

elisa



REMUNERATION REPORT

2021

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# Remuneration Report 2021

## 1. Introduction

This is the 2021 Remuneration Report for Elisa Corporation (“Elisa”) pursuant to legislation and the Finnish Corporate Governance Code. It describes the remuneration of Elisa’s Board of Directors (“the Board”) and CEO for the 2021 financial year. The People and Compensation Committee of the Board has prepared this Remuneration Report for 2021, which will be presented to Elisa’s Annual General Meeting in 2022.

The Board presented the 2020 Remuneration Report to the Annual General Meeting on 8 April 2021. The Annual General Meeting voted on the report and decided to approve it. The decision was advisory. Compared to the 2020 Remuneration Report, this 2021 report includes the following new information related to the remuneration of the CEO:

- The weights of the remuneration criteria for the incentive schemes
- More detailed information on the remuneration criteria for the incentive schemes
- Share-based incentive paid in 2022 (earning period 2019-2021)

The remuneration of the Board and CEO is based on Elisa’s remuneration policy approved on 2 April 2020 by an advisory resolution of the Annual General Meeting. The People and Compensation Committee has monitored the implementation of the remuneration policy. In assessing remuneration, external advisors and benchmark data have been used. No deviations were made from the remuneration policy during the 2021 financial year, and there were no situations during the financial year that warranted any clawback of remuneration.

One new member was appointed to the Board during the financial year. Veli-Matti Mattila continued to serve as CEO throughout the financial year. Elisa did not have a deputy CEO during the financial year.

## Development of management and personnel remuneration and the company’s performance

The remuneration of the Board and the CEO has developed as follows, compared to the average development of the remuneration of the company’s employees and the company’s financial development over the last five financial years:

|   | 2017        | 2018        | 2019        | 2020        | 2021        |
|---|-------------|-------------|-------------|-------------|-------------|
| Chair of the Board  |             |             |             |             |             |
| annual fee, EUR   | 108,000     | 108,000     | 120,000     | 123,000     | 126,000     |
| meeting fee, EUR  | 500         | 700         | 700         | 750         | 800*        |
| Deputy chair of the Board, chairs of committees   |             |             |             |             |             |
| annual fee, EUR   | 72,000      | 72,000      | 80,000      | 82,000      | 84,000      |
| meeting fee, EUR  | 500         | 700         | 700         | 750         | 800*        |
| Member of the Board   |             |             |             |             |             |
| annual fee, EUR   | 60,000      | 60,000      | 65,000      | 67,000      | 69,000      |
| meeting fee, EUR  | 500         | 700         | 700         | 750         | 800*        |
| Actual compensation paid (average of all Board members), EUR  | 78,214      | 80,114      | 89,143      | 89,107      | 91,550      |
| CEO, Salary in cash and taxable fringe benefits, EUR  | 556,075     | 556,289     | 683,699     | 684,146     | 684,543     |
| CEO, Performance bonus, EUR   | 332,937     | 281,734     | 264,431     | 198,238     | 251,031     |
| CEO, Total value of share-based incentive, EUR  | 956,769     | 1,853,343   | 1,431,524   | 2,269,493   | 865,204     |
| Salaries and bonuses according to financial statements, Personnel Fund profit bonus and share-based incentives paid per FTE. All Group personnel excl. CEO, EUR                                 | 52,935      | 53,752      | 54,880      | 56,148      | 58,286      |
| Salaries and bonuses according to financial statements, Personnel Fund profit bonus and share-based incentives paid, total. All Group personnel excl. CEO, EUR                                  | 224,135,036 | 258,706,093 | 267,868,616 | 286,130,772 | 314,160,449 |
| Average raise in salary, %. Two largest personnel groups, Elisa Corporation, incl. general and company-specific raises based on collective agreement and merit raises based on company decision | 1.0         | 2.8         | 2.4         | 1.9         | 2.6         |
| Elisa Group revenue, EUR million  | 1,787.4     | 1,831.6     | 1,843.5     | 1,894.6     | 1,997.9     |
| Comparable earnings per share, EUR  | 1.86        | 1.95        | 1.93        | 2.05        | 2.19        |
| Share price (year-end closing price) EUR  | 32.72       | 36.08       | 49.25       | 44.87       | 54.12       |
| Dividend per share, EUR   | 1.50        | 1.65        | 1.75        | 1.85        | 1.95        |

