

elisa

2019



Corporate Governance Statement  
Including Remuneration Statement



elisa

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# Corporate governance statement

## Including Remuneration Statement

### I INTRODUCTION

Elisa Corporation observes the recommendations of the Finnish Corporate Governance Code, which entered into force on 1 January 2020. Elisa departs in no respect from the recommendations of the Code. The Corporate Governance Statement 2019 has been prepared in accordance with the Corporate Governance Code. The Finnish Corporate Governance Code is available at [cgfinland.fi](http://cgfinland.fi).

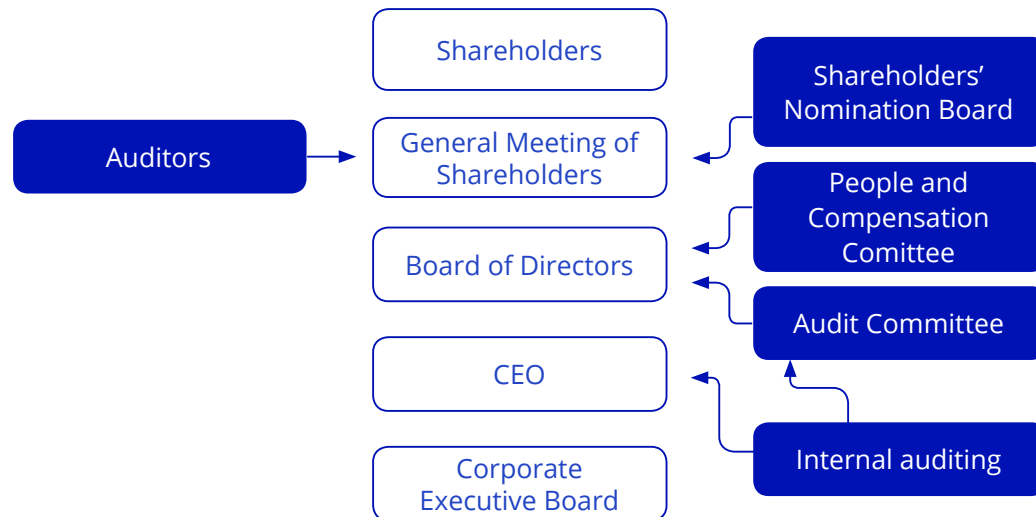
Elisa publishes its Corporate Governance Statement as a separate document and later as part of the Annual Report. The Corporate Governance Statement also includes a Remuneration Statement from the financial period 2019 that has been prepared in accordance with the 2016 Corporate Governance Code.

Elisa's financial statements, including a report on operations, are published on Elisa's website at [elisa.com](http://elisa.com).

The Audit Committee of Elisa's Board has examined the Statement. The Statement is not updated during the financial year but updated information is available on Elisa's website at [elisa.com/investors](http://elisa.com/investors).

### II DESCRIPTIONS OF GOVERNANCE

#### Elisa's governance structure



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## General Meeting of Shareholders and Articles of Association

The General Meeting of Shareholders is Elisa's highest decision-making body. Among other things it approves the income statement and balance sheet. It declares the distribution of profits according to the proposal of the Board of Directors. The General Meeting appoints auditor and members to the Board of Directors including the Chair and the Deputy Chair and approves discharge from liability.

Notices of General Meetings of Shareholders are posted on Elisa's website, and information about the time and place, as well as the website address, is provided by announcing it in at least one Finnish newspaper no later than three weeks prior to the meeting, as required by the Articles of Association. A stock exchange release is also issued for each notice and can be found on Elisa's website. The agenda for the meeting is specified in the notice. Proposals from the Board of Directors for the meeting may be viewed on Elisa's website prior to the meeting.

Elisa's Articles of Association may be examined on Elisa's website at [www.elisa.com](http://www.elisa.com). Any decisions to amend the Articles of Association are taken by a General Meeting of Shareholders.

Elisa's Annual General Meeting in 2020 will be held at Messukeskus Helsinki, Rautatieäisenkatu 3, Helsinki, at 2:00 pm (EET) on Thursday 2 April 2020.

### Shareholders' nomination board

Elisa's Annual General Meeting decided in 2012 to establish a shareholders' nomination board, which is the body with responsibility of preparing the proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors of Elisa, and it also accepted a charter for the nomination board. The shareholders' nomination board has been established for the time being. The term of each nomination board expires when the next shareholders' nomination board has been appointed.

The biggest shareholders were determined according to the shareholder register of Elisa on 31 August 2019, and they named the members of the nomination board. The composition of the nomination board since September 2019 has been as follows:

- Mr Antti Mäkinen, Chief Executive Officer, nominated by Solidium Oy
  - Mr Reima Rytsölä, Chief Investment Officer, nominated by Varma Mutual Pension Insurance Company
  - Mr Jouko Pölonen, Chief Executive Officer, nominated by Ilmarinen Mutual Pension Insurance Company
  - Ms Hanna Hiidenpalo, Chief Investment Officer, nominated by Elo Mutual Pension Insurance Company
  - Mr Anssi Vanjoki, Chair of Elisa's Board of Directors
- Mr Antti Mäkinen has acted as Chair of the nomination board.

The shareholders' nomination board nominated in September 2019 convened three times. In addition, the member candidates were interviewed between the meetings. The nomination board discussed the size of the Board, its composition and diversity, and the areas of expertise that are seen as best for the company. The nomination board also examined the remuneration of Board members.

On 28 January 2020, the nomination board announced its proposal to Elisa's Board for the notice of the Annual General Meeting.

Elisa shareholders' nomination board proposes to the Annual General Meeting that

- the remuneration amount of annual remuneration be changed. According to the proposal the Chair is paid an annual remuneration of EUR 123,000 (120,000 in 2019), the Deputy Chair and the Chairs of the Committees EUR 82,000 (80,000 in 2019), and other Board members EUR 67,000 (65,000 in 2019). According to the proposal, the annual remuneration is paid partly in Company shares and partly in cash so that 40% of the remuneration is used to acquire Company shares in the name of and on behalf of the

Board members, and the remainder is paid in cash in order to cover withholding tax on the annual remuneration. The shares will be acquired for the Board members from the stock exchange on the third trading day following the publication of the first quarter interim report of 2020.

