Compensation

This section sets out our remuneration governance, policies and how they have been implemented within Nokia. It includes our Remuneration Report where we provide disclosure of the compensation of our Board members and the President and CEO for 2021.

The content of the Remuneration Report, which will be presented to an advisory vote at the Annual General Meeting 2022, is detailed below. A standalone version is published on a stock exchange release.

Other compensation-related information provided alongside the Remuneration Report for 2021 is not subject to a vote at the Annual General Meeting 2022, 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

- 2021 was a transformational year for Nokia, including refocusing on and strengthening our technology leadership.
- 2021 was also the first complete year with Mr. Lundmark as President and CEO, the first year for many of the Group Leadership Team operating under Nokia's new operating model, and the first complete year operating under the new organization structure, culture and strategy.
- Mr. Lundmark's compensation remained unchanged during the year. The first tranche of restricted shares granted to him on joining (in respect of forfeited awards from his previous employer) vested and were released.
- Following on from his 2020 purchase of EUR 2.6 million of shares in the market, Mr. Lundmark committed a further EUR 2.0 million worth of shares to the co-investment plan, ensuring that his interests and the interests of Nokia's shareholders remain closely aligned.
- The business achieved excellent financial results during 2021, resulting in an above target incentive payment with Mr. Lundmark's short-term incentive award at 183% of target.
- The 2019 Performance Share Plan (in respect of performance during the years 2019-2021) paid out at 53% of target. Mr. Lundmark did not have any awards under this plan.
- Achievement of our incentivized Environmental, Societal and Governance (ESG) metrics was mixed with overall achievement of our emissions targets and under-performance against our diversity targets.
- Our pay policies and practices continue to ensure that there is no unexplained gender based pay gap in Nokia.

Word from the Chair of the Personnel Committee of the Board

Dear Fellow Shareholder,

I am delighted to present this year's compensation report, in a year that was transformational for Nokia and where Nokia reset itself and achieved strong financial performance with significantly improved profitability and cash generation. These results provide confidence that our new strategy, new operating model and new culture are delivering the types of results our shareholders expect.

Business context

The Letter from our President and CEO sets out more detail, with 2021 a year in which the new Nokia strategy delivered great results and our annual incentive plans paid out accordingly. Our performance was reflected in Nokia's share price as well. Our continued use in 2021 of a long-term performance metric based on shareholder return ensures that shareholders and executives are aligned for the short and long term and there are direct links between executive compensation and shareholder value.

In 2021, we maintained the compensation approach set by the policy approved by shareholders in 2020 and applied to Mr. Lundmark when he was appointed. The Remuneration Report, and all elements of the compensation delivered in 2021, are fully consistent with the approved policy.

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.

Shareholder outreach

I was delighted that 93% of votes cast at the Annual General Meeting in 2021 supported the remuneration report. During 2021 we met with 15 of our largest shareholders and a number of other key stakeholders, discussing a range of issues, primarily focused on governance and ESG. These meetings have helped to inform our views and strengthen our belief that ESG measures are a core component of our incentive plans.

The Personnel Committee reviewed our compensation peer group and adjusted this to reflect a group better aligned with our new direction, strategy and market focus. Full details of the changes are presented later in this section; in summary, of the previous group of 14 companies we removed two telecoms companies and added a further 15 (mostly technology) companies giving a new peer group of 27 comparators.

CEO compensation

During 2021, there was no increase to Pekka Lundmark's base salary and target incentives.

- Mr. Lundmark's bonus for 2021 was at 183% of target totaling EUR 2 975 781. This reflects the strong business performance and the progress made in transforming Nokia to deliver the types of results that our shareholders expect.
- Mr. Lundmark participated in the eLTI 2021 co-investment plan. His commitment of EUR 2.0 million worth of shares is a significant sign of his commitment to Nokia and helps to ensure his interest and the interest of our shareholders are closely aligned. As a reminder, the payout of this co-investment plan is determined by total shareholder return.
- The first tranche of Mr. Lundmark's restricted shares, awarded to him in 2020 in respect of forfeited compensation from his previous employer, vested in October 2021. This tranche totaled 117 467 shares and further tranches are due for release in 2022 and 2023 subject to his continued service.

