

21 April 2016

The Chairman of the Corporate Governance and Nominations Committee
Nokia Corporation
Karaportti 3
P.O. Box 226
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Subject: Review of Board Member Fees

This letter summarises the findings of the review by Aon Hewitt Limited of the fees paid to Board Members at Nokia.

Aon Hewitt undertook the review at the request of the Corporate Governance and Nominations Committee (the “Committee”) in order to provide both shareholders and the Committee with an external and independent opinion.

The Board Members’ fees and Vice Chairman’s fee at Nokia were last increased in 2007 whilst the Chairman’s fee was last increased in 2008. In accordance with the Corporate Governance Guidelines, fees are reviewed annually; however, we understand no increases have been made since those dates. The aim of the review this year was to ensure that Board Members’ fees are competitive, fair and aligned with shareholders’ interests.

In order to reach our opinion, Aon Hewitt reviewed Nokia’s current Board Members’ remuneration, the Board structure including the roles & responsibilities of the individual Board Members, and the time commitment required by the Board Members to perform their duties. We also interviewed the Chairman of the Board.

Aon Hewitt benchmarked Nokia’s current remuneration and practice against other European and US-listed companies of similar size and internationality, as well as a comparator group of global technology & telecommunication companies. These comparator groups were chosen to reflect the key markets where Nokia competes for Board Members with the right skills and international experience. The inclusion of US comparators reflects the increased significance of the US market for Nokia following the acquisition of Alcatel-Lucent and the need to recruit and retain US Board Members.

Aon Hewitt’s review found that the time commitment demanded of Nokia Board Members is significantly higher than typical market practice, but that fees paid were below market median across the global technology & telecommunication

companies and the US-listed companies of similar size and internationality. Taking account of time commitment, the fees are also below the median of the European companies of similar size and internationality.

We recommend that Nokia reposition its Board Members' fees whilst continuing to deliver a significant portion of the total fees in the form of shares, to ensure that fees received by Board Members are competitive, fair and aligned with shareholders' interests. Adjustment of the Board's remuneration should take account of the additional complexity resulting from the merger whilst ensuring that the remuneration framework is durable. As a result, we are supportive of the proposed Board remuneration outlined below:

		Current remuneration (€000s)	Proposed remuneration (€000s)
Base fees	Vice Chairman	150	185
	Board member	130	160
Additional fees for chairmanship of a committee	Audit	25	30
	Personnel	25	30
	Corporate Governance & Nominations	n/a	n/a
Additional fees for membership of a committee	Audit	10	15
	Personnel	n/a	n/a
	Corporate Governance & Nominations	n/a	n/a
Meeting fee for Board and Committee meetings	Meeting requiring intercontinental travel	n/a	5 per meeting
	Meeting requiring continental travel	n/a	2 per meeting

In the appendices to this letter, we have set out details of:

- Appendix 1: The comparator companies used for benchmarking.
- Appendix 2: Nokia's current and proposed remuneration compared to the market.
- Appendix 3: The actual total fees payable to individual Board Members.
- Appendix 4: Nokia's actual total fees payable compared to the market.

We understand that this letter will be made available to Nokia's shareholders at the AGM in June 2016 and on the company website. Subsequent reviews are likely to be discussed in future AGMs.

Yours sincerely

Aon Hewitt

Appendix 1: Comparator companies used to benchmark

Europe	
Company Name	Market Cap (31/01/16) €m
BG Group	€49,715
Airbus Group	€45,409
Orange	€43,256
Continental	€38,601
ABB Ltd	€38,112
Syngenta	€32,741
Shire	€31,956
Schneider Electric	€28,857
Ericsson	€26,614
Lafarge	€26,049
Atlas Copco	€23,692
Telenor	€23,529
Linde	€23,115
Renault	€23,046
Philips	€22,808
BAE Systems	€22,533
Glencore	€17,766
Akzo Nobel	€14,627
Rolls-Royce Holdings	€14,075
Repsol	€13,685
Arcelormittal	€6,274
Anglo American	€5,365
Lower Quartile	€18,958
Median	€23,611
Upper Quartile	€32,545
Nokia	€35,962