- the remuneration for meeting participation be changed. According to the proposal, EUR 750 (EUR 700 in 2019) per meeting of the Board and of a Committee is paid.
- the number of board members remain at seven (7).
- Ms Clarisse Berggårdh, Mr Kim Ignatius, Ms Seija Turunen, Mr Anssi Vanjoki and Mr Antti Vasara be re-elected.
- Mr Topi Manner and Ms Eva-Lotta Sjöstedt be elected as new members of the board.
- Mr Anssi Vanjoki be elected as the Chair of the Board and Ms Clarisse Berggårdh be elected as the Deputy Chair.

### Composition and operations of the Board of Directors

According to Elisa's Articles of Association, the Board of Directors comprises a minimum of five and a maximum of nine members. The members of the Board are appointed at the Annual General Meeting for a one-year term of office starting at the close of the relevant General Meeting and ending at the close of the next Annual General Meeting. The Annual General Meeting also elects the Chair and the Deputy Chair of the Board of Directors.

At its organising meeting, the Board of Directors annually decides upon committees, their chairs and members. In 2019, the acting committees were the People and Compensation Committee and the Audit Committee. The duties and charters of the committees are adopted by the Board of Directors.

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## Information on Board members



Back from the left: Kim Ignatius, Antti Vasara, Anssi Vanjoki (Chair) and Petteri Koponen  
Front from the left: Clarisse Berggårdh, Leena Niemistö and Seija Turunen

At the Annual General Meeting of 3 April 2019, seven (7) members were elected to the Board of Directors. Ms Clarisse Berggårdh, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen, Mr Anssi Vanjoki and Mr Antti Vasara were re-elected as members of the Board of Directors, and Mr Kim Ignatius was elected as a new member of the Board of Directors.

### **Anssi Vanjoki**

Chair of the Board

- Born 1956, M.Sc. (Econ.), Helsinki School of Economics.
- Member since 2018 and chair since 2019.
- Key Employment history: Lappeenranta University of Technology, Professor 2013–. Nokia Oyj, Executive Vice President and General Manager 1998–2011, Senior Vice President 1994–1998, Vice President 1991–1994. 3M Corporation, various positions 1981–1991.
- Main board memberships and public duties currently undertaken: Chair of the Board: Oriola Oyj.

### Clarisse Berggårdh

- Born 1967, M.Sc. (Econ.), Svenska Handelshögskolan Helsinki.
- Member since 2016. Member of the Audit Committee.
- Key employment history: Pohjoisranta BWC Oy, CEO 2016–. IUM Finland, CEO 2014–2016. Sanoma Magazines Finland, CEO 2010–2013, Advertising Sales Director 2006–2010, Dagmar Media Agency, Client Director 2003–2006, Codetoys, Business Director 2001–2003, Valio, Marketing manager 1994–2000.

### Kim Ignatius

- Born 1956, M.Sc (Econ.), Helsinki School of Economics.
- Member since 2019. Member of the Audit Committee.
- Key employment history: Sanoma Corporation, Executive Vice President in 2017, CFO in 2008–2016. TeliaSonera AB, Executive Vice President and CFO 2003–2008. Sonera Oyj, Executive Vice President and CFO 2000–2002. Tamro Oyj, Group CFO 1997–2000.
- Main Board memberships and public duties currently undertaken: Member of the Board and Chair of the Audit and Risk Committee: Fortum Oyj. Member of the Board and Chair of Audit and Remuneration Committees: Rovio Entertainment Corporation. Member of the Board and Chair of the Audit Committee: Yliopiston Apteekki. Member of the Board: Directors' Institute Finland.

### Petteri Koponen

- Born 1970.
- Member since 2014 and Deputy Chair since 2019. Chair of the People and Compensation Committee.

- Key employment history: Lifeline Ventures, Founding partner 2009–Google Inc., Business development positions 2007–2009. Jaiku Ltd, Founder and CEO 2006–2007. First Hop, Founder, CEO and later CTO 1997–2005. Other positions: Blyk.
- Main Board memberships and public duties currently undertaken: Chair of the Board: Smartly.io Solutions Oy, Varjo Technologies Oy and Wolt Enterprises Oy. Member of the Board: Hive Helsinki Foundation.

### Leena Niemistö

- Born 1963, MD, PhD, Specialist in Physical and Rehabilitation Medicine, University of Helsinki. Doctor of Administrative Sciences honoris causa, University of Vaasa.
- Member since 2010. Member of the People and Compensation Committee.
- Key employment history: Pihlajalinna Oyj, Senior advisor 2016–. Dextra Oy, CEO 2003–2016. Pihlajalinna Oyj, Executive Vice President, 2013–2016.
- Main Board memberships and public duties currently undertaken: Chair of the Board: Nexstim Oyj. Deputy Chair of the Board: Stockmann Oyj, Pihlajalinna Oyj and The Finnish Fair Foundation. Member of the Board: Raisio Oy, Suomen Messut Osuuskunta, Yliopiston Apteekki, Maanpuolustuskurssiyhdistys, and Securities Market Association. Chair of the Board: The Finnish National Opera and Ballet, Opera and Ballet Grant Foundation, LymphaTouch Oy, and DBC Global Oy. Chair of the prize committee of Ars Fennica. Member of the Supervisory Board of The Finnish Cultural Foundation. Chair of the Advisory Board of Partiosäätiö Foundation.

### Seija Turunen

- Born 1953, M.Sc. (Econ.), graduated 1976 from Helsinki School of Economics and Business Administration, and with M.Sc. (Econ.) in 1978.
- Member since 2014. Chair of the Audit Committee.
- Key employment history: Finnlines Oyj, Advisor to the Board 2013–2014. Finnlines Oyj, Vice President and CFO 2007–2013, and Director of Harbor Functions and CEO of harbor companies (Finnsteve-yhtiöt) 2010–2013. Finnlines Oyj, Director of Finance 1992–2007. Other positions before 1992: Kansallis-Osake-Pankki, Midland Montagu, Finca, Enso-Gutzeit.
- Main Board memberships and public duties currently undertaken: Chair of the Board: Traffic Management Finland Oy and Finnipilot Pilotage Oy. Member of the Board and Chair of the Audit Committee: Pihlajalinna Oyj.

