KONE

NOTICE TO GENERAL MEETING, ANNEX 2

KONE CORPORATION EXECUTIVE REMUNERATION POLICY (January 28, 2020)

This KONE Corporation Executive Remuneration Policy includes the general guidelines and framework concerning the remuneration of the Board of Directors ("Board") and the President and CEO ("CEO") of KONE Corporation ("KONE" or "Company"). Policies regarding the CEO shall also apply to a potential Deputy CEO.

FOUNDATION

The aim of the KONE Corporation Executive Remuneration Policy is to promote the Company's long-term financial performance and sustainable shareholder value creation by attracting, retaining and motivating executive management to drive the KONE strategy and global market leadership in alignment with all essential stakeholder interests. The KONE Corporation Executive Remuneration Policy's overriding objective is to ensure long-term pay-for-performance alignment at KONE, that rewards for the delivery of KONE's strategy in a manner which is simple, straightforward and understandable. In line with the KONE mission to improve the flow of urban life and vison of delivering the best People Flow® experience, each incentive plan is structured to support the execution of KONE strategy and support long term sustainable growth.

Whilst being a Finnish company, KONE competes for talent in a global marketspace, and needs to ensure the remuneration strategy and the KONE Corporation Executive Remuneration Policy supports attracting, retaining and motivating individuals with the suitable caliber to lead KONE.

The KONE Corporation Executive Remuneration Policy is based on the following guiding principles:

- Providing a competitive total remuneration opportunity
- Emphasizing pay-for-performance by structuring the total target remuneration of the CEO and other senior executives so that the majority of the remuneration opportunity is based on performance-based incentives
- Providing strong alignment with the interests of our shareholders, by providing that a substantial portion of the annual variable remuneration opportunity for the CEO is based on long-term equity-based incentive plans with multiyear vesting
- Encouraging an optimal level of risk taking by built in ownership requirements and clawback provisions.

The KONE Corporation Executive Remuneration Policy should be consistent with the global remuneration framework applied to KONE employees worldwide. However, in line with emphasizing the pay-for-performance philosophy, the senior management have a more significant portion of their total compensation tied to performance-based incentives than KONE employees on average. The existing contracts of the Chairman of the Board, Vice Chairman of the Board and the CEO are aligned with the KONE Corporation Executive Remuneration Policy.

DECISION-MAKING PROCESS AND PRINCIPLES FOR REMUNERATION OF BOARD AND CEO

The KONE Corporation Executive Remuneration Policy is prepared by the Board's Nomination and Compensation Committee (NCC) and approved by the Board for presentation to the General Meeting of the shareholders. The Board monitors KONE's remuneration practices to ensure alignment with the KONE Corporation Executive Remuneration Policy.

The General Meeting resolves on the remuneration of the Board related to their Board position and duties and responsibilities regulated by applicable laws and regulations in Finland. The NCC prepares the proposals for the annual board fees for all members of the Board ("Board Members") and the fees are approved annually as a separate item on the agenda at the General Meeting.

Due to KONE´s ownership structure, the Board may decide that some Board Members may also be employed by KONE with separate employment terms and conditions which in general follow KONE´s normal employment policies and the global remuneration framework.

The employment-related remuneration for above mentioned Board Members is based on separate employment terms and may be mix of fixed base salary (including fringe benefits) and annual incentives linked to the Company´s profitability and/or other long-term targets following principles approved by the Board. The terms and conditions of such Board Members' employments are defined in their respective written contracts.

To avoid conflict of interest, those Board Members covered by separate employment terms do not participate in preparation or decision-making regarding the employment terms and conditions, and resolutions are therefore also always made only by independent Board Members.

The Board determines the terms and conditions of the director contract of the CEO, on the basis of the proposal from the NCC and the KONE Corporation Executive Remuneration Policy. The NCC regularly monitors and evaluates the effectiveness and appropriateness of the KONE Corporation Executive Remuneration Policy and CEO's remuneration, to ensure its appropriate positioning to market and alignment with business needs, strategy and the interests of the shareholders. The objective of the KONE Corporation Executive Remuneration Policy for the CEO is to offer a remuneration structure that provides and motivates the CEO with a balanced and market aligned remuneration structure, that is contingent on delivering sustainable financial results, that are aligned with the long-term strategy and competitiveness of KONE and the interests of the shareholders.