2021 remuneration outcomes

The 2021 Short-Term Incentive outcome for the President and CEO at 183% of overall target reflects Nokia's excellent 2021 performance. The strong financial performance was however tempered by lower ESG outcomes, representing 56% of target for this portion of the annual incentive.

The 2019 Long-Term Incentive vested at the end of 2021. The outcome, at 53% of target, reflects the aggregate outcomes for the three-year performance period 2019–2021.

Share ownership requirement

Mr. Lundmark started his tenure with Nokia with a significant purchase of EUR 2.6 million of shares in 2020 and has continued to acquire Nokia shares during 2021. He now exceeds the shareholding requirement with a holding worth approximately five times his annual base salary. This is a sign of his commitment to and alignment with Nokia's long-term success.

Short- and long-term incentives in 2022

Our 2022 incentive plans follow this structure, which is the same as 2021:

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		
Comparable operating profit 70%	Strategic objective 20%	Environmental, social and governance aspects (ESG) 10%
Deliver comparable operating profit	Deliver meaningful strategic actions	Deliver on our responsibilities to reduce carbon emissions and become a more diverse employer

The 2022 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 (TSR) measured by dividend adjusted share price at the end of the performance period. 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. We believe that absolute TSR is a more suitable metric than relative TSR given the Company's turnaround phase where the most relevant benchmark is its own baseline.

Our compensation approach and structure is, has, and continues to play a key role in supporting Nokia's reset and sustainable share price growth.

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.

Bruce Brown, Chair of the Personnel Committee

Remuneration Policy

Nokia Corporation's Remuneration Policy was supported at the Annual General Meeting 2020 receiving 86% of votes in favor. This policy remained in force during 2021. 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 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. The objective of the Corporate Governance and Nomination Committee is to enable Nokia to compete for the top-of-the-class Board competence in order to maximize the value creation for the shareholders. The Committee's aim is to ensure that the Company has an efficient Board comprised of international professionals representing a diverse and relevant mix of skills, experience, background and other personal qualities in line with the diversity principles established by the Board. Competitive Board remuneration contributes to the achievement of this target.

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 and prior to that 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. No meeting fees and no additional annual fees based on service in any of the Board Committees are 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. This compensation is paid in cash.

Remuneration for the term that began at the Annual General Meeting held on 8 April 2021 and ends at the close of the Annual General Meeting in 2022 consists of the following fees:

Annual fee(1)	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
Member of Personnel Committee	15 000
Chair of Technology Committee	20 000
Member of Technology Committee	10 000
Meeting fee(2)	**EUR**
Meeting requiring intercontinental travel	5 000
Meeting requiring continental travel	2 000

(1) The fees payable to the Committee Chairs and members are not paid to the Chair of the Board for her service in any of the Board Committees.
(2) 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 2022 were published on 3 February 2022. To ensure the competitiveness of the Board remuneration and reflecting the fee development in Nokia's global peer group, the Corporate Governance and Nomination Committee has recommended to the Board that the annual fees of Board members, save for the Chair, would be proposed to be increased with EUR 10 000. Other remuneration payable to the Board and Committee members would remain unchanged and thereby 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 and in line with Nokia's Remuneration Policy, the Board of Directors proposes to the Annual General Meeting 2022 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 195 000 for the Vice Chair of the Board, EUR 170 000 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, 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.

In order to align the interests of the Board members with those of the shareholders, it is proposed that, in line with the Company's Corporate Governance Guidelines, approximately 40% of the annual fee be paid in Nokia shares either purchased from the market on behalf of the Board members or alternatively delivered as treasury shares held by the Company. 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. The meeting fee, travel expenses and other expenses would be paid in cash.