\* If a Board member lives permanently outside Finland and is physically present at a Board or committee meeting that is held in a country other than his/her permanent home country, then the meeting fee is EUR 1,600.

### Elisa's long-term financial success and remuneration

According to Elisa's remuneration policy, remuneration promotes Elisa's business strategy, long-term financial success and favourable development of shareholder value when it is fair, competitive, enhances commitment and supports Elisa's objectives.

CEO remuneration has been based on the most relevant financial and operational criteria that measure success in Elisa's strategy implementation and that affect Elisa's long-term financial performance. Developments in Elisa's key financial criteria have been positive. The average growth rate of revenue was 2.9 per cent during 2017–2021, and comparable earnings per share (EPS) growth was 4.2 per cent. Elisa's long-term financial development and growth in shareholder value have been positive: total shareholder return was approximately 115 per cent from 2017 to 2021.

The share-based remuneration of management is aligned with shareholder interests.

## 2. Remuneration of the Board for the financial year 2021

The remuneration of the Board is decided annually by Elisa's General Meeting in accordance with the company's remuneration policy. The Annual General Meeting in 2021 decided on the following remuneration based on the proposal of the Shareholder's Nomination Board:

- The annual fee for the chair is EUR 126,000.
- The annual fee for the deputy chair and the chairs of the committees is EUR 84,000.
- The annual fee for a member is EUR 69,000.
- The meeting fee is EUR 800 per meeting of the Board and of a Committee. However, if a Board member lives permanently outside Finland and is physically present at a Board or Committee meeting that is held in a country other than his/her permanent home country, then the meeting fee is EUR 1,600.

In accordance with the decision of the General Meeting, the annual fee was paid in the form of company shares and cash in such a way that shares in the company were acquired in the name of and on behalf of Board members equivalent to 40 per cent of the amount of the fee, and the rest was paid in cash for tax withholding purposes. The shares were acquired for the Board members through the stock exchange on 26 April 2021, the third trading day following the publication

of the interim report concerning the first quarter of 2021. In addition, Board members were reimbursed for any travel and other expenses incurred due to Board work according to the actual costs.

Shares acquired as part of the annual fee do not include a fixed-term restriction on the transfer of shares, although the Shareholder's Nomination Board does require Board members to have shareholdings in the company.

The chair of the Board has not been paid a fee for participating in the meetings of the Shareholder's Nomination Board.

The following table presents the fixed annual fees decided on by the company's Annual General Meeting on 8 April 2021, the meeting-specific fees for 2021, the number of shares acquired for the Board members with the annual fee, and the Board's shareholdings on 31 December 2021.



