00% Weight	11.2 Weighted Score	25 Raw Score	15.00% Weight	3.7 Weighted Score
The o	company has strong social	supply chain standards		The company has a	weak policy
Addresses for Addresses free Addresses mir Addresses cor Addresses chi Addresses ma Addresses ma Sources	Addresses acceptable living conditions Addresses forced labour Addresses freedom of association and the right to collective bargaining Addresses health and safety Addresses minimum living wages Addresses corporal punishment/disciplinary practices Addresses child labour Addresses non-discrimination Addresses maximum working hours			Criteria ✓ A formal, company-wide policy Commitment to source minerals from certifiable conflict free areas widen DRC Commitment not to source minerals from the DRC and adjoining coulocommitment to proactive elimination of conflict minerals from product the supply chain Commitment to conduct supply chain due diligence to assess risk existed Sources The company provided feedback on 13 February 2020	
S.2.1.3.1 - Cor	nflict Minerals Prog	rammes	Տ.2.2.2.1 - Տսբ	pply Chain Manager	nent
0 Raw Score	30.00% Weight	0.0 Weighted Score	25 Raw Score	30.00% Weight	7.5 Weighted Score
Based on the av	vailable evidence, the com	pany does not have a programme	Т	he company has a weak m	anagement system
Education of d Multi-stakehole Assessment o Initiatives to re Mapping or ide Internal audits External audits Transparent re Corrective acti	entification of smelters/refiners of smelters/refiners s of supplier assertions and eporting on due diligence a ions to address non-compl sponsibility for conflict mine	nt risks rials that can be conflict minerals hers in the supply chain d of refiners/smelters tt he smelter/refinery level iance	Formal chann Targets and d Regular trainir Engagement of the second of t	al supplier audits o second-tier suppliers audit results ith social standards include	s to raise concerns chain management rs on labour rights issues rs to reach compliance n management ricial performance during ce incidents or practices or industry peers on social supply and in legally binding agreements with
				ty Report 2019 (FY2019) ided feedback on 8 Januar	y 2021





Management Details -

KONE Code of Conduct; accessed 8 December 2020 KONE Supplier Code of Conduct, released July 2020 The company provided feedback on 8 January 2021

S.4.2.1 - Human Rights Policy 10.00% Raw Score Weight Weighted Score The company has an adequate policy Criteria Commitment to provide remedy to correct negative impacts Commitment to respect human rights following international standards Commitment to adopt grievance mechanisms Stipulation of the company's human rights expectations of personnel Approved at the most senior level of the business enterprise Stipulation of the company's human rights expectations of third parties Commitment to adopt programmes to address industry-specific human rights exposure Commitment to apply human rights due diligence or conduct risk assessments Commitment to communicate the policy to personnel and external stakeholders Commitment to monitor and report on human rights impacts Sources





Exposure Details



Occupational Health and Safety

FΔ F 20 -	- Occupational	Health	and	Safety
LA.L.20 -	· Occupationai	Health	anu	Jaietv

0.00

Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

- 0.02

Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 10.58% Subindustry Median (2016-2018): 6.79% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

- 0.02

Beta Signal

The company has a strong debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.13 Subindustry Median (2018-2016): 0.36 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 10.36% Subindustry Median (2018-2016): 4.92% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

- 0.03

Beta Signal

The company has a very strong return on assets.

Return on Assets (2018-2016): 12.15% Subindustry Median (2018-2016): 5.64%

Source: Morningstar, October 2019. All Rights Reserved.

EA.G.1 - Headquarters Location

- 0.03

Beta Signal

The location of the company's headquarters indicates slightly lower exposure to

Finland: Lower exposure

Source: Sustainalytics Country Risk Rating, May 2019.





