# Remuneration Policy

## 1. Introduction

This is the Elisa Group´s (hereinafter Elisa) remuneration policy, which complies with legislation and the Finnish Corporate Governance Code. This policy sets out the principles for remuneration of the Board of Directors, the Managing Director and a potential Deputy Managing Director (hereinafter Managing Director).

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.

Remuneration of Elisa´s personnel is based on a total remuneration, which may among other things include both variable and fixed components of remuneration as well as personnel benefits. The personnel is mainly subject to a performance-based remuneration scheme. In addition is Elisa´s personnel, as a rule, 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 other employees, particularly with respect to remuneration, have been taken into account in this remuneration policy in such a way that the Managing Director´s remuneration is more focused on variable components of remuneration than the average of other employees. 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 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.

## 2. Description of the Decision-Making Process

### *Preparation and Approval*

The remuneration policy and any possible substantial changes to it are prepared by the Personnel and Remuneration Committee of the Board of Directors of Elisa or by another equivalent governing body, to which preparation of remuneration matters is addressed (hereinafter Personnel and Remuneration Committee). The Personnel and Remuneration Committee hears 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 makes an advisory resolution on the remuneration policy, expressing whether it supports the presented policy. The shareholders cannot propose changes to the remuneration policy. If a majority of the general meeting opposes the presented remuneration policy, a revised policy must be presented no later than at the next Annual General Meeting. In such a case, the decision on remuneration of the Board of Directors and the Managing Director, shall be based on the initial remuneration policy presented to the General Meeting until the revised remuneration policy has been considered at the general meeting.

***Monitoring***

The Personnel and Remuneration 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 the 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 Personnel and Remuneration Committee. The General Meeting decides on the approval of the remuneration report. The decision is advisory.

***Implementation***

On basis of a proposal prepared by the Shareholders' Nomination Board, the General Meeting annually decides on the remuneration of the Directors. The decision on the remuneration of Directors is based on the remuneration policy presented to the 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 Personnel and Remuneration Committee prepares matters relating to remuneration with the assistance of independent external experts. Decisions concerning distribution of shares, options, or other special rights entitling one to shares shall be made in the General Meeting or by the company's Board of Directors pursuant to an authorization from the General Meeting. When shares, options, or other special rights entitling one to shares are issued to Directors or to the Managing Director as part of their remuneration, this must take place within the limits of the remuneration policy.

### *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 consideration 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 Personnel and Remuneration Committee and decided by the Board of Directors of Elisa. The Managing Director is not a member of those bodies and not involved in the decision-making process regarding his or her remuneration.

## 3. Description of the Remuneration of the Board of Directors

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

Remuneration paid in shares or other financial instruments 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.

If a Director has an employment relationship or a 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.

## 4. Description of the Remuneration of the Managing Director

### *The Components of Remuneration and their Relative Proportions*

When deciding on the remuneration of the Managing Director the starting point for the review is always total earnings. The total earnings of the Managing Director may consist of fixed and variable remuneration, the proportions of which are assessed according to the respective business situation.

The Managing Director´s fixed total salary may include the monetary salary 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. In addition, insurance coverage and pension schemes may be agreed.

Elisa's Performance-Based Bonus Model may be used as a short-term incentive scheme. Long-term incentive schemes may consist of both performance-based and commitment enhancing share-based remuneration plans. The aim of the incentive schemes is to combine the objectives of the shareholders and the Managing Director in order to increase the value of the company. The aim of the long-term incentive scheme is also to commit the Managing Director to the company by offering him or her a competitive share-based incentive plan.

Performance-based short and long-term incentives are rated at a target level higher than a fixed salary. In share-based incentive schemes, dimensioning occurs at the beginning of the earning period. The actual outcome depends on the fulfillment of the earning criteria. If the value of a share changes, the value of the reward to be paid increases or decreases accordingly. In variable remuneration, the weighting of a long-term incentive is higher than a short-term incentive, as calculated on an annual basis.

### *Grounds for Determining any Variable Remuneration Components*

In all variable remuneration schemes, the Board of Directors determines the earning criteria of the scheme and set out the objectives for each criteria at the beginning of the earning period and evaluates the actual performance at the end of the earning period. The earning criteria may include key objectives in support of the company's strategy related to financial targets, development of business or shareholder value, customer or employee satisfaction and quality, as well as related to corporate responsibility. In retaining share-based remuneration schemes, the continuation of the service contract may be the sole earning criterion for the remuneration scheme. The objectives are defined and their implementation evaluated on the basis of Elisa's financial and operational reports and the results of stakeholder surveys.

In share-based remuneration schemes, the earning and restriction periods are at least several years in total. However, the Board of Directors may, on occasion, under special grounds, define a minimum of one year earning and restriction period taken together.

Share-based remuneration schemes may include restrictions on the transfer of shares under the Limited Liability Companies Act, as well as recommendations, or contractual obligations in relation to retaining a specific number of shares over a certain period of time.

### *Other Key Terms Applicable to the Service Contract*

A lower retirement age than defined in the applicable legislation on earnings-related pension may be agreed for the Managing Director. The Managing Director may also be entitled to a defined contribution supplementary pension as part of his/her overall salary.

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

### Terms for Deferral and Possible Clawback of Remuneration

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 remunerations under the incentive schemes or defer the payment to a more favourable date for the company.

The Board of Directors has the absolute right to cancel remuneration fully or partially 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.

## 5. Deviations from and Amendments to the Remuneration Policy

### *Deviations from the Remuneration Policy*

Elisa may temporarily deviate from the remuneration policy presented to the General Meeting if such deviation is necessary to ensure Elisa´s long-term interests and the current remuneration policy would no longer be appropriate in the changed circumstances. Such situations include for example, changes in the Board of Directors, change of the Managing Director, major changes in the company´s strategy, changes in Elisa´s remuneration decision-making process, major restructuring such as a merger, a takeover bid, or an acquisition, as well as changes in taxation or other regulations.

The deviation may apply to all reward components. The General Meeting decides on deviation in respect of remuneration of the Board of Directors and the Board of Directors of Elisa decides on deviation 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 General Meeting resolution on the previous remuneration policy, or by the shareholder statements about the remuneration reports, given after the adoption of the remuneration policy, presented at the General Meetings.