### Antti Vasara

- Born 1965, D. Sci. (Tech. Physics), Helsinki University of Technology.
- Member since 2017. Member of the People and Compensation Committee.
- Key employment history: VTT Technical Research Centre of Finland Ltd, CEO 2015–. Tieto Corporation, EVP 2012–2015. Nokia Corporation, SVP 2003–2012. SmartTrust Ltd, CEO 2000–2003. McKinsey & Company, Management consultant 1993–2000. Helsinki University of Technology, Researcher 1986–1991.
- Main Board memberships and public duties currently undertaken: Chair of the Board: Service Sector Employers PALTA. Member of the Board: Confederation of Finnish Industries EK, Jane and Aatos Erkkö Foundation. President and Member of the Board: European Association of Research and Technology Organisations (EARTO).

## Independence of Board members

The Board has assessed that each member of the Board of Directors is independent of the company and of any significant shareholders.

<b>Elisa holdings of Elisa's current Board members and legal entities controlled by them</b>	<b>Number of shares, 31 December 2019</b>
Anssi Vanjoki, Chair	2,600
Petteri Koponen, Deputy Chair	4,762
Clarisse Berggårdh, member	2,778
Kim Ignatius, member since 3 April 2019	691
Leena Niemistö, member	10,440
Seija Turunen, member	3,329
Antti Vasara, member	2,045

## Charter of the Board of Directors

The Board attends to the administration and proper organisation of the company's operations in accordance with the Finnish Limited Liability Companies Act and other regulations. The Board decides on matters that under law are subject to decision by the Board. The company's Board of Directors has adopted a charter for itself.

The charter tasks the Board with deciding the company's strategic guidelines and the targets for Elisa's management, and with monitoring their achievement. The Board must also appoint the CEO and decide on the composition of the Executive Board. The

Board of Directors regularly monitors financial performance and the development of the company's financial standing. The Board also supervises the compliance of Elisa's administration with regulation, and the management of operational risks and other risks. The Board addresses major investments in and disposal of businesses or assets, and also sets the boundaries for the company's management in executing operational investments and financial arrangements.

According to the charter, the following are particularly subject to the Board's decision:

- Elisa's strategic guidelines
- distribution policy
- convening General Meetings and submitting proposals
- matters having to do with Elisa's stock and Elisa shareholders
- major mergers and acquisitions, as well as investments
- financial statements, half-year financial reports and interim reports
- appointment, dismissal and terms of employment of the CEO and members of the Executive Board

The charter also specifies other matters to be addressed by the Board, such as adopting the annual financial plan, the principles of the company's organisation and the main business policies. The Board conducts an annual self-evaluation of its activities executed in the form of a questionnaire or by external evaluation. Members of the Board of Directors are not allowed to participate in decision-making for which they must legally disqualify themselves due to conflict of interests.

## Attendance at meetings by the Board members

<b>Attendance at board meetings by Elisa's Board members in 2019</b>	<b>Attendance/ Meetings</b>
Anssi Vanjoki, Chair	15/15
Petteri Koponen, Deputy Chair	14/15
Clarisse Berggårdh, member	15/15
Kim Ignatius, member since 3 April 2019	12/12
Leena Niemistö, member	15/15
Seija Turunen, member	15/15
Antti Vasara, member	15/15
Raimo Lind, Chairman (member until 3 April 2019)	3/3

## Appointment and diversity principles for Board members

At Elisa, diversity is seen as an essential part of corporate responsibility and as a factor in success that enables achievement of strategic targets and continuous improvement of customer intimacy.

In planning the composition of the Board of Directors, the shareholders' nomination board takes into account the requirements of Elisa's business operations, the phase of development and the competence requirements of the Board committees. In appointing members of the Board, the target is to ensure that the Board as a whole supports the development of Elisa's current and future business operations. Diversity plays a part in supporting this goal.

Diversity is considered from different perspectives. From Elisa's point of view, it is important to have Board members with diverse backgrounds in terms of competence, training, and experience of differing business operations, of varying stages of business development, and of leadership, as well as diverse personal characteristics. Experience of international business environments and different cultures in addition to consideration of age and gender will support the diversity of the Board. The objective is to have at least two representatives of both genders.

A person elected as an Elisa Board member must have the competence required for the position and be able to devote a sufficient amount of time to the duties required. In forming the composition of the Board, long-term needs and successor planning will be taken into account.

According to the Articles of Association of Elisa, the Board of Directors comprises of no less than five (5) and no more than nine (9) members. The number of Board members and the composition of the Board shall be such that the Board is capable of efficiently carrying out its tasks. The proposal regarding the number of members and composition of the Board of Directors is prepared by the Shareholders Nomination Board of Elisa. Members of the Board are elected at the Annual General Meeting.

In 2019, at the Annual General Meeting, seven members were elected to the Board of Directors. The competence, training, experience and personal characteristics of the Board of Directors are different and complement each other. The Board of Directors consists of three women and four men between 49 and 66 years of age. The composition of the Board of Directors as a whole is in accordance with Elisa's diversity principles.

The principles concerning the election of the Board and its diversity are available on the company's website at [elisa.com](http://elisa.com).

## Board committees

### People and Compensation Committee

According to its charter, the People and Compensation Committee deals with and prepares remuneration especially within management, Elisa's remuneration policy and report, long-term incentive schemes, and other matters relating to developing management and personnel.

In 2019, the People and Compensation Committee comprised Mr Petteri Koponen, Committee Chair (Mr Raimo Lind until 3 April 2019), and members Ms Leena Niemistö and Mr Antti Vasara.

### Audit Committee

The Audit Committee is tasked with supervising the proper organisation of the company's accounting and financial administration, financing, internal and financial auditing, and risk management. As regards financial reporting and auditing, the Audit Committee specifically monitors and assesses the company's financial reporting system, the effectiveness of internal control and auditing and risk management systems, the independence of the auditor, and in particular the provision of non-audit services. The Audit Committee also monitors and assesses execution of the related party policy.

According to its charter, the following in particular are addressed and prepared by the Audit Committee:

- significant changes in recognition principles
- significant changes in items measured on the balance sheet
- follow-up to ensure the independence of the auditor
- matters reported by internal auditing
- financial statements, half-year financial reports, interim reports and Corporate Governance Statement
- risk reports and organisation of risk management
- organisation of financial administration and financing
- related party policy.

