

























## The President and CEO

The following table shows the remuneration received by the President and CEO in 2016 and 2015. The long-term incentive payments reflect actual payments in the respective years attributable to the vesting of the 2012 Nokia Networks equity incentive plan.

| EUR                                   | 2016             | 2015             |
|---------------------------------------|------------------|------------------|
| Salary                                | 1 049 044        | 1 000 000        |
| Short-term incentive <sup>(1)</sup>   | 780 357          | 1 922 125        |
| Equity-based incentive <sup>(2)</sup> |                  |                  |
| From role as Nokia President and CEO  | –                | –                |
| From role as NSN CEO                  | 7 556 598        | 3 238 542        |
| Other compensation <sup>(3)</sup>     | 122 157          | 145 658          |
| <b>Total</b>                          | <b>9 508 156</b> | <b>6 306 325</b> |

(1) Short-term incentives represent amounts earned in respect of the financial year, but that are paid in April of the following year.

(2) Amounts represent the value of the 2012 Nokia Networks equity incentive plan. Refer to “—2012 Nokia Networks Equity Incentive Plan” above.

(3) Other compensation includes compensation for housing equaling EUR 41 312 (2015: EUR 47 950); travel assistance equaling EUR 33 482 (2015: EUR 48 510); Tax services equaling EUR 19 260 (2015: EUR 17 834) and other benefits including mobile phone, driver and supplemental medical and disability insurance equaling EUR 28 103 (2015: EUR 31 363).

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 2016, payments to the Finnish state pension system equaled EUR 469 737 (EUR 491 641 in 2015).

### Short-term incentive

In line with Nokia's performance in 2016, the short-term incentive of the President and CEO equaled EUR 780 357, or 63.5%, of the target award, reflecting the challenging market environment.

### Long-term incentive

In 2016, the President and CEO was eligible to exercise the final options under the 2012 Nokia Networks equity incentive plan. The plan was established in 2012 to incentivize the turnaround of the former Nokia Siemens Networks business. The value of the options to the President and CEO reflects the dramatic success of the turnaround plan and is borne out by the fact that, today, the core of Nokia's business is networks-related.

In 2016, the President and CEO was awarded the following equity awards under the Nokia equity program:

| Award   | Units awarded | Grant date fair value (EUR) | Grant date      | Vesting date                   |
|---|---------------|-----------------------------|-----------------|--------------------------------|
| Performance shares <sup>(1)</sup>   | 642 114       | 3 005 736                   | July 1, 2016    | January 1, 2019                |
| Restricted shares (with individual integration-related performance conditions) <sup>(2)</sup> | 208 700       | 986 942                     | August 16, 2016 | October 1, 2017, 2018 and 2019 |

(1) The 2016 performance share plan has a two-year performance period based on financial targets and a one-year restriction period. Minimum payout under the plan, even if threshold performance is not achieved, is 25% of the awarded amount. The maximum payout would be 200% subject to maximum performance against all the performance criteria. Vesting is subject to continued employment.

(2) In 2016, Nokia and certain senior executives of the company entered into agreements based on which the vesting of restricted shares granted to them is subject to fulfillment of predetermined performance conditions related to the successful integration of Nokia and Alcatel Lucent. Performance is currently estimated at 100% payout and the restricted shares are expected to vest in three equal tranches on October 1, 2017, 2018 and 2019. Vesting is subject to continued employment.

The award of restricted shares represents a special long-term incentive to ensure that the President and CEO (and other senior executives) is motivated to deliver the synergies of the Acquisition of Alcatel Lucent and share alongside shareholders in the benefits that they are expected to deliver.

