

Remuneration Report

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Remuneration Report 2020

1. Introduction

This is Elisa Corporation's ("Elisa") Remuneration Report 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 2020 financial year. The People and Compensation Committee of the Board has monitored implementation of the remuneration policy and prepared this Remuneration Report, which will be presented to Elisa's Annual General Meeting in 2021.

The remuneration of the Board and CEO is based on Elisa's remuneration policy approved on 2 April 2020 by the advisory resolution of the Annual General Meeting. No deviations have been made from the remuneration policy during the 2020 financial year, and there were no situations during the financial year that warranted any clawback of remuneration.

Two members of the Board changed during the financial year. The appointment of the new members has not had an effect on the amount of remuneration of the Board. 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:

	2016	2017	2018	2019	2020
Chair of the Board					
annual fee, EUR	108,000	108,000	108,000	120,000	123,000
meeting fee, EUR	500	500	700	700	750
Deputy chair of the Board, chairs of committees					
annual fee, EUR	72,000	72,000	72,000	80,000	82,000
meeting fee, EUR	500	500	700	700	750
Member of the Board					
annual fee, EUR	60,000	60,000	60,000	65,000	67,000
meeting fee, EUR	500	500	700	700	750
Actual paid compensation (average of all Board members), EUR	77,500	78,214	80,114	89,143	89,107
CEO Salary in cash and taxable fringe benefits, EUR	555,914	556,075	556,289	683,699	684,146
CEO, Performance bonus EUR	351,261	332,937	281,734	264,431	198,238
CEO, Total value of share-based incentive, EUR	947,863	956,769	1,853,343	1,431,524	2,269,493
Salaries and bonuses according to financial statements, Personnel Fund profit bonus and shares-based incentives paid per FTE. All Group personnel w/o CEO. EUR	52,920	52,935	53,752	54,880	56,148
Salaries and bonuses according to financial statements, Personnel Fund profit bonus and shares-based incentives paid, total. All Group personnel w/o CEO. EUR	224,698,267	224,135,036	258,706,093	267,868,616	286,130,772
Average raise in salary, %. Two largest personnel groups, Elisa Oyj, incl. general and company specific raises based on collective agreement and merit raises based on company decision	0.5	1.0	2.8	2.4	1.9
Elisa Group's revenue, EUR million	1,635.7	1,787.4	1,831.6	1,843.5	1,894.6
Comparable earnings per share (EPS) EUR	1.66	1.86	1.95	1.93	2.05
Share price (year-end closing price) EUR	30.97	32.72	36.08	49.25	44.87
Dividend per share (EUR)	1.40	1.50	1.65	1.75	1.85

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 which affect Elisa's long-term financial performance. Development in Elisa's key financial criteria has been positive. The average growth rate of revenue has been 3.9 per cent during 2016–2020 and comparable earnings growth per share (EPS) 5.9 per cent. Elisa's long-term financial development and growth in shareholder value have been positive: total shareholder return (TSR) has increased by approximately 59 per cent from 2016 to 2020.

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

2. Remuneration of the Board for the financial year 2020

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 2020 decided on the following remuneration based on the proposal of the Shareholder's Nomination Board:

- the annual fee of the chair is EUR 123,000
- the annual fee of the deputy chair and the chairs of the committees is EUR 82,000
- the annual fee of a member is EUR 67,000
- the meeting fee is EUR 750 for the meetings of the Board and its committees (EUR per person per meeting)

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 for 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 27 April 2020, the third trading day following the publication of the interim report concerning the first quarter of 2020. 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 2 April 2020, the meeting-specific fees for 2020, the number of shares acquired for the Board members with the annual fee, and the Board's shareholdings on 31 December 2020.

Remuneration of the Board members in 2020

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 2020, number of shares***
Anssi Vanjoki	Chair	123,000	7,400	–	130,400	883	3,483
Clarisse Berggårdh	Deputy Chair, Chair of the People and Compensation Committee	82,000	7,400	2,200	91,600	589	3,367
Kim Ignatius	Member of the Audit Committee	67,000	7,400	3,700	78,100	481	1,172
Petteri Koponen	Deputy Chair, Chair of the People and Compensation Committee until 2 April 2020	-	1,400	700	2,100	-	****
Topi Manner	Member of the Audit Committee as of 2 April 2020	67,000	6,000	3,000	76,000	481	481
Leena Niemistö	Member of the People and Compensation Committee until 2 April 2020	-	1,400	700	2,100	-	****
Eva-Lotta Sjöstedt	Member of the People and Compensation Committee as of 2 April 2020	67,000	5,250	1,500	73,750	481	481
Seija Turunen	Chair of the Audit Committee	82,000	7,400	3,700	93,100	589	1,918
Antti Vasara	Member of the People and Compensation Committee	67,000	7,400	2,200	76,600	481	2,526
Total		555,000	51,050	17,700	623,750	3,985	13,428

* Elisa shares with fixed fees were acquired on 27 April 2020 for Board members elected at the AGM of 2 April 2020 based on the decision of the AGM of 2 April 2020.