The Committee also regularly reviews reports from internal auditing and the financial auditors, and prepares proposals on the audit.

In 2019, the Chair of the Audit Committee was Ms Seija Turunen and the members were Ms Clarisse Berggårdh and Mr Kim Ignatius (Mr Antti Vasara and Mr Anssi Vanjoki until 3 April 2019). The principal auditor also attends Committee meetings.

### Attendance at Committee meetings by Elisa's Board members in 2019

	People and Compensation Committee	Audit Committee
Clarisse Berggårdh		5/5
Kim Ignatius, member since 3 April 2019		4/4
Petteri Koponen	4/5	
Leena Niemistö	5/5	
Seija Turunen		5/5
Anssi Vanjoki		1/1
Antti Vasara	4/4	1/1
Raimo Lind, member until 3 April 2019	1/1	



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## CEO and their duties

Elisa's Chief Executive Officer (CEO) manages the company's business and administration in accordance with instructions and orders from the Board of Directors, the Articles of Association and the Finnish Limited Liability Companies Act. The CEO prepares the company's strategy plans and objectives to the Board. The CEO is also responsible for implementing the approved strategy and plans. The CEO is also responsible for ensuring that the company's accounting practices comply with the law and that financial matters are handled in a reliable manner. The CEO is appointed by the Board of Directors. Mr Veli-Matti Mattila served as CEO in 2019.



### Veli-Matti Mattila

Chief Executive Officer

- Born 1961, M.Sc. (Tech.), MBA.
- Joined the company in 2003.
- Key employment history: CEO of Oy LM Ericsson Ab from 1997 to 2003. He has held various positions in the Ericsson Group in Finland and the USA since 1986. Mr Mattila's previous career also includes expert advisory tasks in Switzerland at Ascom Hasler AG.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors: Sampo plc, Research Institute of the Finnish Economy (ETLA) and Finnish Business and Policy Forum (EVA), Service Sector Employers PALTA, Mannerheim Foundation, Helander Foundation, and ShedHelsinki Foundation. Member of the Supervisory Board: Finnish Fair Association.

Holdings in Elisa of the CEO and legal entities controlled by him	Number of shares, 31 December 2019
Veli-Matti Mattila, CEO	118,747

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## Other management team

Elisa's Executive Board prepares the company strategy, directs the company's regular operations, monitors the development of results, and deals with issues having substantial financial or other impact on Elisa, including significant mergers and acquisitions, as well as organisational changes. In addition, the Executive Board monitors risk management and is responsible for the proper organisation of administration under the CEO's guidance. Matters stipulated in the charter of the Board as requiring a decision by the Board of Directors are submitted for decision-making by the Board.

## Members of Elisa's Executive Board



### Asko Känsälä

Deputy CEO, Strategic Development

- Born 1957, M.Sc. (Tech.).
- Joined the company and the Executive Board in 2003, Deputy CEO since 2016.
- Key employment history: Elisa, Executive Vice President, Consumer Customers 2007–2019, Executive Vice President, Corporate Customers 2005–2007, Executive Vice President, Development 2003–2005. Ericsson Group, Sales Director, Nordic and Baltic sales unit, and member of the management group 2001–2003. Oy LM Ericsson Ab, Sales director 1996–2001. Finnish Funding Agency for Technology and Innovation (TEKES), Counsellor, Industry and Technology 1993–1996. Hewlett Packard Oy, Sales Manager 1987–1993.
- Main Board memberships and public duties currently undertaken: Member of the Board of FiCom ry.



### Timo Katajisto

Executive Vice President, Corporate Customers

- Born 1968, M.Sc. (Tech.).
- Joined the company and the Executive Board in 2008.
- Key employment history: Elisa, Executive Vice President, Production 2008–2014. Nokia Siemens Networks, Member of the Executive Board, responsible for strategic projects and quality 2007. Nokia Networks, Member of the Executive Board, responsible for production and network installation 2005–2007. Various positions at Nokia Networks and its predecessor Nokia Telecommunications, 1992–2005.
- Main Board memberships and public duties currently undertaken: Member of the Economic Policy Committee of Service Sector Employers Palta.



### Jari Kinnunen

Chief Financial Officer

- Born 1962, M.Sc. (Business Finance and Accounting).
- Joined the company in 1999, member of the Executive Board since 2005.
- Key employment history: Yomi Plc, CEO and President 2004. Elisa Kommunikation GmbH, CFO 1999–2004. Polar International Ltd, Managing Director 1996–1999 and Controller, 1990–1996. Oy Alftan Ab, Controller 1987–1990.
- Main Board memberships and public duties currently undertaken: Member of the Economy and Tax Committee of the Confederation of Finnish Industries EK.



### **Sami Komulainen**

Executive Vice President, Production

- Born 1976, M.Sc. (Tech.)
- Joined the company in 1999, member of the Executive Board since 2019.
- Key employment history: Elisa, Vice President, Production Unit, Network Services 2018–2019, and Vice President, Mobile Services and Logistics 2013–2018. Various positions at Elisa 1999–2013



### **Pasi Mäenpää**

Executive Vice President, New Business Development

- Born 1965, Diploma in Computer Science, MBA.
- Joined the company and the Executive Board in 2006.
- Key employment history: Elisa, Executive Vice President, Corporate Customers 2007–2014. Cisco Systems Finland Oy, CEO 2002–2006. Netigy Corporation, Regional Manager for Central Europe 2000–2002. Fujitsu, Vice President, Sales, Europe and USA 1999–2000. Oracle Corporation, Sales and Country Manager, Northern, Central and Eastern Europe 1990–1999.



### **Henri Korpi**

Executive Vice President, International Digital Services

- Born 1973, LL.M.
- Joined the company in 2006, member of the Executive Board since 2017.
- Key employment history: Elisa, Vice President, subscription business of Consumer Customers unit 2011–2017, Senior Business Controller of Consumer Customers unit 2006–2011. Saunalahti Group, Finance Manager 2002–2006. Riot Entertainment Oy, CFO 2000–2002. Takomo Bros Oy, Finance Manager 1998–2000.



