

NOKIA



Nokia Corporation
Remuneration
Report 2021

Please note that the Remuneration Report, applicable to the Board and President and CEO, subject to an advisory vote at the Annual General Meeting 2022, starts below and is also published on a stock exchange release. Other compensation-related information provided before and after the Remuneration Report is not subject to a vote at the Annual General Meeting 2022, but provides further information on the compensation policies applied within Nokia and the compensation of the Group Leadership Team.

Remuneration Report 2021

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 Annual General Meeting 2022. The resolution of the Annual General Meeting on the Report is advisory. The Report presents the remuneration of the Board members and the President and CEO for the financial year 2021 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 members of the Board and the President and CEO have been remunerated in accordance with our approved Remuneration Policy during the financial year 2021.

In 2021 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 as 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) ⁽¹⁾	President and CEO actual remuneration (EUR) ⁽²⁾	Average Salaries and Wages (EUR) ⁽³⁾	Net sales (EURm)	Total Shareholder Return (Rebased to 100 at 31 Dec 2016) ⁽⁴⁾
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
2021	1 821 000	4 908 244	70 411	22 202	132.63

(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.

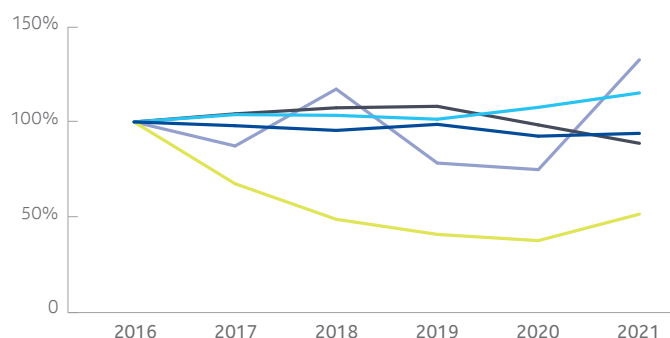
(2) The President and CEO actual remuneration represents the combined total in 2020, when Mr. Lundmark replaced Mr. Suri.

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

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

We also present this data graphically:

Comparative data (rebased year end 2016 = 100)



- Remuneration of the Board of Directors
- President and CEO actual remuneration
- Average salaries and wages
- Net sales
- Total Shareholder Return

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 on 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 Nokia'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 2017–2021.

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.

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 8 April 2021, Elizabeth Nelson stepped down from the Board and the Annual General Meeting resolved to elect eight members to the Board. The following Board members were re-elected for a term ending at the close of the Annual General Meeting 2022: Sari Baldauf, Bruce Brown, Thomas Dannenfeldt, Jeanette Horan, Edward Kozel, Søren Skou, Carla Smits-Nusteling and Kari Stadigh.

The aggregate amount of compensation paid to Board members in 2021 equaled EUR 1 821 000 of which EUR 1 770 000 consisted of annual fees and the rest of meeting fees. In accordance with the resolution by the Annual General Meeting 2021, 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 Nokia'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 2021 were non-executive.

The following table outlines the total annual compensation paid in 2021 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) ⁽¹⁾	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)	440 000	–	440 000	176 000	264 000	43 711
Kari Stadigh (Board Vice Chair)	200 000	7 000	207 000	80 000	127 000	19 868
Bruce Brown	200 000	7 000	207 000	80 000	127 000	19 868
Thomas Dannenfeldt	185 000	7 000	192 000	74 000	118 000	18 378
Jeanette Horan	185 000	7 000	192 000	74 000	118 000	18 378
Edward Kozel	195 000	7 000	202 000	78 000	124 000	19 372
Elizabeth Nelson (until 8 April 2021) ⁽²⁾	–	–	–	–	–	–
Søren Skou	175 000	7 000	182 000	70 000	112 000	17 385
Carla Smits-Nusteling	190 000	9 000	199 000	76 000	123 000	18 875
Total	1 770 000	51 000	1 821 000	708 000	1 113 000	175 835

(1) Meeting fees include all meeting fees paid for the term that ended at the Annual General Meeting held on 8 April 2021 and meeting fees accrued and paid in 2021 for the term that began at the same meeting.

(2) Stepped down at the Annual General Meeting on 8 April 2021 and thus did not receive any annual fee in 2021.

The President and CEO

The following table shows the actual remuneration received by Mr. Lundmark in 2021 and aggregate figures for Pekka Lundmark and Rajeev Suri as President and CEO in 2020 (individual disclosure was contained in last year's report). The long-term incentive payments reflect actual payments in the respective years attributable to the vesting of the 2018 Nokia performance share plan in 2021 (comparative figures show the payment of the 2017 Nokia performance share plan in 2020).

