Compensation

This section sets out our remuneration governance, policies and how they have been implemented within Nokia and includes our Remuneration Report where we provide disclosure of the compensation of our Board members and the President and CEO for 2020.

The content of the Remuneration Report, which will be presented to an advisory vote at the 2021 Annual General Meeting, is clearly indicated below and also exists as a standalone version published on a stock exchange release. Other compensation-related information provided before and after the Remuneration Report for 2020 is not subject to a vote at the 2021 Annual General Meeting, but provides further information on the compensation policies applied within Nokia as well as on the compensation of the rest of the Group Leadership Team.

We report information applicable to executive compensation in accordance with Finnish regulatory requirements and with requirements set forth by the U.S. Securities and Exchange Commission that are applicable to us.

Highlights

- 2020 was a year of significant change with the Chair of the Board of Directors, President and CEO, and Chief Financial Officer all changing. This was then followed by a restructure of the Group Leadership Team, effective January 1, 2021.
- Mr. Lundmark joined Nokia as President and CEO on the same target compensation arrangement as his predecessor.
- Mr. Lundmark purchased EUR 2.6 million of shares in the market prior to joining the company, of which the majority were eligible for the agreed co-invest based long-term incentive arrangement available to him on joining. Mr. Lundmark's interests and the interests of Nokia's shareholders are intended to be fully aligned through such ownership.
- Business performance for 2020 was mixed, with free cash flow exceeding target, but profit and revenue falling short of the incentive targets. This was reflected in Mr. Lundmark's short-term incentive, which was at 84% of target, pro-rated for his time in role.
- Our pay policies and practices continue to ensure that there is no gender pay gap in Nokia.

Word from the Chair of the Personnel Committee of the Board

Dear Fellow Shareholder,

2020 has been a year of significant change and challenges. Shortly after the appointment of Mr. Pekka Lundmark as President and CEO, the world saw significant levels of disruption with the arrival of COVID-19. All Nokia employees are to be commended for the important role they played in keeping our operations going in a safe manner, and working with our customers to ensure critical performance of networks around the world to support the major changes in how people lived and worked. I also want to recognize and thank our former President and CEO, Rajeev Suri, for his continued commitment through 2020 as he supported Pekka Lundmark in taking over the leadership of the company and engaging with our largest customers and stakeholders during this period of transition.

On the regulatory front, I am pleased to report that shareholders supported Nokia's Remuneration Policy with 86% of the votes in favor of the proposed policy. The policy will remain in place for four years and we will report each year on the outcomes of the policy in our Remuneration Report, where our shareholders will be asked to vote in support of the compensation paid. The Remuneration Report, and all elements of the compensation delivered in 2020, are fully consistent with the approved policy.

Business context

While 2020 was a challenging year for Nokia with the significant leadership changes, and global disruption caused by the COVID-19 pandemic, Nokia's employees delivered for our customers when it counted most, ensuring that they had the equipment and services to operate networks around the world. This was achieved despite disruption in supply chains and restrictions in movement in many of our markets. As a result, we saw our operating profit in line with guidance, while below the incentive target, and free cash flow being positive at EUR 1 356 million. This is reflected in the outcome of our incentive arrangements.

Strategy and compensation

At the core of Nokia's philosophy lie two principles:

- pay for performance and aligning the interests of employees with shareholders; and
- ensuring that compensation programs and policies support the delivery of the corporate strategy and create long-term sustainable shareholder value.

For 2021, which will be a year of transition with the announced organization and strategy changes, we have taken the decision to simplify our annual short-term incentive plan (STI plan) and to focus the annual incentive on operating profit (70%), a strategic objective (20%), along with an environment, social and governance (ESG) related metric (10%). While we have always believed that ESG is core to how we run our business and our role in society, 2020 has demonstrated clearly the importance of our role in society and the Personnel Committee decided that it would now be appropriate to formalize this as part of our incentive structure.

Shareholder outreach
Having met with many of our shareholders throughout 2018 and 2019 to get their input on our compensation policies and programs, we had a more limited outreach in 2020. One comment we did hear in 2020 was to formally incent ESG as part of our incentive framework. In addition, we were pleased with the support our shareholders demonstrated with the support to our Remuneration Policy in the 2020 Annual General Meeting.

New CEO compensation
Pekka Lundmark's base salary and target incentives are at the same level as his predecessor.

- Mr. Lundmark received his base compensation for the period from August 1, 2020 to the end of the financial year together with a pro rata bonus for the last five months of 2020, based on the performance of the company. His bonus for 2020 totaled EUR 573 068.

In addition, Mr. Lundmark received an award of EUR 1.3 million of restricted shares on joining to buy out the awards he forfeited on leaving his previous employer. Mr. Lundmark was invited to join the co-investment based long-term incentive arrangement (eLTI) targeted to engage senior leaders with the long-term nature of our business and share price, and purchased EUR 2.6 million of Nokia shares against which he was given a matching award of EUR 5.2 million of Nokia 2020 performance shares. This investment by Mr. Lundmark aligns him with shareholders from the start and is a sign of his commitment and engagement with the company. Delivery of actual Nokia shares would take place in 2023 subject to performance conditions.

Former CEO compensation
Mr. Suri continued to lead Nokia until July 31, 2020 and remained employed during 2020 to support the transition of leadership and relationships with our key customers and stakeholders, remaining active with our customers and helping us close contracts with them up to and after stepping down as President and CEO. His leadership was critical during the disruptions caused by COVID-19.

- Mr. Suri received his base salary and incentives throughout 2020. The balance of his notice period was paid out in cash in accordance with his contract and his annual incentive and benefits were similarly handled in accordance with the rules of the incentive plan and his contract. Facing a period of up to six months before Mr. Lundmark would be able to join, and an increasingly uncertain global economy due to COVID-19, retaining Mr. Suri's ongoing commitment was essential to ensure stability of the company until Mr. Lundmark was able to join.

Mr. Suri received a payment of EUR 2 028 666 on departure in accordance with amounts due under his contract.

2020 remuneration outcomes
In a year of challenge and change, our incentive plan payments reflect the performance of the company. In a year of challenge and change, our incentive plan payments reflect the performance of the company. The structure of the President and CEO's compensation arrangements, with the emphasis on results based variable pay, and the 2020 above-target free cash flow achievement and the below-target revenue and profit achievement, have led to an overall payment of 84% of target short-term incentive for Mr. Lundmark as President and CEO.

2020 was also the year in which Mr. Suri's 2018 long-term award vested. The outcome of this, at 56.82% of target vesting, is reflective of the performance achievement during the period.