Exposure Details

EA.G.2 - Assets Location	EA.S.1 - Qualitative Overlay
0.00	0.00
Beta Signal	Beta Signal
The location of the company's assets is unknown.	The analyst did not apply a qualitative overlay.
EA.S.2 - Subindustry Correction Factor	EA.S.3 - Exceptional Event Adjustment
EA.O.2 - Submidustry Correction ractor	=
0.06	





Management Details

S.1.6.2.1 - Health and Safety Management System

 100
 27.50%
 27.5

 Raw Score
 Weight
 Weighted Score

The company has a very strong management system

Criteria

- Procedures for hazard identification and risk assessment
- Reporting on health and safety programmes and performance
- Emergency preparedness procedures
- Regular health and safety training programmes for employees
- Performance monitoring and measurement
- Operating guidelines or procedures that are relevant for the industry
- Managerial responsibility for health and safety issues
- Formal health and safety policy commitment
- Internal or external health and safety audits conducted at least every three vears
- Targets to reduce health and safety incidents

Sources

KONE Sustainability Report 2019 (FY2019)

S.1.6.4 - Health & Safety Certifications

100 12.50% 12.5

Raw Score Weight Weighted Score

90% or more of the company's facilities have received external certification

KONE reports that all of its major production sites are certified to OHSAS 18001.

Sources

KONE Sustainability Report 2019 (FY2019)

S.1.6.5 - LTIR Trend

 100
 22.50%
 22.5

 Raw Score
 Weight
 Weighted Score

The company's lost-time incident rate has declined

The company reports its industrial injury frequency rate (IIFR), calculated as the number of lost time injuries of one day or more, per million hours worked, as follows:

2019: 1.7 2018: 2.1

2018: 2.1 2017: 1.9

2016: 2.1

In FY2019, the company's IIFR decreased by 16% compared to the average rate of the previous three years (2.03).

Sources

KONE Sustainability Report 2019 (FY2019)

S.1.6.6 - Employee Fatality Rate

20 17.50% 3.5

Raw Score Weight Weighted Score

Disclosure on fatalities is insufficient to determine the company's performance





Management Details -

S.2.2.5 - Contractor Safety Programme

75	10.00%	7.5
Raw Score	Weight	Weighted Score
The company has a strong programme		

Criteria

- Compliance with safety guidelines included in contractual agreements.
- Policy commitment to protect the safety of contractors
- Objectives or targets regarding contractor safety
- Prescreening of contractors for safety performance and risks
- Safety training for contractors
- Operating guidelines on contractor safety management
- Reporting on contractor safety management
- Monitoring of contractor safety performance

Sources

KONE Supplier Code of Conduct, released July 2020

KONE Sustainability Report 2019 (FY2019)

The company provided feedback on 13 February 2020

The company provided feedback on 8 January 2021

S.2.2.6 - Contractor Fatalities

20	10.00%	2.0
Raw Score	Weight	Weighted Score
Disclosure is insufficient to assess the company's performance in this area		





Exposure Details



Carbon - Own Operations

EA.E.15 - Energy Use and GHG Emissions

0.00

Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

- 0.02

Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 10.58% Subindustry Median (2016-2018): 6.79% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

- 0.02

Beta Signal

The company has a strong debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.13 Subindustry Median (2018-2016): 0.36 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 10.36% Subindustry Median (2018-2016): 4.92% Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

- 0.03

Beta Signal

The company has a very strong return on assets.

Return on Assets (2018-2016): 12.15% Subindustry Median (2018-2016): 5.64% Source: Morningstar, October 2019. All Rights Reserved.

EA.P.1 - Carbon Emissions

- 0.10

Beta Signal

The company's carbon emissions intensity indicates moderately lower exposure to





EA.S.1 - Qualitative Overlay	EA.S.2 - Subindustry Correction Factor
0.00	0.00
Beta Signal	Beta Signal
The analyst did not apply a qualitative overlay.	
EA.S.3 - Exceptional Event Adjustment	
0.00	
Beta Signal	





Management Details -

E.1.1 - Environmental Policy

25	5.00%	1.2	
Raw Score	Weight	Weighted Score	
The company has a weak policy			

The company has signed the UN Global Compact, whose principles include environmental responsibility and briefly refers to the Environment in its Code of Conduct.

E.1.2 - Environmental Management System

100	10.00%	10.0	
Raw Score	Weight	Weighted Score	
	The company has a very strong EMS		

KONE reports that all its corporate units, major manufacturing units and R&D units have received ISO 14001 certification.

