



# REMUNERATION REPORT

KONE 2021

## 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 1 January 2021 and 31 December 2021 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 25 February 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 across the organization.

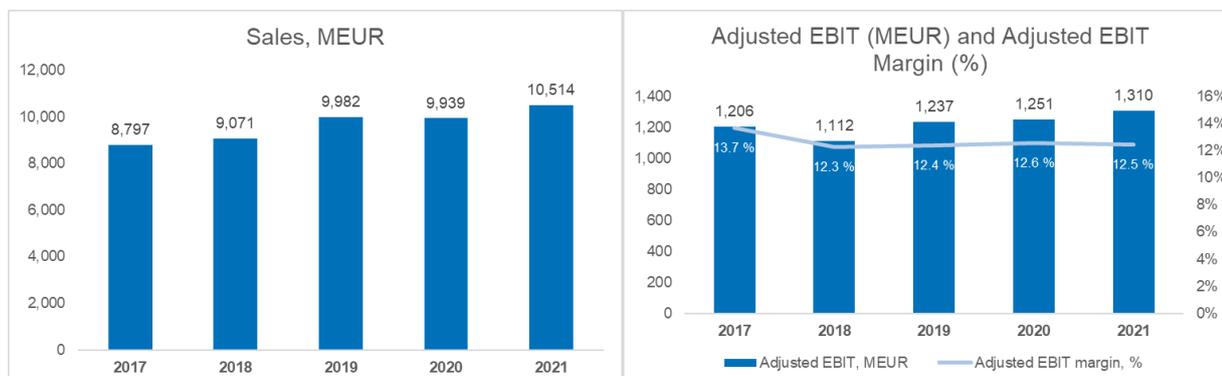
The CEO’s remuneration package is aligned with and supports our pay for performance culture. A significant portion of the CEO’s remuneration package is based on variable pay. To ensure we maintain a strong

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 interest with management interest.

At KONE, we believe that embedding sustainability into all aspects of our business, enables differentiation and superior performance over the long term. In 2021, we added sustainability as a new metric in our long-term incentive program to ensure a strong focus in driving transformation and the achievement of our sustainability ambitions.

## DEVELOPMENT OF KONE'S FINANCIAL PERFORMANCE AND REMUNERATION

KONE's sales have grown constantly (in comparable currencies) during the past five years. Financial performance has been solid throughout the period, with a slight decline in profitability in the past year due to the sharp increase in raw material, component and logistics costs.

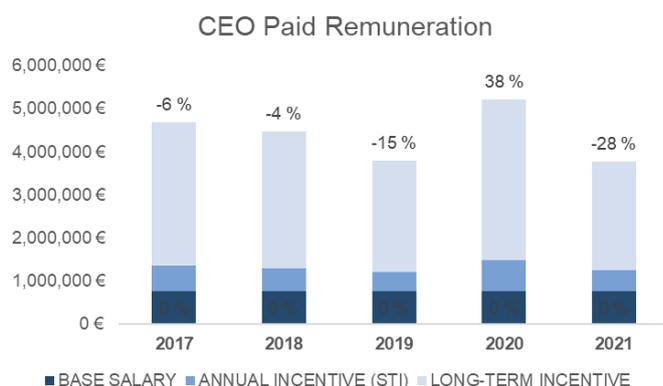


According to our remuneration policy, the CEO is paid for performance and a notable part of the CEO remuneration is based on variable pay, i.e. short- and long-term incentives. As our performance targets for short- and long-term incentives are linked to our business result this development is reflected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

### 5-year Remuneration Development (paid remuneration per year)

Average Compensation (EUR)	2017	2018	2019	2020	2021
Chairman of the Board	920,788	927,640	834,888	936,951	588,562
Vice Chairman of the Board	113,500	115,700	114,100	118,976	107,865
Member of the BoD	42,083	44,750	45,083	50,214	112,000
President and CEO	4,672,885	4,470,194	3,780,650	5,214,169	3,755,742
KONE employee*	38,037	37,653	39,428	37,412	39,635

\* 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 including the increase/decrease in total remuneration. For example, in 2021:

- Base salary 2021
- Annual short-term incentive (STI) earned in 2020 and paid in 2021.
- Long term performance share plan (LTI) earned in 2020 and paid in 2021.

The long-term incentive earned in 2020 is under restriction period until the end of 2022.

