TCFD REPORT 2021

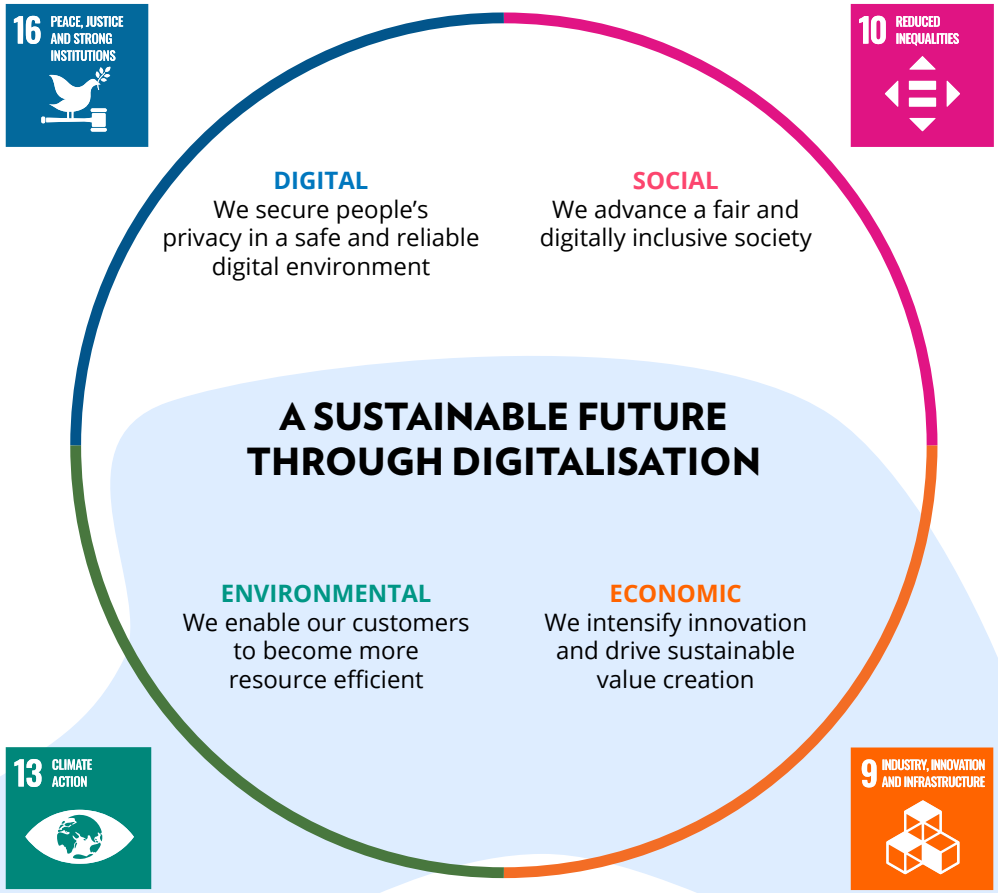
Introduction

This is Elisa's first separate TCFD report. We have already been reporting on our climate actions and performance for many years, for example through the CDP questionnaire since 2011. We think that a publicly available TCFD disclosure further improves transparency for market participants and other stakeholders. It is a way of describing our climate management, especially regarding risk and opportunity assessment, and its implications on strategic planning. We believe that open dialogue with stakeholders drives additional engagement and ultimately will help us achieve our climate goals and thus contribute to UN Sustainable Development Goals.

Elisa's mission is A Sustainable Future Through Digitalisation, which is based on four strongly interlinked cornerstones: digital, social, economic, and environmental sustainability. Our way of doing sustainable business is about having positive impact on society in all these areas. This is what we refer to as our sustainability handprint.

Climate has been our focal point in environmental responsibility since 2009. Energy efficiency improvements, such as using renewable energy, collecting waste heat and compensating for residual emissions, enabled us to become carbon neutral in 2020.

This TCFD report will focus on the following climate-related financial disclosures:1. governance, 2. strategy, 3. risks and opportunities, and 4. metrics and targets.



GOVERNANCE **STRATEGY**

TCFD focus areas

METRICS AND TARGETS **RISKS MANAGEMENT**

Read more about Elisa's strategic sustainability targets

Governance

We govern climate-related risks and opportunities through a model that ensures compliant, efficient and timely decision making, with commitment from top management and business levels, while fulfilling customer needs and business requirements.