Share ownership requirement
The President and CEO is required to own three times his base salary in Nokia. Mr. Lundmark starts his tenure with Nokia with a significant purchase of EUR 2.6 million of shares under the eLTI co-investment arrangement under which he was given a matching award of EUR 5.2 million of Nokia 2020 performance shares. He also received an award of EUR 1.3 million of Nokia 2020 restricted shares to buy out awards forfeited on leaving his former employer.

Short and long-term incentives in 2021
Our 2021 incentive plans follow this structure:

Delivering sustainable value – Long-term incentive
Absolute Total Shareholder Return 100%
Focus on increase in share price and restoration of the dividend

Delivering the next year's step in the strategic plan – Short-term incentive		
Operating profit 70%	Strategic objective 20%	Environmental, social and governance aspects (ESG) 10%
Deliver operating profit	Deliver meaningful strategic actions	Deliver on our responsibilities to reduce carbon emissions and become a more diverse employer

The 2021 long-term incentive is based on performance over the life of the three-year plan from the date of the award. The metric is absolute total shareholder return. By using this metric, we will incentivize executives to deliver the desired business results and support the restoration of the dividend and the transparency for participants to see how the plan is performing.

In summary, we believe that our compensation policies have facilitated an orderly transition in leadership in an exceptionally disrupted year and that the policy and plans set the company up well to support the strategy announced by Mr. Lundmark in October 2020.

In the Remuneration Report, we also show a comparison of the development of compensation for the Board members and the President and CEO, against average employee remuneration and Nokia's financial development over the last five years. The comparison shows a clear link between President and CEO pay and company performance, with President and CEO realized pay falling nearly 8% between 2019 and 2020 in line with company performance. We will continue to monitor this alignment.

Bruce Brown, Chair of the Personnel Committee

Remuneration Policy 2020

Our Remuneration Policy was supported by 86% of the vote at the 2020 Annual General Meeting. The information below is provided as a summary for ease of reference.

In addition to applying the Remuneration Policy to our President and CEO, the principles of our policy extend to the Group Leadership Team. This includes caps to equity award amounts and provisions related to clawback.

The Board regularly monitors the effectiveness of the measures used in our incentive plans to ensure that they align with and drive the strategy of the company.

Remuneration summary for the President and CEO

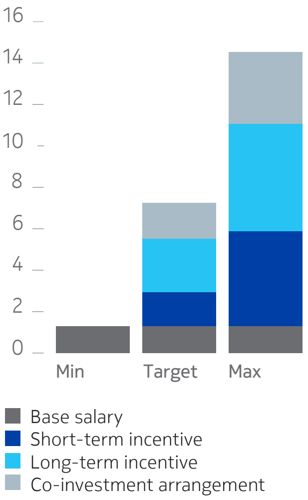
Element	Year ending December 31, 2021, subject to and in accordance with the separately published Remuneration Policy supported by the Annual General Meeting 2020	Year ended December 31, 2020	Year ended December 31, 2020
Name	**Pekka Lundmark**	**Pekka Lundmark (from 1 August)**	**Rajeev Suri (to 31 July)**
Base salary	EUR 1 300 000	EUR 1 300 000 (full-year equivalent)	EUR 1 300 000 (full-year equivalent)
Short-term incentives	Target award: 125% of base salary Minimum 0% of base salary Maximum 281.25% of base salary Measures: ■ 100% Nokia scorecard – 70% operating profit – 20% strategic objectives – 10% Environment, social and governance	Target award: 125% of base salary Minimum 0% of base salary Maximum 281.25% of base salary Measures: ■ 100% Nokia scorecard – 20% revenue – 40% operating profit – 40% free cash flow Achievement against measures is multiplied by the business results multiplier (operating profit), the overriding affordability measure.	Target award: 125% of base salary Minimum 0% of base salary Maximum 281.25% of base salary Measures: ■ 100% Nokia scorecard – 20% revenue – 40% operating profit – 40% free cash flow Achievement against measures is multiplied by the business results multiplier (operating profit), the overriding affordability measure.
Long-term incentives (Performance Shares)	Target award: 200% of base salary (EUR 2 600 000) Minimum 0% of base salary Maximum 400% of base salary[1] Metric: Absolute Total Shareholder Return	Target award: 200% of base salary (EUR 2 600 000 full-year equivalent) Minimum 0% of base salary Maximum 400% of base salary[1] Metric: Absolute Total Shareholder Return	No 2020 LTI award granted to Mr. Suri
Pension	Contribution to the mandatory TyEL pension plan in Finland.	Contribution to the mandatory TyEL pension plan in Finland.	Contribution to the mandatory TyEL pension plan in Finland.
Benefits & mobility	Life and critical illness insurance, private medical insurance and company car.	Life and critical illness insurance, private medical insurance and company car.	Life and critical illness insurance, private medical insurance and company car. In addition Mr. Suri received mobility related benefits during his tenure for the first seven months of the year.
Total Target Remuneration	EUR 5 525 000	EUR 5 525 000[2] (full year equivalent)	N/A[3]
Share ownership requirement	Target: 3 times base salary Target (amount): EUR 3 900 000	Target: 3 times base salary Target (amount): EUR 3 900 000	Target: 3 times base salary Target (amount): EUR 3 900 000

(1) Excluding share price growth.
(2) Excluding 2020 matching performance share award under the eLTI co-investment arrangement.
(3) Mr. Suri was President and CEO until July 31, 2020.

Purpose	Operation	Opportunity
Provide competitive base salary to attract and retain individual with the requisite level of knowledge, skills and experience to lead our businesses.	Base pay is normally reviewed annually taking into consideration a variety of factors, including, for example, the following: ■ performance of the company and the individual; ■ remuneration of our external comparator group; ■ changes in individual responsibilities; and ■ employee salary increases across Nokia and in the local market.	Pay reviews are set within the context of employee increases and changes within the Nokia peer group. Changes reflect not only improving performance but also improving competence and skills as would be applied to any other employee in Nokia.
To incentivize and reward performance against delivery of the annual business plan.	Short-term incentives are based on performance against single-year targets and normally paid in cash. Targets for the short-term incentives are set at the start of the year, in the context of analyst expectations and the annual plan, selecting measures that align to the delivery of Nokia's strategy. Achievement is assessed at the end of the year. Short-term incentives are subject to the clawback policy (see below).	Target award: 125% of base salary Minimum 0% of base salary Maximum 281.25% of base salary
To reward for delivery of sustainable long-term performance, align the President and CEO's interests with those of shareholders and aid retention.	Long-term incentive awards are normally made in performance shares and paid for performance against longer-term targets. Targets are set in the context of the Nokia long-term plans and analyst forecasts ensuring that they are considered both demanding and motivational. Long-term incentives are subject to the clawback policy (see below).	Target award: 200% of base salary Minimum 0% of base salary Maximum 400% of base salary[1]. The Board's Personnel Committee retains discretion to make awards up to twice that level in exceptional circumstances such as for example upon recruitment, significant change in responsibilities, significant strategic change or other similar events. The use of discretion would be explained at the time.
To provide for retirement with a level of certainty.	Retirement age is defined and pensions are provided in line with local country arrangements; in Finland this is the statutory Finnish pension system (Finnish TyEL). Under the TyEL arrangements, base salary, incentives and other taxable benefits are included in the definition of earnings while gains from equity-related plans are not. No supplemental pension arrangements are provided in Finland.	Pursuant to Finnish legislation, Nokia is required to make contributions to the Finnish TyEL pension arrangements in respect of the President and CEO. Such payments can be characterized as defined contribution payments. The amount is disclosed in the Remuneration Report.
To attract, retain and protect the President and CEO.	Benefits are made available as part of the same policy that applies to employees more broadly in the relevant country, with additional security provisions, as appropriate	The value will be the cost to the company.