EUR	2021 (Lundmark)	Pay mix ⁽¹⁾	2020 (Combined)	Pay mix ⁽¹⁾
Salary	1 300 000	27%	1 301 032	37%
Short-term incentive ⁽²⁾	2 975 781	61%	1 518 765	43%
Long-term incentive ⁽³⁾	596 732	12%	687 740	20%
Other compensation ⁽⁴⁾	35 731		80 244	
Total	4 908 244		3 587 781	

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

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

(3) Mr. Suri's 2019 pro-rated LTI vested in 2021 and will be released in March 2022; this is estimated at EUR 1 281 535 and is excluded from the table above.

(4) Other compensation includes benefits such as telephone, car, driver, tax compliance support, and medical insurance.

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 2021, payments to the Finnish state pension system equaled EUR 314 457 for Mr. Lundmark in respect of his service as President and CEO (EUR 103 256 for Mr. Lundmark in 2020 as a split year). No supplementary pension arrangements were offered.

Short-term incentive

The 2021 short-term incentive framework for the President and CEO was based on financial, strategic and ESG objectives. Achievement against the 2021 targets was as follows:

Metric	Weight	Target	Achievement
Comparable Operating Profit	70%	1 823 EURm	225%
Diversity	5%	Diversity of new hires	0%
Emissions Scopes 1,2 and 3	5%	411 125 tCO ₂ e (Scopes 1 and 2), 1 463 tCO ₂ e/EURm (Scope 3)	112.5%
Strategic Objectives	20%	Individual objectives	100%

Accordingly, the short-term incentive of Mr. Lundmark as the President and CEO equaled EUR 2 975 781 or 183% of the target award.

Long-term incentives

In 2021, Mr. Lundmark was awarded the following equity awards under the Nokia equity program. The performance condition for the 2021 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. The eLTI plan is a co-investment plan applicable to the President and CEO and a select number of other senior executives, which provides for a 2:1 award of Nokia Performance Shares in return for purchase and continued holding of Nokia shares. This substantial personal investment in Nokia shares directly aligns Mr. Lundmark's interests with those of shareholders. The award payout is determined by absolute total shareholder return.

Performance share awards ⁽¹⁾	Units awarded	Grant date fair value (EUR)	Grant date	Vesting
Awarded as regular performance share award	769 200	2 607 588	25 March 2021	Q1 2024
Awarded as eLTI performance share award	962 180	4 089 265	1 June 2021	Q2 2024

(1) The 2021 performance shares (regular and eLTI) have 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.

Vesting for President and CEO during the year

The first tranche of Mr. Lundmark's 2020 restricted share award, made to him on joining in recognition of forfeited awards from his previous employer, vested on 1 October 2021, releasing 117 467 shares to the value of EUR 596 732.

Share awards vesting during the year	Units awarded	Target	Achievement	Units vesting
2020 Restricted Share Award Tranche 1	117 467	N/A	N/A	117 467

Vesting for former President and CEO during the year

Mr. Suri's pro-rated 2019 Performance Share Award vested on 31 December 2021 and will be released in March 2022. The award was pro-rated to 66.67% reflecting his two years of service during the performance period, and vesting was at 53% resulting in a projected release of 229 913 shares with an estimated value of EUR 1 281 535 (using the 31 December 2021 share price). The Board decided this pro-rated vesting to Mr. Suri to ensure his full commitment to the successful leadership transition that was critical for the Company in the period before Mr. Lundmark was released by his previous employer, during the early stages of the COVID-19 pandemic.

Performance Share Award 2019	Units awarded	Target	Units vesting
2019 annual award	650 699	Market share, earnings per share, free cash flow	229 913

Share ownership

Our share ownership policy requires that the President and CEO holds a minimum of three times his or her annual base salary in Nokia shares in order to ensure alignment with shareholder interests over the long term. Mr. Lundmark significantly exceeds this requirement with a holding of approximately five times base salary, well within the five-year period permitted.

Mr. Lundmark	Units	Value ⁽¹⁾ (EUR)
Beneficially owned shares as of 31 December 2021	1 232 333	6 869 024
Unvested shares under outstanding Nokia equity plans ⁽²⁾	4 029 007	22 457 685
Total	5 261 340	29 326 709

(1) The values are based on the closing price of a Nokia share of EUR 5.574 on Nasdaq Helsinki on 31 December 2021.

(2) The number of units represents the number of unvested awards as of 31 December 2021.

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.