### Share ownership

Our share ownership policy requires that the President and CEO holds a minimum of three times his base salary in Nokia shares in order to ensure alignment with shareholder interests over the long term. This requirement has been met. In 2016, the President and CEO acquired 519 757 Nokia shares. In addition, the 2014 performance share plan vested on January 1, 2017 and consequently 742 297 Nokia shares were delivered to the President and CEO on February 8, 2017.

|  | Units            | Value (EUR)       |
|--|------------------|-------------------|
| Beneficially owned shares as of December 31, 2016 <sup>(1)</sup>                                 | 549 480          | 2 522 113         |
| Vested shares under the 2014 performance share plan delivered on February 8, 2017 <sup>(2)</sup> | 742 297          | 3 377 451         |
| Unvested shares under other Nokia equity plans <sup>(3)</sup>                                    | 1 351 961        | 6 205 500         |
| <b>Total</b>   | <b>2 643 738</b> | <b>12 105 064</b> |

(1) The value is based on the closing price of Nokia share of EUR 4.59 on Nasdaq Helsinki on December 30, 2016.

(2) The value and number of units represent fair market value of a Nokia share of EUR 4.55 on Nasdaq Helsinki on February 8, 2017 and the net number of shares delivered after the applicable taxes was withheld from the number of shares that vested to the President and CEO.

(3) The number of units represents the number of unvested awards at December 31, 2016 including the payout factor of the 2015 performance share plan and excluding the 2014 performance share plan that vested on January 1, 2017. The value is based on the closing price of a Nokia share of EUR 4.59 on Nasdaq Helsinki on December 30, 2016. Vesting is subject to continued employment.

# Compensation continued

## Group Leadership Team

Following the Acquisition of Alcatel Lucent, the Group Leadership Team has consisted of 13 persons split between Finland, other European countries and the United States. The compensation structure for the Group Leadership Team was set in the Nokia framework honoring inherited agreements where appropriate.

| Name                           | Position in 2016                      | Appointment date  |
|--------------------------------|---------------------------------------|-------------------|
| Rajeev Suri                    | President and CEO                     | May 1, 2014       |
| Samih Elhage                   | President of Mobile Networks          | May 1, 2014       |
| Federico Guillén               | President of Fixed Networks           | January 8, 2016   |
| Basil Alwan                    | President of IP/Optical Networks      | January 8, 2016   |
| Bhaskar Gorti                  | President of Applications & Analytics | January 8, 2016   |
| Ramzi Haidamus <sup>(1)</sup>  | President of Nokia Technologies       | September 3, 2014 |
| Timo Ihamuotila <sup>(2)</sup> | Chief Financial Officer               | September 1, 2011 |
| Hans-Jürgen Bill               | Chief Human Resources Officer         | January 8, 2016   |
| Kathrin Buvac                  | Chief Strategy Officer                | January 8, 2016   |
| Ashish Chowdhary               | Chief Customer Operations Officer     | January 8, 2016   |
| Barry French                   | Chief Marketing Officer               | January 8, 2016   |
| Marc Rouanne                   | Chief Innovation & Operating Officer  | January 8, 2016   |
| Maria Varsellona               | Chief Legal Officer                   | January 8, 2016   |

(1) Ramzi Haidamus was a member of the Group Leadership Team until September 30, 2016.

(2) Timo Ihamuotila was a member of the Group Leadership Team until December 31, 2016. Kristian Pullola was appointed as Chief Financial Officer and a member of the Group Leadership Team as of January 1, 2017. The Group Leadership Team currently consists of twelve (12) members, however, as announced on March 17, 2017, the Group Leadership Team will grow to fourteen (14) members from April 1, 2017.

Remuneration of the Group Leadership Team (excluding the President and CEO) in 2015 and 2016, in the aggregate, was as follows:

|   | 2016<br>EURm <sup>(1)</sup> | 2015<br>EURm <sup>(1)</sup> |
|---|-----------------------------|-----------------------------|
| Salary, short-term incentives and other compensation <sup>(2)</sup> | 22.7                        | 6.3                         |
| Equity-based incentives <sup>(3)</sup>                              | 25.5                        | 3.7                         |
| <b>Total</b>  | <b>48.2</b>                 | <b>10.0</b>                 |

(1) In 2016, the Group Leadership Team consisted of up to twelve members (excluding the President and CEO), whereas in 2015 the Group Leadership Team consisted of up to four members (excluding the President and CEO).

(2) Short-term incentives represent amounts earned in respect of 2016 performance. Other compensation includes mobility related payments, local benefits and certain pension costs.