Illustration of the earning opportunity for the President and CEO
The illustration below shows the pay components of the President and CEO at minimum, target and maximum payout. This also includes an annualized amount representing the matching performance share award for the 2020 eLTI co-investment arrangement.

Earning opportunity of the President and CEO (EURm)



Share ownership requirement
Nokia believes that it is desirable for its executives to own shares in Nokia to align their interests with those of shareholders and to ensure that their decisions are in the long-term interest of the company. The President and CEO is required to own three times his or her base salary in Nokia shares and is given a period of five years from appointment to achieve the required level of share ownership.

Remuneration on recruitment
Our policy on recruitment is to offer a compensation package that is sufficient to attract, retain and motivate the individual with the right skills for the required role.

On occasion, we may offer compensation to buy out awards or other lost compensation which the candidate held prior to joining Nokia, but which lapsed upon the candidate leaving their previous employer. Due consideration is given to the potential value and timing of such awards, taking into account any conditions attached to the awards and the likely performance against such conditions.

Clawback
The President and CEO is subject to a clawback policy where any restatement of financial results may result in the reclaiming of amounts previously paid, which had been based on numbers that have since been materially restated. Any such reclaimed amount, and the period over which payments can be reclaimed, will take into account the circumstances and duration of any misstatement. In the case of unintentional misstatement, payments made within the last three years may be subject to the policy at the discretion of the Personnel Committee.

Termination provisions
In the event of a termination of employment, any payable compensation is determined in line with legal advice regarding local legislation, country policies, contractual obligations and the rules of the applicable incentive and benefit plans. Current termination provisions of the President and CEO's service agreement are described in the Remuneration Report.

Change of control arrangements, if any, are based on a double trigger structure, which means that both a specified change of control event and termination of the individual's employment must take place for any change of control-based severance payment to materialize.

Remuneration summary for the Board of Directors

The Board's Corporate Governance and Nomination Committee periodically reviews the remuneration for the Chair and members of the Board against companies of similar size and complexity to ensure Nokia is able to attract a suitably diverse and relevant mix of skills, experience and other personal qualities in order to maximize the value creation for shareholders.

The Annual General Meeting resolves annually on the remuneration to the Chair and members of the Board. The Chair of the Board's remuneration was last changed in 2008. The Board members' annual fees were last changed in 2016 with the previous change in 2007. The structure of the Board remuneration for the current term of the Board is set out in the table below.

Fees	Fees consist of annual fees and meeting fees. Approximately 40% of the annual fee is paid in Nokia shares purchased from the market on behalf of the Board members or alternatively delivered as treasury shares held by the company. The balance is paid in cash, most of which is typically used to cover taxes arising from the paid remuneration. Meeting fees are paid in cash. Meeting fees are not paid to the Chair of the Board.
Incentives	Non-executive directors are not eligible to participate in any Nokia incentive plans and do not receive performance shares, restricted shares or any other equity-based or other form of variable compensation for their duties as members of the Board.
Pensions	Non-executive directors do not participate in any Nokia pension plans.
Share ownership requirement	Members of the Board shall normally retain until the end of their directorship such number of shares that corresponds to the number of shares they have received as Board remuneration during their first three years of service in the Board (the net amount received after deducting those shares needed to offset any costs relating to the acquisition of the shares, including taxes).
Other	Directors are compensated for travel and accommodation expenses as well as other costs directly related to Board and Committee work. The compensation is paid in cash.

Remuneration for the term that began at the Annual General Meeting held on May 27, 2020 and ends at the close of the Annual General Meeting in 2021 consists of the following fees:

Annual fee	EUR
Chair	440 000
Vice Chair	185 000
Member	160 000
Chair of Audit Committee	30 000
Member of Audit Committee	15 000
Chair of Personnel Committee	30 000
Chair of Technology Committee	20 000
Meeting fee(1)	**EUR**
Meeting requiring intercontinental travel	5 000
Meeting requiring continental travel	2 000

(1) Paid for a maximum of seven meetings per term. Not paid to the Chair of the Board.

Proposals of the Board of Directors to the Annual General Meeting 2021 were published on February 4, 2021. The Board proposes on the recommendation of the Board's Corporate Governance and Nomination Committee to introduce additional annual fees to be paid to the members of the Personnel Committee and Technology Committee in addition to the Committee Chairs. Other remuneration payable to the Board members would remain unchanged and no additional annual fee is proposed to be paid to the members of the Corporate Governance and Nomination Committee or the Chair of the Board for her service in any of the Board Committees.

Consequently, on the recommendation of the Board's Corporate Governance and Nomination Committee, in line with the company's Remuneration Policy presented to and supported by the Annual General Meeting 2020, the Board of Directors proposes to the Annual General Meeting that the annual fee payable for a term ending at the close of the next Annual General Meeting be as follows: EUR 440 000 for the Chair of the Board, EUR 185 000 for the Vice Chair of the Board, EUR 160 000 for each member of the Board, EUR 30 000 each for the Chairs of the Audit Committee and the Personnel Committee and EUR 20 000 for the Chair of the Technology Committee as an additional annual fee and EUR 15 000 for each member of the Audit Committee and Personnel Committee and EUR 10 000 for each member of the Technology Committee as an additional annual fee. Meeting fees would remain at current level. Furthermore, the Board also proposes that members of the Board of Directors shall be compensated for travel and accommodation expenses as well as other costs directly related to Board and Board Committee work.

It is proposed that approximately 40% of the annual fee be paid in Nokia shares purchased from the market, or alternatively by using treasury shares held by the company. The meeting fee, travel expenses and other expenses would be paid in cash.

