Notice to General meeting, Annex 1

KONE Corporation Remuneration Policy (January 25, 2024)

This KONE Corporation Remuneration Policy includes the general guidelines and framework concerning the remuneration of the Board of Directors (“Board”) and the President and CEO (“CEO”) of KONE Corporation (“KONE” or “Company”). Policies regarding the CEO shall also apply to a potential Deputy CEO.

Foundation

The aim of the KONE Corporation Remuneration Policy is to promote the Company’s long-term financial performance and sustainable shareholder value creation by attracting, retaining and motivating executive management to drive the KONE strategy and global market leadership in alignment with all essential stakeholder interests. The KONE Corporation Remuneration Policy’s overriding objective is to ensure long-term pay-for-performance alignment at KONE, that rewards for the delivery of KONE’s strategy in a manner which is simple, straightforward and understandable. In line with the KONE mission to improve the flow of urban life and vision of creating the best People Flow® experience, each incentive plan is structured to support the execution of KONE strategy and support long term sustainable growth.

Whilst being a Finnish company, KONE competes for talent in a global marketspace, and needs to ensure the remuneration strategy and the KONE Corporation Remuneration Policy supports attracting, retaining and motivating individuals with the suitable caliber to lead KONE.

The KONE Corporation Remuneration Policy is based on the following guiding principles:

- Providing a competitive total remuneration opportunity
- Emphasizing pay-for-performance by structuring the total target remuneration of the CEO and other senior executives so that a significant portion the remuneration opportunity is based on performance-based incentives
- Providing strong alignment with the interests of our shareholders, by providing that a substantial portion of the annual variable remuneration opportunity for the CEO is based on long-term share-based incentive plans with multiyear vesting
- Encouraging an optimal level of risk taking by built in ownership requirements and claw back provisions.

The KONE Corporation Remuneration Policy is consistent with the global remuneration framework applied to KONE employees worldwide. However, in line with emphasizing the pay-for-performance philosophy, the senior management has a more significant portion of their total compensation tied to performance-based incentives than KONE employees on average.

Decision-making process and principles for remuneration of Board and CEO

The KONE Corporation Remuneration Policy is prepared by the Board’s Nomination and Compensation Committee (NCC) and approved by the Board for presentation to the Annual General Meeting (AGM) of the shareholders. The Board monitors KONE’s remuneration practices to ensure alignment with the KONE Corporation Remuneration Policy.

The AGM resolves on the remuneration of the Board related to their Board position and duties and responsibilities regulated by the applicable laws and regulations in Finland. The NCC prepares the proposals for the annual board fees for all members of the Board (“Board Members”). The fees may consist of fixed annual or monthly fee, separate fixed fees for e.g. Committee role, meeting fees and reimbursement of travel expenses, The fees are approved annually as a separate item on the agenda at the AGM.

Due to KONE´s ownership structure, the Board may decide that some Board Members may also be employed by KONE with separate employment terms and conditions which in general follow KONE´s normal employment policies and remuneration framework. The director contracts of any KONE Board members’ and the CEO are aligned with the KONE Corporation Remuneration Policy.

The employment-related remuneration for the above-mentioned Board Members is based on separate employment terms and may be a mix of fixed base salary (including fringe benefits) and short-term incentives linked to the Company´s profitability and/or other long-term targets following principles approved by the Board. The terms and conditions of such Board Members’ employment are defined in their respective written director contracts.

To avoid conflict of interest, those Board Members employed by KONE do not participate in preparation or decision-making regarding their own employment terms and conditions, and resolutions on their employment are always made only by independent Board Members.

The Board determines the terms and conditions of the director contract of the CEO based on the proposal from the NCC and the KONE Corporation Remuneration Policy. The NCC regularly monitors and evaluates the effectiveness and appropriateness of the KONE Corporation Remuneration Policy and CEO’s remuneration, to ensure its appropriate market positioning and alignment with KONE’s business needs, strategy and the interests of the shareholders. The objective of the KONE Corporation Remuneration Policy is to offer a remuneration structure that provides and motivates the CEO with competitive and market aligned remuneration, that is contingent on delivering sustainable financial results aligned with the long-term strategy and competitiveness of KONE and the interests of the shareholders.