After more than two years and with the involvement of over 400 Elisa employees, over 2,600 customers and extensive examination of the world around Elisa, we launched our new resonant mission statement – A Sustainable Future through Digitalisation – at the beginning of 2020.

We view this mission as pushing us beyond functional and emotional value for our stakeholders, into life-changing and society-changing elements. Climate change is a key aspects of our renewed mission.

Read more about Elisa's governance model

The Board's oversight of climate risks and opportunities

Elisa's climate strategy, progress and performance were examined twice at the Board of Directors level in 2021.

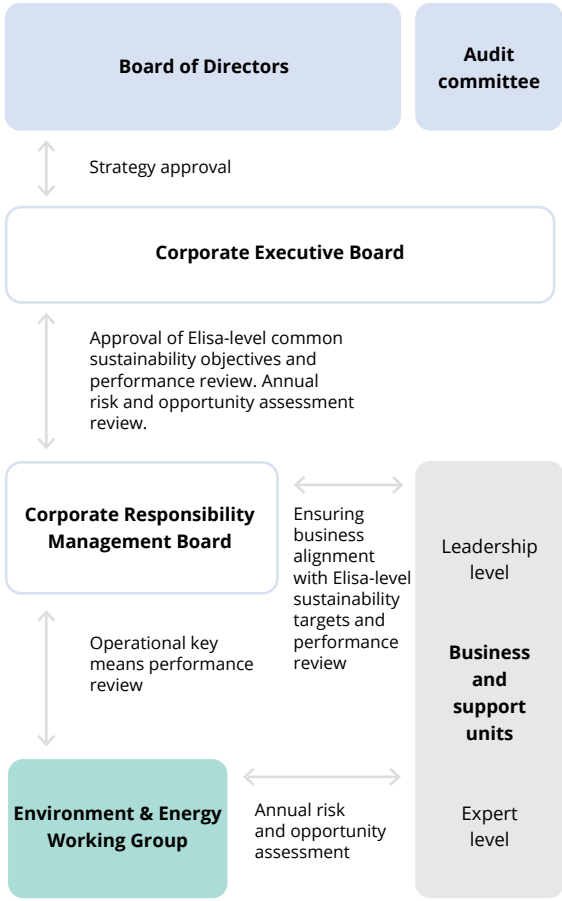
Climate work within the organisation proceeded in line with the scenarios presented to the Board of Directors in 2020.

Energy markets and pricing, regulation, climate scenarios and emissions, as well as Elisa's electricity consumption and purchasing needs, were reviewed quarterly in both the Environment & Energy Working Group and the Energy Market Steering Team.

Our strategy work for the period 2021–2023, approved by the Board of Directors, integrates Elisa's mission at many levels.

Management's role in climate risks and opportunities

The Senior Executive Vice President, a member of Elisa's Corporate Executive Board and reporting to the CEO, is the highest person with responsibility for climate change issues at the Elisa level. The Corporate Responsibility Director is responsible for managing responsibility and sustainability operations, including climate change policies and decisions. Climate change-related issues are supervised by the Corporate Responsibility Management Group and the Environment & Energy Working Group, which have representatives from both business units and support functions. Climate change-related reporting and performance disclosure are managed by the Corporate Responsibility Managers and Experts. Climate change-related performance and action plans are reviewed and agreed at all three levels: firstly, by the Corporate Responsibility Management Board, secondly by the Corporate Executive Board and, in specific cases, lastly by the Board of Directors Audit Committee.



"Combatting climate change now also requires effective action from businesses, and we want to contribute to the faster achievement of a carbon- neutral society"

Veli-Matti Mattila, CEO, Elisa

Strategy

Climate-related risks and opportunities influence Elisa's strategy and financial planning. Since 2009, reducing carbon emissions has been part of our business strategy process. Currently, we have several key performance indicators that measure our success in enabling a low-carbon society, in line with our business strategy.

In 2019, we embarked on a programme of extensive strategy work on the topic of climate change. We revisited climate scenarios, risks and opportunities, and made recommendations based on the results of our work for Elisa's Climate Strategy.