Remuneration summary for the President and CEO

Element	Year ending 31 December 2022, in accordance with the approved Remuneration Policy	Year ended 31 December 2021	Purpose
Name	**Pekka Lundmark**	**Pekka Lundmark**	
Base salary	EUR 1 300 000	EUR 1 300 000	Provide competitive base salary to attract and retain individual with the requisite level of knowledge, skills and experience to lead our businesses
Short-term incentives	Measures: ▪ 100% Nokia scorecard – 70% comparable operating profit – 20% strategic objectives – 10% environment, social and governance objectives	Measures: ▪ 100% Nokia scorecard – 70% comparable operating profit – 20% strategic objectives – 10% environment, social and governance objectives	To incentivize and reward performance against delivery of the annual business plan
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) Minimum 0% of base salary Maximum 400% of base salary(1) Metric: Absolute Total Shareholder Return	To reward for delivery of sustainable long-term performance, align the President and CEO's interests with those of shareholders and aid retention.
Pension	Contribution to the mandatory TyEL pension plan in Finland.	Contribution to the mandatory TyEL pension plan in Finland.	To provide for retirement with a level of certainty.
Benefits & mobility	Life and critical illness insurance, private medical insurance and company car.	Life and critical illness insurance, private medical insurance and company car.	To attract, retain and protect the President and CEO.
Total Target Remuneration	EUR 5 525 000	EUR 5 525 000(2)	
Share ownership requirement	Requirement: 3 times annual base salary Requirement (value): EUR 3 900 000	Requirement: 3 times annual base salary Requirement (value): EUR 3 900 000	

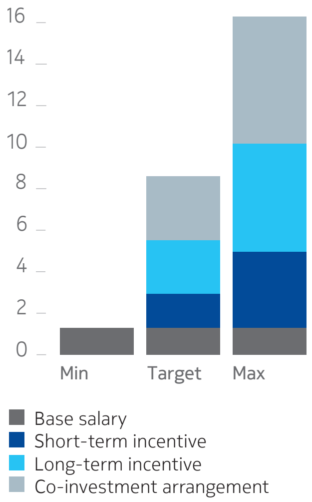
(1) Excluding share price growth
(2) Excluding 2020 and 2021 matching performance share awards under the eLTI co-investment arrangement

Operation	Opportunity
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.
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
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.
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.
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. It includes an annual apportionment of both 2020 and 2021 eLTI co-investment plans. Mr. Lundmark chose to invest in both years aligning a considerable proportion of his incentive directly to shareholder return.

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 annual 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.

Please note that the Remuneration Report, applicable to the Board and President and CEO, subject to an advisory vote at the Annual General Meeting 2022, 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 Annual General Meeting 2022, but provides further information on the compensation policies applied within Nokia and the compensation of the Group Leadership Team.

Remuneration Report 2021

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 Annual General Meeting 2022. The resolution of the Annual General Meeting on the Report is advisory. The Report presents the remuneration of the Board members and the President and CEO for the financial year 2021 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 members of the Board and the President and CEO have been remunerated in accordance with our approved Remuneration Policy during the financial year 2021.

In 2021 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 as 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.

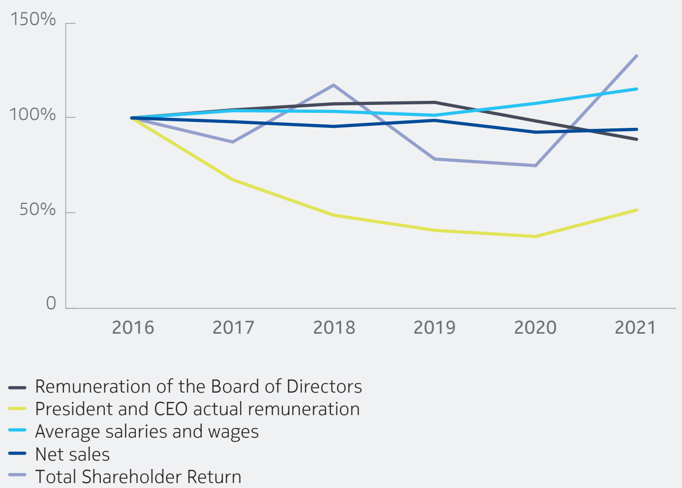
The table below compares the development of the remuneration of our Board of Directors, President and CEO, average employee pay and company performance.