The Board may decide to pay part of the CEO's total compensation in KONE class B shares, or potential other share-linked instruments, according to valid authorizations by the AGM and in accordance with the applicable laws and regulations.

Remuneration structure for CEO and Board members covered by separate employment terms

The CEO's total remuneration structure consists of a mix of fixed base salary, fringe benefits and variable incentives based on KONE performance. The variable incentives consist of a share-based long-term incentive plan[1)] that is linked to the Company's long-term strategic targets, as well as an annual short-term incentive plan.

In determining the level and structure of the total remuneration, the Board shall take into account the financial and operational results as well as non-financial indicators relevant to the long-term strategic objectives of KONE. The strategy as well as relevant market practices and conditions are carefully considered as the Board annually defines the remuneration elements.

The size of the variable incentive opportunities shall be determined by the Board annually in line with KONE's general remuneration principles, to allow for consideration of the optimal proportion of each incentive within the remuneration mix to drive the execution of KONE's objectives and strategy. The Board shall set a target and maximum level earning for both the annual short-term incentive and the share-based long-term[1)] incentive.

The Board has aligned that the annually decided target remuneration[1)] opportunity for the CEO shall be structured so that the majority is based on short- and long-term performance-based incentives. The Board has further aligned that the long-term share-based[1)] earning opportunity for the CEO shall constitute a substantial portion of the variable incentives, to ensure strong alignment with the interests of the shareholders, and to ensure execution of the long-term strategic objectives of KONE.

Long-term Incentive guideline for the CEO[1)]

In driving long-term alignment with KONE strategy and the interests of the shareholders, the total vesting period in the long-term incentive plans shall be a minimum of three years. Within each vesting period there may be several performance metrics, each having a performance period of one to three years, as assessed most effective for each metric by the Board.

Any earned shares within the long-term incentive plans may be paid out either after the performance period or after the vesting period. Any rewards paid out prior to the end of the vesting period shall be under a lock-up and must be returned to the Company, in case the Company or the CEO terminates or cancels the CEO's director contract before the end of the vesting period unless the Board decides otherwise.

Performance metrics and target setting

The Board shall annually select the optimal performance metrics for each of the variable incentives. The selected metrics and their pre-set performance targets shall specifically drive the execution of KONE's strategic objectives, achievement of sustainable financial results and ensuring the competitiveness of KONE, whilst taking into account the prevailing market conditions. The measurement of each performance metric shall be clearly defined by the Board when the targets are set. No incentives rewards shall be paid for performance achievement below the minimum threshold level set by the Board.

Performance targets can be based on:

- Financial and operative metrics – focus on profitable growth and operational efficiency
- Strategic metrics – focus on long-term shareholder value creation and impact on sustainability & business renewal, identified market opportunities and prevailing strategic focus areas.