Please note that the Remuneration Report, applicable to the President and CEO and the Board, subject to an advisory vote at the 2021 Annual General Meeting, starts below and is also published on a stock exchange release. Other compensation-related information provided before and after the Remuneration Report is not subject to a vote at the 2021 Annual General Meeting, but provides further information on the compensation policies applied within Nokia and the compensation of the Group Leadership Team.

Remuneration Report 2020

Introduction

This Remuneration Report of Nokia Corporation (the Report) has been approved by the company's Board of Directors (the Board) to be presented to the 2021 Annual General Meeting. The resolution of the Annual General Meeting on the Report is advisory. The Report presents the remuneration of the President and CEO and the members of the Board for the financial year 2020 in accordance with the Finnish Decree of the Ministry of Finance 608/2019, the Finnish Corporate Governance Code of 2020 as well as other applicable Finnish laws and regulations. The Annual General Meeting held on May 27, 2020 resolved to support Nokia Corporation's Remuneration Policy (the Policy) with 86.37% of the votes in favor of the Policy. Both persons who have acted as the President and CEO as well as the members of the Board have been remunerated in accordance with this Policy during the financial year 2020. No temporary or other deviations from the Policy have been made and no clawback provisions have been exercised during the financial year 2020.

In 2020 our remuneration structure promoted the company's long-term financial success by setting the performance criteria for short- and long-term incentives to support the company's short- and long-term goals, as well through shareholding requirements set for the President and CEO and the Board members. Aligned with Nokia's pay-for-performance remuneration principle, performance-based compensation was emphasized over fixed base salary. The setting and application of the performance criteria for incentive programs executed the philosophy of pay-for-performance and supported the delivery of the corporate strategy as well as the creation of long-term sustainable shareholder value.

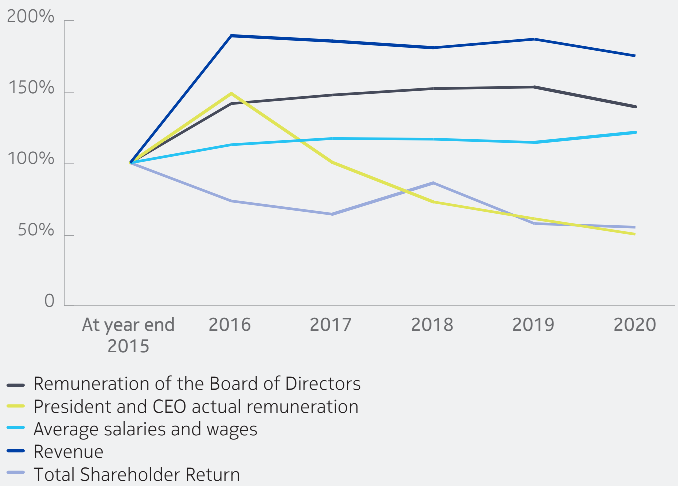
The table below compares the development of the remuneration of our Board of Directors, President and CEO, average employee pay and company performance.

Year	Aggregate remuneration of the Board of Directors (EUR)[1]	President and CEO actual remuneration (EUR)	Average Salaries and Wages (EUR)[2]	Revenue (EURm)	Total Shareholder Return (Rebased to 100 at 31 Dec 2015)[3]
2016	2 050 902	9 508 156	61 108	23 614	73.29
2017	2 138 000	6 423 559	63 461	23 147	64.05
2018	2 203 000	4 651 009	63 220	22 563	85.92
2019	2 219 000	3 897 625	61 980	23 315	57.48
2020	2 016 000	3 587 781	65 787	21 852	54.95

(1) Aggregate total remuneration paid to the members of the Board during the financial year as annual fee and meeting fee, as applicable, and as approved by general meetings of shareholders. The value depends on the number of members elected to the Board for each term as well as on the composition of the Board committees and travel required. Meeting fees were introduced in 2016 and the Board's Technology Committee was established in 2018 after which the Board has had four Committees.
(2) Average salaries and wages are reported in the company's financial statements based on average employee numbers and total salaries and wages.
(3) Total shareholder return on last trading day of the previous year.

We also present this data graphically:

Comparative data (rebased year end 2015 = 100)



While the graph reflects the euro values paid during each financial year, in practice the Board members' remuneration closely aligns with the performance of the company and the total shareholder return. Approximately 40% of the Board members' annual fees were paid in Nokia shares purchased from the market on their behalf and the directors shall retain until the end of their directorship such number of shares that corresponds to the number of shares they have received as Board remuneration during their first three years of service in the Board.

The rest of the annual fee was paid in cash, most of which is typically used to cover taxes arising from the remuneration. It is the company's policy that the non-executive members of the Board do not participate in any of the company's equity programs and do not receive performance shares, restricted shares, or any other equity-based or other variable compensation for their duties as Board members. All members of the Board were non-executive during the financial years 2016-2020.

The pay-for-performance remuneration principle applied to the President and CEO as well as the shareholding requirement of the President and CEO and the Board members, as applicable, contribute to an alignment of interests with shareholders, while also promoting and incentivizing decisions that are in the long-term interest of the company.

We look forward to our shareholders' support and confirmation that the Report is aligned with the Remuneration Policy.

The President and CEO

The following table shows the actual remuneration received by the two persons who have acted as the company's President and CEO in 2020 and 2019. As our CEO changed in the financial year 2020, both individual and aggregate figures are presented in respect of service as President and CEO for comparison purposes. The long-term incentive payments reflect actual payments in the respective years attributable to the vesting of the 2017 Nokia performance share plan in 2020 (comparative figures show the payment of the 2016 Nokia performance share plan in 2019).

EUR	2020 (Combined)	Pay mix[1]	2020 (Lundmark)	Pay mix[1]	2020 (Suri)[2]	Pay mix[1]	2019	Pay mix[1]
Salary	1 301 032	37%	541 667	49%	759 365	32%	1 300 000	34%
Short-term incentive[3]	1 518 765	43%	573 068	51%	945 697	40%	637 163	17%
Long-term incentive[4]	687 740	20%	N/A	N/A	687 740	29%	1 841 843	49%
Other compensation[5]	80 244		14 712		65 512		118 619	
Total	**3 587 781**		**1 129 447**		**2 458 314**		**3 897 625**	

(1) Paymix reflects the proportions of base salary, short-term incentive and long-term incentive of total compensation, excluding other compensation.
(2) Mr. Suri's compensation is shown in respect of his service as President and CEO to July 31, 2020. In addition, in respect of his services as an advisor between stepping down as President and CEO on July 31, 2020 and his last day of work on January 1, 2021 he received EUR 540 635 salary, EUR 679 303 bonus and EUR 32 047 in benefits. After his departure, in accordance with his contract, Mr. Suri received payment in lieu of the balance of his notice period of EUR 866 667 in respect of salary, EUR 1 083 333 in respect of bonus and EUR 78 666 in respect of benefits.
(3) Short-term incentives represent amounts earned in respect of the financial year, but that are paid in April of the following year.
(4) The long-term incentive payment to Mr. Suri represents the vesting of his 2017 performance share award.
(5) Other compensation includes for Mr. Suri's housing equaling EUR 23 804 (2019: EUR 48 049); travel assistance equaling EUR 2 798 (2019: EUR 16 813); tax services equaling EUR 16 350 (2019: EUR 16 826); and other benefits including mobile phone, driver and supplemental medical and disability insurance equaling EUR 22 561 (2019: EUR 36 931). For Mr. Lundmark other compensation includes mobile phone, driver and disability insurance equaling EUR 14 712.