## Remuneration of the Board members in 2021

| Name               | Position on the Board  | Fixed fees, EUR* | Fees for Board meetings, EUR** | Fees for committee meetings, EUR** | Fees in total, EUR | Elisa shares acquired with fixed fees, no.* | Shareholdings of the Board on 31 Dec 2021, number of shares*** |
|--------------------|--|------------------|--------------------------------|------------------------------------|--------------------|---|--|
| Anssi Vanjoki      | Chair  | 126,000          | 7,900                          | –                                  | 133,900            | 1,068                                       | 4,551  |
| Clarisse Berggårdh | Deputy Chair, Chair of the People and Compensation Committee       | 84,000           | 8,700                          | 2,350                              | 95,050             | 712   | 4,079  |
| Maher Chebbo       | Member of the People and Compensation Committee as of 8 April 2021 | 69,000           | 10,400                         | 2,400                              | 81,800             | 585   | 585  |
| Kim Ignatius       | Member of the Audit Committee                                      | 69,000           | 8,700                          | 3,950                              | 81,650             | 585   | 1,757  |
| Topi Manner        | Member of the Audit Committee                                      | 69,000           | 7,900                          | 3,950                              | 80,850             | 585   | 1,066  |
| Eva-Lotta Sjöstedt | Member of the People and Compensation Committee                    | 69,000           | 10,300                         | 3,150                              | 82,450             | 585   | 1,066  |
| Seija Turunen      | Chair of the Audit Committee                                       | 84,000           | 8,700                          | 3,950                              | 96,650             | 712   | 2,630  |
| Antti Vasara       | Member of the People and Compensation Committee                    | 69,000           | 8,700                          | 2,350                              | 80,050             | 585   | 3,111  |
| <b>Total</b>       |  | <b>639,000</b>   | <b>71,300</b>                  | <b>22,100</b>                      | <b>732,400</b>     | <b>5,417</b>                                | <b>18,845</b>  |

\* Elisa shares with fixed fees were acquired on 26 April 2021 for Board members elected at the AGM of 8 April 2021 based on the decision of the AGM of 8 April 2021.

\*\* Based on the number of meetings. Until 8 April 2021, the meeting fee was EUR 750 per meeting, based on a decision of the AGM in 2020. Since 8 April 2021, the meeting fee is EUR 800 per meeting or, EUR 1,600, if a Board member lives permanently outside Finland and is physically present in the Board or Committee meeting, which is held in a country other than his/her permanent home country, based on a decision of the AGM in 2021.

\*\*\* Shareholdings on 31 December 2021 (including legal entities controlled). Up-to-date information on changes in shareholdings is available on Elisa's website and in Elisa's Management Transactions releases.

### 3. CEO's remuneration for the financial year 2021

#### 3.1 Fixed annual salary

During the 2021 financial year, the CEO was paid a total salary composed of a fixed monetary salary and taxable fringe benefits (telephone, car, health insurance). The fixed monetary salary was EUR 639,180 (EUR 639,180 in 2020). In addition, the CEO was paid EUR 22,000 in holiday bonus (EUR 22,000 in 2020). The taxable fringe benefits amounted to EUR 23,363 a year (EUR 22,966 in 2020). Holidays and other equivalent terms have been treated in accordance with the company's normal policy.

#### 3.2 Variable pay components: short-term incentive scheme

For the 2021 financial year, the CEO is paid a performance bonus based on earnings criteria set by the company's Board in line with the remuneration policy: earnings per share, revenue development and the development of personnel and customer satisfaction. The target period for the performance-based bonus scheme is six months, and the bonus is paid every six months.

In March 2021, the CEO was also paid the performance bonus for the second half of the 2020 financial year.

#### Maximum limits, targets, performance bonus paid and dates of payment for short-term incentive scheme

|  | 2H 2020  | 1H 2021   | 2H 2021   |
|--|--|---|---|
| Maximum limit from six-month earnings period | 90%  | 90%   | 90%   |
| Targets and weights                          | 50% earnings per share<br>25% revenue development<br>25% customer satisfaction development | 50% earnings per share<br>20% revenue development<br>10% Elisa Personnel Engagement Score (ESG target)<br>20% customer satisfaction development | 50% earnings per share<br>20% revenue development<br>10% Elisa Personnel Engagement Score (ESG target)<br>20% customer satisfaction development |
| Target realisation                           | 34.313%  | 50.209%   | 49.386%   |
| Performance bonus EUR                        | 101,909  | 149,122   | 146,677   |
| Payment                                      | March 2021   | September 2021  | March 2022  |

#### 3.3 Variable pay components: long-term incentive scheme

The CEO's long-term incentive consists of share-based incentive schemes. During the 2021 financial year, the CEO was paid remuneration on the basis of the 2018–2022 share-based incentive scheme (earnings period 2018–2020). The CEO is also included in the share-based incentive scheme for key personnel for 2021–2025.

