

Remuneration Statement 2015

The key management of KONE Corporation consists of the Board of Directors and the Executive Board.

KONE Corporation's Board of Directors determines the terms and conditions of employment of the full-time Chairman of the Board and of the President and CEO, and these are defined in their respective written contracts. The Nomination and Compensation Committee prepares proposals to be made to the Annual General Meeting regarding the nomination of Board members and their compensation and makes decisions regarding senior management appointments and compensation. The Committee also decides on the compensation systems to be used.

KONE has a share-based incentive plan for the company's senior management (President & CEO, members of the Executive Board and other top management), consisting of approximately 40 individuals. The potential reward is based on the annual growth in both sales and earnings before interest and taxes (EBIT). The reward is to be paid as a combination of class B shares and cash equivalent of the taxes and similar charges that are incurred. The plan prevents participants from transferring the shares during the fifteen-month period following the termination of each fiscal year. As part of the share-based incentive plan, a long term target for the management's ownership has been set. In April 2015, a total of 354,838 class B shares were granted to the management as a reward due to the achievement of the targets for the year 2014. In July 2015, a total of 5,194 KONE class B shares were returned to KONE Corporation. In April 2016, a total of 391,662 class B shares will be granted to the management as a reward due to the achievement of the targets for the year 2015.

KONE Corporation had four option programs during the financial period 2015. The purpose of the stock options is to encourage long-term efforts by key personnel to increase shareholder value and their commitment to the company by offering them an internationally competitive incentive program. Plans include conditions preventing participants from transferring and participants are obliged to return the shares and the cash payments if employment or service contract is terminated during a period of two years following the ending of each earning period. The company's Board Members, President & CEO and members of the Executive Board were not included in the stock option plan 2010. The company's Board Members, President & CEO, members of the Executive Board and other key personnel covered by KONE's share-based incentive programs other than option programs are not included in the option plans 2013, 2014 and 2015.

In December 2015, KONE's Board of Directors decided that KONE's share-based remuneration will be based on two separate plans starting from the financial year 2016. One share-based incentive plan will be targeted for the senior management of KONE, including the President and CEO, members of the Executive Board and other top management, consisting of approximately 60 individuals. A second plan will be targeted for other key personnel of KONE, totaling approximately 425 individuals. The incentive plans will be part of these individuals' remuneration starting from the financial year 2016. According to the decision, the potential reward is based on the annual growth in sales and earnings before interest and taxes (EBIT) in both plans. However, KONE's Board of Directors has the possibility to change the basis of the target setting annually. The potential reward is to be paid as a combination of KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of the shares. Plans include conditions preventing participants from transferring and participants are obliged to return the shares and the cash payments if employment or service contract is terminated during a period of two years following the ending of each earning period. Following the decision, KONE does not grant new stock option plans. The current existing stock option plans 2013, 2014 and 2015 shall be carried out based on the original terms of these programs.

Compensation paid to the key management, MEUR	Jan 1-Dec 31, 2015	Jan 1-Dec 31, 2014
Salaries and other remuneration	7,5	7.3
Share-based payments	13,8	10.5
Total	21.3	17.8

Compensation recognized as an expense for members of the Board of Directors and the President and CEO (EUR thousand) 2)	Jan 1 - Dec 31, 2015	Jan 1 - Dec 31, 2014
Herlin Antti, Chairman of the Board 1)	529.0	529.4
Ehrnrooth Henrik, President and CEO as from April 1, 2014	750.0	562.5
Alahuhta Matti, President and CEO until March 31, 2014, member of the Board 1)	38.0	209.0
Brunila Anne	38.0	36.5
Herlin Jussi	51.5	51.0
Kant Ravi	40.0	36.0
Kaskeala Juhani	39.0	38.5
Pietikäinen Sirpa	36.5	36.5
Herlin Iiris	36.5	20.0
Matsubara Kazunori	33.5	-
Akiba Shinichiro	0.0	34.5
Hämäläinen-Lindfors Sirkka	0.5	36.5
Total	1,592.5	1,590.4

- 1) For the financial year 2015 in addition Antti Herlin's accrued bonus is EUR 452,090 and Henrik Ehrnrooth's accrued bonus is EUR 675,000. These will be paid during 2016. In April 2015, the share-based payments for the financial year 2014 received by Henrik Ehrnrooth was EUR 3,213,501.
- 2) Includes also the annual compensation of the Board which was performed by using shares of KONE Corporation decided by the Annual General Meeting February 23, 2015.