### **Vesa-Pekka Nikula**

Executive Vice President, Consumer Customers

- Born 1964, M.Sc. (Tech.), MBA.
- Joined the company in 2009, member of the Executive Board since 2014.
- Key employment history: Elisa, Executive Vice President, Production 2014–2019, Director of Consumer Customer services 2010–2014 and Director, development, 2009–2010. Nokia Siemens Networks, Director of Managed Services business West South Europe 2007–2009. Nokia Networks, Director of Managed Services business, EMEA (Europe, Middle East, Africa) 2005–2007. Ericsson, several positions in Finland, the Netherlands and Great Britain 1994–2005.



### **Merja Ranta-aho**

Executive Vice President, HR

- Born 1966, MSc (Psychology), Lic.Techn. (Work and organisation psychology).
- Joined the company in 2001, member of the Executive Board since 2013.
- Key employment history: Elisa, Vice President, HR, Consumer Customers business, 2009–2013. Various positions in Elisa and Radiolinja human resources development 2001–2009. Helsinki University of Technology, researcher and teacher 1992–2001 and positions in communication 1990–2001.
- Main Board memberships and public duties currently undertaken: Member of the Skilled work force Committee of the Confederation of Finnish Industries EK. Member of the Labour Market Committee of Service Sector Employers PALTA.



### **Katiye Vuorela**

Executive Vice President, Corporate Communications

- Born 1968, M.Sc. (Econ. & Bus. Adm.).
- Joined the company and the Executive Board in 2008.
- Key employment history: Paroc Group Holding Oy, Vice President, Communications, 2000–2008. Lotus Development Finland Oy (an IBM subsidiary), Marketing and Communications Manager, 1998–2000. Nokia Telecommunications (predecessor of Nokia Siemens Networks), Dedicated Networks business unit, Marketing Communications Manager 1994–1998.
- Main Board memberships and public duties currently undertaken: Member of the Board of ShedHelsinki Foundation.



### **Sami Ylikortes**

Executive Vice President, Administration

- Born 1967, M.Sc. (Econ. & Bus. Adm.), LL.M.
- Joined the company in 1996, member of the Executive Board since 2003.
- Key employment history: Unilever Finland Oy, positions in accounting management 1991–1996.

### **Elisa holdings of Elisa's Board members and legal entities controlled by them**

### **Number of shares, 31 December 2019**

Timo Katajisto, Executive Vice President, Corporate Customers	17,702
Jari Kinnunen, Chief Financial Officer	55,094
Sami Komulainen, Executive Vice President, Production	2,500
Henri Korpi, Executive Vice President, International Digital Services	2,973
Asko Känsälä, Deputy CEO	62,682
Pasi Mäenpää, Executive Vice President, New Business Development	30,173
Vesa-Pekka Nikula, Executive Vice President, Consumer Customers	28,294
Merja Ranta-aho, Executive Vice President, HR	12,445
Katiye Vuorela, Executive Vice President, Corporate Communications	11,010
Sami Ylikortes, Executive Vice President, Administration	16,452

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### **III DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND MAIN FEATURES OF RISK MANAGEMENT SYSTEMS**

The objective of the internal control and risk management systems associated with Elisa's financial reporting process is to obtain reasonable assurance that the company's financial statements and financial reporting are reliable, that they have been prepared in compliance with laws, regulations and generally accepted accounting principles, and that they provide a true and fair view of the financial situation of the company. Internal control and risk management procedures are integrated into the company's operations and processes. Elisa's internal control can be described using the international COSO framework.

#### **Control environment**

Elisa's control environment is based on the company's values, Code of Conduct and supplementary policies, guidelines and practices, as well as goal-oriented management. Elisa's key processes have been documented, and they are both controlled and developed systematically.

Annual business and strategy planning processes and targets, as well as rolling monthly financial forecasts, represent a key element in Elisa's business and performance management. Financial results are assessed against the forecast, the annual plan, the previous year's results and the strategic plan.

Targets are set for the Elisa Group and for each unit, and individual targets are specified in semi-annual appraisals based on the scorecard and performance-based bonus system.

#### **Risk assessment**

Risk assessment is an integral part of Elisa's planning process. The purpose of risk assessment is to identify and analyse risks

that could affect the achievement of specified targets and to identify measures to reduce those risks.

The key risks associated with the accuracy of financial reporting have been identified in a process-specific risk analysis. Risk assessment also covers risks related to misuse and the resulting financial losses, as well as the misappropriation of the company's other assets.

#### **Controls**

Control measures consist of automatic and manual reconciliation, control and instructions integrated into the processes, with the objective of ensuring the accuracy of financial reporting and the management of the risks involved. The reporting control mechanism processes have been documented. Key control mechanisms also include access rights management of information systems, authorisation, and the controlled and tested implementation of information system changes.

The financial development of business operations is constantly monitored on a unit basis. Financial management discusses any exceptional items and recognitions at its meetings and investigates the causes and reasons for any changes in the rolling monthly forecasts. Financial reporting is also ensured through comprehensive analytical reporting of operational metrics, drivers and key figures, and continuous development of the reporting.

#### **Auditing**

The Board of Directors' Audit Committee is tasked with supervising the proper organisation of the company's accounting and financial administration, internal and financial auditing, and risk management. Elisa's Board of Directors reviews and approves the interim reports, half-year financial statement and financial

statement releases. Elisa's Board of Directors and Executive Board monitor the Group's and the business units' results and performance on a monthly basis.

Elisa's Finance unit is responsible for the internal auditing of the financial reporting and continuously evaluates the functionality of controls. In addition, Elisa's internal auditing function controls the reliability of financial reporting within the framework of its annual audit plan.

#### **Risk management**

The company classifies risks into strategic, operational, insurable and financial risks. Insurable risks are identified, and insurance is taken out through an external insurance broker to deal with these risks. The insurance broker assists the company when the amount and likelihood of insurable risks are being estimated.

#### **Financial communication and training**

Key instructions, policies and procedures are available to the personnel on the company's intranet and through other shared media. In addition, regular information and training are provided to the financial organisation, particularly regarding any changes in accounting, reporting and disclosure requirements.

Elisa's valid Disclosure Policy is available on the company's website at [elisa.com](http://elisa.com).