Pursuant to Finnish legislation, Nokia is required to make contributions to the Finnish TyEL pension arrangements in respect of the President and CEO. Such payments can be characterized as defined contribution payments. In 2020, payments to the Finnish state pension system equaled EUR 259 952 for Mr. Suri in respect of his service as President and CEO (EUR 353 846 in 2019) and EUR 103 256 for Mr. Lundmark. No supplementary pension arrangements were offered.

Hire and 2020 arrangements for Mr. Lundmark

Mr. Lundmark was appointed as President and CEO from August 1, 2020, which was a month earlier than initially announced on March 2, 2020. His hire arrangements are summarized below and are in accordance with the Remuneration Policy:

Item	Action	Amount	Note
Salary	Pro-rated from August 1, 2020	EUR 1.3 million per annum, pro-rated	In line with Policy and contract
Short-term incentive 2020	Paid at actual for 2020	EUR 573 068	In line with Policy and STI plan rules
Long-term incentive 2020	Performance share award vests in 2023 subject to TSR performance	Target EUR 2.6 million	In line with Policy, contract and 2020 LTI plan rules
eLTI co-investment arrangement	In return for a purchase and continued holding of 2.6m EUR worth of Nokia shares, a 2:1 award of Nokia 2020 performance shares was made. These vest in 2023 subject to TSR performance and continued holding of the purchased shares.	Target EUR 5.2 million	In line with Policy and eLTI arrangement rules and in common with the arrangement provided to Mr. Suri, Mr. Lundmark was invited to participate in the eLTI co-investment arrangement. This required him to make a substantial personal investment in Nokia shares aligning his personal interests with those of shareholders from the start.
Restricted shares	Award in recognition of forfeiting previous employer awards. In determining the value of this restricted share award, the Board took due account of the structure, time horizons, value and performance targets of his forfeited awards. Will vest in three equal tranches in 2021, 2022 and 2023.	EUR 1.3 million	In line with Policy, 2020 restricted share plan rules and in recognition of forfeited awards from Mr. Lundmark's previous employer.
Benefits	Pro-rated from August 1, 2020	Standard Finnish benefits plus tax compliance support. No housing or relocation paid.	In line with Policy and contract

Short-term incentive

The 2020 short-term incentive framework for the President and CEO was based on three core metrics: revenue, operating profit and free cash flow. Achievement against the 2020 targets was as follows:

Metric	Weight	Target EURm	Achievement
Revenue	20%	23 070	82.23%
Operating profit	40%	2 234	74.16%
Free cash flow	40%	849	135.80%

Performance against these key financial targets was then multiplied by a business results multiplier (BRM), which acts as a funding factor (based on operating profit) for the short-term incentive plan for most employees, to determine the final payment. The BRM for 2020 was 84%. Accordingly, the short-term incentive of Mr. Lundmark as the President and CEO equaled EUR 573 068 or 84% of the pro-rated target award.

Long-term incentives

In 2020, Mr. Lundmark was awarded the following equity awards under the Nokia equity program. The performance condition for the 2020 performance shares is based on absolute total shareholder return and the actual achievement will be detailed following the end of the three year performance period. See the more detailed hire arrangements for Mr. Lundmark above for further information. Mr. Suri was not awarded any performance shares or restricted shares under the 2020 long-term incentive plans.

Performance share awards(1)	Units awarded	Grant date fair value (EUR)	Grant date	Vesting
Awarded as regular performance share award	671 800	1 753 398	November 6, 2020	Q4 2023
Awarded as eLTI performance share award	1 390 894	4 923 765	August 10, 2020	Q3 2023
Restricted share awards(2)				
Awarded as recruitment award	352 400	1 471 975	August 10, 2020	Q4 2021, 2022 and 2023

(1) The 2020 performance share plan has a three-year performance period based on absolute total shareholder return. The maximum payout is 200% subject to maximum performance against the performance criterion. Vesting is subject to continued employment.
(2) Award in recognition of forfeiting previous employer awards. Vesting of the tranches of the 2020 restricted share award is conditional on continued employment.

The restriction period of Mr. Suri's 2018 performance share award ended on December 31, 2020 and the award vested at 56.82% of target and was worth EUR 1 347 542. In addition, the restriction period for Mr. Suri's 2018 performance share award, resulting from his 2018 co-investment, also ended on December 31, 2020 at 56.82%, worth EUR 2 288 234. Achievement against the 2018 targets was:

Performance Share Award 2018	Units awarded	Target	Achievement	Units vesting
2018 annual award	677 600	market share, earnings per share, free cash flow	56.82%	385 012
2018 eLTI matching performance share award	1 150 618	market share, earnings per share, free cash flow	56.82%	653 781

Share ownership

Our share ownership policy requires that the President and CEO holds a minimum of three times his or her base salary in Nokia shares in order to ensure alignment with shareholder interests over the long term. This requirement was met by Mr. Suri. Mr. Lundmark is within the five year time limit to achieve this shareholding and has made a significant investment in Nokia shares.

Mr. Lundmark	Units	Value(1) (EUR)
Beneficially owned shares as of December 31, 2020	788 850	2 484 878
Unvested shares under outstanding Nokia equity plans(2)	2 415 094	7 607 546
Total	**3 203 944**	**10 092 424**

(1) The values are based on the closing price of a Nokia share of EUR 3.15 on Nasdaq Helsinki on December 31, 2020.
(2) The number of units represents the number of unvested awards as of December 31, 2020.

