

elisa

Remuneration Policy

1. Introduction

This is the remuneration policy (hereinafter “Remuneration Policy”) of the Elisa Corporation (“Elisa”), which complies with legislation and the Finnish Corporate Governance Code. This Remuneration Policy sets out the principles for remuneration of the Board of Directors, the Managing Director, and any potential Deputy Managing Director (hereinafter “Managing Director”).

The previous Remuneration Policy was approved by Elisa’s AGM on 2 April 2020. The main changes in the Remuneration Policy compared to the 2020 Remuneration Policy are:

- Updated remuneration principles
- More detailed description of remuneration elements as well as their purpose and link to strategy
- Clarification of other remuneration instruments related to remuneration of members of the Board of Directors so that the fees can be paid in cash and/or partially or entirely in shares
- Some structural and linguistic changes

The AGM vote is advisory, but all remuneration shall be in line with the Remuneration Policy presented to the AGM.

2. Description of governance and decision-making process

Preparation and approval

The Remuneration Policy and any possible substantial changes to it are prepared by the People and Compensation Committee of the Board of Directors of Elisa or by another equivalent governing body to which preparation of remuneration matters is directed (hereinafter the “People and Compensation Committee”). The People and Compensation Committee hears the views of the Shareholders’ Nomination Board on the Remuneration Policy related to the Board of Directors.

The Board of Directors reviews and presents to the General Meeting the Remuneration Policy and any substantial changes to it whenever necessary, but at least every four (4) years. The General Meeting votes on an advisory resolution on the Remuneration Policy, expressing whether it supports the presented Remuneration Policy. If a majority of the General Meeting opposes the Remuneration Policy as presented, a revised Remuneration Policy will be presented no later than at the next General Meeting.

The Board of Directors of Elisa decides on the remuneration of the Managing Director in accordance with the Remuneration Policy. Where necessary, the People and Compensation Committee prepares matters relating to remuneration with the assistance of independent external experts. Decisions concerning distribution of shares, options or other special rights entitling the holder to shares shall be made at the General Meeting or by the company’s Board of Directors pursuant to an authorisation from the General Meeting. When shares, options or other special rights entitling the holder to shares are issued to the Managing Director as part of their remuneration, this must take place within the limits of the Remuneration Policy.

Monitoring

The People and Compensation Committee of the Board of Directors of Elisa annually monitors the implementation of the Remuneration Policy and, where necessary, presents to the Board of Directors measures for ensuring its implementation. To enable shareholders to evaluate the implementation of the Remuneration Policy at Elisa, the Board of Directors annually presents to the Annual General Meeting a Remuneration Report prepared by the People and Compensation Committee. The General Meeting decides whether to approve the Report. The decision is advisory.

Conflicts of interest

Issues on conflicts of interest regarding remuneration have been taken into account. The Shareholders’ Nomination Board, consisting of representatives of the biggest shareholders and established by the General Meeting of Elisa, makes a proposal to the General Meeting on the remuneration of the Board of Directors. The Chair of Elisa’s Board of Directors, who also is a member of the Nomination Board, will not participate in the decision-making of the Board of Directors’ remuneration proposal at the meeting of the Shareholders’ Nomination Board. The General Meeting decides on the remuneration of the Board of Directors.

The Remuneration of the Managing Director is prepared by the People and Compensation Committee and decided by the Board of Directors of Elisa. The Managing Director is not a member of these bodies and is not involved in the decision-making process regarding his or her remuneration.

3. Remuneration principles

Remuneration promotes Elisa's business strategy, long-term financial success and favourable development of shareholder value with the following Elisa remuneration principles:

- **Pay for performance** is Elisa's main principle in remuneration. Elisa acknowledges and rewards good and sustainable performance and achievements that are in line with Elisa's strategy, and strive to establish a clear link between the company and employee performance and success. Further, Elisa ensures that the personnel understands how they can impact results.
- **Competitive, market driven and fair remuneration that enhances commitment** ensures that Elisa can attract, motivate and retain the best employees. Remuneration benchmarks are regularly conducted against relevant geographic and industrial markets.

