



NOKIA

Nokia Corporation  
Remuneration  
Report 2020

## Introduction

This Remuneration Report of Nokia Corporation (the Report) has been approved by the company's Board of Directors (the Board) to be presented to the 2021 Annual General Meeting. The resolution of the Annual General Meeting on the Report is advisory. The Report presents the remuneration of the President and CEO and the members of the Board for the financial year 2020 in accordance with the Finnish Decree of the Ministry of Finance 608/2019, the Finnish Corporate Governance Code of 2020 as well as other applicable Finnish laws and regulations. The Annual General Meeting held on May 27, 2020 resolved to support Nokia Corporation's Remuneration Policy (the Policy) with 86.37% of the votes in favor of the Policy. Both persons who have acted as the President and CEO as well as the members of the Board have been remunerated in accordance with this Policy during the financial year 2020. No temporary or other deviations from the Policy have been made and no clawback provisions have been exercised during the financial year 2020.

In 2020 our remuneration structure promoted the company's long-term financial success by setting the performance criteria for short- and long-term incentives to support the company's short- and long-term goals, as well through shareholding requirements set for the President and CEO and the Board members. Aligned with Nokia's pay-for-performance remuneration principle, performance-based compensation was emphasized over fixed base salary. The setting and application of the performance criteria for incentive programs executed the philosophy of pay-for-performance and supported the delivery of the corporate strategy as well as the creation of long-term sustainable shareholder value.

The table below compares the development of the remuneration of our Board of Directors, President and CEO, average employee pay and company performance.

Year	Aggregate remuneration of the Board of Directors (EUR) <sup>(1)</sup>	President and CEO actual remuneration (EUR)	Average Salaries and Wages (EUR) <sup>(2)</sup>	Revenue (EURm)	Total Shareholder Return (Rebased to 100 at 31 Dec 2015) <sup>(3)</sup>
2016	2 050 902	9 508 156	61 108	23 614	73.29
2017	2 138 000	6 423 559	63 461	23 147	64.05
2018	2 203 000	4 651 009	63 220	22 563	85.92
2019	2 219 000	3 897 625	61 980	23 315	57.48
2020	2 016 000	3 587 781	65 787	21 852	54.95

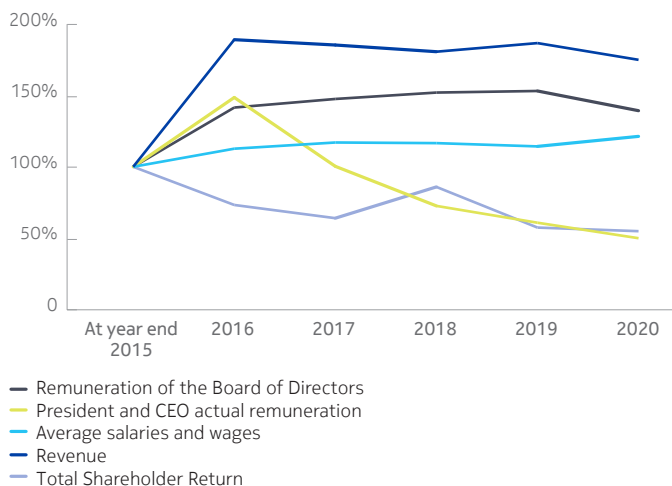
(1) Aggregate total remuneration paid to the members of the Board during the financial year as annual fee and meeting fee, as applicable, and as approved by general meetings of shareholders. The value depends on the number of members elected to the Board for each term as well as on the composition of the Board committees and travel required. Meeting fees were introduced in 2016 and the Board's Technology Committee was established in 2018 after which the Board has had four Committees.

(2) Average salaries and wages are reported in the company's financial statements based on average employee numbers and total salaries and wages.

(3) Total shareholder return on last trading day of the previous year.

We also present this data graphically:

### Comparative data (rebased year end 2015 = 100)



While the graph reflects the euro values paid during each financial year, in practice the Board members' remuneration closely aligns with the performance of the company and the total shareholder return. Approximately 40% of the Board members' annual fees were paid in Nokia shares purchased from the market on their behalf and the directors shall retain until the end of their directorship such number of shares that corresponds to the number of shares they have received as Board remuneration during their first three years of service in the Board.

The rest of the annual fee was paid in cash, most of which is typically used to cover taxes arising from the remuneration. It is the company's policy that the non-executive members of the Board do not participate in any of the company's equity programs and do not receive performance shares, restricted shares, or any other equity-based or other variable compensation for their duties as Board members. All members of the Board were non-executive during the financial years 2016-2020.