Mr. Lundmark's termination provisions are as follows:

Termination by	Reason	Notice	Compensation
Nokia	Cause	None	The President and CEO is entitled to no additional compensation and all unvested equity awards would be forfeited after termination.
Nokia	Reasons other than cause	Up to 12 months	The President and CEO is entitled to a severance payment equaling up to 12 months of compensation (including annual base salary, benefits, and target incentive) and unvested equity awards would be forfeited after termination.
President and CEO	Any reason	12 months	The President and CEO may terminate his service agreement at any time with 12 months' prior notice. The President and CEO would either continue to receive salary and benefits during the notice period or, at Nokia's discretion, a lump sum of equivalent value. Additionally, the President and CEO would be entitled to any short or long-term incentives that would normally vest during the notice period. Any unvested equity awards would be forfeited after termination.
President and CEO	Nokia's material breach of the service agreement	Up to 12 months	In the event that the President and CEO terminates his service agreement based on a final arbitration award demonstrating Nokia's material breach of the service agreement, he is entitled to a severance payment equaling up to 12 months of compensation (including annual base salary, benefits and target incentive). Any unvested equity awards would be forfeited after termination.

The President and CEO is subject to a 12-month non-competition and non-solicit obligation that applies after the termination of the service agreement or the date when he is released from his obligations and responsibilities, whichever occurs earlier.

Board of Directors

The shareholders resolve annually on director remuneration based on a proposal made by the Board of Directors on the recommendation of the Board's Corporate Governance and Nomination Committee.

At the Annual General Meeting held on May 27, 2020, Risto Siilasmaa and Olivier Piou stepped down from the Board and the Annual General Meeting resolved to elect nine members to the Board. The following Board members were re-elected for a term ending at the close of the Annual General Meeting 2021: Sari Baldauf, Bruce Brown, Jeanette Horan, Edward Kozel, Elizabeth Nelson, Søren Skou, Carla Smits-Nusteling and Kari Stadigh. Thomas Dannenfeldt was elected as a new member of the Board for the same term.

The aggregate amount of compensation paid to Board members in 2020 equaled EUR 2 016 000 of which EUR 1 885 000 consisted of annual fees and the rest of meeting fees. In accordance with the resolution by the Annual General Meeting 2020, approximately 40% of the annual fee from Board and Board Committee work was paid in Nokia shares purchased from the market on behalf of the Board members following the Annual General Meeting. The directors shall retain until the end of their directorship such number of shares that corresponds to the number of shares they have received as Board remuneration during their first three years of service in the Board. The rest of the annual fee was paid in cash, most of which is typically used to cover taxes arising from the remuneration. All meeting fees were paid in cash.

It is the company's policy that the non-executive members of the Board do not participate in any of the company's equity programs and do not receive performance shares, restricted shares, or any other equity-based or other variable compensation for their duties as Board members. No such variable compensation was paid since all persons acting as Board members during the financial year 2020 were non-executive.

The following table outlines the total annual compensation paid in 2020 to the members of the Board for their services, as resolved by the shareholders at the Annual General Meeting.

	Annual fee (EUR)	Meeting fees (EUR)(1)	Total remuneration paid (EUR)	40% of annual fees paid in shares (EUR)	60% of annual fees and all meeting fees paid in cash (EUR)	Number of Shares Approximately 40% of the annual fee
Sari Baldauf (Board Chair)(2)	440 000	5 000	445 000	176 000	269 000	48 523
Kari Stadigh (Board Vice Chair)	185 000	11 000	196 000	74 000	122 000	20 401
Bruce Brown	190 000	22 000	212 000	76 000	136 000	20 953
Thomas Dannenfeldt (from May 27, 2020)	175 000	–	175 000	70 000	105 000	19 299
Jeanette Horan	175 000	20 000	195 000	70 000	125 000	19 299
Edward Kozel	195 000	17 000	212 000	78 000	134 000	21 504
Elizabeth Nelson	175 000	17 000	192 000	70 000	122 000	19 299
Olivier Piou (until May 27, 2020)(3)	–	11 000	11 000	–	11 000	–
Risto Siilasmaa (until May 27, 2020)(3)	–	–		–	–	–
Søren Skou	160 000	11 000	171 000	64 000	107 000	17 644
Carla Smits-Nusteling	190 000	17 000	207 000	76 000	131 000	20 953
Total	**1 885 000**	**131 000**	**2 016 000**	**754 000**	**1 262 000**	**207 875**

(1) Meeting fees include all meeting fees paid for the term that ended at the Annual General Meeting held on May 27, 2020 and meeting fees accrued and paid in 2020 for the term that began at the same meeting.
(2) Meeting fee paid for the term that ended at the Annual General Meeting on May 27, 2020. Sari Baldauf was elected Chair of the Board on May 27, 2020. Meeting fees are not paid to the Chair of the Board.
(3) Stepped down at the Annual General Meeting on May 27, 2020 and thus did not receive any annual fee in 2020.

Remuneration governance

We manage our remuneration through clearly defined processes, with well-defined governance principles, ensuring that no individual is involved in the decision-making related to their own remuneration and that there is appropriate oversight of any compensation decision. Remuneration of the Board is annually presented to shareholders for approval at the Annual General Meeting and the remuneration of the President and CEO is approved by the Board.

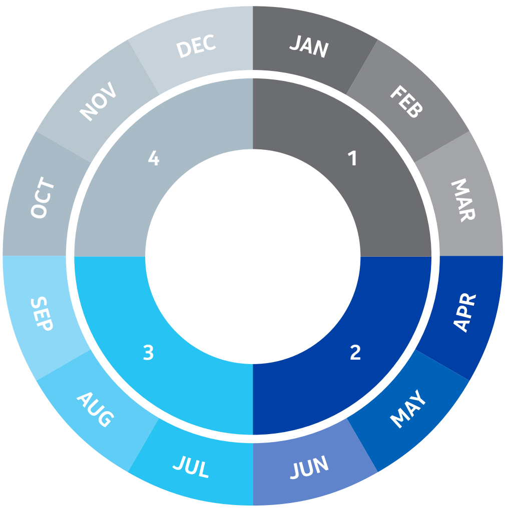
Remuneration of the Board is annually presented to shareholders for approval at the Annual General Meeting. The Board submits its proposal to the Annual General Meeting on the recommendation of the Board's Corporate Governance and Nomination Committee, which actively considers and evaluates the appropriate level and structure of directors' remuneration. Shareholders also authorize the Board to resolve to issue shares, for example to settle the company's equity-based incentive plans based on the proposal of the Board.

The Board of Directors approves, and the independent members of the Board confirm, the compensation of the President and CEO, upon recommendation of the Personnel Committee. The Personnel Committee consults regularly with the President and CEO and the Chief People Officer though they are not present when their own compensation is reviewed or discussed. This enables the Personnel Committee to be mindful of employee pay and conditions across the broader employee population. The Committee has the power, in its sole discretion, to retain compensation consultants to assist the Personnel Committee in evaluating director and executive compensation.

The Personnel Committee Chair regularly engages with shareholders on pay and broader matters to hear their views on our compensation policies, programs and associated disclosures and reflect on their feedback. For example, we had increased the performance period to three years in response to shareholders' feedback.