[1)] Relevant and in use only for the CEO

Remuneration components

Element	Purpose and link to strategy	Description
Base salary	To attract and retain high caliber individuals to deliver the Company's strategic plans.	Base salary is set at a market competitive level, to reflect a variety of factors, including market conditions, competitiveness, past performance and the individual's skills, experience and role within the Company, as well as experience to lead the business. Base salary is normally reviewed annually.
Short-term incentive (STI)	To incentivize, steer towards and reward for delivery of short-term financial and operational performance and to support the delivery of the business strategy.	The annual incentive is based on one-year performance metrics. Rewards are paid in cash after the end of the performance period, based on the achievement of the pre-defined targets. The maximum payout for the annual incentive is capped.
Long-term incentive (LTI) [1)]	To reward for delivery of strategic targets and sustainable long-term growth and to align CEO's interests with those of the shareholders. To increase the value of the Company by offering a share ownership-based reward structure. To cumulate the CEO's share ownership in KONE, as described in the share ownership guidelines.	KONE's current long-term incentive mechanism is a performance share plan, which offers the CEO a predetermined earning opportunity of KONE shares as a reward for achieving targets set by the Board. The Board may use other long-term incentive mechanisms that optimally drive the set objectives and are in line with the established guidelines. The maximum award for the LTI may be expressed either as a monetary value or as a number of shares, as defined annually by the Board at the beginning of each performance period. LTI awards are normally delivered as shares (KONE class B) and a cash element equivalent to taxes and similar charges that incur from the receipt of shares.
Share ownership [1)]	To ensure that there is strong alignment between the interests of the CEO and those of its shareholders in the longer term. Cumulating a significant share ownership in KONE over time is seen as central in enhancing the long-term shareholder alignment of the CEO.	The long-term expectation for the CEO is to have share ownership in KONE at least equal to five times the annual base salary.
Benefits	To attract and retain high caliber individuals with competitive and market aligned benefits	Fringe benefits are based at local market practice and may include car, mobile phone, housing and other customary benefits relevant to the role and individual circumstances. The benefits as determined at cost basis and approved by the Board.
Pension	To provide for retirement aligned to relevant market practices.	Retirement age and any supplementary pension arrangements provided are decided by the Board in line with the relevant market practices. The retirement age for the CEO and Board Members covered by separate employment terms follows the Finnish Employee's Pension Act. Supplementary pension benefits may be provided to secure the most suitable talent for the position based on candidate profile and market practices. Potential supplementary pension will be determined on defined contribution basis and may be paid into a contribution-based pension scheme or as a cash allowance.

[1)] Relevant and in use only for the CEO

Clawback and malus

The CEO and Board Members covered by separate employment terms are subject to a clawback policy. If a short- or long-term incentive that has been conditionally awarded in a previous financial year would, in the opinion of the Board, produce an unfair result due to extraordinary circumstances during the applicable performance period, the Board has the power to reclaim or adjust the amount of the incentive downwards or upwards.

In exceptional circumstances the Board shall have the discretionary authority to make adjustments to the amount of the short-term incentive or long-term incentive[1] and the timing of the reward payment.

Furthermore, the Board may recover from the CEO and Board Members covered by separate employment terms any variable remuneration in case of misconduct, material breach or on the basis of incorrect financial or other data.

Termination and severance

In the event of a termination of a Board Members' employment or the CEO's director contract, any payable compensation is determined in line with local legislation, country policies, contractual obligations and the rules of the applicable incentive and benefit plans.

The termination provisions in the CEO's director contract include 6 months' notice period and a severance payment corresponding to 12 months' base salary. By default, any unvested incentive awards would be forfeited if the CEO's director contract is terminated. The CEO is limited by a 12-month non-competition and non-solicitation obligation in case of director contract is terminated[1].

Possible separate employment terms of Board Members follow the applicable laws in Finland. The Board may exercise its discretion in relation to leaver situations of the Board Members or the CEO, as it sees fair and justifiable,

- as to whether any annual incentive (in whole or partly) shall be payable during the year of departure.
- as to whether the shares granted as reward in long-term incentive plan (in whole or partly) shall vest and the terms on which such shares shall vest.

Exceptional circumstances

In exceptional circumstances, it might serve KONE shareholders, KONE's financial development and competitive positioning in the market the best in the long-term if the Board is able to temporarily deviate from certain principles defined in the KONE Corporation Remuneration Policy. Therefore, the Board may, after careful consideration, decide to deviate from the KONE Corporation Remuneration Policy confirmed by the AGM in certain exceptional situations. The pre-determined situations may include, but are not limited to:

- Recruitment of a new CEO
- Significant merger, acquisition, demerger or other corporate restructuring event,
- Significant change in KONE strategy,
- Immediate retention needs arising from external factors,
- Immediate need to promote the increase of CEO ownership in KONE,
- Changes in legislation, regulation, taxation or equivalent.

Changes may apply to remuneration components, key terms applicable to the director contract and incentive plan structures and mechanisms, their timelines, metrics and opportunities, as seen imperative in ensuring the positive development of the long-term value of KONE.

Any deviation from the Remuneration Policy shall be carefully considered by the Board and transparently communicated to the shareholders no later than in the next Remuneration Report and Annual General Meeting.

[1] Relevant and in use only for the CEO