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## IV OTHER INFORMATION TO BE PROVIDED IN THE STATEMENT

### Internal auditing

The purpose of internal auditing is to estimate the appropriateness and profitability of the company's internal control system and risk management, as well as the management and administration processes. Internal auditing supports the development of the organisation and improves the management of the supervision obligation of the Board of Directors.

Internal auditing is also intended to support the organisation in achieving its goals by evaluating and investigating its functions and by monitoring compliance with corporate regulations. For this purpose, internal auditing produces analyses, assessments, recommendations and information for use by the company's senior management. Reports on completed audits are submitted to the CEO and the management of the unit audited, as well as to the Audit Committee on regular basis.

Internal auditing is based on international internal auditing standards from the Institute of Internal Auditors. Internal auditing is independent of the rest of the organisation. The starting point for internal auditing is business management, and the work is coordinated with financial auditing. An annual auditing plan and auditing report are presented to the Audit Committee of the Board of Directors. Internal auditing may also carry out separately agreed audits on specific issues at the request of the Board of Directors and Elisa's Executive Board.

### Principles on Related Party Transactions

Elisa complies with legislation concerning related party transactions. In accordance with the legislation and the Corporate Governance Code, Elisa ensures that requirements related to

monitoring, assessing, decision-making and disclosure of related party transactions are complied with. The Board of Directors has adopted a Related Party Transaction policy which contains principles for monitoring and assessing Elisa's related party transactions. The Board of Directors monitors and assesses related party transactions at Elisa.

Elisa has defined the parties that are related to the company and Elisa's Legal Affairs department maintains a list of individuals and legal persons who are considered as related parties. Elisa maintains up-to-date guidelines on related party regulation and the monitoring thereof. Requirements regarding related party transactions have also been taken into account in Elisa's Anti-Corruption and Bribery Policy and Elisa's Conflicts of Interest Policy.

Elisa may enter into transactions with its related parties, as long as the transactions are part of Elisa's ordinary business operations and made according to ordinary business terms and conditions. In such situations Elisa's internal guidelines and decision-making processes must be complied with. Related party transactions that deviate from normal business operations, or are not made according to ordinary business terms, are decided on by the Board of Directors, respecting provisions on disqualification.

Potential related party transactions are regularly monitored in Elisa's business and support units and through surveys conducted to the related parties. A director, who belongs to the related parties of Elisa must, without undue delay, notify Elisa's Related Party Administration about a related party transaction or a planned related party transaction that the director has become aware of. The Internal Auditing function monitors any

potential conflicts of interest. Results of the monitoring of related party transactions are reported regularly to the Audit Committee.

Elisa reports on related party transactions regularly in its financial statements. Related party transactions that are material to shareholders and that deviate from normal business operations or are not made according to ordinary business terms and conditions, shall be published in accordance with the Securities Market Act and the Nasdaq Helsinki rules of the Exchange.

### Main procedures relating to insider administration

Elisa complies with the guidelines from Nasdaq Helsinki Ltd for insiders in force at any given time. In addition, Elisa's Board of Directors has approved insider guidelines for Elisa Group to complement Nasdaq Helsinki's guidelines for insiders.

According to the Market Abuse Regulation (Regulation (EU) No 596/2014), the members of Elisa's Board of Directors and Elisa's Corporate Executive Board are defined as persons discharging managerial responsibilities within Elisa. A person discharging managerial responsibilities within Elisa must not conduct any transactions relating to Elisa's shares or other financial instruments during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report. It is advisable for a person discharging managerial responsibilities to make long-term investments in Elisa and to conduct the transactions after the publication of Elisa's financial results. Transactions made by persons discharging managerial responsibilities in Elisa and persons closely associated with them are disclosed according to the Market Abuse Regulation.

Insider lists include persons who have access to specific inside information (insider projects). A person listed on the insider lists

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must not make any transactions in Elisa shares or other financial instruments during the time they are registered on the list.

Elisa's Legal Affairs department monitors compliance with insider guidelines and maintains the list of persons discharging managerial responsibilities and persons closely associated with them as well as the insider lists.

### **Auditors**

The auditors' principal duty is to ensure that the financial statements have been prepared in accordance with valid regulations and give a true and fair view of the company's performance and financial position, as well as other necessary information, to the company's stakeholders.

Other main targets are to ensure that internal auditing and risk management has been properly organised, and that the organisation operates in compliance with instructions and within the framework of issued authorisations. The division of labour between external and internal auditing is organised so that internal auditing ensures that the organisation operates in accordance with the company's internal guidelines.

In accordance with the Articles of Association, An Authorised Public Accountants Organisation shall be elected as the Company's auditor. The auditor shall designate an Authorized Public Accountant having principal responsibility. The term of office of the auditor is the financial year during which the auditor is appointed. The duties of the auditor end at the conclusion of

the first Annual General Meeting following the expiry of its term of office.

In 2019, Elisa's auditor was KPMG Oy Ab, authorised public accountants, with Mr Toni Aaltonen (APA) serving as the principal auditor.

For the 2019 financial period, the auditing fees of the Finnish group companies totalled EUR 185,662, of which the parent company accounted for EUR 141,562. The auditing fees for the foreign group companies were EUR 114,799.

The auditing firm has been paid fees of EUR 291,965 for services not associated with auditing, of which the parent company accounted for EUR 227,640 and foreign group companies accounted for EUR 64,325. These services had to do with mergers and acquisitions, tax services, information security auditing and other expert services.

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# Remuneration statement

## A. DECISION-MAKING PROCEDURE

Elisa's General Meeting of Shareholders annually decides on the remuneration of Board members on the basis of the proposal prepared by the shareholders' nomination board.

The salaries and other remuneration of the CEO and other members of the Executive Board, as well as their long-term incentive plans, are decided by the Board of Directors. The Board of Directors also decides on the short-term incentive plan for the CEO. In addition, the Board decides on the maximum limits of the short-term incentive plan for the Executive Board. The People and Compensation Committee prepares the aforementioned matters to be decided by the Board with the assistance of independent external experts as necessary. The CEO decides on the targets for the short-term incentive plan for the Executive Board.

On 12 April 2018, Elisa's General Meeting of Shareholders authorised the Board to decide on a share issue and the issue of special rights giving entitlement to shares and on 3 April 2019 to decide on the acquisition of the company's own shares. The share issue authorisation is valid until 30 June 2020 and share acquisition authorisation until 30 June 2020. The Board may also use them for remuneration.

