

The background of the entire page is a high-angle photograph of a modern, multi-level transit hub. The architecture is characterized by a complex, curved, and ribbed ceiling structure. A large, oval-shaped skylight with a grid pattern is a prominent feature. Multiple escalators with glass railings lead between levels. People are seen walking on the ground floor, which has a patterned tile design. The overall atmosphere is bright and spacious.

REMUNERATION REPORT

KONE 2020

DEAR SHAREHOLDER,

This Remuneration Report includes information concerning the remuneration of the Board of Directors (“Board”) and the President and CEO (“CEO”) of KONE Corporation between January 1, 2020 and December 31, 2020 and it is based on the Recommendations on Corporate Governance Code in Finland as well as the provisions to the Finnish Securities Market Act and Limited Liability Companies Act.

Our remuneration philosophy

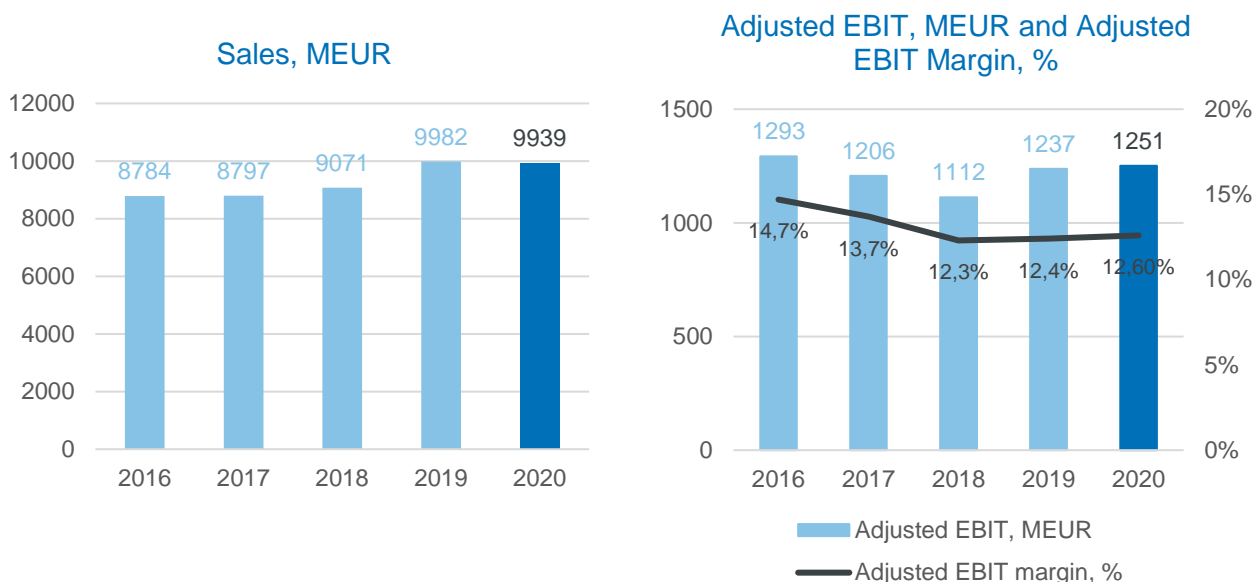
Remuneration of the KONE Corporation governing bodies is based on the Remuneration Policy that was presented for the Annual General Meeting held on February 25, 2020. The policy is applied until the Annual General Meeting in 2024, unless the Board decides to bring it to the General Meeting earlier.

KONE’s remuneration approach is built around strong principles of driving high performance, fair and competitive remuneration, encouraging value-based behavior and sustainability. We are committed to developing a strong pay for performance culture for employees at all levels and all levels of the organization.

The CEO’s remuneration package is aligned with and supports our pay for performance culture. A significant portion of the CEO’s remuneration package is based on variable pay. To ensure we maintain a strong connection between company performance and CEO remuneration, the performance targets for our short-term and long-term incentives are directly linked to KONE’s business result. In addition, the CEO is expected to build and maintain a minimum shareholding in the company, equaling five times the annual base salary, to further support and align shareholder interest with management interest.

Development of KONE's financial performance and remuneration

KONE's sales have grown constantly (in comparable currencies) during the past five years. The financial performance has been solid throughout the period with an improvement in profitability in the past year despite the COVID 19 pandemic.

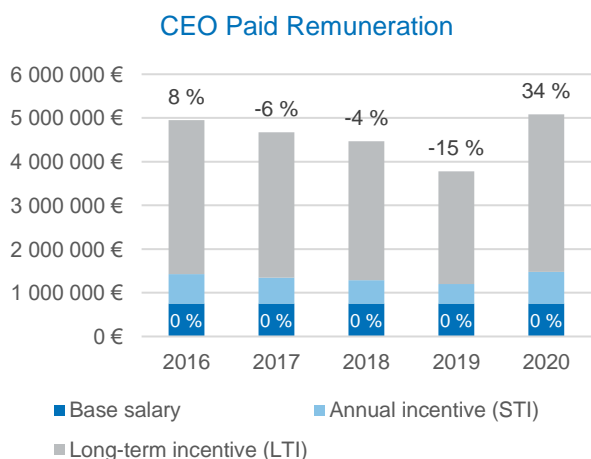


According to our remuneration policy, the CEO is paid for performance and a notable part of his remuneration is based on variable pay, i.e. short- and long-term incentives. As our performance targets for short- and long-term incentives are linked to our business result this development is reflected in the performance-based rewards paid to the CEO.

