

KONE's Remuneration Statement 2019

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 two separate share-based incentive plans. One plan is targeted for the senior management of KONE including the President & CEO, members of the Executive Board and other top management, consisting of approximately 60 individuals. A second plan is targeted for other key personnel of KONE, totaling approximately 450 individuals. The potential reward is based on KPIs as decided by the Board on an annual basis in line with the strategic targets. In 2019, the reward was based on sales growth and profitability in both plans. 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 shares. The share-based incentive plans have a vesting period of three years, including the performance period. If the participant's employment or service contract is terminated during the vesting period, they are either obliged to return the shares already received or lose the entitlement to the shares they have not yet received. As part of the plan for the senior management, a long-term target for their ownership has been set. For the Executive Board members, the long-term ownership target is that the members have an ownership of KONE shares corresponding to at least five years' annual base salary. For other selected top management positions the ownership target is at least two years' base salary.

As part of the previous share-based incentive plan a total of 265,086 KONE class B shares were granted in April 2019 to the management as a reward due to the achievement of the targets for the year 2018. During year 2019 a total of 7,642 of those KONE class B shares were returned to KONE Corporation. In April 2020, a total of 363,012 class B shares will be granted to the senior management as a reward due to the achievement of the targets for the year 2019. To the other key personnel of KONE the total reward from the year 2019 is based on the value of 320,046 KONE class B shares to be delivered in January 2022 and reduced by such an amount of shares to be equivalent to the taxes and similar charges that are incurred by the receipt of shares.

KONE Corporation had one on-going option program, KONE 2015 option rights, during the financial period 2019. The share subscription period for the 2015 option rights ended on April 30, 2019. KONE has not launched any new stock option programs after year 2015. The purpose of the stock options was 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. 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 earlier than year 2016 were not included in the option plans.

Compensation paid to the key management (Board of Directors and Executive Board), MEUR	Jan 1-Dec 31, 2019	Jan 1-Dec 31, 2018
Salaries and other remuneration	7.8	8.0
Share-based payments	14.8	18.3
Total	22.6	26.3

Compensation recognized as an expense for members of the Board of Directors and the President and CEO (EUR thousand) ²⁾	Jan 1 - Dec 31, 2019	Jan 1 - Dec 31, 2018
Herlin Antti, Chairman of the Board ¹⁾	529.5	528.5
Herlin Jussi, Vice Chairman of the Board	114.1	115.7
Ehrnrooth Henrik, President & CEO ¹⁾	750.0	750.0
Alahuhta Matti	45.0	44.5
Brunila Anne	44.5	45.0
Herlin Iiris	43.5	43.0
Kant Ravi	49.5	49.0
Kaskeala Juhani	45.0	44.5
Pietikäinen Sirpa	43.0	42.5
Total	1,664.1	1,662.7

1) For the financial year 2019 in addition Antti Herlin's accrued bonus is EUR 401,963 and Henrik Ehrnrooth's accrued bonus is EUR 727,500. These will be paid during 2020. In April 2019, the share-based payments for the financial year 2018 received by Henrik Ehrnrooth was EUR 2,579,150.

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 26, 2019.

The Annual General Meeting of KONE Corporation in February 2019 confirmed the fees of the members of the Board as follows (annual fees in EUR):

Chairman of the Board 55,000

Vice chairman 45,000

Member 40,000

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 but anyhow EUR 2,000 fee per those Committee meetings for the members residing outside of Finland. Board members' travel expenses and daily allowances are compensated in accordance with the company's travel expense policy.

Chairman of the Board

The compensation for Antti Herlin, full-time 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 the recipient's annual salary. In 2019, Antti Herlin's basic salary was EUR 468,488. In addition, his accrued bonus for 2019 totaled EUR 401,963. He was also paid EUR 61,000 as compensation for serving as Chairman of the Board. Antti Herlin's holdings of shares are presented in the Governance Statement 2019. The full-time Chairman's retirement age and pension are determined in accordance with Finland's Pensions Act. Statutory pension cost for the year 2019 was EUR 131,174. No separate agreement regarding early retirement has been made.

President and CEO

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 2019, Henrik Ehrnrooth's basic salary was EUR 750,000. In addition, his accrued bonus for 2019 totaled EUR 727,500. Henrik Ehrnrooth's holdings of shares are presented in the Corporate Governance Statement 2019. Henrik Ehrnrooth is included in the share-based incentive plan for the Group's senior management. In April 2019, on the basis of the incentive plan for year 2018, Henrik Ehrnrooth received a reward of EUR 2,579,150 which consisted of 25,344 KONE class B shares together with a cash payment arising from the receipt of shares. The corresponding reward accrued from 2019 and due for payment in April 2020 is 32,531 KONE class B shares together with a cash payment 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 2019 was EUR 221,677. 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.

Executive Board

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, which can relate to, for example, strategy execution, safety or quality. 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 in the Corporate Government Statement 2019. The members

of the Executive Board are included in the share-based incentive plan for senior management. In April 2019, on the basis of the incentive plan, the members of the Executive Board received a reward 131,794 KONE class B shares together with a cash payment equal to the amount required to cover taxes and similar charges arising from the receipt of shares. The corresponding reward accrued from 2019 and due for payment in April 2020 is 194,169 KONE class B shares together with a cash payment 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 sixmonth 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 2015.

More information on KONE's corporate governance principles is available in the Corporate Governance Statement 2019.