## B. MAIN PRINCIPLES OF REMUNERATION

### Remuneration of Board members

Board members are paid an annual remuneration fee and meeting remuneration fees for attending Board and committee meetings. After the publication of the first-quarter results, 40 per cent of the annual remuneration fees are used to purchase Elisa shares in the name of the members of the Board, and Elisa covers possible costs relating to these transactions. At the Annual General Meeting of 2018, it was decided to pay the following remuneration fees to Board members:

- annual remuneration fee for the Chair of EUR 120,000
- annual remuneration fee for the Deputy Chair and for the Committee Chairs of EUR 80,000
- annual remuneration fee for the members of EUR 65,000
- meeting remuneration fee of EUR 700 per meeting for each participant

Elisa's shareholders' nomination board requires that members of the Board have shareholdings in the company.

The Chair of the Board of Directors is not paid any remuneration fees for attending the meetings of Elisa's shareholders' nomination board.

## Remuneration of the CEO and the Executive Board

### Chief Executive Officer

#### Annual salary

The total salary of the CEO consists of a fixed monetary salary and taxable fringe benefits. The fixed salary totals EUR 632,418 per year. In addition, holiday pay is paid. The taxable fringe benefits total EUR 18,281 per year. The total remuneration of the CEO also includes short- and long-term incentive bonuses.

#### Short- and long-term incentive plans

The CEO is paid a performance-based bonus based on financial and operational targets set by the company's Board of Directors. The target period of this short-term incentive plan is six months, and any bonuses are paid every six months.

The long-term incentive plan of the CEO consists of share-based incentive plans. The key targets of the currently valid share-based incentive plan are described in the section 'Share-based incentive plans for key personnel'. The maximum bonus limits are described in Table 1.

#### Pensions and terms and conditions related to contract termination

According to the CEO's contract, the contractual relationship with the CEO ends when he turns 60 years of age. The supplementary pension is based on a defined contribution plan. Elisa's CEO is



entitled to a vested pension right. The increase in the statutory retirement age is compensated based on a decision of the Board of Directors.

The period of notice for the CEO is six months from Elisa's side and three months from the CEO's side. Should the contract be terminated by Elisa, the CEO is entitled to receive a severance payment that equals the total salary of 24 months minus his salary for the period of notice.

### Other members of Elisa's Executive Board

#### Annual salary

Members of the Executive Board are paid a total salary that includes a fixed monetary salary and taxable fringe benefits. In addition, members of the Executive Board fall within the scope of the short- and long-term incentive plans. The fixed monetary salary of members of the Executive Board totals EUR 2,023,524 per year. In addition, holiday pay is paid. The taxable fringe

benefits total EUR 54,527 per year (the figures do not include the CEO's salary and taxable fringe benefits).

#### Short- and long-term incentive plans

As a short-term incentive for Elisa's Executive Board, Elisa pays a performance-based bonus, which is based on achieving the financial and operational targets in the scorecards of Elisa and its units. The target period is six months, and any performance-based bonus is paid every six months.

Elisa's Executive Board also falls within the scope of the company's long-term incentive plan, i.e. the share-based incentive plan (see 'Share-based incentive plans for key personnel'). The maximum limits for bonuses are stated in Table 1.

#### Pensions and terms and conditions related to contract termination

The contractual relationship with the company of members who started on Elisa's Executive Board before 2013 will terminate when the member turns 62 years of age, except the deputy CEO, whose contractual relationship will terminate when he turns 63 years and 9 months of age. These members have a defined contribution supplementary pension plan concluded with a pension insurance company, which includes a paid-up pension. The right to a pension will start when the contractual relationship with the company ends.

The period of notice for members of the Executive Board is six months from Elisa's side and three months from the member's side. Should the contract be terminated by Elisa, the member of the Executive Board entitled to receive a severance payment that equals the total salary of 15 months minus their salary for the period of notice.

Table 1.

#### Maximum limits for the bonuses under the short- and long-term incentive plans

	Short-term incentive plan		Long-term incentive plans		
	Performance-based bonus scheme 2019 %*	Share-based incentive plan 2014, shares (max)	Share-based incentive plan 2018–2022, shares (max)	Share-based incentive plan 2018–2022, shares (max)	Share-based incentive plan 2018–2022, shares (max)
		Earnings period 2017–2019	Earnings period 2018–2020	Earnings period 2019–2021	Earnings period 2020–2022
CEO	90%	45,000	39,650	39,000	32,000
Other members of the Executive Board	66%**	148,350	140,250	134,100	114,000

\* The maximum limits are presented as percentages of the fixed earnings for the target period

\*\*Average for the other members of the Executive Board

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## Share-based incentive plans for key personnel

### Share-based incentive commitment plan 2019–2025

On 30 January 2019, the Board of Directors decided on a share-based incentive commitment plan to align the objectives of the shareholders and the key employees to increase the value of the Company in the long term, to keep the key persons at the Company, and to offer them a competitive reward plan based on earning the Company's shares.

The Performance Share Plan is directed at selected key persons. The commitment periods are 12–36 months. Any bonus will be paid only if a key person's employment is valid when the bonus is due to be paid. The bonuses to be paid on the basis of the commitment period of 2019–2025 correspond to the value of a maximum total of 500,000 Elisa Corporation shares, including the proportion to be paid in cash. A total of 22,500 shares have been allocated from the plan and the commitment period ends in June 2021. The target group of the commitment plan covers less than ten key persons.

### Share-based incentive plan 2018–2022

On 14 December 2017, the Board of Directors of Elisa Corporation approved a share-based incentive plan for the Group's key employees. The aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the Company in the long term, to keep the key employees at the Company, and to offer them a competitive reward plan that is based on earning and accumulating the Company's shares. The Performance Share Plan is directed at approximately 200 people, including the members of the Corporate Executive Board.

The Performance Share Plan includes three 3-year performance periods: the calendar years 2018–2020, 2019–2021 and 2020–2022. The Board of Directors of the company will decide on the Plan's performance criteria and required performance levels for each criterion at the beginning of a performance period. The potential rewards will be paid partly in the company's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid if a participant's employment or service ends before the reward payment.