## REMUNERATION OF THE BOARD OF DIRECTORS FOR 2021

### KONE Board Remuneration 1 January – 31 December 2021:

Director	Annual Fees	Meeting Fees	Remuneration based on Employment*	Total
Herlin Antti, Chairman of the Board	220,000	3,500	365,062	588,562
Herlin Jussi, Vice Chairman of the Board	0	3,500	104,365	107,865
Alahuhta Matti	110,000	3,000		113,000
Duinhoven Susan	110,000	1,000		111,000
Herlin Iiris	110,000	1,000		111,000
Kant Ravi	110,000	4,000		114,000
Kaskeala Juhani	110,000	3,000		113,000
Xin-Zhe Li Jennifer	110,000	0		110,000
Brunila Anne**	0	1,500		1,500
Pietikäinen Sirpa**	0	1,000		1,000

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

\*\* Board Member until 2 March 2021

On March 2<sup>nd</sup> 2021, the 2021 AGM confirmed the following annual fees for the members of the Board of Directors.

Chairman	220 000
Vice Chairman	125 000
Member	110 000

Annual board fee is not paid to a board member who is employed by the company with a separate employment contract.

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.

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

The Chairman of the Board, Antti Herlin, has had a separate employment contract for his role as Full-time Chairman of the Board at KONE until 2. March 2021. The employment-based compensation for Antti Herlin during his employment consisted of a base salary and an annual bonus decided by the Board on the basis of the Group's financial result. In 2021, Antti Herlin was paid EUR 74,600 in base salary and a bonus totaling EUR 290,462 which was earned in 2020. The performance criteria for 2020 were tied to Group's financial performance.

The Vice Chairman of the Board, Jussi Herlin, entered a separate employment contract for his role as Executive Vice Chairman of the Board as of March 2, 2021. 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 2021, Jussi Herlin was paid a base salary of EUR 104,365. In 2021 Jussi Herlin earned a bonus totaling EUR 26,166 which will be paid in 2022. The performance criteria for 2021 were tied to the Group's financial performance.

The Executive Vice Chairman's retirement age and pension is 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 270,654 pension from KONE in 2021.

## 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 an annual short-term incentive (STI) and a long-term performance share plan (LTI).

### Remuneration paid to the President and CEO in 2021, EUR

	Base Salary <sup>1)</sup>	Annual short-term incentive – earned in 2020	Long term performance share plan – earned in 2020 <sup>2)</sup>	Total Compensation
President and CEO	750,000	493,500	2,512,242	3,755,742

1) Base salary amount includes vacation pay

2) Long-term performance share plan 2020 – 17,625 shares at 66.41 € (April 29, 2021) + a cash element 1,341,765.46 €

### Short term incentive

Performance Year	Performance Criteria	Weight	Performance Outcome (0 - 100%)	Maximum bonus opportunity (% of Annual Base Salary)	STI Payout	Payment year
2020	Group financial, strategic and operative targets	100%	65.8%	100%	493,500.00 (65.8% of ABS)	2021
2021	Financial & Strategic Performance	85%	74.3%	150%	835,350.00 (111.38% of ABS)	2022
	Individual Performance	15%				

The short-term incentive paid in 2021 was based on the 2020 performance criteria. The performance achievement for the President and CEO for 2020 was 65.8 % out of maximum, with a reward payout of EUR 493,500.

As of 2021 the maximum earning opportunity for the short-term incentive equals 150% of the CEO's annual base salary. The 2021 short-term incentive plan was based on 85% financial and strategic performance and 15% on individual performance. Based on the achieved performance, the President and CEO earned a bonus payout of EUR 835,350, which equaled 74.3% out of the maximum performance. The reward will be paid in 2022.

### Long term performance share plan (LTI)



### LTI 2020

The maximum number of KONE class B shares available for earning for the President and CEO for the year 2020 was 30,000 KONE shares (net after deduction of applicable taxes). The performance criteria for LTI performance period 2020 were set by the Board in the beginning of 2020, with a focus on sales growth and profitability as well as growth of KONE's digital services.

In April 2021, on the basis of the incentive plan for year 2020, Henrik Ehrnrooth received a reward of EUR 2,512,241 which consisted of 17,625 KONE class B shares (net) together with a cash payment to cover taxes and similar charges arising from the receipt of shares. This represents an outcome of 58.7 % out of the maximum earning opportunity. The award will be subject to a restriction period until the end of 2022.

### LTI 2021

In January 2021, a new share-based long-term incentive plan was launched that measures performance over three years. The plan consists of annually commencing individual share plans, each with a three-year rolling performance period.

The performance criteria applied to the 2021 performance year are based on a combination of annual sales growth and adjusted EBIT margin (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 maximum number of shares available for earning for the President and CEO for the 2021 share-based incentive plan is 53,541 KONE shares (gross before deduction for applicable taxes). The final outcome and any potential share awards under the 2021 LTI plan will be confirmed and delivered in January 2024, depending on the performance against the criteria set by the Board for the performance years 2021, 2022 and 2023.