The Board may decide to pay part of the CEO's total compensation in KONE class B shares, or potential other share-linked instruments, according to valid authorizations by the General Meeting and in accordance with applicable laws and regulations.

Remuneration structure for CEO and Board Members covered by separate employment terms

The total remuneration structure consists of a mix of fixed base salary, including fringe benefits, and variable incentives i.e. performance-based remuneration. The variable incentives consist of a share-based incentive plan[1)] that is linked to the Company's long-term targets, as well as an annual incentive plan.

In determining the level and structure of the total remuneration, the Board shall take into account the financial and operational results as well as non-financial indicators relevant to the long-term objectives of KONE. The strategy as well as relevant market practices and conditions are closely considered as the Board annually defines the remuneration elements.

The size of the variable incentive opportunities shall be determined by the Board annually in line with KONE's general remuneration principles, to allow for consideration of the optimal proportion of each incentive within the remuneration mix, when executing KONE objectives and strategy. The Board shall set a target and a maximum level for both the annual and the share based long-term[1)] incentive.

The Board has aligned that the annually granted target remuneration[1)] opportunity for the CEO shall be structured so that the majority is based on performance-based incentives. The Board has further aligned that the weighting of the long-term equity-based[1)] opportunity for the CEO shall constitute a substantial portion of the variable incentives, to ensure strong alignment with the interests of the shareholders, and to ensure continuous alignment with the long-term strategic objectives of KONE.

Long-term Incentive guideline for the CEO[1)]

In driving long-term alignment with KONE strategy and the interests of the shareholders, the total vesting period in the long-term incentive plans shall be minimum of three years. Within each vesting period there may be one or several performance metrics, each having a performance period of one to three years, as assessed most effective for each metric by the Board.

Any earned shares within the long-term incentive plans may be paid out either after the performance period or after the vesting period. Any rewards paid out prior to the end of the vesting period shall be under a lock-up and must be returned to the Company, in case the Company or the CEO terminates or cancels the CEO's director contract before the end of the vesting period.

Performance metrics and target setting

The Board shall annually select the optimal performance metrics for each of the variable incentives. The selected metrics and their required performance targets shall specifically drive towards executing KONE strategic objectives, achieving sustainable financial results and ensuring the competitiveness of KONE, whilst taking into account prevailing market conditions. The approach for measuring each performance metric shall be clearly defined by the Board when the targets are set. No incentive rewards shall be paid for performance achievement below minimum threshold level set by the Board.

Performance targets can be based on:

- Financial & Operative metrics – focus on profitable growth and operational efficiency
- Strategic metrics – focus on long-term shareholder value creation and impact on sustainability & business renewal, identified market opportunities and prevailing strategic focus areas.