The CEO of the Company and members of the Corporate Executive Board must hold a minimum of 50 per cent of the net shares given on the basis of the plan until the CEO's total shareholding in the company corresponds to the value of his or her annual salary and the member's total shareholding in the company corresponds to the value of half of his or her annual salary.

The potential reward of the plan from the performance period 2018–2020 will be based on the Group's earnings per share (EPS), on new business development and on other essential business goals. The rewards to be paid on the basis of the performance period correspond to the value of a maximum total of 550,000 Elisa Corporation shares (including the proportion to be paid in cash). The potential rewards will be paid in 2021.

The potential reward of the plan from the performance period 2019–2021 will be based on the Group's earnings per share (EPS), on new business development and on other essential business goals. The rewards to be paid on the basis of the performance period correspond to the value of a maximum total of 536,000 Elisa Corporation shares (including the proportion to be paid in cash). The potential rewards will be paid in 2022.

The potential reward of the plan from the performance period 2020–2022 will be based on the Group's earnings per share (EPS), on new business development and on other essential business goals. The rewards to be paid on the basis of the performance period correspond to the value of a maximum total of 407,600 Elisa Corporation shares (including the proportion to be paid in cash). The potential rewards will be paid in 2023.

### Share-based incentive plan 2014

On 11 December 2014, Elisa's Board of Directors decided to implement two share-based incentive plans for key personnel in the Elisa Group. The plans are designed to align the goals of shareholders and key personnel in increasing the value of the company, to secure the commitment of key employees to the company, and to offer them a competitive compensation plan that is based on holding shares in the company. The target group of the incentive plan covers no more than 200 employees.

There are three 3-year earnings periods in the share-based incentive plan, the calendar years of 2015–2017, 2016–2018 and 2017–2019. Elisa's Board of Directors will decide on the plan's performance criteria and their targets at the beginning of each earnings period. Rewards from the plan from the earnings period 2015–2017 and from the earnings period 2016–2018, and potential rewards from the earnings period 2017–2019 will be based on EPS, the revenues of new business operations and on other essential goals.

The rewards paid through the incentive plan for the earnings period 2015–2017 equalled the value of 481,229 shares in Elisa (including the portion payable in cash). The rewards for the 2015–2017 earnings period were paid in 2018, partly in company shares and partly in cash.

The bonuses to be paid through the share-based incentive plan for the earnings period 2016–2018 equalled the value of 480,000 shares in Elisa (including the portion payable in cash). Rewards for the 2016–2018 earnings period were paid in 2019, partly in company shares and partly in cash.

The bonuses to be paid through the share-based incentive plan for the earnings period 2017–2019 correspond to the value of an approximate maximum total of 495,664 Elisa shares (including the proportion to be paid in cash). The potential reward on the basis of the performance period 2017–2019 will be paid partly in shares and partly in cash in 2020.

The cash payments are intended to cover any taxes and tax-like costs arising from the reward for the participant. As a rule, no bonus is paid if a key person's employment ends before the reward payment.

## C. REMUNERATION REPORT

### Board of Directors

The table below present the fixed annual remuneration fees decided by the Annual General Meeting on 3 April 2019, meeting remuneration fees from 2019, Elisa's shares acquired with fixed remuneration fees, and shareholdings of the Board on 31 December 2019.

Table 2.

#### Remuneration fees of Board members in 2019

Name	Position on the Board	Fixed remuneration fees, total, EUR*	Meeting remuneration fees, EUR**	Committee meeting remuneration fees, EUR**	Total remuneration fees, EUR	Elisa's shares acquired with fixed remuneration fees, number of shares*	Shareholdings of the Board on 31 Dec 2019, number of shares***
Anssi Vanjoki	Chair	120,000	9,100	700	129,800	1,275	2,600
Clarisse Berggårdh	Member	65,000	9,100	3,500	77,600	696	2,778
Kim Ignatius	Member since 3 April 2019	65,000	7,000	2,800	74,800	691	691
Petteri Koponen	Deputy Chair, Chair of the People and Compensation Committee	80,000	8,400	2,800	91,200	857	4,762
Raimo Lind	Chair until 3 April 2019	-	2,100	700	2,800	-	****
Leena Niemistö	Member	65,000	9,100	3,500	77,600	696	10,440
Seija Turunen	Member, Chair of the Audit Committee	80,000	9,100	3,500	92,600	857	3,329
Antti Vasara	Member	65,000	9,100	3,500	77,600	696	2,045
<b>Total</b>		<b>540,000</b>	<b>63,000</b>	<b>20,300</b>	<b>623,300</b>	<b>5,750</b>	<b>26,605</b>

\* For the Board members appointed by the Annual General Meeting on 3 April 2019, Elisa shares have been purchased on 24 April 2019 based on the decision of the Annual General Meeting on 3 April 2019.

\*\* Based on the number of meetings. Reward for the meetings was EUR 700 per meeting.

\*\*\* Shareholdings on 31 December 2019 (including legal entities controlled). Up-to-date information on changes in the shareholdings is available on Elisa's website, on Elisa's Management Transactions releases and table on the Corporate Governance Statement.

\*\*\*\* Not published. Raimo Lind was not a member of the Board of Directors on 31 December 2019.

## CEO and the Executive Board

Table 3.

### Salaries and financial benefits paid to the CEO and the company's other Executive Board members in 2019

	Monetary salaries, EUR	Taxable fringe benefits, EUR	Performance-based bonuses, EUR	Total value of the share-based bonus, EUR	Total, EUR	Part of the share-based bonus paid in shares, number of shares
CEO	632,418	18,281	264,431	760,224 *	1,708,354	18,175
Other members of Elisa's Executive Board	2,023,524	54,527	696,975	4,747,885 *	7,522,911	58,113
<b>Total</b>	<b>2,655,942</b>	<b>72,808</b>	<b>961,406</b>	<b>5,508,109</b>	<b>9,231,265</b>	<b>76,288</b>

\* According to the stock exchange price of the assignment date of 5 February 2019

The CEO's accrued supplementary pension for his 60th and 61st years of age was covered by a provision of EUR 157,723 on the balance sheet, and for the 62nd year of age with an insurance premium that equalled EUR 159,698. With regard to the Executive Board, the annual supplementary pension insurance premiums totalled EUR 145,698.