Three members of the Corporate Executive Board sponsored this work, which in March 2020 was presented to and approved by the Board of Directors. The Climate Strategy builds on four principles:

Engage in strategic foresight: We gather data and use qualitative climate scenario analysis to inform our strategy and ensure that our strategy is resilient.

Keep our carbon footprint down: We continue our low-carbon transition, to reduce risks with substantive influence on our financial planning.

Build our carbon handprint up: We identify climate-related challenges, to validate our strategic opportunities for current or new businesses.

Commit in the long term: We build awareness among stakeholders and empower our entire organisation to contribute to Elisa's mission.

The implications of climate change on Elisa's strategy are based on scientific facts from climate research, such as from the Intergovernmental Panel on Climate Change. International regulation and growing stakeholder expectations drive stringent reporting requirements.

We believe that ICT and digitalisation have enormous climate action potential through the development of digital services. In mitigating climate change, the ICT sector can improve the efficiency of current operations while also providing new, smarter ways of doing things.

Products and services

Elisa's carbon emission savings include not only our own emission reduction activities (decreasing our carbon footprint), but also avoided emissions from customers (increasing our carbon handprint) through services and supportive products that we can offer.

A good example of services that increase Elisa's carbon handprint is the ever-increasing trend for remote working and the need for reliable virtual meeting solutions. This handprint happens through people, services and information being available independent of place.

Elisa's innovations in network optimisation and automation have been essential for growth in our emerging international digital services. For example, we help other operators to monitor and automate their network operations, which improves energy efficiency.

Operations

Our continuous and long-term internal energy efficiency initiatives ensure continuous improvements that affect Elisa's own carbon footprint, making us a sustainable partner for customers and other stakeholders. Renewable energy is a key element here.

Elisa publicly discloses measures in resource efficiency within its operations. As a result, environmental sustainability and climate issues are always considered in the production strategy process. In In this way, the Paris Agreement influences our operations strategy. Our approach is to commit to the Science Based Targets initiative (SBTi) and set robust, science-based medium- and long-term targets.

Success is ensured through continuous measurement and assessment, in a long-term and transparent way. We continuously improve our measurements to meet demand for more accurate calculations, both along the supply chain and among our customers.

Investment in R&D

As part of Elisa's mission, we want to create awareness and encourage both individuals and organisations to be environmentally responsible. We explore ways of working with them to find means to accomplish this, often through new digital solutions.

We pursue new ideas through co-creation and collaboration with research organisations, startups and other stakeholders. Through universities and research institutes, we cooperate with more than 100 researchers from a dozen countries. Among other things, these relationships keep us at the forefront of sustainability innovation.

We meet with hundreds of startups every year, which has resulted in well over 100 active startup partnerships. These activities also keep us at the cutting edge of innovation in sustainability.

Supply chain

Elisa has several thousand suppliers, of which tens are crucial for us. We engage in active dialogue with them to ensure that they meet our expectations on sustainability. Global manufacturing centres are key in driving carbon emission reductions in the supply chain.

We can also encourage sustainable approaches among multinational ICT suppliers together with other operators, through the common auditing standard and programmes of JAC (Joint Auditing Collaboration). We are also active in, for example, GSMA and ETIS, which provide forums for curbing climate change and promoting the circular economy. Our procurement function is very central here.

Together, these measures enable continuous improvement of supplier management and comprehensive, up-to-date market insights about our suppliers, increasingly so also for climate action.

Capital allocation

Financial planning supports and is driven by Elisa's strategy and financials targets. Further financial planning describes and supports real-world businesses and creates value for stakeholders through our internal processes, by allocation of Elisa capital and resources.

By setting and using common KPIs for sustainability, we find synergies for better business and sustainability performance. Such leading KPIs need to have as little "lag" as possible and describe continuous action rather than final outcomes. This requires well-working communication between key internal stakeholders.

Sustainability needs to be part of business decision-making. By weighing in such factors from the start through financial planning, we can minimise risks and, especially in the long run, maximise new opportunities.

Continuous strategic dialogue

We want our stakeholders to rest assured that Elisa continuously develops its climate action and sustainability practices as an integral part of business and operational strategic thinking and decision-making.

