

KONE's Remuneration Statement 2018

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 2018, the reward was based on the development of orders received, the growth in maintenance business and operating income (EBIT) 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 two years. 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 the 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 372,560 KONE class B shares were granted in April 2018 to the management as a reward due to the achievement of the targets for the year 2017. During year 2018 a total of 4,928 of those KONE class B shares were returned to KONE Corporation. In April 2019, a total of 266,830 class B shares will be granted to the senior management as a reward due to the achievement of the targets for the year 2018. To the other key personnel of KONE the total reward from the year 2018 is based on the value of 239,656 KONE class B shares to be delivered in January 2021 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 two on-going option programs (option rights 2014 and 2015) during the financial period 2018. KONE has not launched any new stock option programs after year 2015. The purpose of the stock options has been 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. There was a two-year vesting period in the option programs. 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 are not included in the option plans.

Compensation paid to the key management, MEUR	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Salaries and other remuneration	8.0	7.9
Share-based payments	18.3	22.2
Total	26.3	30.1

Compensation recognized as an expense for members of the Board of Directors and the President and CEO (EUR thousand) ²⁾	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017
Herlin Antti, Chairman of the Board ¹⁾	528.5	529.0
Herlin Jussi, Vice Chairman of the Board	115.7	113.5
Ehrnrooth Henrik, President and CEO ¹⁾	750.0	750.0
Alahuhta Matti	44.5	41.5
Brunila Anne	45.0	41.5
Herlin Iiris	43.0	40.5
Kant Ravi	49.0	46.5
Kaskeala Juhani	44.5	42.0
Pietikäinen Sirpa	42.5	40.5
Total	1,662.7	1,645.0

1) For the financial year 2018 in addition Antti Herlin's accrued bonus is EUR 305,400 and Henrik Ehrnrooth's accrued bonus is EUR 451,500. These will be paid during 2019. In April 2018, the share-based payments for the financial year 2017 received by Henrik Ehrnrooth was EUR 3,179,444.

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, 2018.

The Annual General Meeting of KONE Corporation in February 2018 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 2018, Antti Herlin's basic salary was EUR 468,488. In addition, his accrued bonus for 2018 totaled EUR 305,400. He was also paid EUR 60,000 as compensation for serving as Chairman of the Board. Antti Herlin's holdings of shares are presented in the Corporate Governance Statement 2018. The full-time Chairman's retirement age and pension are determined in accordance with Finland's Pensions Act. Statutory pension cost for the year 2018 was EUR 151,403. 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 2018, Henrik Ehrnrooth's basic salary was EUR 750,000. In addition, his accrued bonus for 2018 totaled EUR 451,500. Henrik Ehrnrooth's holdings of shares are presented in the Corporate Governance Statement 2018. Henrik Ehrnrooth is included in the share-based incentive plan for the Group's senior management. In April 2018, on the basis of the incentive plan for year 2017, Henrik Ehrnrooth received a bonus of EUR 3,179,444, which consisted of 35,031 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 2018 and due for payment in April 2019 is 25,344 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 2018 was EUR 244,597. 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 2018. The members of the Executive Board are included in the share-based incentive plan for senior management. In April 2018, on the basis of the incentive plan, the members of the Executive Board received a bonus of

182,169 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 2018 and due for payment in April 2019 is 131,794 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 2015.

More information on KONE's corporate governance principles is available in the Corporate Governance Statement 2018.