(3) Amounts represent the value of the 2012 Nokia Networks equity incentive plan or other equity awards vesting or stock options exercised during 2016 and share awards from Alcatel Lucent where appropriate.

In 2016, the Group Leadership Team was awarded the following equity awards under the Nokia equity program:

| Award   | Units awarded | Grant date fair value (EUR) | Grant date                     | Vesting date                      |
|---|---------------|-----------------------------|--------------------------------|-----------------------------------|
| Performance shares <sup>(1)</sup>   | 1 571 478     | 7 356 200                   | July 1, and<br>August 16, 2016 | January 1, 2019                   |
| Restricted shares (with individual integration-related performance conditions) <sup>(2)</sup> | 1 015 100     | 4 800 408                   | August 16, 2016                | October 1, 2017,<br>2018 and 2019 |

(1) The 2016 performance share plan has a two-year performance period based on financial targets and a one-year restriction period. Minimum payout under the plan, even if threshold performance is not achieved, is 25% of the awarded amount. The maximum payout would be 200% subject to maximum performance against all the performance criteria. Vesting is subject to continued employment.

(2) Nokia and certain senior executives of the company entered into agreements based on which the vesting of restricted shares granted to them is subject to fulfillment of predetermined performance conditions related to the successful integration of Nokia and Alcatel Lucent. Performance is currently estimated at 100% payout and the restricted shares are expected to vest in three equal tranches on October 1, 2017, 2018 and 2019. Vesting is subject to continued employment.

**Review of our incentive plans**

**Short-term Incentives**

Short-term incentive targets and achievements for the members of the Group Leadership Team (excluding the President and CEO) were based on a mix of revenue, operating profit and cash flow targets. These targets are measured either at a Nokia Group level or, alternatively, a mix of Nokia Group and business group level for business group presidents. Payout levels for 2016 represent the challenging business environment in which Nokia has been operating with median payout at 70% of target.

**Long-term incentives**

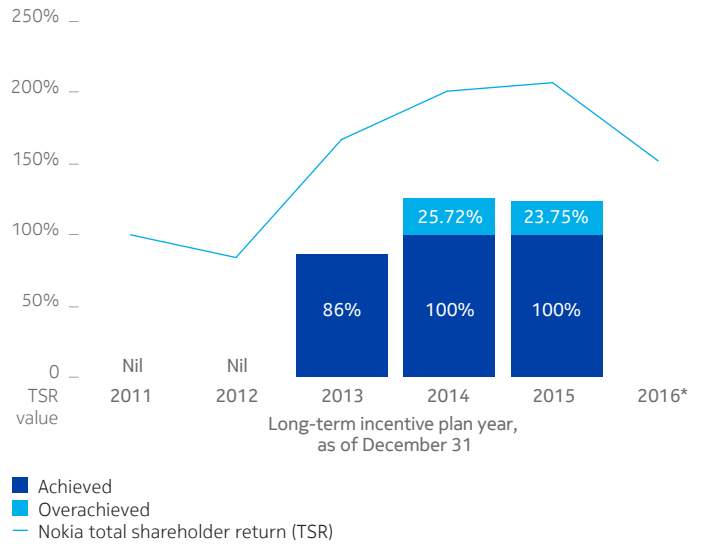
We have actively introduced a rolling review of compensation against key metrics such as total shareholder return and share price to validate the effectiveness of our equity plans.

The 2014 performance share plan vested on January 1, 2017 with 125.72% of the target award vesting based on the achievement against the net sales and earnings per share targets during the performance period.

The 2015 performance share plan will vest on January 1, 2018 with 123.75% of the target award vesting based on the achievement against the net sales and earnings per share targets during the performance period.