Criteria

	Commitment to create environmental awareness
\checkmark	Commitment to reduce emissions, releases and waste
	Approved by senior management or the board of directors
	Commitment to implement an environmental management system
	Commitment to monitor the company's environmental performance
	Commitment to consult with stakeholders on environmental issues
	Commitment to report regularly on environmental issues

Commitment to use natural resources or energy more efficiently

- Commitment to environmental protection

KONE Code of Conduct; accessed 8 December 2020

Criteria

- Compliance with environmental regulation
- Objectives, targets and deadlines
- Internal and external communications on environmental management issues
- Identification of products, activities and services that have significant impacts on the environment
- Assigned roles and responsibilities
- Environmental programmes
- Corrective actions to stimulate continual improvement
- Training and awareness programmes for employees
- Internal environmental audits
- Monitoring and measurement
- Managerial or board level responsibility for environmental issues
- External environmental audits
- Environmental performance records

KONE Sustainability Report 2019 (FY2019)

E.1.3 - EMS Certification

100 Raw Score	10.00% Weight	10.0 Weighted Score	
90% or more of the company's activities have received external certification			
KONE reports that all its corporate units, major manufacturing units and R&D units have received ISO 14001 certification.			

Sources

KONE Sustainability Report 2019 (FY2019)

E.1.6 - Scope of GHG Reporting

100	5.00%	5.0
Raw Score	Weight	Weighted Score
The company reports on scope 1 & 2 and discloses relevant information on Sc 3 GHG emissions		

Company Corporate Website https://www.kone.com/en/Images/pdf_sustainability_report_2018_tcm17-83612.pdf





Management Details

E.1.7.0 - GHG Reduction Programme

 100
 20.00%
 20.0

 Raw Score
 Weight
 Weighted Score

The company has a strong programme

Criteria

- Policy commitment to reduce GHG emissions
- GHG reduction targets and deadlines
- GHG emissions monitoring and measurement
- Managerial responsibility for GHG emissions
- Initiatives to reduce GHG emissions
- Regular GHG audits or verification

Sources

KONE Code of Conduct; accessed 8 December 2020

KONE Sustainability Report 2019 (FY2019)

The company provided feedback on 8 January 2021

E.1.8 - Renewable Energy Programmes

100 5.00% 5.0

Raw Score Weight Weighted Score

The company has set quantitative targets at group level and has set a clear deadline for reaching these targets

KONE aims to increase the share of green electricity to 50% by 2021 (onsite production or purchased renewable energy).

Sources

KONE Sustainability Report 2019 (FY2019)

E.1.9 - Carbon Intensity

100 15.00% 15.0 Raw Score Weight Weighted Score

The company's carbon emissions intensity is well below the industry median

Company Corporate Website

https://www.kone.com/en/Images/pdf_sustainability_report_2018_tcm17-83612.pdf

2018

Carbon Intensity (t/million USD) 13.2 Industry Median 27.2

E.1.10 - Carbon Intensity Trend

50 17.50% 8.7

Raw Score Weight Weighted Score

The company's carbon intensity trend has remained relatively stable (+/- 10% inclusive) over the last 3 years

Company Corporate Website

https://www.kone.com/en/Images/pdf_sustainability_report_2018_tcm17-83612.pdf

2018

Carbon Intensity Trend (%) -0.6

E.1.11 - Renewable Energy Use

40 12.50% 5.0

Raw Score Weight Weighted Score

Between 5% and 9.9% of the company's primary energy use comes from

renewable energy sources

In FY2019, approximately 5% of the total company's energy consumption came from renewable energy sources.

Sources

KONE Sustainability Report 2019 (FY2019)



Industrial Machinery Finland HEL:KNEBV

GLOSSARY OF TERMS

Beta (Beta, β)

A factor that assesses the degree to which a company's exposure deviates from its **subindustry**'s exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' ESG Risk Rating scores are assigned to five ESG risk categories in the ESG Risk Rating:



Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the ESG Risk Rating; it applies the concept of risk decomposition to derive the level of unmanaged risk for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's exposure and its subindustry exposure.

Exposure

A company or subindustry's sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (management gap).



Industrial Machinery Finland HEL:KNEBV

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