Effective communication of the remuneration principles and programmes ensures transparency internally and externally. Remuneration principles and programmes are communicated to employees and external stakeholders. Compliance with local laws and regulations and Elisa's remuneration principles is a prerequisite for remuneration at Elisa. Internal controls have been implemented to ensure compliance.

Remuneration of Elisa's personnel (including the Managing Director) is based on total remuneration that may, among other things, include both variable and fixed components as well as personnel benefits. The personnel are mainly subject to a performance-based remuneration scheme. In addition, Elisa's personnel, as a rule, are part of a long-term remuneration scheme, such as a personnel fund or a share-based remuneration scheme.

The terms and conditions of employment relationships of the broader employee population (particularly with respect to remuneration) have been taken into account when designing this Remuneration Policy. The remuneration of the Managing Director is more focused on variable components of remuneration than the broader employee population. The aim of variable remuneration is to steer the Managing Director and the personnel towards the same objectives.

Although the Board of Directors is not covered by the same overall remuneration as the personnel, the purpose of the remuneration of the Board is also to steer its activities towards the same long-term objectives of the company. The remuneration of the personnel, the Managing Director and the Board of Directors is regularly evaluated in relation to general market practices for persons acting in equivalent positions.

The Remuneration Policy supports the execution of Elisa's strategy, is anchored to ambitious and sustainable targets, and takes into account all our stakeholders. Remuneration structures are designed with appropriate consideration of the views and interests of stakeholders.

4. Description of the remuneration of the Board of Directors

On the basis of a proposal prepared by the Shareholders' Nomination Board, the General Meeting annually decides on the remuneration of the Board of Directors. The decision on the remuneration of directors shall be in line with the remuneration policy presented to the General Meeting.

The remuneration of the Board of Directors can consist of one or more components. The Directors can, for example, be paid an annual or monthly fee as well as a meeting fee for attending Board meetings, committee meetings or governing body meetings. The fees to be paid to Directors may be paid in cash and/or partially or entirely in shares. In its decision, the General Meeting may require that rewards to be paid in cash must be used partially or entirely in order to acquire Elisa shares.

Remuneration paid in shares may be subject to restrictions or recommendations related to lock-up periods concerning time or Board membership. In its proposal, the Shareholders' Nomination Board may also require that a director is a shareholder in the company. The remuneration of the Board of Directors shall not be linked to any performance criteria. If a director has an employment relationship or service contract with the company, he or she will be paid a normal salary. The General Meeting will decide on any possible compensation to be paid to him or her for work done with the Board.

5. Description of the remuneration of the Managing Director

When deciding on the remuneration of the Managing Director, the starting point for the review is always total remuneration.

The Managing Director's total remuneration may include a fixed salary, short- and long-term incentive schemes, and any possible taxable fringe benefits. Holidays, holiday pay, sick leave and other similar terms and conditions may be reviewed in accordance with the company's standard policy and local legislation. In addition, insurance coverage and pension schemes may be agreed.

Remuneration element	Purpose and link to strategy	Description and operation
Fixed salary	Compensation for responsibilities, reflecting the skills, knowledge and experience of the individual. The fixed salary shall be sufficient to attract, retain and motivate high-calibre individuals.	The fixed salary is typically reviewed annually. The People and Compensation Committee considers various factors when determining fixed salary, including business and individual performance, scope of the role and pay policy for the wider employee population across Elisa. When setting the total remuneration for the Managing Director, compensation levels of similarly sized companies in Finland and relevant European industry peers are considered.
Pension		There is no supplementary pension component in the remuneration package.
Short-term incentives (STI)	To reward and incentivise short-term financial, non-financial and operational performance, as well as to support delivery of the annual business plan	Short-term incentives shall be cash-based and are based on on the targets for performance period. The target period is six months. Performance metrics, weightings and targets shall be set for each performance period by the Board of Directors to ensure that they support Elisa's business priorities and may include a balance of financial, operational and non-financial measures (including, but not limited to, strategic and environmental, social and governance measures). Further, performance metrics relating to individual performance may also be introduced. Although performance metrics and weightings may differ from between performance periods reflecting the business priorities in a given year, a significant portion of the award will be based on financial metrics. The earning opportunity shall be set at a market-competitive level.