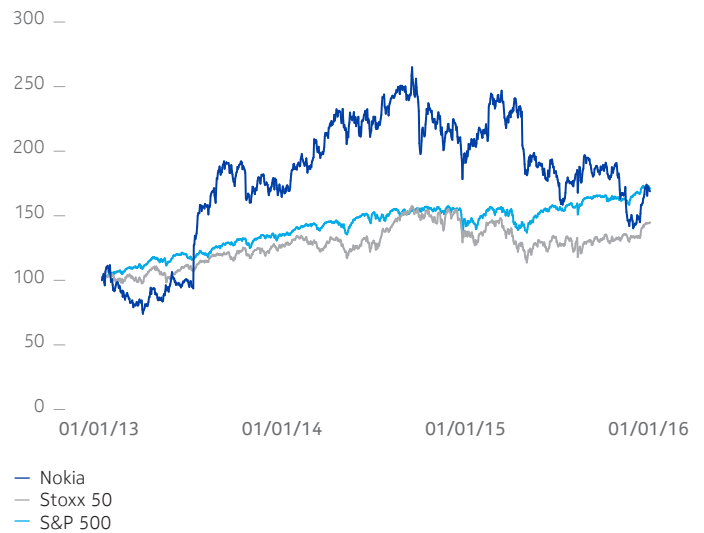
While short-term performance in 2016 was affected by a challenging market and the integration of Alcatel Lucent, the performance under long-term incentive plans represents the significant turnaround of Nokia from 2013 when it acquired the remainder of Nokia Siemens Networks and the continued focus on delivering profit despite challenging market conditions. The performance of the business in 2014, 2015 and 2016 against targets set in the context of analyst forecasts shows fair rewards for a business well positioned for the longer term.

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



\* Performance period not yet completed.

**Total shareholder return Nokia vs Stoxx 50 vs S&P 500 (January 1, 2013 to December 31, 2016)**



# Compensation continued

## Pay for performance

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

We compare ourselves to a group of peer companies. We rank our performance against the peer group based on total shareholder return and total compensation paid, to ensure that the targets and amounts paid are for superior performance and reflect a balanced view. Data are only publicly available for our peer group for financial years to December 31, 2015. Based on the comparison, the performance of Nokia over the preceding three years, as measured by total shareholder return, was ranked first, whilst the compensation paid out to the President and CEO (as opposed to awarded) was ranked second. This shows a strong pay-for-performance alignment at Nokia, and this is illustrated in the chart opposite.

## 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              | Infineon    |
| ASML             | Kone        |
| BT               | Phillips    |
| Deutsche Telekom | Rolls-Royce |
| Ericsson         | SAP         |
| Hexagon          | Vodafone    |

## Share ownership

### Share ownership of the Board of Directors

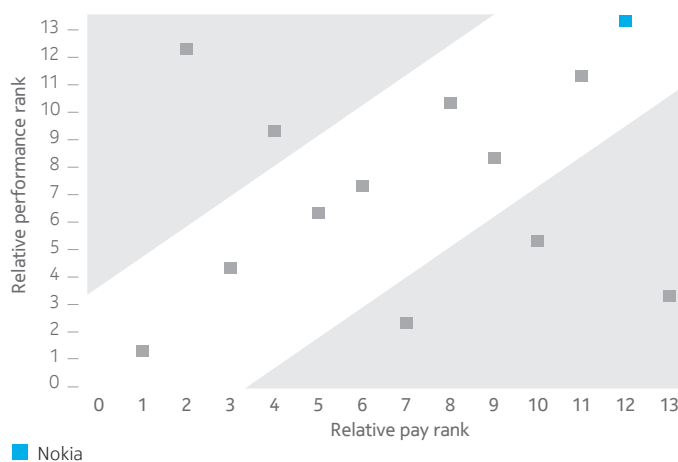
As of December 31, 2016, the members of our Board held a total of 4 754 602 shares and ADSs in Nokia, which represented approximately 0.08% of our outstanding shares and total voting rights excluding shares held by Nokia Group.