The pay-for-performance remuneration principle applied to the President and CEO as well as the shareholding requirement of the President and CEO and the Board members, as applicable, contribute to an alignment of interests with shareholders, while also promoting and incentivizing decisions that are in the long-term interest of the company.

We look forward to our shareholders' support and confirmation that the Report is aligned with the Remuneration Policy.

## The President and CEO

The following table shows the actual remuneration received by the two persons who have acted as the company's President and CEO in 2020 and 2019. As our CEO changed in the financial year 2020, both individual and aggregate figures are presented in respect of service as President and CEO for comparison purposes. The long-term incentive payments reflect actual payments in the respective years attributable to the vesting of the 2017 Nokia performance share plan in 2020 (comparative figures show the payment of the 2016 Nokia performance share plan in 2019).

EUR	2020 (Combined)	Pay mix <sup>(1)</sup>	2020 (Lundmark)	Pay mix <sup>(1)</sup>	2020 (Suri) <sup>(2)</sup>	Pay mix <sup>(1)</sup>	2019	Pay mix <sup>(1)</sup>
Salary	1 301 032	37%	541 667	49%	759 365	32%	1 300 000	34%
Short-term incentive <sup>(3)</sup>	1 518 765	43%	573 068	51%	945 697	40%	637 163	17%
Long-term incentive <sup>(4)</sup>	687 740	20%	N/A	N/A	687 740	29%	1 841 843	49%
Other compensation <sup>(5)</sup>	80 244		14 712		65 512		118 619	
<b>Total</b>	<b>3 587 781</b>		<b>1 129 447</b>		<b>2 458 314</b>		<b>3 897 625</b>	

(1) Paymix reflects the proportions of base salary, short-term incentive and long-term incentive of total compensation, excluding other compensation.

(2) Mr. Suri's compensation is shown in respect of his service as President and CEO to July 31, 2020. In addition, in respect of his services as an advisor between stepping down as President and CEO on July 31, 2020 and his last day of work on January 1, 2021 he received EUR 540 635 salary, EUR 679 303 bonus and EUR 32 047 in benefits. After his departure, in accordance with his contract, Mr. Suri received payment in lieu of the balance of his notice period of EUR 866 667 in respect of salary, EUR 1 083 333 in respect of bonus and EUR 78 666 in respect of benefits.

(3) Short-term incentives represent amounts earned in respect of the financial year, but that are paid in April of the following year.

(4) The long-term incentive payment to Mr. Suri represents the vesting of his 2017 performance share award.

(5) Other compensation includes for Mr. Suri's housing equaling EUR 23 804 (2019: EUR 48 049); travel assistance equaling EUR 2 798 (2019: EUR 16 813); tax services equaling EUR 16 350 (2019: EUR 16 826); and other benefits including mobile phone, driver and supplemental medical and disability insurance equaling EUR 22 561 (2019: EUR 36 931). For Mr. Lundmark other compensation includes mobile phone, driver and disability insurance equaling EUR 14 712.

Pursuant to Finnish legislation, Nokia is required to make contributions to the Finnish TyEL pension arrangements in respect of the President and CEO. Such payments can be characterized as defined contribution payments. In 2020, payments to the Finnish state pension system equaled EUR 259 952 for Mr. Suri in respect of his service as President and CEO (EUR 353 846 in 2019) and EUR 103 256 for Mr. Lundmark. No supplementary pension arrangements were offered.

### Hire and 2020 arrangements for Mr. Lundmark

Mr. Lundmark was appointed as President and CEO from August 1, 2020, which was a month earlier than initially announced on March 2, 2020. His hire arrangements are summarized below and are in accordance with the Remuneration Policy:

Item	Action	Amount	Note
<b>Salary</b>	Pro-rated from August 1, 2020	EUR 1.3 million per annum, pro-rated	In line with Policy and contract
<b>Short-term incentive 2020</b>	Paid at actual for 2020	EUR 573 068	In line with Policy and STI plan rules
<b>Long-term incentive 2020</b>	Performance share award vests in 2023 subject to TSR performance	Target EUR 2.6 million	In line with Policy, contract and 2020 LTI plan rules
<b>eLTI co-investment arrangement</b>	In return for a purchase and continued holding of 2.6m EUR worth of Nokia shares, a 2:1 award of Nokia 2020 performance shares was made. These vest in 2023 subject to TSR performance and continued holding of the purchased shares.	Target EUR 5.2 million	In line with Policy and eLTI arrangement rules and in common with the arrangement provided to Mr. Suri, Mr. Lundmark was invited to participate in the eLTI co-investment arrangement. This required him to make a substantial personal investment in Nokia shares aligning his personal interests with those of shareholders from the start.
<b>Restricted shares</b>	Award in recognition of forfeiting previous employer awards. In determining the value of this restricted share award, the Board took due account of the structure, time horizons, value and performance targets of his forfeited awards. Will vest in three equal tranches in 2021, 2022 and 2023.	EUR 1.3 million	In line with Policy, 2020 restricted share plan rules and in recognition of forfeited awards from Mr. Lundmark's previous employer.
<b>Benefits</b>	Pro-rated from August 1, 2020	Standard Finnish benefits plus tax compliance support. No housing or relocation paid.	In line with Policy and contract