##### Share-based incentive scheme for 2018–2022

On 14 December 2017, Elisa's Board of Directors decided on a share-based incentive scheme for the Group's key personnel. The scheme is designed to align the goals of shareholders and key personnel in increasing the value of the company in the long term, to secure the commitment of key employees to the company and to offer them a competitive remuneration scheme based on the earnings and accumulation of shares.

The share-based incentive scheme has three 3-year earnings periods: the calendar years 2018–2020, 2019–2021 and 2020–2022. The company's Board of Directors decides the scheme's earnings criteria at the beginning of each earnings period.

The scheme's potential remuneration for each earnings period is based on Elisa Group's earnings per share (EPS) with a weight of 60%, the development of new business operations weighted at 20%, and other specific business growth targets (e.g. active users of selected services, sales of selected services) weighted at 20%.

The potential incentives are paid partly as shares in the company and partly in cash. The cash portion covers the taxes and tax-like charges incurred by the participant as a result of the remuneration. In the event of termination of participant's employment or service relationship before the incentive is paid the amount of incentives paid depends on the cause of termination.

According to the rules of the share-based scheme, the CEO must hold at least half of the net shares paid on the basis of the scheme until the holding in the company is equal to the value of the annual gross salary.

### Share-based incentives for the 2018–2020 earnings period paid in the 2021 financial year

|   |   |
|---|---|
| Maximum number of shares  | 39,650  |
| Targets   | 60% earnings per share (EPS)<br>20% revenue from digital businesses<br>20% other specific key business growth targets decided annually (e.g. active users of selected services, sales of selected services) |
| Target realisation (%)  | 39.255%   |
| Dividend adjustment (%) *   | 11.700%   |
| Amount paid as shares   | 8,258   |
| Date of share transfer  | 2 February 2021   |
| Transfer price, EUR   | 49.39   |
| Total value of share-based incentive (including shares, monetary portion and transfer tax), EUR | 865,204   |

### Share-based incentives for earnings period 2019–2021 paid in the 2022 financial year

|   |   |
|---|---|
| Maximum number of shares  | 39,000  |
| Targets   | 60% earnings per share (EPS)<br>20% revenue from digital businesses<br>20% other specific key business growth targets decided annually (e.g. active users of selected services, sales of selected services) |
| Target realisation (%)  | 31.465%   |
| Dividend adjustment (%) *   | 10.250%   |
| Amount paid as shares   | 6,426   |
| Date of share transfer  | 1 February 2022   |
| Transfer price, EUR   | 52.52   |
| Total value of share-based incentive (including shares, monetary portion and transfer tax), EUR | 715,958   |

\* The amount paid is adjusted to take into account dividends that are paid during the earning period.

### Share-based incentive scheme for 2021–2025

On 4 March 2021, Elisa's Board of Directors decided on a share-based incentive scheme for the Group's key personnel. The aim of the new 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 retain 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 share-based incentive scheme has three 3-year earning periods: the calendar years 2021–2023, 2022–2024 and 2023–2025. The company's Board of Directors decides the scheme's earnings criteria and maximum allocations at the beginning of each earnings period.

The potential incentives are paid partly as shares in the company and partly in cash. The cash portion covers the taxes and tax-like charges incurred by the participant as a result of the remuneration. In the event that a participant's employment or service relationship ends before the incentive is paid, the incentive is not usually paid. The amount of incentives paid depends on the cause of termination.

According to the rules of the share-based scheme, the CEO must hold at least half of the net shares paid on the basis of the scheme until the holding in the company is equal to the value of the annual gross salary.