Work of the Personnel Committee

The Personnel Committee convened six times during 2020 with a general theme for each meeting. All meetings were held in accordance with COVID-19 restrictions.



- 1 Approvals & reporting
- 2 Philosophy & structure
- 3 Long-term direction & market review
- 4 Planning

January
- Incentive targets and objectives
- Nokia Equity Program
- Investor feedback on remuneration practices

March
- President and CEO remuneration
- Remuneration policy review

May
- Long-term incentive nominations for the Group Leadership Team
- Investor feedback from Remuneration Policy voting in the Annual General Meeting

July
- Annual General Meeting update
- Personnel Committee advisor update
- Review of Share Ownership and Clawback Policies

October
- Alignment on long-term incentive approach
- Risk review

December
- 2021 incentive program framework
- Culture
- Remuneration Report for 2020

The President and CEO

The President and CEO has an active role in the compensation governance and performance management processes for the Group Leadership Team and the wider employee population at Nokia.

The President and CEO is not a member of the Personnel Committee and does not vote at Personnel Committee meetings, nor does he participate in any conversations regarding his own compensation.

Advisors

The Personnel Committee engaged Willis Towers Watson, an independent external consultant, to assist in the review and determination of executive compensation and program design and provide insight into market trends and regulatory developments.

Nokia Group Leadership Team remuneration

At the end of 2020, the Group Leadership Team consisted of 17 persons split between Finland, other European countries and the United States. For information regarding the current Group Leadership Team composition refer to the Corporate Governance Statement.

Name	Position in 2020	Appointment date
Pekka Lundmark	President and CEO (from Aug 1, 2020)	August 1, 2020
Rajeev Suri	President and CEO (until July 31, 2020)	May 1, 2014
Nassib Abou-Khalil	Chief Legal Officer	August 1, 2019
Basil Alwan	Co-president of IP/Optical Networks	January 8, 2016
Ricky Corker	President of Customer Operations, Americas	January 1, 2019
Barry French	Chief Marketing Officer	January 8, 2016
Sanjay Goel	President of Global Services	April 1, 2018
Bhaskar Gorti	President of Nokia Software	January 8, 2016
Federico Guillén	President of Customer Operations Officer, EMEA & APAC	January 8, 2016
Jenni Lukander	President of Nokia Technologies	August 1, 2019
Sandra Motley	President of Fixed Networks	January 31, 2019
Sri Reddy	Co-president of IP/Optical Networks	May 15, 2018
Raghav Sahgal	President of Nokia Enterprise (from Jun 1, 2020)	June 1, 2020
Kathrin Buvac	President of Nokia Enterprise (until May 30, 2020)	January 8, 2016
Gabriela Styf Sjöman	Chief Strategy Officer	December 1, 2019
Tommi Uitto	President of Mobile Networks	January 31, 2019
Marcus Weldon	Chief Technology Officer and President of Bell Labs	April 1, 2017
Stephanie Werner-Dietz	Chief Human Resources Officer	January 1, 2020
Marco Wirén	Chief Financial Officer (from Sep 1, 2020)	September 1, 2020
Kristian Pullola	Chief Financial Officer (until Aug 31, 2020)	January 1, 2017

The remuneration of the members of the Group Leadership Team (excluding the President and CEO) consists of base salary, fringe benefits and short- and long-term incentives. Short-term incentive plans are based on rewarding the delivery of business performance utilizing certain, or all, of the following metrics as appropriate to the member's role: revenue, operating profit, free cash flow and defined strategic objectives.

Executives on the Group Leadership Team are subject to the same remuneration policy framework as the President and CEO. This includes being subject to clawback and shareholding requirements. The shareholding requirement for members of the Group Leadership Team is two times their base salary.

Remuneration of the Group Leadership Team in 2020

Remuneration of the Group Leadership Team (excluding the President and CEO) in 2020 and 2019, in the aggregate, was as follows:

	2020 EURm(1)	2019 EURm(1)
Salary, short-term incentives and other compensation(2)	24.4	21.7
Long-term incentives(3)	3.7	4.4
Total	**28.1**	**26.1**

(1) The values represent each member's time on the Group Leadership Team.
(2) Short-term incentives represent amounts earned in respect of 2020 performance. Other compensation includes mobility related payments, local benefits and pension costs.
(3) The amounts represent the value of equity awards that vested in 2020.

The members of the Group Leadership Team (excluding the President and CEO) were awarded the following equity awards under the Nokia equity program in 2020:

Award	Units awarded(1)	Grant date fair value (EUR)	Grant date	Vesting
Performance shares(2)	1 575 900	4 132 482	November 6, 2020 and December 16, 2020	Q4 2023
Restricted shares(3)	1 902 100	4 931 049	March 18, 2020, May 7, 2020 and July 1, 2020	Q3, 2020; Q1, Q3 and Q4 in 2021, 2022 and 2023

(1) Includes units awarded to persons who were Group Leadership Team members during 2020.
(2) The 2020 performance share plan has a three-year performance period based on absolute total shareholder return. The maximum payout is 200% subject to maximum performance against the performance criterion. Vesting is subject to continued employment.
(3) Vesting of the tranches of the 2020 restricted share award is conditional to continued employment.

Unvested equity awards held by the Nokia Group Leadership Team, including the President and CEO

The following table sets forth the potential aggregate ownership interest through the holding of equity-based incentives of the Group Leadership Team in office, including the President and CEO, as of December 31, 2020:

	Shares receivable through performance shares at grant	Shares receivable through performance shares at maximum[(4)]	Shares receivable through restricted shares
Number of equity awards held by the Group Leadership Team[(1)]	7 380 503	14 761 006	1 897 548
% of the outstanding shares[(2)]	0.13%	0.26%	0.03%
% of the total outstanding equity incentives (per instrument)[(3)]	7.42%	7.42%	41.91%

(1) Includes the 17 members of the Group Leadership Team in office as of December 31, 2020.
(2) The percentages are calculated in relation to the outstanding number of shares and total voting rights of Nokia as of December 31, 2020, excluding shares held by Nokia Group. No member of the Group Leadership Team owns more than 1% of the outstanding Nokia shares.
(3) The percentages are calculated in relation to the total outstanding equity incentives per instrument.
(4) At maximum performance, under the performance share plans outstanding as of December 31, 2020, the payout would be 200% and the table reflects this potential maximum payout. The restriction period for the performance share plan 2018 ended on December 31, 2020 and Nokia's performance against the performance criteria set out in the plan rules, was above the threshold performance. The settlement to the participants under the performance share 2018 plan took place in February 2021.