### Short-term incentive

The 2020 short-term incentive framework for the President and CEO was based on three core metrics: revenue, operating profit and free cash flow. Achievement against the 2020 targets was as follows:

Metric	Weight	Target EURm	Achievement
Revenue	20%	23 070	82.23%
Operating profit	40%	2 234	74.16%
Free cash flow	40%	849	135.80%

Performance against these key financial targets was then multiplied by a business results multiplier (BRM), which acts as a funding factor (based on operating profit) for the short-term incentive plan for most employees, to determine the final payment. The BRM for 2020 was 84%. Accordingly, the short-term incentive of Mr. Lundmark as the President and CEO equaled EUR 573 068 or 84% of the pro-rated target award.

### Long-term incentives

In 2020, Mr. Lundmark was awarded the following equity awards under the Nokia equity program. The performance condition for the 2020 performance shares is based on absolute total shareholder return and the actual achievement will be detailed following the end of the three year performance period. See the more detailed hire arrangements for Mr. Lundmark above for further information. Mr. Suri was not awarded any performance shares or restricted shares under the 2020 long-term incentive plans.

Performance share awards <sup>(1)</sup>	Units awarded	Grant date fair value (EUR)	Grant date	Vesting
Awarded as regular performance share award	671 800	1 753 398	November 6, 2020	Q4 2023
Awarded as eLTI performance share award	1 390 894	4 923 765	August 10, 2020	Q3 2023
Restricted share awards <sup>(2)</sup>				
Awarded as recruitment award	352 400	1 471 975	August 10, 2020	Q4 2021, 2022 and 2023

(1) The 2020 performance share plan has a three-year performance period based on absolute total shareholder return. The maximum payout is 200% subject to maximum performance against the performance criterion. Vesting is subject to continued employment.

(2) Award in recognition of forfeiting previous employer awards. Vesting of the tranches of the 2020 restricted share award is conditional on continued employment.

The restriction period of Mr. Suri's 2018 performance share award ended on December 31, 2020 and the award vested at 56.82% of target and was worth EUR 1 347 542. In addition, the restriction period for Mr. Suri's 2018 performance share award, resulting from his 2018 co-investment, also ended on December 31, 2020 at 56.82%, worth EUR 2 288 234. Achievement against the 2018 targets was:

Performance Share Award 2018	Units awarded	Target	Achievement	Units vesting
2018 annual award	677 600	market share, earnings per share, free cash flow	56.82%	385 012
2018 eLTI matching performance share award	1 150 618	market share, earnings per share, free cash flow	56.82%	653 781

### Share ownership

Our share ownership policy requires that the President and CEO holds a minimum of three times his or her base salary in Nokia shares in order to ensure alignment with shareholder interests over the long term. This requirement was met by Mr. Suri. Mr. Lundmark is within the five year time limit to achieve this shareholding and has made a significant investment in Nokia shares.

Mr. Lundmark	Units	Value <sup>(1)</sup> (EUR)
Beneficially owned shares as of December 31, 2020	788 850	2 484 878
Unvested shares under outstanding Nokia equity plans <sup>(2)</sup>	2 415 094	7 607 546
<b>Total</b>	<b>3 203 944</b>	<b>10 092 424</b>

(1) The values are based on the closing price of a Nokia share of EUR 3.15 on Nasdaq Helsinki on December 31, 2020.

(2) The number of units represents the number of unvested awards as of December 31, 2020.