**The maximum amounts of share-based incentives per earnings period in the share-based incentive scheme for 2018–2022 and the share-based incentive scheme for 2021–2025 ongoing during the 2021 financial year**

| Share-based incentive scheme | 2018–2022   |   | 2021–2025   |  |
|------------------------------|---|---|---|--|
|                              | 2020–2022 earnings period (paid in 2023)<br>number of shares (maximum)  | 2021–2023 earnings period (paid in 2024)<br>number of shares (maximum)  | 2022–2024 earnings period (paid in 2024)<br>number of shares (maximum)  |  |
| Targets                      | 60% earnings per share (EPS)<br>20% revenue from digital businesses<br>20% other specific business growth targets decided annually (e.g. active users of selected services, sales of selected services) | 60% earnings per share (EPS)<br>20% revenue from digital businesses<br>20% other specific business growth targets decided annually (e.g. active users of selected services, sales of selected services) | 60% earnings per share (EPS)<br>20% revenue from digital businesses<br>10% employee engagement (ESG target)<br>10% annual progress in specific key business growth targets (e.g. active users of selected services, sales of selected services) |  |
| CEO                          | 32,000  | 32,000  | 32,000  |  |

**3.4 Information on the division proportions of fixed and variable pay components**

In accordance with Elisa’s remuneration policy, short- and long-term incentives based on performance are dimensioned, at the target level, to be greater than the fixed salary. In share-based incentive schemes, the dimensioning takes place at the beginning of the earnings period. The realisation depends on the fulfilment of the earnings criteria. As the value of the shares changes, the value of the remuneration to be paid increases or decreases. In variable remuneration, the weight of the long-term incentive at an annual level is greater than that of the short-term incentive.

**CEO’s salary and financial benefits and their proportions paid during the financial year 2021 and financial year 2020**

| Financial year | Salary in cash, EUR | Taxable fringe benefits, EUR | Performance bonuses, EUR | Total value of share-based incentive, EUR* | Supplementary pension, EUR | Total, EUR   | Portion of share-based remuneration paid as Elisa shares |
|----------------|---------------------|------------------------------|--------------------------|--|----------------------------|--------------|--|
| 2021           | 661,180             | 23,363                       | 251,031                  | 865,204 *                                  | 289,547                    | 2,090,325    | 8,258  |
|                | 32%                 | 1%                           | 12%                      | 41%  | 14%                        | 100%         |  |
| 2020           | 661,180             | 22,966                       | 198,238                  | 2,269,493 **                               | 281,443                    | 3,433,320*** | 19,609   |
|                | 19%                 | 1%                           | 6%                       | 66%  | 8%                         | 100%         |  |

\*Date of transfer in accordance with the share price on 2 February 2021  
 \*\*Date of transfer in accordance with the share price on 3 February 2020  
 \*\*\* Typo corrected on 15 February 2022



### 3.5 Supplementary pension contributions

The CEO's supplementary pension coverage is based on a defined contribution scheme. The pension arrangement includes a right to a paid-up policy. In the 2020 financial year, the Board agreed with the CEO that he would continue to serve as the company's CEO until further notice. According to the previous CEO contract, he would have retired when he turned 60. An increase in the statutory retirement age is compensated for by a decision of the Board.

Liability for the CEO's pension for the ages 60 and 61 was increased by a EUR 123,099 (102,479 in 2020) provision on the balance sheet. The increase takes into account the changes in assumptions related to the retirement age of the CEO. As of the age of 62, EUR 166,448 (178,964 in 2020) was paid to the CEO's supplementary pension scheme.

### 3.6 Other financial benefits, such as fringe benefits, signing bonuses, retention bonuses or severance packages

The period of notice applicable to the CEO's service contract is six months for Elisa and three months for the CEO. Should the contract be terminated by Elisa, the CEO is entitled to receive severance pay equal to the total salary for 24 months, less the salary for the period of notice.

## 4. Checking of the Remuneration Report

Elisa's auditor, KPMG Oy Ab, has checked that the information required by regulations has been disclosed in the Remuneration Report.