Review of our incentive plans

Each year we monitor the performance of our incentive plans against the targets for the plan, total shareholder return and the impact that the plans have on total compensation compared with market peers.

Target setting

Targets for the short-term incentives are set annually at or before the start of the year, balancing the need to deliver value with the need to motivate and drive performance of the Group Leadership Team. Targets are selected from a set of strategic metrics that align with driving sustainable value for shareholders and are set in the context of market expectations and analyst consensus forecasts. Targets for our long-term incentive plans are set in a similar context. The long-term incentive targets are set at the start of the performance period and locked in for the life of the plan.

Short-term incentives

In 2020 short-term incentive targets and achievements were based on a mix of revenue, operating profit and cash flow as well as personal targets. Targets were measured either at a Nokia Group level or, alternatively, a mix of Nokia Group and business group level for business group presidents. For 2021 the incentive structure will be simplified to focus on four metrics:

- Operating profit of Nokia
- Operating profit for the relevant business group
- Role related strategic objectives
- ESG (carbon emissions and diversity)

Those Group Leadership Team members not leading a business group will have the equivalent proportion of their incentive based on Nokia's operating profit.

Long-term incentives

We annually review compensation against key metrics such as total shareholder return and share price to validate the effectiveness of our equity plans.

The 2017 performance share plan vested on January 1, 2020 with 28.9% of the target award vesting based on the achievement against the revenue and earnings per share targets during the performance period (financial years 2017 and 2018).

The 2018 performance share plan vested on January 1, 2021 with 56.82% of the target award vesting based on the achievement against the market share, earnings per share and free cash flow targets during the performance period (financial years 2018 and 2019).

The 2019 performance share plan was the first to be based on a three year performance period and its performance will be assessed after the financial year 2021 has ended.

The Personnel Committee of the Board determined that the metric for the 2020 performance share plan should be based on total shareholder return. This reflects our commitment to driving the best direct, long-term results and fully aligns plan participants with the interests of shareholders. The global pandemic necessitated a delay to the award date for our main long-term incentive award from July to November. The performance period was adjusted accordingly to ensure that a three-year performance period was maintained and the November 2020 awards will not vest until a corresponding date three years later in 2023. The performance conditions were not adjusted.

Nokia long-term incentive plan and employee share purchase plan 2021-2023

The long-term incentive plan (LTI Plan) intends to effectively contribute to the long-term value creation and sustainability of the Company and align the interests of the executives and employees with those of Nokia's shareholders. Nokia's long-term incentive plan for 2021-2023 is a key tool which supports these objectives. Under the LTI Plan the company may grant eligible executives and other employees awards in the form of both performance shares and restricted shares.

Awards under the LTI Plan may be granted between the date the plan is approved and December 31, 2023 subject to applicable performance metrics as well as performance and/or restriction periods of up to 36 months depending on the award. Consequently, the restriction periods for the last awards granted under the LTI Plan would end in 2026. Performance metrics as well as weightings and targets for the selected metrics for performance shares are set by the Board of Directors annually to ensure they continue to support Nokia's long-term business strategy and financial success.

The potential maximum aggregate number of Nokia shares that may be issued based on awards granted under the LTI plan in 2021, 2022 and 2023 is 350 million. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with the performance or restricted shares. If the participant's employment with Nokia terminates before the vesting date of the award or a part of an award, the individual is not, as a main rule, entitled to settlement based on the plan.

For the awards made in 2021, the majority of long-term incentive plan participants will receive restricted shares rather than performance shares although the executives, including the President and CEO, will continue to receive performance shares as the main form of long-term incentives. The performance shares will be subject to performance criterion which will continue to be absolute total shareholder return and the plan vests no earlier than three years from the grant. The regular restricted share awards will have a three-year vesting period with cliff vesting but, in limited cases predominantly related to retention, the company may introduce different vesting periods with tranche vesting. This will simplify plan participation for the employees.

The purpose of the employee share purchase plan (ESPP) is to encourage share ownership within the Nokia employee population, increasing engagement and sense of ownership in the company. Under the ESPP 2021-2023, subject to the Board commencing annual plan cycles, the eligible employees may elect to make contributions from their monthly net salary to purchase Nokia shares at market value on pre-determined dates on a quarterly basis during the applicable plan period. Nokia would deliver one matching share for every two purchased shares that the participant still holds at the end of applicable plan cycle. In addition, the participants may be offered free shares subject to meeting certain conditions related to participation as determined by the Board.

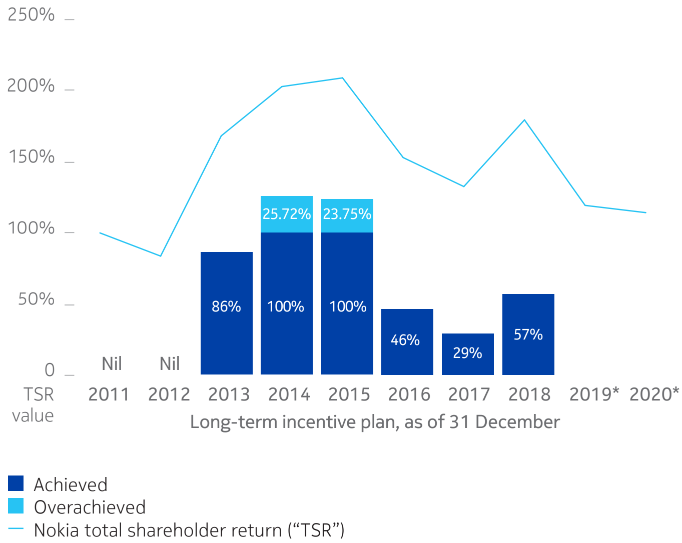
The maximum number of shares that can be issued under all plan cycles commencing under the ESPP in 2021, 2022 and 2023 is 35 million. Participants have immediate shareholder rights over all shares purchased from the market. Until the matching or free Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with the matching or free shares.

Pay for performance

Core to our compensation philosophy is a desire to pay for performance.

Each year we review overall total shareholder return compared with long-term incentive payouts mapping the performance of the plans against the total shareholder return curve.

Share price and total shareholder return vs long-term incentive performance



* Performance period not yet completed.

Looking at the performance of our long-term incentive plans against total shareholder return, there is a reasonable alignment with the performance of the plans declining as total shareholder return, declines and the trend lines are reasonably aligned.

The Board continues to actively monitor the performance of our long-term incentive plans to ensure that they deliver value for shareholders.

Our peers

In looking for suitable comparators, we have considered ourselves a European technology company and looked at businesses of similar size, global scale and complexity, such as:

ABB	Deutsche Telekom
ASML	Ericsson
Airbus	Infineon
Atos	Kone
BAe Systems	Phillips
BT	SAP
Cap Gemini	Vodafone