Year	Aggregate remuneration of the Board of Directors (EUR)(1)	President and CEO actual remuneration (EUR)(2)	Average Salaries and Wages (EUR)(3)	Net sales (EURm)	Total Shareholder Return (Rebased to 100 at 31 Dec 2016)(4)
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
2021	1 821 000	4 908 244	70 411	22 202	132.63

(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.
(2) The President and CEO actual remuneration represents the combined total in 2020, when Mr. Lundmark replaced Mr. Suri.
(3) Average salaries and wages are based on average employee numbers and total salaries and wages as reported in the Company's financial statements.
(4) Total shareholder return on last trading day of the previous year.

We also present this data graphically:

Comparative data (rebased year end 2016 = 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 on 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 Nokia'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 2017–2021.

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.

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 8 April 2021, Elizabeth Nelson stepped down from the Board and the Annual General Meeting resolved to elect eight members to the Board. The following Board members were re-elected for a term ending at the close of the Annual General Meeting 2022: Sari Baldauf, Bruce Brown, Thomas Dannenfeldt, Jeanette Horan, Edward Kozel, Søren Skou, Carla Smits-Nusteling and Kari Stadigh.

The aggregate amount of compensation paid to Board members in 2021 equaled EUR 1 821 000 of which EUR 1 770 000 consisted of annual fees and the rest of meeting fees. In accordance with the resolution by the Annual General Meeting 2021, 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 Nokia'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 2021 were non-executive.

The following table outlines the total annual compensation paid in 2021 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)	440 000	–	440 000	176 000	264 000	43 711
Kari Stadigh (Board Vice Chair)	200 000	7 000	207 000	80 000	127 000	19 868
Bruce Brown	200 000	7 000	207 000	80 000	127 000	19 868
Thomas Dannenfeldt	185 000	7 000	192 000	74 000	118 000	18 378
Jeanette Horan	185 000	7 000	192 000	74 000	118 000	18 378
Edward Kozel	195 000	7 000	202 000	78 000	124 000	19 372
Elizabeth Nelson (until 8 April 2021)(2)	–	–	–	–	–	–
Søren Skou	175 000	7 000	182 000	70 000	112 000	17 385
Carla Smits-Nusteling	190 000	9 000	199 000	76 000	123 000	18 875
Total	**1 770 000**	**51 000**	**1 821 000**	**708 000**	**1 113 000**	**175 835**

(1) Meeting fees include all meeting fees paid for the term that ended at the Annual General Meeting held on 8 April 2021 and meeting fees accrued and paid in 2021 for the term that began at the same meeting.
(2) Stepped down at the Annual General Meeting on 8 April 2021 and thus did not receive any annual fee in 2021.

The President and CEO

The following table shows the actual remuneration received by Mr. Lundmark in 2021 and aggregate figures for Pekka Lundmark and Rajeev Suri as President and CEO in 2020 (individual disclosure was contained in last year's report). The long-term incentive payments reflect actual payments in the respective years attributable to the vesting of the 2018 Nokia performance share plan in 2021 (comparative figures show the payment of the 2017 Nokia performance share plan in 2020).

EUR	2021 (Lundmark)	Pay mix(1)	2020 (Combined)	Pay mix(1)
Salary	1 300 000	27%	1 301 032	37%
Short-term incentive(2)	2 975 781	61%	1 518 765	43%
Long-term incentive(3)	596 732	12%	687 740	20%
Other compensation(4)	35 731		80 244	
Total	**4 908 244**		**3 587 781**	

(1) Pay mix reflects the proportions of base salary, short-term incentive and long-term incentive of total compensation, excluding other compensation.
(2) Short-term incentives represent amounts earned in respect of the financial year, but that are paid in April of the following year.
(3) Mr. Suri's 2019 pro-rated LTI vested in 2021 and will be released in March 2022; this is estimated at EUR 1 281 535 and is excluded from the table above.
(4) Other compensation includes benefits such as telephone, car, driver, tax compliance support, and medical insurance.

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 2021, payments to the Finnish state pension system equaled EUR 314 457 for Mr. Lundmark in respect of his service as President and CEO (EUR 103 256 for Mr. Lundmark in 2020 as a split year). No supplementary pension arrangements were offered.