Remuneration element	Purpose and link to strategy	Description and operation
Long-term incentives (LTI)	To drive and reward the long-term sustainable growth of Elisa, to align the interests of the Managing Director with shareholders and to ensure the commitment and retention of key employees.	<p>Long-term incentive schemes normally consist of performance-based remuneration share-plans subject to the decision of the Board of Directors. Under special circumstances, commitment-enhancing share-based programmes may be used. Vesting of performance-based LTIs shall be subject to achievement of predetermined performance criteria. As a general rule the Board of Directors defines the performance criteria, weightings and targets at the beginning of the performance period or some parts annually to ensure that they support Elisa's business priorities, and they may include financial, share price-related, operational and non-financial metrics, such as strategic, customer satisfaction and environmental, social and governance metrics. Performance metrics relating to individual performance may also be introduced.</p> <p>The performance criteria shall be set in light of Elisa's long-term business plan and priorities. Although performance measures and weightings may change from year to year reflecting the business priorities, a significant portion of the LTI award in any given year will be based on financial and share price-related performance metrics.</p> <p>The performance and/or vesting period under the performance-based plan shall be no less than three years. However, the Board of Directors may, on occasion and under special grounds, define a minimum of a one-year earning period.</p> <p>Following the end of the performance period, the Board of Directors shall review performance and determine the extent to which each of the targets have been achieved to determine the final payout level.</p> <p>In commitment-enhancing, share-based remuneration schemes, the continuation of the service contract may be the sole earning criterion for the remuneration scheme.</p> <p>The vesting period under commitment-enhancing, share-based remuneration plans shall be no less than 12 months.</p> <p>The earning opportunity shall be set at a market-competitive level.</p>
Other benefits and programmes	To provide a competitive level of benefits in relation to the market and to support recruitment and retention	<p>Benefits will be provided in line with appropriate levels indicated by local market practice in the country of employment and may vary annually.</p> <p>Benefits may include a company car and phone as well as additional insurance, such as health, life, disability, travel and accident insurance.</p> <p>Additional benefits and allowances may be offered in certain circumstances, such as in case of relocation or international assignment, in line with Elisa's relevant policy.</p> <p>The Managing Director is eligible to participate in programmes that may be offered to other Elisa employees at any given point, such as share savings programmes, project and recognition awards, insurance benefits, seniority or birthday remembrance.</p>

Remuneration element	Purpose and link to strategy	Description and operation
Deferral and possible clawback of remuneration	To ensure pay for performance	When applying the incentive scheme, if changes in circumstances beyond the control of the company were to result in significantly detrimental or unreasonable effects on the company, the Board of Directors has the right to reduce remuneration under the incentive schemes or to defer the payment to a more favourable date for the company. The Board of Directors has the absolute right to cancel remuneration in full or in part if it deems it necessary to amend the financial statements of the group and this affects the amount of the remuneration, or if actions in violation of law or the company's ethical guidelines or other unethical actions have taken place.
Shareholding requirement	To ensure alignment of the interests of the Managing Director and shareholders	The Managing Director is required to accumulate and maintain a shareholding that equals 100% of his or her annual fixed salary.

6. Service agreements and termination provisions

The terms of the Managing Directors' service agreement shall be specified in writing and approved by the Board of Directors. The terms specify the remuneration elements, as well as the payments upon termination of service.

The Managing Director's service agreement is typically until further notice, but it can also be in force for a certain fixed period.