This way, we can react to both risks and opportunities in an agile way. For example, circularity was identified in the scenario analysis in 2020 as a crucial addition to our opportunities and has since taken off as a corporate-level strategic effort. Furthermore, climate strategy materials are shared in Elisa's corporate strategy process kick-off. Finally, we can state that learnings from the COVID-19 pandemic and its parallels to climate change have only reinforced our motivation around these ways of working.

Turning risks on a global scale to opportunities within infrastructure

Risk 1:
Physical
Short-term
Extreme weather phenomena due to climate change

Opportunity 1:
Enabling sustainable solutions around mobile connectivity

Risk 2:
Physical
Medium-term
Average temperature changes due to global warming

Opportunity 2:
Reducing carbon footprint through long-term work on energy efficiency

Risk 3:
Transitional
Short-term
Increasing costs due to regulations and energy taxes

Opportunity 3:
Curbing emissions by utilising renewable and reused energy

Turning our stakeholder risks into opportunities for innovation

Risk 4:
Transitional
Medium-term
Stakeholders expecting higher level of climate action

Opportunity 4:
Developing new business areas by innovations in sustainability

Risk 5:
Transitional
Medium-term
Stakeholder reluctance to participate in climate action

Opportunity 5:
Integrating circular economy with daily business operations

Risk 6:
Transitional
Short-term
Other issues diverting attention from climate action

Opportunity 6:
Enabling sustainable operations through low-emission services

The image above describes climate-related risks and opportunities Elisa has identified over the short, medium, and long term. We define these time horizons as follows: short-term 0–3 years, medium-term 3–10 years, long-term 10–30 years.

The risk types below are considered in Elisa's climate-related risk assessments:

Transitional risks				Physical risks	
Policy and legal	Technology	Market	Reputation	Acute	Chronic

Risk management

Risk assessment is an important part of strategy work, and Elisa has a process for identifying, assessing and responding to climate-related risks and opportunities.

Elisa's processes for identifying and assessing climate risks

The purpose of risk assessment is to identify and analyse company- and asset-level risks that could affect the achievement of specified targets and to identify measures to reduce those risks.

The annual climate change risks assessment is conducted together with the corporate-level Environment & Energy Working Group and its energy experts, with business unit strategy leads and with the Director of Finance. The results of the climate change risk and opportunity assessments are approved by the Corporate Responsibility Managerial Board. Major climate risks are reviewed by the Corporate Executive Board as part of enterprise risk reviews.

Every three years (next in 2022–2023), we make a special effort to strengthen our climate risks assessment. This Climate Change Strategy work includes desktop analysis, workshops, an adapted Delphi type of panel with top experts in the area of climate change, and an open special interest group of Elisa employees. From identified certainties in this work, we identify the driving factors through systems thinking, and from the key uncertainties, we build further on common scenarios. This ensures as holistic and comprehensive an analysis as possible and forms a base for our deeper assessment of strategic climate risks and opportunities.

How material the climate-related risks are is assessed through market risks and technology shifts, reputation risks, policy and legal risks, and physical risks. Transition and physical risk scenarios are selected by utilising various information sources from e.g. the EU, Cicero, IPPC, and TFCD.

Materiality surveys help us gauge expectations from stakeholders.

Climate risk assessment is part of our enterprise operational risk management, and thus also major climate change risks will be managed by the Corporate Executive Board as part of the enterprise risk review. Within the strategy process, climate change risks are prioritised by their expected substantial financial impact, which is evaluated based on the likelihood and economic cost of the risks. The economic cost is the sum of reinvestments, restoration costs and loss of revenue, sanctions and such, on a best-effort basis. If there are specific reputation risks that are assessed to be high, but which cannot be monetised, the risk item is discussed separately.

Energy and emission targets, progress status and necessary actions are reviewed quarterly. The management process, where the scope is operational risk management, includes assessment, treatment, monitoring and review of operational risks. The goal is to manage the risk level via acceptance, mitigation or avoidance of risks.

Not all climate risks will be impactful in the short term. They can nevertheless cause significant risks in the long term, and therefore it is important to acknowledge the effect of such risks even though they would not lead to immediate action. Prioritisation of mitigation actions related to network and data centre projects is mainly based on return on investment. If there are actions that have a longer payback time, but are otherwise significant, they can be assessed separately.