Short-term incentive

The 2021 short-term incentive framework for the President and CEO was based on financial, strategic and ESG objectives. Achievement against the 2021 targets was as follows:

Metric	Weight	Target	Achievement
Comparable Operating Profit	70%	1 823 EURm	225%
Diversity	5%	Diversity of new hires	0%
Emissions Scopes 1,2 and 3	5%	411 125 tCO_2e (Scopes 1 and 2), 1 463 tCO_2e/EURm (Scope 3)	112.5%
Strategic Objectives	20%	Individual objectives	100%

Accordingly, the short-term incentive of Mr. Lundmark as the President and CEO equaled EUR 2 975 781 or 183% of the target award.

Long-term incentives

In 2021, Mr. Lundmark was awarded the following equity awards under the Nokia equity program. The performance condition for the 2021 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. The eLTI plan is a co-investment plan applicable to the President and CEO and a select number of other senior executives, which provides for a 2:1 award of Nokia Performance Shares in return for purchase and continued holding of Nokia shares. This substantial personal investment in Nokia shares directly aligns Mr. Lundmark's interests with those of shareholders. The award payout is determined by absolute total shareholder return.

Performance share awards(1)	Units awarded	Grant date fair value (EUR)	Grant date	Vesting
Awarded as regular performance share award	769 200	2 607 588	25 March 2021	Q1 2024
Awarded as eLTI performance share award	962 180	4 089 265	1 June 2021	Q2 2024

(1) The 2021 performance shares (regular and eLTI) have 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.

Vesting for President and CEO during the year

The first tranche of Mr. Lundmark's 2020 restricted share award, made to him on joining in recognition of forfeited awards from his previous employer, vested on 1 October 2021, releasing 117 467 shares to the value of EUR 596 732.

Share awards vesting during the year	Units awarded	Target	Achievement	Units vesting
2020 Restricted Share Award Tranche 1	117 467	N/A	N/A	117 467

Vesting for former President and CEO during the year

Mr. Suri's pro-rated 2019 Performance Share Award vested on 31 December 2021 and will be released in March 2022. The award was pro-rated to 66.67% reflecting his two years of service during the performance period, and vesting was at 53% resulting in a projected release of 229 913 shares with an estimated value of EUR 1 281 535 (using the 31 December 2021 share price). The Board decided this pro-rated vesting to Mr. Suri to ensure his full commitment to the successful leadership transition that was critical for the Company in the period before Mr. Lundmark was released by his previous employer, during the early stages of the COVID-19 pandemic.

Performance Share Award 2019	Units awarded	Target	Units vesting
2019 annual award	650 699	Market share, earnings per share, free cash flow	229 913

Share ownership

Our share ownership policy requires that the President and CEO holds a minimum of three times his or her annual base salary in Nokia shares in order to ensure alignment with shareholder interests over the long term. Mr. Lundmark significantly exceeds this requirement with a holding of approximately five times base salary, well within the five-year period permitted.

Mr. Lundmark	Units	Value(1) (EUR)
Beneficially owned shares as of 31 December 2021	1 232 333	6 869 024
Unvested shares under outstanding Nokia equity plans(2)	4 029 007	22 457 685
Total	**5 261 340**	**29 326 709**

(1) The values are based on the closing price of a Nokia share of EUR 5.574 on Nasdaq Helsinki on 31 December 2021.
(2) The number of units represents the number of unvested awards as of 31 December 2021.

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.

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.

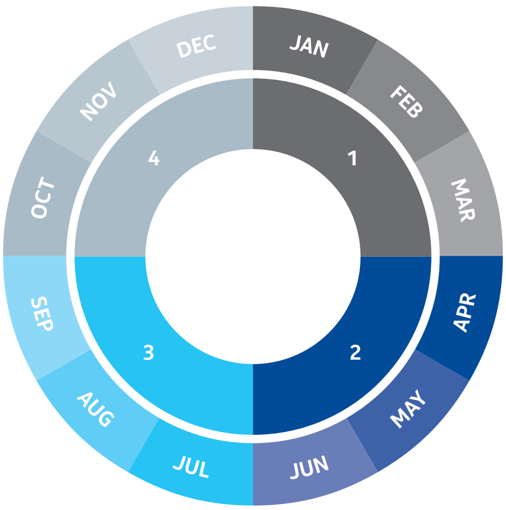
The Board submits its proposal to the Annual General Meeting on the recommendation of the Board's Corporate Governance and Nomination Committee, which actively considers and evaluates the appropriate level and structure of directors' remuneration. Shareholders also authorize the Board to resolve to issue shares, for example to settle Nokia'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 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. In recent years this feedback has informed the increase in performance periods for the long-term incentive and the inclusion of ESG metrics.