US	
Company Name	Market Cap (31/01/16) €m
EMC	€43,530
Adobe Systems	€40,259
1 Avago Technologies	€33,509
1 Broadcom	€33,509
Caterpillar	€32,846
Lyondellbasell Industries	€31,763
Alexion Pharmaceuticals	€29,804
Illinois Tool Works	€29,675
Ecolab	€28,873
Emerson Electric	€27,147
Praxair	€25,818
Air Products & Chemicals	€24,767
Halliburton	€24,629
PPG Industries	€23,216
Tesla Motors	€22,694
Eaton	€21,188
Johnson Controls	€21,076
Vmware	€17,491
Lower Quartile	€23,569
Median	€28,010
Upper Quartile	€32,576
Nokia	€35,962

Tech	
Company Name	Market Cap (31/01/16) €m
Vodafone Group	€82,009
Telefonica	€48,150
BT Group	€66,621
EMC	€43,530
Ericsson	€26,614
Motorola	€10,686
2 Alcatel-Lucent	€10,310
Juniper	€8,223
Lower Quartile	€10,592
Median	€35,072
Upper Quartile	€52,768
Nokia	€35,962

1. Avago Technologies have since merged with Broadcom.

2. Alcatel Lucent is now part of Nokia.

Appendix 2: Nokia's current and proposed remuneration compared to the market (fees in €000s)

		Nokia		Median Policy		
		Current policy	Proposed policy	Technology comparators	European comparators	US comparators
Number of board meetings held in 2014		17 ¹	n/a	11	9	7
Base fees	Vice Chairman	150	185	-	225	270
	Board member	130	160	139	102	245
Additional fees for chairmanship of a committee	Audit	25	30	28	34	20
	Personnel	25	30	22	28	18
	Corporate Governance & Nominations	n/a	n/a	14	20	14
Additional fees for membership of a committee	Audit	10	15	13	20	14
	Personnel	n/a	n/a	11	17	9
	Corporate Governance & Nominations	n/a	n/a	10	8	8

Notes:

- Proposed base fee for Board members is positioned between the European and US comparator groups and takes account of the higher time commitment required of Nokia Board Members.
- No additional fees for the Nominations and Governance Committee or Personnel Committee were proposed.
- The application of this proposed remuneration would result in an average fee of approximately €191,000 per Board Member per annum (See Appendix 3).

¹ Nokia does not have a current or proposed policy for the number of Board or Committee meetings held in a year. For reference Nokia held 17 Board meetings in 2014, 34 meetings in 2013 and 17 meetings in 2012 (these statistics exclude the meetings of the Board Committees).

Appendix 3: Illustration of total fees payable to individual Board Members, based on roles as at 8th January 2016 (in €000s)

Board Member	Role ¹	Proposed remuneration					
		Base	Audit	Personnel	Nomination	Meeting fee ²	Total
Oliver Piou	Vice Chair / P / N	185	-	-	-	16	201
Vivek Badrinath	A	160	15	-	-	16	191
Bruce Brown	P* / N	160	-	30	-	24	214
Louis R. Hughes	A	160	15	-	-	24	199
Simon Jiang	P	160	-	-	-	30	190
Jouko Karvinen	A* / N	160	30	-	-	14	204
Jean C. Monty	A	160	15	-	-	16	191
Elizabeth Nelson	A	160	15	-	-	24	199
Kari Stadigh	P / N	160	-	-	-	14	174
Average (All)		163					196
Average (exc. committee chairmen and Vice Chair)		160					191

1. Membership of the: Audit Committee denoted by "A"; of the Personnel Committee denoted by "P"; of the Corporate Governance and Nomination Committee denoted by "N". * denotes chairmanship of the relevant committee.

2. Assumes six Board meetings in 2016, of which four are scheduled to be held in Europe and two are scheduled to be held in the US.

Appendix 4: Nokia's actual total fees payable compared to the market (fees in €000s)

Each company's Board Member remuneration translates each year into an actual amount paid to Board Members. Below we have set out the level of these 'actual fees' for each comparator group and compared this to the actual average fees which would result at Nokia from the proposed remuneration.

		Technology comparators	European comparators	US comparators
Number of board meetings in 2014	Comparator group median	7	11	9
	Nokia ¹	17	17	17
	Nokia meetings as a % of comparator group median	243%	154%	189%
Board Member actual fees (excluding Committee chairmen and Vice Chair)	Max	296	306	732
	Upper quartile	236	172	304
	Median	187	107	270
	Lower quartile	130	81	228
	Min	103	38	192
	Nokia average fees²	191	191	191
	Nokia fees as a % of comparator group median	102%	179%	71%

1. The Nokia Board held 17 meetings in 2014, 34 meetings in 2013 and 17 meetings in 2012.
2. Average actual fees are based on the average presented in Appendix 3.