



Remuneration Report 2023

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People Flow™

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 from January 1, 2023 to December 31, 2023. 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.

Henrik Ehrnrooth decided to step down from his role as the President and CEO of KONE on December 31, 2023 after successfully leading KONE for almost a decade. The new CEO, Philippe Delorme, joined KONE on January 1, 2024.

Our remuneration philosophy

The 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 on 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 across 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 and management interests.

At KONE, we believe that embedding sustainability into all aspects of our business enables differentiation and superior performance over the long term. Consequently, our long-term incentive program emphasizes sustainability alongside profitable growth to ensure a strong focus in driving transformation and the achievement of our sustainability ambitions.

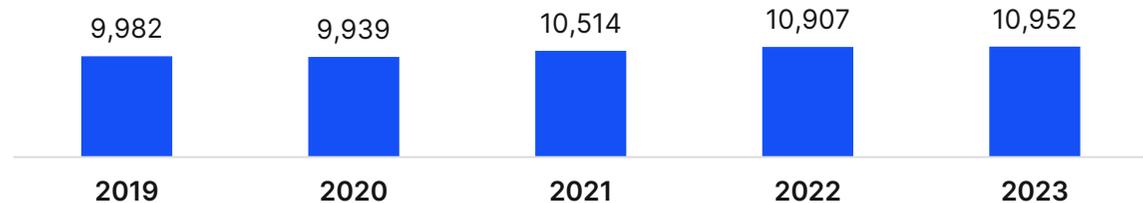
Development of KONE's financial performance and remuneration

During the past five years, KONE's compound annual sales growth amounted to 2.4% (in comparable currencies). KONE's five-year financial performance has been impacted by several adverse developments in the external environment, such as COVID-19 restrictions in 2020-2021 and the following significant decline in the Chinese market, supply chain disruptions and geopolitical conflicts.

In 2023, KONE's sales grew 0.4% (5.0% growth at comparable currencies) as the strong performance in Service and Modernization compensated for weaker deliveries in New Building Solutions. In 2023 KONE's profitability turned back to a positive trend thanks to strong growth in Service and Modernization sales, better pricing on deliveries and lower material costs.

The CEO is paid for performance and a notable part of the CEO remuneration is based on variable pay. As our performance targets for short- and long-term incentives are linked to our business result, KONE success is reflected in the performance-based rewards paid to the CEO.

Sales (MEUR)



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



5-year remuneration development (paid remuneration per year)

Average Compensation, EUR	2019	2020	2021	2022	2023
Chair of the Board	834,888	936,951	588,562	240,000	230,000
Vice Chair of the Board	114,100	118,976	107,865	151,766	126,457
Member of the Board	45,083	50,214	112,000	120,000	118,571
President and CEO	3,780,650	5,214,169	3,755,742	1,585,350	1,228,416
KONE employee*	39,428	37,412	39,635	42,020	43,196

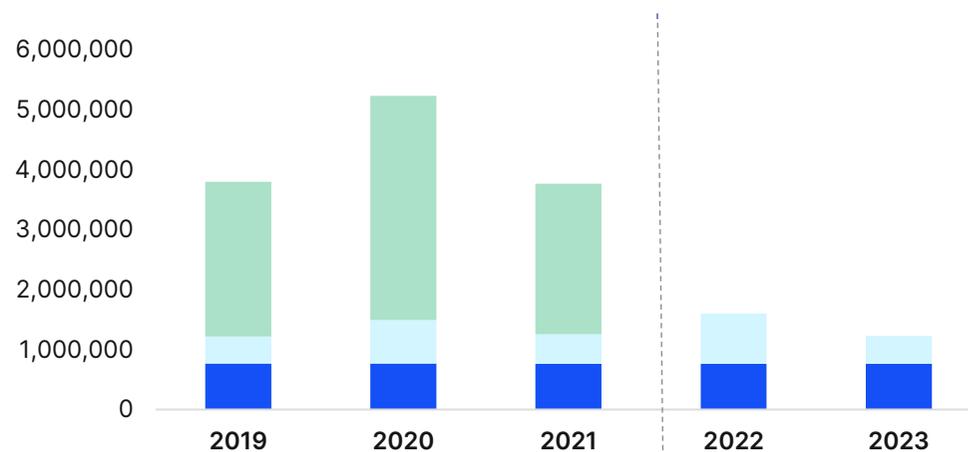
* Average KONE employee compensation divided by the average number of employees during the year

The graph presents CEO remuneration paid in the corresponding financial year including the increase/decrease in remuneration. For example, in 2023:

- Base salary and benefits 2023
- Annual short-term incentive earned in 2022 and paid in 2023.