**Mr. Lundmark's termination provisions are as follows:**

Termination by	Reason	Notice	Compensation
Nokia	Cause	None	The President and CEO is entitled to no additional compensation and all unvested equity awards would be forfeited after termination.
Nokia	Reasons other than cause	Up to 12 months	The President and CEO is entitled to a severance payment equaling up to 12 months of compensation (including annual base salary, benefits, and target incentive) and unvested equity awards would be forfeited after termination.
President and CEO	Any reason	12 months	The President and CEO may terminate his service agreement at any time with 12 months' prior notice. The President and CEO would either continue to receive salary and benefits during the notice period or, at Nokia's discretion, a lump sum of equivalent value. Additionally, the President and CEO would be entitled to any short or long-term incentives that would normally vest during the notice period. Any unvested equity awards would be forfeited after termination.
President and CEO	Nokia's material breach of the service agreement	Up to 12 months	In the event that the President and CEO terminates his service agreement based on a final arbitration award demonstrating Nokia's material breach of the service agreement, he is entitled to a severance payment equaling up to 12 months of compensation (including annual base salary, benefits and target incentive). Any unvested equity awards would be forfeited after termination.

The President and CEO is subject to a 12-month non-competition and non-solicit obligation that applies after the termination of the service agreement or the date when he is released from his obligations and responsibilities, whichever occurs earlier.

**Board of Directors**

The shareholders resolve annually on director remuneration based on a proposal made by the Board of Directors on the recommendation of the Board's Corporate Governance and Nomination Committee.

At the Annual General Meeting held on May 27, 2020, Risto Siilasmaa and Olivier Piou stepped down from the Board and the Annual General Meeting resolved to elect nine members to the Board. The following Board members were re-elected for a term ending at the close of the Annual General Meeting 2021: Sari Baldauf, Bruce Brown, Jeanette Horan, Edward Kozel, Elizabeth Nelson, Søren Skou, Carla Smits-Nusteling and Kari Stadigh. Thomas Dannenfeldt was elected as a new member of the Board for the same term.

The aggregate amount of compensation paid to Board members in 2020 equaled EUR 2 016 000 of which EUR 1 885 000 consisted of annual fees and the rest of meeting fees. In accordance with the resolution by the Annual General Meeting 2020, approximately 40% of the annual fee from Board and Board Committee work was paid in Nokia shares purchased from the market on behalf of the Board members following the Annual General Meeting. The directors shall retain until the end of their directorship such number of shares that corresponds to the number of shares they have received as Board remuneration during their first three years of service in the Board. The rest of the annual fee was paid in cash, most of which is typically used to cover taxes arising from the remuneration. All meeting fees were paid in cash.

It is the company's policy that the non-executive members of the Board do not participate in any of the company's equity programs and do not receive performance shares, restricted shares, or any other equity-based or other variable compensation for their duties as Board members. No such variable compensation was paid since all persons acting as Board members during the financial year 2020 were non-executive.

The following table outlines the total annual compensation paid in 2020 to the members of the Board for their services, as resolved by the shareholders at the Annual General Meeting.

	Annual fee (EUR)	Meeting fees (EUR) <sup>(1)</sup>	Total remuneration paid (EUR)	40% of annual fees paid in shares (EUR)	60% of annual fees and all meeting fees paid in cash (EUR)	Number of Shares Approximately 40% of the annual fee
Sari Baldauf (Board Chair) <sup>(2)</sup>	440 000	5 000	445 000	176 000	269 000	48 523
Kari Stadigh (Board Vice Chair)	185 000	11 000	196 000	74 000	122 000	20 401
Bruce Brown	190 000	22 000	212 000	76 000	136 000	20 953
Thomas Dannenfeldt (from May 27, 2020)	175 000	–	175 000	70 000	105 000	19 299
Jeanette Horan	175 000	20 000	195 000	70 000	125 000	19 299
Edward Kozel	195 000	17 000	212 000	78 000	134 000	21 504
Elizabeth Nelson	175 000	17 000	192 000	70 000	122 000	19 299
Olivier Piou (until May 27, 2020) <sup>(3)</sup>	–	11 000	11 000	–	11 000	–
Risto Siilasmaa (until May 27, 2020) <sup>(3)</sup>	–	–	–	–	–	–
Søren Skou	160 000	11 000	171 000	64 000	107 000	17 644
Carla Smits-Nusteling	190 000	17 000	207 000	76 000	131 000	20 953
<b>Total</b>	<b>1 885 000</b>	<b>131 000</b>	<b>2 016 000</b>	<b>754 000</b>	<b>1 262 000</b>	<b>207 875</b>

(1) Meeting fees include all meeting fees paid for the term that ended at the Annual General Meeting held on May 27, 2020 and meeting fees accrued and paid in 2020 for the term that began at the same meeting.

(2) Meeting fee paid for the term that ended at the Annual General Meeting on May 27, 2020. Sari Baldauf was elected Chair of the Board on May 27, 2020. Meeting fees are not paid to the Chair of the Board.

(3) Stepped down at the Annual General Meeting on May 27, 2020 and thus did not receive any annual fee in 2020.