The following table sets forth the number of shares and ADSs held by the members of the Board at December 31, 2016:

| Name <sup>(1)</sup>   | Shares <sup>(1)</sup> | ADSs <sup>(1)</sup> |
|-----------------------|-----------------------|---------------------|
| Risto Siilasmaa       | 1 282 708             | –                   |
| Olivier Piou          | 252 760               | –                   |
| Bruce Brown           | –                     | 99 961              |
| Louis R. Hughes       | 41 827                | –                   |
| Jean C. Monty         | 2 767 557             | –                   |
| Elizabeth Nelson      | –                     | 45 868              |
| Carla Smits-Nusteling | 13 921                | –                   |
| Kari Stadigh          | 250 000               | –                   |

(1) The number of shares or ADSs includes shares and ADSs received as director compensation as well as shares and ADSs acquired through other means. Stock options or other equity awards that are deemed as being beneficially owned under the applicable SEC rules are not included. For the number of shares or ADSs received as director compensation, refer to Note 35, Related party transactions, of our consolidated financial statements included in this annual report.

Relative degree of alignment pay vs total shareholder return ranking



### Share ownership of the President and CEO and the Nokia Group Leadership Team

The following table sets forth the share ownership of the President and CEO, and the other members of the Group Leadership Team in office as of December 31, 2016. The share ownership of all members of the Group Leadership Team, including the President and CEO, was 1 091 181 Nokia shares, which represented 0.02% of the outstanding shares and total voting rights excluding shares held by Nokia Group at December 31, 2016. The share ownership requirement of the President and CEO as well as the members of the Group Leadership Team is described under “—Share ownership requirement” above.

| Name             | Position in 2016                      | Beneficially owned shares number |
|------------------|---------------------------------------|----------------------------------|
| Rajeev Suri      | President and Chief Executive Officer | 549 480                          |
| Samih Elhage     | President of Mobile Networks          | –                                |
| Federico Guillén | President of Fixed Networks           | 13 498                           |
| Basil Alwan      | President of IP/Optical Networks      | 163 071                          |
| Bhaskar Gorti    | President of Applications & Analytics | 133                              |
| Timo Ihamuotila  | Chief Financial Officer               | 353 120                          |
| Hans-Jürgen Bill | Chief Human Resources Officer         | 10 000                           |
| Kathrin Buvac    | Chief Strategy Officer                | –                                |
| Ashish Chowdhary | Chief Customer Operations Officer     | 1 746                            |
| Barry French     | Chief Marketing Officer               | 133                              |
| Marc Rouanne     | Chief Innovation & Operating Officer  | –                                |
| Maria Varsellona | Chief Legal Officer                   | –                                |

### Unvested equity awards held by the Nokia Group Leadership Team as of December 31, 2016

The following table sets forth the potential ownership interest through the holding of equity-based incentives of the Group Leadership Team, including the President and CEO:

|  | Shares receivable through stock options | Shares receivable through performance shares at grant | Shares receivable through performance shares at maximum <sup>(4)</sup> | Shares receivable through restricted shares |
|--|---|---|--|---|
| Number of equity awards held by the Group Leadership Team <sup>(1)</sup>     | 320 000                                 | 4 912 265   | 9 824 530  | 1 250 480                                   |
| % of the outstanding shares <sup>(2)</sup>                                   | 0.01%                                   | 0.09%   | 0.17%  | 0.02%                                       |
| % of the total outstanding equity incentives (per instrument) <sup>(3)</sup> | 19.99%                                  | 11.31%  | 11.31%   | 20.95%                                      |

(1) Includes the 12 members of the Group Leadership Team in office as of December 31, 2016. The number of units held under awards made before June 30, 2016 was adjusted to reflect the impact of the special dividend paid in 2016.

(2) The percentages are calculated in relation to the outstanding number of shares and total voting rights of Nokia as of December 31, 2016, 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. The number of units outstanding under awards made before June 30, 2016 reflects the impact of the special dividend paid in 2016.

(4) At maximum performance, under the performance share plans outstanding as of December 31, 2016, the payout would be 200% and the table reflects this potential maximum payout. The restriction period for the performance share plan 2014 and the performance period for the performance share plan 2015 ended on December 31, 2016 and Nokia's performance against the performance criteria set out in the plan rules, was above the threshold performance level for both plans. The settlement to the participants under the performance share 2014 plan took place in February 2017 and the settlement for the performance share 2015 plan is expected to take place in the beginning of 2018 after the restriction period ends.