As of 2021, long-term incentive plan performance is measured over a three-year rolling period, thus no shares were delivered in 2022 and 2023.

CEO compensation, EUR



	2019	2020	2021	2022	2023
Base salary and benefits	0%	0%	0%	0%	0%
Short-term incentive	-16%	61%	-32%	69%	-44%
Long-term incentive	-19%	45%	-33%	-100%*	0%*

* The long-term incentive plan 2021 vested and is delivered in January 2024. As of 2021, performance is measured over a three-year rolling period, thus no shares were delivered in 2022 and 2023.

Remuneration of the Board of Directors for 2023

Director	Annual Fees	Committee Fees	Remuneration based on employment*	Total
Herlin Antti, Chairman of the Board	220,000	10,000		230,000
Herlin Jussi, Vice Chair of the Board*			126,457	126,457
Alahuhta Matti	110,000	20,000		130,000
Duinhoven Susan	110,000	20,000		130,000
Fredriksson Marika	110,000	10,000		120,000
Herlin Iiris	110,000			110,000
Kant Ravi	110,000	10,000		120,000
Manubens Marcela	110,000			110,000
Mikkilineni Krishna	110,000			110,000
Xin-Zhe Li Jennifer **				0

*See remuneration based on employment terms in the adjacent text

** Board member until February 28, 2023.

On February 28, 2023 the Annual General Meeting (AGM) confirmed the following annual fees for the members of the Board of Directors.

- Chairman: EUR 220,000
- Vice Chair: EUR 125,000
- Member: EUR 110,000

Based on the decision of the AGM, 40 percent of the annual fees are paid as class B shares of KONE Corporation and the rest in cash.

Additionally, the AGM confirmed separate annual compensation to the members of the board committees:

- Chairman of the Audit Committee: EUR 20,000
- Members of the Audit Committee: EUR 10,000
- Chairman of the Nomination and Compensation Committee: EUR 20,000
- Members of the Nomination and Compensation Committee: EUR 10,000

The annual compensation of the members of the board committees is paid in cash. Compensation is not paid to a board member who is employed by the company with a separate employment contract.

Remuneration of the Executive Vice Chair of the Board with separate employment terms

Vice Chair of the Board Jussi Herlin has a separate employment contract for his role as Executive Vice Chair of the Board at KONE. The employment-based compensation consists of a base salary, benefits 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 the annual base salary. In 2023, Jussi Herlin's annual base salary and benefits were EUR 126,457. There was no bonus payout in 2023 as the performance criteria for 2022, tied to the Group's financial performance, were not met. The performance criteria applied to his annual short-term incentive in 2023 is based on KONE's financial performance. The bonus will be paid in 2024.

The Executive Vice Chair's retirement age and pension is determined in accordance with Finland's Pensions Act. No separate agreement regarding early retirement has been made.

Board member Matti Alahuhta, who served as President and CEO of KONE until March 31, 2014, has received EUR 295,651 pension from KONE in 2023.

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 financial, strategic and operational targets. In addition to a base salary and benefits, the President and CEO is offered an annual short-term incentive and long-term share-based incentive plan.

Short-term incentive

The President and CEO participates in KONE short-term incentive plan that drives the delivery of annual financial and operational performance and supports the delivery of the business strategy. The maximum earning opportunity for the short-term incentive equals 150% of the CEO's annual base salary. This is aligned with KONE's pay for performance culture.

The short-term incentive paid in 2023 was based on KONE's financial and strategic performance as well as individual performance in 2022. The performance achievement for the President and CEO for 2022 was 41.4% out of maximum, with a reward payout of EUR 465,675.