The notice period of the Managing Director's service agreement is determined so that it is in line with the market practice existing at the time that the service agreement is entered into. The notice period for both parties is typically six months.

The duration of the contract, the applicable notice period, any possible severance payment as well as any other termination clauses are agreed in the Managing Director's service agreement, conforming to current market practice at the time of the conclusion of the agreement.

7. Principles for new hires

Elisa's policy on recruitment is to offer a compensation package that is sufficient to attract, retain and motivate individuals with the right skills for the required role. When determining remuneration for a new Managing Director, the Board of Directors will, upon the recommendation of the People and Compensation Committee, consider the requirements of the role, the needs of the business, the relevant skills and experience of the individual, and the relevant external market for talent.

Where an individual is recruited externally for the position of Managing Director, the Board of Directors will consider the remuneration package of that individual in their prior role. Generally, the Board of Directors will seek to minimise the use of any new hire arrangements and to align the new Managing Director's remuneration with the Remuneration Policy. On occasions when it is deemed necessary and on a case-by-case basis, Elisa may make one-off awards to compensate the selected person for remuneration that the person received prior to joining Elisa, but that lapsed upon the person leaving their previous employer, or as an incentive to join Elisa. The rationale and details of any such arrangement made either in shares or cash shall be disclosed in the Remuneration Report.

Where an individual is appointed to the position of Managing Director as a result of internal promotion or following a corporate transaction (e.g. an acquisition), the Board of Directors retains the opportunity to honour any legally binding legacy arrangements agreed prior to the individual's appointment.

Where necessary, additional benefits – such as relocation support, expatriate allowance, tax equalisation and other benefits that reflect the local market practice and relevant legislation – may also be provided.

8. Deviations from and amendments to the Remuneration Policy

Deviations from the Remuneration Policy

The remuneration of the Managing Director will be within the limits of the Policy presented to the AGM every four years. However, the Board of Directors may, upon the recommendation of the People and Compensation Committee, temporarily deviate from the Policy in whole or in part at its full discretion, in the circumstances described below:

- Upon a change of Managing Director (if applicable)
- Upon the appointment of an interim Managing Director
- Upon material changes in Elisa's structure, organisation, ownership or business (for example a merger, demerger or acquisition) that could require adjustments to STI and LTI plans or other remuneration elements to ensure the continuity of management
- Upon a material change in the Group's financial position, strategy or governance structure
- Upon a change in relevant legislation
- If another significant and justified reason for adjusting the remuneration of the incumbent Managing Director applies
- In any other circumstance where such a deviation may be required to serve the long-term interests and sustainability of Elisa as a whole or to ensure its viability.

If any deviation from the Policy is applied, the company will disclose said deviation in the Remuneration Report for the year in question. If the company considers the deviation from the Policy to have continued to the point that it can no longer be deemed temporary, the company will prepare a new Remuneration Policy to be presented at the next General Meeting.

The deviation may apply to all reward components. The General Meeting decides on deviations in respect of remuneration of the Board of Directors, and the Board of Directors of Elisa decides on deviations in respect of the Managing Director.

Amendments to the Remuneration Policy

Substantial changes to the Remuneration Policy are prepared and presented to the General Meeting in accordance with the decision-making process described in section 2. In addition, Elisa may make changes that are not deemed material without presenting the amended Remuneration Policy to the General Meeting. Such changes include, for example, technical changes to the decision-making process for remuneration or to the terminology concerning remuneration. A change in legislation could also constitute grounds to make changes to the Remuneration Policy that would not be deemed material.

Elisa's Board of Directors evaluates the need for changes in the Remuneration Policy. Elisa considers on a case-by-case basis the decree to which the drafting of the new Remuneration Policy is affected by the resolution of the General Meeting on the previous Remuneration Policy, or by shareholder statements about the Remuneration Reports provided after the adoption of the Remuneration Policy, presented at a General Meeting.