The Annual General Meeting of KONE Corporation in February 2015 confirmed the fees of the members of the Board as follows (annual fees in EUR):

Chairman of the Board 54,000

Vice chairman 44,000

Member 33,000

Of the annual remuneration, 40 percent was paid in class B shares of KONE Corporation and the rest in cash. It was also confirmed that a meeting fee of EUR 500 is paid for each meeting of the Board and its committees, however such that for committee members residing outside of Finland a fee of EUR 2,000 is paid. Board members' travel expenses and daily allowances are compensated in accordance with the company's travel expense policy.

The compensation for Antti Herlin, fulltime Chairman of the Board, consists of a basic salary and a yearly bonus decided by the Board on the basis of the Group's financial result. The yearly bonus may not exceed 100 percent of his annual salary. In 2015, Antti Herlin's basic salary was EUR 468,488. In addition, his accrued bonus for 2015 totaled EUR 452,090 He was also paid EUR 60,500 as compensation for serving as Chairman of the Board. Antti Herlin's holdings of shares are presented [here](#). The full-time Chairman's retirement age and pension are determined in accordance with Finland's Pensions Act. Statutory pension cost for the year 2015 was EUR 163,200. No separate agreement regarding early retirement has been made.

The compensation for the President and CEO Henrik Ehrnrooth consists of a basic salary and a yearly bonus decided annually by the Board on the basis of the Corporation's key targets. The yearly bonus may not exceed 100 percent of his annual salary. In 2015, Henrik Ehrnrooth's basic salary was EUR 750,000. In addition, his accrued bonus for 2015 totaled EUR 675,000. Henrik Ehrnrooth's holdings of shares are presented [here](#). Henrik Ehrnrooth is included in the share-based incentive plan for the Group's senior management. The potential bonus is based on the growth in KONE's net sales and operating profit. In April 2015, on the basis of the incentive plan for year 2014, Henrik Ehrnrooth received a bonus of EUR 3,213,501, which consisted of 37,870 KONE class B shares together with a cash bonus to cover taxes and similar charges arising from the receipt of shares. The corresponding bonus accrued from 2015 and due for payment in April 2016 is 40,495 KONE class B shares together with a cash bonus to cover taxes and similar charges arising from the receipt of shares. Henrik Ehrnrooth's retirement age and pension are determined in accordance with Finland's Pensions Act. Statutory pension cost for the year 2015 was EUR 256,878. No separate agreement regarding early retirement has been made. Should his employment contract be terminated before retirement, he has the right to the equivalent of 18 months' salary, which includes the salary for a six-month term of notice.

The compensation for the members of the Executive Board comprises a base salary and a yearly bonus, based on the Group's annual result and the achievement of personal targets. The bonus amount is determined by the Nomination and Compensation Committee and may not exceed 50 percent of the annual salary. The Executive Board members' holdings of shares are presented [here](#). The members of the Executive Board are included in the share-based incentive plan for senior management. In April 2015, on the basis of the incentive plan, the members of the Executive Board received a bonus of 159,675

KONE class B shares together with a cash bonus equal to the amount required to cover taxes and similar charges arising from the receipt of shares. The corresponding bonus accrued from 2015 and due for payment in April 2016 is 194,376 KONE class B shares together with a cash bonus equal to the amount of taxes and similar charges. No separate agreement regarding early retirement has been made for the members of the Executive Board. The compensation for the termination of the employment contract prior to retirement is a maximum of 15 months' salary, which includes the salary for a six-month term of notice.

The performance and economic criteria of the senior management's compensation both in terms of the annual bonus plans and the long-term share-based incentive programs are defined and their progress monitored regularly in a manner that ensures that long-term strategic targets are reached.

The Board members and the President and CEO do not have any other financial benefits.

This Remuneration Statement represents a statement recommended by the Finnish Corporate Governance Code 2010 (Recommendation 47).

More information on KONE's corporate governance principles is available in the [Corporate Governance Statement](#).