Based on 2023 performance, the President and CEO earned a bonus payout of EUR 1,084,800, which equaled to 96.4% out of the maximum performance. The reward will be paid in 2024. The 2023 short-term incentive plan was based on KONE's financial and strategic performance which was measured by profitability, growth, cash flow and strategy execution (jointly 85%) and on individual performance (15%).

Remuneration paid to the President and CEO in 2023, EUR

Base salary ¹⁾	Annual short-term incentive	Long-term incentive ²⁾	Total compensation
762,741	465,675	-	1,228,416

1) Base salary amount includes vacation pay and benefits

2) The long-term incentive plan 2021 will vest and be delivered in January 2024. As of 2021, performance is measured over a three-year rolling period, thus no shares were delivered in 2022 and 2023.

Short-term incentive plan of the President and CEO

Performance year	Performance criteria	Weight	Performance outcome (0 - 100%)	Maximum bonus opportunity (% of annual base salary)	Payout (EUR)	Payment year
2022	Financial & Strategic Performance	85%	41.4%	150%	465,675.00 (62.09% of annual base salary)	2023
	Individual Performance	15%				
2023	Financial & Strategic Performance	85%	96.4%	150%	1,084,800 (144.64% of annual base salary)	2024
	Individual Performance	15%				

Long-term share-based incentive plan



The President and CEO is included in the performance based long-term incentive plan for the Group's top management.

In 2021, KONE's Board of Directors decided on a new long-term incentive plan structure, which replaced the previous long-term incentive plans. The performance share plan emphasizes profitable growth and sustainability. It consists of annually commencing individual share plans, each with a three-year rolling performance period. The plans vest and are delivered in one portion after the three years, based on accumulated outcomes for the performance period.

The performance criteria applied to the 2021, 2022, 2023 and 2024 performance years are based

on a combination of annual sales growth and adjusted EBIT margin (jointly 80% weighting), as well as improvements in sustainability (20% weighting). The sustainability performance condition is a combination of reductions in carbon footprint, as well as diversity and inclusion and safety related targets.

The 2020 long-term incentive payout, based on the performance year 2020, was delivered in April 2021 and was subject to a restriction period until the end of 2022. The shares from the 2020 plan were released in January 2023.

The President and CEO did not receive a share payment in 2022 and 2023 due to the long-term incentive structure changing to a three-year

performance period in 2021. Based on an exit agreement, the reward from LTI 2021, LTI 2022 and LTI 2023 will be paid in January 2024 to Henrik Ehrnrooth based on a separate Board of Directors' decision.

Additionally, the Board of Directors has granted Henrik Ehrnrooth an additional incentive of up to 50,000 KONE class B shares, payable by the end of 2024 based on the achievement of specific performance metrics. The early payment of LTI 2022 and LTI 2023 together with the additional share-based incentive replaces the contractual notice of termination and severance payments.

Long-term incentive plan	Performance period	Vesting date	Performance criteria	Weight	Performance outcome (0 – 100%)	Maximum number of shares available*	Paid shares**
LTI 2020	January 2020 - December 2020	January 2023	Adjusted EBIT margin % and sales growth	100%	58.7%	30,000	17,625
LTI 2021	January 2021 - December 2023	January 2024	Adjusted EBIT margin % and sales growth	80%	68.5%	53,541	30,563
			Sustainability	20%			
LTI 2022	January 2022 - December 2024	January 2024	Adjusted EBIT margin % and sales growth	80%	79.3%	58,243	38,505
			Sustainability	20%			
LTI 2023	January 2023 – December 2025	January 2024	Adjusted EBIT Margin % and sales growth	80%	106.7%	74,642	66,349
			Sustainability	20%			

*LTI 2020 (net shares + cash payment to cover taxes), LTI 2021, 2022, 2023 gross before deduction for taxes.

** LTI 2020 net shares delivered together with a cash payment to cover taxes. LTI 2021, 2022, 2023 gross before deduction for taxes. Actual delivered shares will be lower because a portion of shares corresponding to the tax obligation will be withheld to cover income tax.