Work of the Personnel Committee

The Personnel Committee convened five times during 2021 with a general theme for each meeting. All meetings were held in accordance with any COVID-19 restrictions in force at the time.



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

January
- Incentive targets and objectives
- Nokia Equity Program
- Culture evolution
- Prior year incentive results
- President and CEO remuneration

May
- Culture update
- Shareholder feedback update
- GLT compensation review

July
- Succession
- People risks and opportunities
- LTI Development
- Status of incentive payouts and ESG goal achievement

September
- 2022 Incentive framework
- Analytics and demographics
- Equity plan direction

December
- Personnel Committee charter review
- 2022 Incentive metrics
- Proxy agency and shareholder feedback
- The Compensation Report for 2021

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.

Group Leadership Team

At the end of 2021, the Group Leadership Team consisted of 11 persons split between Finland, other European countries, Singapore and the United States. For information regarding the current Group Leadership Team composition refer to the Corporate Governance Statement.

Name	Position in 2021	Appointment date
Pekka Lundmark	President and CEO	1 August 2020
Nassib Abou-Khalil	Chief Legal Officer	1 August 2019
Nishant Batra	Chief Strategy & Technology Officer	18 January 2021
Ricky Corker	President, Customer Experience (new role as of 1 January 2021)	1 January 2019
Federico Guillén	President, Network Infrastructure (new role as of 1 January 2021)	8 January 2016
Jenni Lukander	President, Nokia Technologies	1 August 2019
Raghav Sahgal	President, Cloud and Network Services (new role as of 1 January 2021)	1 June 2020
Melissa Schoeb	Chief Corporate Affairs Officer	12 April 2021
Tommi Uitto	President, Mobile Networks	31 January 2019
Stephanie Werner-Dietz	Chief People Officer	1 January 2020
Marco Wirén	Chief Financial Officer	1 September 2020

The remuneration of the members of the Group Leadership Team (excluding the President and CEO) consists of base salary, other 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, comparable 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 2021

Remuneration of the Group Leadership Team (excluding the President and CEO) in 2020 and 2021, in the aggregate, was as follows:

	2021 EURm[1]	2020 EURm[1]
Salary, short-term incentives and other compensation[2]	16.0	24.4
Long-term incentives[3]	2.2	3.7
Total	**18.2**	**28.1**

(1) The values represent each member's time on the Group Leadership Team.
(2) Short-term incentives represent amounts earned in respect of 2021 performance. Other compensation includes mobility related payments, local benefits and pension costs.
(3) The amounts represent the value of equity awards that vested in 2021.

The members of the Group Leadership Team (excluding the President and CEO) were awarded the following equity awards under the Nokia equity program in 2021:

Award	Units awarded[1]	Grant date fair value (EUR)	Grant date	Vesting
Performance share award[2]	1 998 300	6 850 125	25 March and 19 May 2021	Q1 2024 and Q2 2024
eLTI performance share award[3]	1 584 852	6 735 621	1 June 2021	Q2 2024
Restricted share award[4]	888 300	3 143 313	25 March and 19 May 2021	Q1 2022, Q2 2022, Q1 2023, Q3 2023

(1) Includes units awarded to persons who were Group Leadership Team members during 2021.
(2) The 2021 performance shares have 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) The eLTI is a selective arrangement offered to senior leaders in 2021. In return for the purchase and continued holding of Nokia shares, a 2:1 match of Nokia 2021 performance shares was made. These vest after three years subject to absolute total shareholder return and continued employment, with a maximum payment at 200% subject to maximum performance.
(4) Vesting of the tranches of the 2021 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 31 December 2021:

	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]	9 619 108	19 238 216	1 392 775
% of the outstanding shares[2]	0.17%	0.34%	0.02%
% of the total outstanding equity incentives (per instrument)[3]	13.68%	13.68%	5.48%

(1) Includes the 11 members of the Group Leadership Team in office as of 31 December 2021.
(2) The percentages are calculated in relation to the outstanding number of shares and total voting rights of Nokia as of 31 December 2021, 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 31 December 2021, the payout would be 200% and the table reflects this potential maximum payout. The 2019 performance shares vested on 1 January 2022 and the shares released will be distributed in March 2022.

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 2021 short-term incentive targets and achievements were based on a mix of metrics as shown below. Targets were measured either at a Nokia Group level or, alternatively, a mix of Nokia Group and business group level for business group presidents.

- Comparable operating profit of Nokia
- Operating profit / operating margin 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 comparable 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 2019 performance share plan vested on 1 January 2022 with 53% of the target award vesting based on the achievement against the revenue, earnings per share and free cash flow targets during the performance period (financial years 2019–2021).

The metric for the performance shares awarded in 2021 (under the Nokia LTI Plan 2021–2023) was based on total shareholder return in a similar manner to the 2020 awards. This reflects our commitment to driving the best direct, long-term results and closely aligns plan participants with the interests of shareholders. Awards to senior executives and leaders were made in March and for other employees in October. The performance periods were adjusted accordingly to ensure that a three-year vesting period was maintained and the awards will not vest until a corresponding date three years later in 2024. 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 31 December 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.

The approach for 2021 and the intended approach for 2022 is that the majority of long-term incentive plan participants receive restricted shares rather than performance shares although the executives, including the President and CEO, continued 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 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.

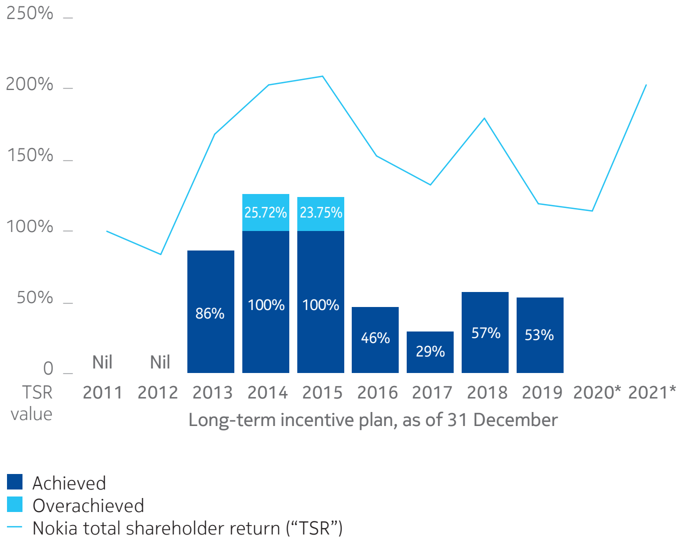
The maximum number of shares that can be issued under all plan cycles commencing under the ESPP in 2021, 2022 and 2023 is 35 million. Participants have immediate shareholder rights over all shares purchased from the market. Until the matching or free Nokia shares are delivered, the participants will 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.

Review of our comparator companies

In looking for suitable comparators, we have always considered businesses of similar size, global scale and complexity. During 2021, our core comparator group was reviewed and updated so that it consists of the following 27 companies (15 companies marked in italics were added, and two – BT, Deutsche Telekom – were removed). The Board feels that this comparator group now better reflects Nokia's business and human capital competitors.

ABB	*IBM*
Adobe	Infineon Technologies
Airbus	*Juniper Networks*
ASML	Kone
Atos	*Motorola Solutions*
BAE Systems	*NXP Semiconductors*
Capgemini	*Oracle*
Ciena	Philips
Cisco Systems	SAP
Corning	*Siemens Healthineers*
Dell Technologies	*VMware*
Ericsson	Vodafone Group
Hewlett Packard Enterprise	*Wärtsilä*
HP	