Elisa's processes for managing climate-related risks

Elisa's processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management, where we classify risks into strategic, operational, insurable and financial risks. The key risks associated with climate change are mostly related to energy efficiency, both in terms of energy availability and price, and in relation to malfunction of the telecom operations and services such as networks.

As an example, in our climate risk assessment, we recognise flooding risks from high precipitation. This is a risk to those data and tele centres that are located below sea level. Extreme weather conditions, such as extreme precipitation, increase in the future. Elisa takes insurance to cover flooding risks for our telefacilities.

To ensure the availability of renewable energy at a reasonable price, Elisa will utilise also power purchase agreements. Utilisation of solar power at base station sites and data centres is another opportunity example.

Elisa is continuously looking for ways to improve risk management and actively tries to learn from external best practices. It is crucial to engage internal key stakeholders in climate risk management.

Metrics and targets

Elisa has set long-term climate commitments, for example through the Climate Pledge (2040), as well as shorter-term (2025) climate commitments in the form of SBTi-validated, science-based targets. Our supporting strategic targets follow a three-year cycle. Short-term yearly targets are an essential means of achieving strategic targets. Sustainability progress is tracked continuously in our scorecard on a half-yearly basis. We have set both absolute targets and intensity targets in internal and external climate reporting. We disclose our climate-related metrics in Elisa's annual sustainability report.