1) Relevant and in use only for the CEO

MAIN COMPONENTS OF REMUNERATION

Element	Purpose & Link to strategy	Description
BASE SALARY	To attract and retain high caliber management to deliver the Company's strategic plans.	Base salary includes taxable fringe benefits (including but not limited to car and mobile phone). Base salary is set at a market competitive level, to reflect a variety of factors, including market conditions, competitiveness, past performance and the individual's skills, experience and role within the Company, as well as experience to lead the business. Base salary is normally reviewed annually.
PENSION	To provide for retirement with a level of certainty aligned to local market practices.	Retirement age and any supplementary pension arrangements provided are decided by the Board in line with local country arrangements. The current retirement age for the CEO and Board Members covered by separate employment terms follows the Finnish Employee's Pension Act and do not include any supplementary pension benefits.
ANNUAL INCENTIVE (STI)	To incentivize, steer towards and reward for delivery of short-term financial and operational performance and to support the delivery of the business strategy.	The annual incentive is based on one-year performance metrics. Rewards are paid in cash after the end of the performance period, based on the achievement of the targets. The maximum payout for the annual incentive is capped.
LONG-TERM INCENTIVE (LTI) 1)	To reward for delivery of strategic targets and sustainable long-term growth and to align CEO's interests with those of shareholders. To increase the value of the Company by offering a share ownership-based reward structure. To cumulate the CEO's share ownership in KONE, as described in the share ownership guidelines.	KONE's current long-term incentive mechanism is a performance share plan, which offers the CEO an opportunity to earn a predetermined number of KONE shares as reward for achieving targets set by the Board. The Board may use other forms of long-term incentive mechanisms, that optimally drive the set objectives and are in line with the established guidelines. The maximum award size for the Long Term Incentive is expressed as a number of shares, as defined annually by the Board at the beginning of each performance period. Long-term incentive awards are normally delivered as shares (KONE class B) and a cash element equivalent to taxes and similar charges that incur from the receipt of shares.
SHARE OWNERSHIP 1)	To ensure that there is strong alignment between the interests of the CEO and those of its shareholders in the longer term. Cumulating a significant share ownership in KONE over time is seen as central in enhancing the long-term shareholder alignment of the CEO.	The Board decides on the long-term target share ownership for the CEO. The current long-term target for the CEO is to have share ownership in KONE at least equal to five times the annual base salary.

1) Relevant and in use only for the CEO

CLAWBACK AND MALUS

The CEO and Board Members covered by separate employment terms are subject to a clawback policy where, if a variable incentive component conditionally awarded in a previous financial year would, in the opinion of the Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria targets have been or should have been achieved, the Board has the power to adjust the amount of the incentive downwards or upwards.

In exceptional circumstances the Board shall have the discretionary authority to make adjustments to the amount of the annual incentive or long-term incentive[1)] and the timing of the reward payment.

Furthermore, the Board may recover from the CEO and Board Members covered by separate employment terms any variable remuneration in case of misconduct or on the basis of incorrect financial or other data.

TERMINATION AND SEVERANCE

In the event of a termination of Board Members' employments or the CEO's director contract, any payable compensation is determined in line with legal advice regarding local legislation, country policies, contractual obligations and the rules of the applicable incentive and benefit plans.

Current termination provisions in the CEO's director contract have a period of notice of 6 months and is entitled to compensation, for termination of the director contract, corresponding to 12 months' salary. By default, any unvested incentive awards would be forfeited if the CEO's director contract is terminated. The CEO is limited by a non-competition obligation in case of director contract termination[1)].

Possible separate employment terms of Board Members follow the general applicable laws in Finland.

The Board may exercise its discretion in relation to leaver situations of the Board Members or the CEO, as it sees fair and justifiable,

- as to whether any annual incentive (in whole or partly) shall be payable during the year of departure.
- as to whether shares granted as reward in long-term incentive plan (in whole or partly) shall vest and the terms on which such shares shall vest.

1) Relevant and in use only for the CEO

EXCEPTIONAL CIRCUMSTANCES

In exceptional circumstances, it might serve KONE shareholders, KONE's financial development and competitive positioning in the market the best in the long-term if the Board is able to temporarily deviate from certain principles defined in the KONE Corporation Executive Remuneration Policy. Therefore, the Board may, after careful consideration, decide to deviate from the KONE Corporation Executive Remuneration Policy confirmed by the General Meeting in certain exceptional situations.

The pre-determined situations where the Board may decide to deviate from the KONE Corporation Executive Remuneration Policy are:

- Recruitment of a new CEO
- Significant merger, acquisition, demerger or other corporate restructuring event,
- Significant change in KONE strategy,
- Immediate retention needs arising from external factors,
- Immediate need to promote the increase of CEO ownership in KONE,
- Changes in legislation, regulation, taxation or equivalent.

Changes may apply to remuneration elements, key terms applicable to the employment or director contract and incentive plan structures and mechanisms, their timelines, metrics and opportunities, as seen imperative in ensuring the development of the long-term value of KONE.

Any deviation shall be carefully considered by the Board and transparently communicated to the shareholders no later than at next remuneration report and Annual General Meeting.