** Based on the number of meetings. Until 2 April 2020, the meeting fee was EUR 700 per meeting, based on a decision of the AGM in 2019. Since 2 April 2020, the meeting fee is EUR 750 per meeting, based on a decision of the AGM in 2020.

*** Shareholdings on 31 December 2020 (including legal entities controlled). Up-to-date information on changes in shareholdings is available on Elisa's website and on Elisa's Management Transactions releases.

**** The information is not included as Petteri Koponen and Leena Niemistö were not members of the Board on 31 December 2020.

3. CEO's remuneration for the financial year 2020

3.1 Fixed annual salary

During the 2020 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 632,418 in 2019) per year. In addition, the CEO was paid EUR 22,000 in holiday bonus (EUR 33,000 in 2019). The taxable fringe benefits amounted to EUR 22,966 a year (EUR 18,280 in 2019). 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 2020 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 customer satisfaction. The target period for the performance-based bonus scheme is six months, and the bonus is paid every six months.

In March 2020, the CEO was also paid the performance bonus for the second half of the 2019 financial year.

Short-term incentive scheme's maximum limit, targets, performance bonus paid and date of payment

	2H 2019	1H 2020	2H 2020
Maximum limit from six-month earnings period	90%	90%	90%
Targets	earnings per share, revenue development, development of customer satisfaction	earnings per share, revenue development, development of customer satisfaction	earnings per share, revenue development, development of customer satisfaction
Performance bonus EUR	33,710	164,528	101,909
Payment	March 2020	September 2020	March 2021

3.3 Variable pay components: long-term incentive scheme

The CEO's long-term incentive consists of share-based incentive schemes. During the 2020 financial year, the CEO was paid remuneration on the basis of the 2014 share-based incentive scheme (earnings period 2017–2019). The CEO is also included in the share-based incentive scheme for key personnel 2018–2022.

Share-based incentive scheme 2014

On 11 December 2014, Elisa's Board decided on a share-based incentive scheme for the Group's key personnel. The scheme was designed to align the goals of shareholders and key personnel in increasing the value of the company, to secure the commitment of key personnel to the company and to offer them a competitive remuneration scheme based on the earnings of shares.

The share-based incentive scheme had three 3-year earnings periods: the calendar years 2015–2017, 2016–2018 and 2017–2019. The remunerations for the 2017–2019 earnings period were paid in the 2020 financial year. The remuneration was paid partly in shares and partly in cash. The cash portion covers the taxes and tax-like charges incurred by the participant as a result of the remuneration.

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 earnings period 2017–2019 paid in the 2020 financial year

Maximum number of shares	45,000
Targets	earnings per share (EPS), revenue from digital businesses, other key targets
Amount paid as shares	19,609
Date of share transfer	3 February 2020
Transfer price	EUR 54.56
Total value of share-based incentive (including shares, monetary portion and transfer tax)	EUR 2,269,493

Share-based incentive scheme 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), the development of new business operations and other business targets.

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.

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 2018–2022 ongoing during the 2020 financial year

	Earnings period 2018–2020 (paid in 2021) number of shares (maximum)	Earnings period 2019–2021 (paid in 2022) number of shares (maximum)	Earnings period 2020–2022 (paid in 2023) number of shares (maximum)
CEO	39,650	39,000	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 incentives 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.

3.5 Supplementary pension contributions

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.

The CEO's supplementary pension coverage is based on a defined contribution scheme. The pension arrangement includes a right to a paid-up policy. 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 102,479 (157,723 in 2019) provision on the balance sheet. As of the age of 62, EUR 178,964 (159,493 in 2019) was paid to the CEO's supplementary pension scheme.

CEO's salaries and financial benefits and their proportions paid during the financial year 2020

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
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 3 February 2020

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 regulation has been disclosed in the Remuneration Report.