We enable our customers to become more resource efficient

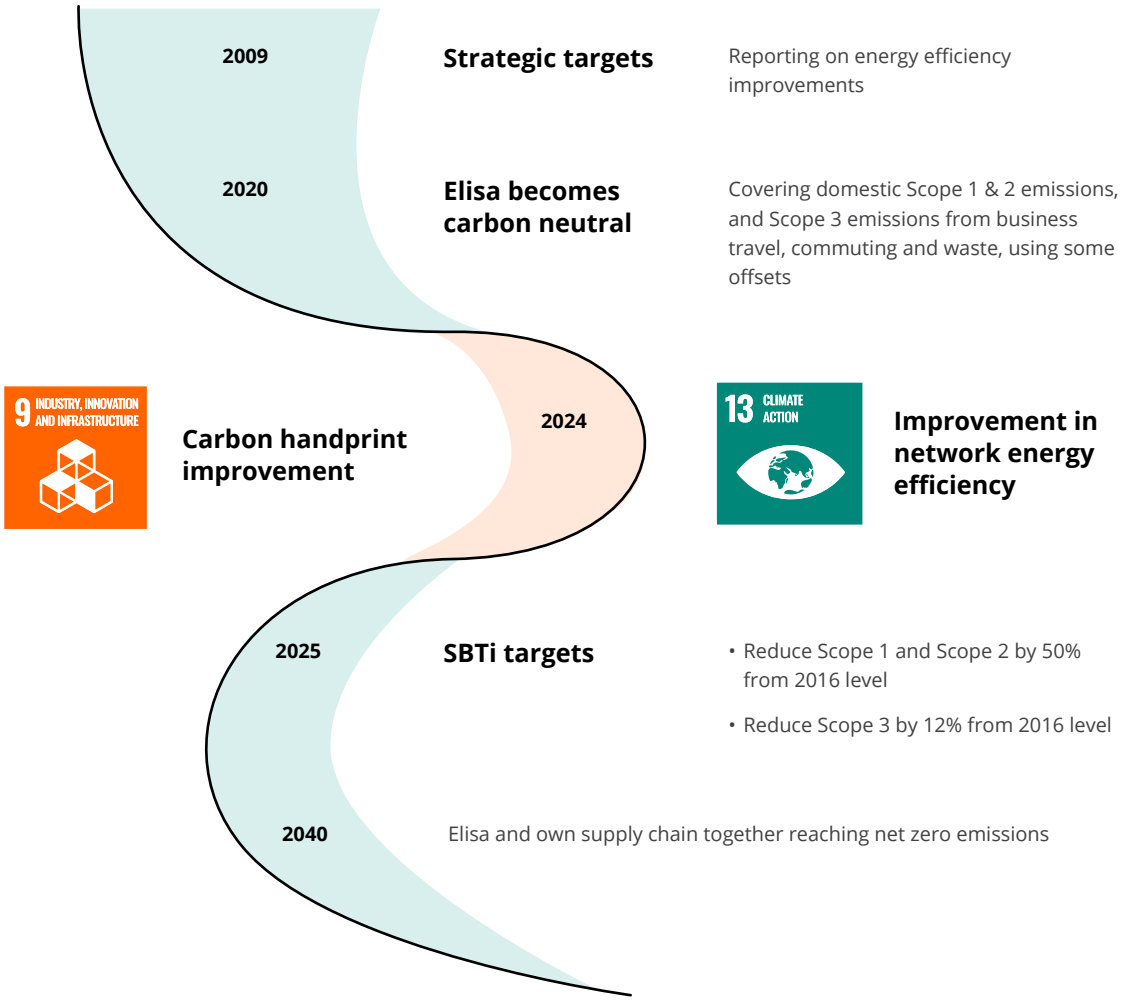
Energy efficiency

Electricity use forms a significant part of the environmental footprint from digitalisation. Elisa's long-term experience in improving energy efficiency is valuable in also providing our customers with sustainable digital services that help them reduce their own carbon footprint.

Material efficiency

We strive to reduce the amount of waste generated by maintaining, repairing, refurbishing, reusing and finally recycling equipment. We also offer these services to our customers, as well as circular economy business models, such as products as a service.

Read more about Elisa's sustainability metrics



Abbreviations:
SR = Sustainability report 2021;
EWS = Elisa Sustainability web page;
EWG = Elisa Governance web page;
EMS = Environmental Management System;
CGR = Corporate Governance report 2021;
CDP = Elisa CDP questionnaire 2021.

Summary of TCFD disclosure focus areas		*Key locations for additional information and and comments*
I - GOVERNANCE		
The organisation's governance around climate-related risks and opportunities.	a) The board's oversight of climate-related risks and opportunities.	**SR - Sustainability governance.** **EWG - Enterprise risk governance.** **CGR - Board of Directors and management.** **CDP - C1.1b.**
	b) Management's role in assessing and managing climate-related risks and opportunities.	**EWS - Environmental sustainability description.** **EMS - Environmental sustainability governance.** **SR - Sustainability governance descriptions.** **CGR - Annual working cycle of Board of Directors and management.** **CDP - C1.2a.**
II - STRATEGY		
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategic and financial planning, where such information is material.	a) The climate-related risks and opportunities the organisation has identified over the short, medium and long term.	**EWS - Environmental sustainability topics.** **SR - Time span of climate risks and opportunities due to climate change (see GRI 201-2).** **CDP - C2.3, C2.3a, C2.4, C2.4a.**
	b) The Impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	**EWS - Environmental sustainability topics.** **SR - Impacts of risks and opportunities due to climate change (see GRI 201-2).** **CDP - C3.1, C3.2a, C3.3, C3.4**
	c) The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a "2 °C or lower" scenario.	**EWS - Environmental sustainability actions.** **SR - Environmental sustainability performance.** **CDP - C3.2, C3.2a.**
III – RISK MANAGEMENT		
How the organisation identifies, assesses and manages climate-related risks.	a) The organisation's processes for identifying and assessing climate-related risks.	**EMS - Environmental sustainability governance.** **SR - Strategy, governance, stakeholders.** **CDP - C2.1, C2.2, C2.2a.**
	b) The organisation's processes for managing climate-related risks.	**EMS - Environmental sustainability governance.** **SR - Strategy, governance, stakeholders.** **CDP - C2.1, C2.2.**
	c) How processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	**EMS - Environmental sustainability governance.** **SR - Strategy, governance, stakeholders.** **CDP - C2.1, C2.2.**
IV – METRICS AND TARGETS		
The metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.	a) The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	**EWS - Strategic sustainability targets and KPIs.** **SR - Environmental sustainability description.** **CDP - C4.2, C4.2a, C4.2b, C9.1.**
	b) Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.	**EWS - Strategic sustainability targets and KPIs.** **SR - Environmental sustainability performance.** **CDP - C6.1, C6.3, C6.5.**
	c) The targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	**EWS - Strategic sustainability targets and KPIs.** **SR - Environmental sustainability performance.** **CDP - C4.1, C4.1a, C4.1b, C4.2, C4.2a, C4.2b.**