5-year Remuneration Development (paid remuneration per year)

Average compensation, EUR	2016	2017	2018	2019	2020
Chairman of the Board	980,578	920,788	927,640	834,888	936,951
Vice Chairman of the Board	105,800	113,500	115,700	114,100	118,976
Member of the BoD	37,667	42,083	44,750	45,083	50,214
President and CEO	4,952,900	4,672,885	4,470,194	3,780,650	5,214,169
KONE employee*	38,554	38,037	37,653	39,428	37,412

*Average KONE employee is personnel expenses excluding indirect employee cost divided by the average number of personnel during the year



The graph presents remuneration paid in the corresponding financial year. For example, in 2020:

- Base salary 2020
- Annual short term incentive (STI) earned in 2019 and paid in 2020.
- Long term performance share plan (LTI) earned in 2019 and paid in 2020.

The long-term incentive earned in 2019 is under restriction period until the end of 2021.

Remuneration of the Board of Directors for 2020

KONE Board Remuneration January 1–December 31, 2020

Director	Annual fees	Meeting fees	Remuneration based on employment*	Total
Herlin Antti, Chairman of the Board	60 000	6 500	870 451	936 951
Herlin Jussi, Vice Chairman of the Board	50 000	7 000	61 976	118 976
Alahuhta Matti	45 000	5 500		50 500
Brunila Anne	45 000	4 000		49 000
Duinhoven Susan	45 000	3 000		48 000
Herlin Iiris	45 000	3 500		48 500
Kant Ravi	45 000	11 500		56 500
Kaskeala Juhani	45 000	5 500		50 500
Pietikäinen Sirpa	45 000	3 500		48 500

*See remuneration based on employment terms in the chapter below.

Based on the decision of the Annual General Meeting, 40 percent of the Annual Fees are paid as class B shares of KONE Corporation and the rest in cash. In addition to the annual fee, members of the Board of Directors receive a meeting fee of EUR 500 for each Board and Committee meeting, EUR 3,000 fee is paid per Committee meeting for a Chairman of the Committee residing outside of Finland and EUR 2,000 fee per Committee meeting for those committee members residing outside of Finland.

REMUNERATION OF CHAIRMAN OF THE BOARD AND VICE CHAIRMAN OF THE BOARD WITH SEPARATE EMPLOYMENT TERMS

The Chairman of the Board, Antti Herlin, has a separate employment contract for his role as Full-time Chairman of the Board at KONE. The employment-based compensation consists of a base salary and an annual bonus decided by the Board on the basis of the Group's financial result. The annual bonus may not exceed 100 percent of his annual base salary. In 2020, Antti Herlin's base salary was EUR 468,488. In 2020 he was paid a bonus totaling EUR 401,963, which was earned in 2019. In 2020 Antti Herlin earned a bonus totaling EUR 290,462, which will be paid in 2021. The performance criteria for 2020 were tied to Group's financial performance.

The Vice Chairman of the Board, Jussi Herlin, has worked full-time at KONE in the role of Strategy Development Manager until July 2020. The employment-based compensation for Jussi Herlin

during his employment consisted of a base salary and an annual bonus based on performance targets in line with KONE's Global Bonus policy. Jussi Herlin's employment terms and conditions followed KONE's normal employment policies and the global remuneration framework. In 2020, Jussi Herlin was paid EUR 55,394.62 in base salary. In 2020, he was paid a bonus totaling EUR 6,581.13 which was earned in 2019.

The full-time Chairman's and the Vice Chairman's retirement age and pension are determined in accordance with Finland's Pensions Act. No separate agreements regarding early retirement or additional pension plan have been made.

Board member Matti Alahuhta, who served as President and CEO of KONE until March 31, 2014 has received EUR 269,208 pension from KONE in 2020.

Remuneration of the President and CEO

We measure the success of our CEO as well as the Executive Board by how well KONE achieves its strategic and operational targets. In addition to a base salary, the President and CEO is offered two performance-based incentive plans: Annual short-term incentive (STI) and a long term performance share plan (LTI).

Remuneration paid to the President and CEO in 2020, EUR

	Base Salary ¹⁾ (incl. taxable benefits)	Annual short-term incentive – earned in 2019	Long term performance share plan – earned in 2019	Total Compensation
President and CEO	750,000	727,500	3,736,669 32,531 shares at 55.25 € (April 28, 2020) + a cash element 1,939,331 €.	5,214,169

1) Base salary amount includes vacation pay.

Short term incentive

The short-term incentive paid in 2020 was based on the 2019 performance criteria set by the Board in the beginning of the financial year, with focus on the Group financial, strategic and operative targets. The performance achievement for the President and CEO for 2019 was 97% out of maximum, with a reward payout of EUR 727,500.

The short-term incentive performance criteria for 2020 were set by the Board in the beginning of the financial year, with a focus on supporting the execution of the Group business performance targets. Based on the achieved performance, the President and CEO earned a bonus payout of EUR 493,500, which equaled 66% out of the maximum reward. The reward will be paid in 2021.

Long term performance share plan (LTI)

The maximum KONE class B shares available for earning for the President and CEO for year 2019 was 37,500 KONE shares. The performance criteria for LTI performance period 2019 were set by the Board in the beginning of 2019, with a focus on sales growth and profitability. In April 2020, on the basis of the incentive plan for year 2019, Henrik Ehrnrooth received a reward of EUR 3,736,669 which consisted of 32,531 KONE class B together with a cash payment to cover taxes and similar charges arising from the receipt of shares.

The performance criteria for LTI performance period 2020 were set by the Board in the beginning of 2020, with a continued focus on sales growth and profitability as well as growth of KONE's digital services. The maximum granted KONE class B shares available for earning for the President and CEO for year 2020 was 30.000 KONE shares. On the basis of the performance of the 2020 incentive plan, Henrik Ehrnrooth will receive a reward of 17,625 KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of shares. The reward will be paid in 2021 and the reward shares will be under restriction period until the end of 2022.