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, the President and CEO and aggregated compensation information for the Group Leadership Team, other than the President and CEO, for 2019. 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

- 2019 Compensation for the President and CEO declined by 16% to EUR EUR 3 897 625, driven by below target payout from the 2016 long term incentive award and a below target 2019 short term incentive award (39% of target), reflecting the below target performance of the business. We remain very positive about the outlook for the business given the expected growth in our 5G business.
- For the 2019 Performance Share plan, the performance period was increased to three years, reflecting input from shareholders.
- Shareholders will be asked to adopt Nokia's remuneration policy as part of a "Say on Pay" vote in the 2020 AGM. The policy has remained relatively stable after the changes made in 2018. We reached out to our largest shareholders once again in 2019, and they acknowledged the changes made in 2018, and were supportive of some minor technical amendments to facilitate operational flexibility in the plan for the next four years. The remuneration policy to be presented to shareholders is available on our website.
- Importantly, we now have no unexplained gender pay gap in Nokia meaning that women and men are paid fairly and in line with the market and their skills and experience. There was a small historic difference in the pay of women and men in Nokia and in 2019 we took active measures and eliminated this gap. We continue to monitor this position.
- We remain confident in our business and program to deliver the returns our shareholders expect, and our compensation programs will: work to incentivize the management to deliver the desired strategy and results; reward management for results; ensure the interest of shareholders and employees are aligned; and ensure retention of key employees.

Word from the Chair of the Personnel Committee of the Board

Dear Fellow Shareholder,

2019 was a year of mixed fortunes seeing 5G really take off and good performance from some of our business groups. It also presented challenges to us at an operational level for Nokia with profits and cash flow below target. This was illustrated by the impact on our share price.

Given the cash challenges in the business and the need for incremental R&D investment to support 5G, the Board decided to pause dividends in order to a) guarantee Nokia's ability to increase 5G investments, b) continue investing in growth in strategic focus areas of enterprise and software and c) strengthen Nokia's cash position. The Board expects to resume dividend distributions after Nokia's net cash position improves to approximately EUR 2 billion.

The below target performance is reflected in the results of the compensation programs with a 2019 short term incentive award for the CEO at 39% of target. We remain very positive about the outlook for the business given the expected growth in our 5G business, and the encouraging progress in our strategic areas of Nokia Enterprise, Nokia Software, IP Routing, and the continued success of Nokia Technologies.

Shareholders will be asked to adopt Nokia's remuneration policy as part of a "Say on Pay" vote in the 2020 AGM. The 2019 remuneration policy has remained relatively stable after the changes made in 2018. We reached out to our largest shareholders once again in 2019, and they acknowledged the changes made in 2018, and were supportive of some minor technical amendments to facilitate operational flexibility in the plan for the next four years. Our updated 2020 policy will be available on our website prior to the AGM.

Business context

- Below target performance was driven by market pressure in China, slower than expected 5G growth, and some product development challenges in 5G. Success in IP Routing, Nokia Enterprise, Nokia Software, and Nokia Technologies was insufficient to offset the challenges in Mobile Access.

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.

Over the mid to long term, it is our intent to deliver earnings growth based on improved operating performance, and to deliver cash growth to resume the dividend for our shareholders, as well as fund investments in the future growth of the business. To support this, the metrics in our short-term incentive plans focus on cash flow, profit and revenue, and our long-term incentive plans focus on value creation for shareholders (measured by absolute total shareholder return).

The committee considered whether and how our incentive structures incentivize environmental sustainability and governance (ESG) priorities. Our view is that these key priorities are supported by a focus on the share price element of the long term incentives which forms a significant element of the overall compensation for our senior leaders. The interaction of ESG initiatives with the way we operate our business is complex and as no single ESG metric on its own defines our business, the view of the Board is that this is best managed by Nokia's senior leaders in consultation with key stakeholders. To better understand the breadth and depth of Nokia's ESG Program, please see Nokia's People & Planet report.

Compensation continued

Shareholder outreach
During 2019 we met with some of our shareholders to hear their views on our compensation policies, programs and associated disclosures. We have taken these views into account in both the measures for the 2020 incentive plans and also in the policy that will be presented to shareholders at the Annual General Meeting.

2019 compensation structure
Changes were made during 2019 to the compensation arrangements, in two main areas, to better align with our stated intent and to align senior managers interests further with those of our shareholders.

Three year performance period
Having changed the performance measures in 2018 to market share, earnings per share and free cash flow it was decided that the measurement period for the plan should be extended to three years for the 2019 awards which will be based on the performance of financial years 2019 to 2021.

Change in CEO pay
For 2019 the total target compensation for the CEO was increased by 2% which represents his first increase since January 2016. As part of the exercise we also changed the mix of the compensation to re-set the leverage which had risen above 85%. It should be noted that although his opportunity increased, the direct linkage of some 80% of his compensation to company results meant that his actual compensation decreased.

2019 remuneration outcomes
Overall the compensation received by the President and CEO declined to EUR 3 897 625 down by over 16% from 2018, directly related to company performance.

- A lower short-term incentive of EUR 637 163, or 39% of target incentive reflecting the challenging year.
- A lower long-term incentive of EUR 1 841 843 being 46.25% of the target number of units vesting based on performance for financial years 2016 and 2017.

The President and CEO also received the final tranche of a special long-term incentive award granted in 2016 to incentivize the delivery of synergies from the Alcatel Lucent acquisition. This award is payable in Nokia shares so whilst the number of shares has not changed, the value of the award has reduced in line with the fall in Nokia's share price.

Share ownership requirement
The President and CEO is required to own three times his base salary in Nokia shares and currently exceeds this requirement significantly. Mr Suri currently owns 2 951 551 Nokia shares. Of these, he has purchased over 1 million shares since 2016 over and above those received under Nokia incentive plans. Together with his performance linked compensation, this personal shareholding means that Mr Suri is strongly aligned to the interests of shareholders.

Looking forward to 2020
Changes in 2018 and 2019 to our compensation structure, together with refocusing the metrics for 2020, have now aligned the compensation for the President and CEO against the right peer group, the strategic needs of the business, and investor expectations. Changes to incentives for 2020 are clearly focused on driving cash and profitable business results, and we believe that rewarding delivery of the measures in our incentive plans will deliver the desired longer term outcomes for Nokia. While our markets remain challenging, focusing on operating discipline and driving growth in areas such as Nokia Enterprise, Nokia Software and IP Routing, will bear fruit as we address the challenges in the 5G space.

Remuneration Policy
Whilst results in 2019 have been disappointing, our current policy has ensured that management compensation is aligned with company performance. The proposed 2020 Remuneration Policy will be very similar to the current policy and will be presented to the Annual General Meeting. I hope that you will give it your full support.

Short and long-term incentives in 2020
Our 2020 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		
Revenue 20%	Operating profit 40%	Free cash flow 40%
Deliver annual plan revenues	Deliver annual plan profitability	Deliver planned annual free cash flow

The 2020 long-term incentive is based on performance over the life of the three-year plan vesting in 2023. The metric will be 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.

The 2018 long-term incentive will payout at 56.82% of target award, based on the achievement against the revenue and earnings per share targets during the performance period of financial years 2017 and 2018. The shares will vest on January 1, 2021. The 2018 plan was the last of the two year performance period programs.

These changes to our incentives for 2020 mean that short-term plans are more focused now on profit and cash flow and long-term incentives are focused on growing share price and restoring the dividend.

It is of little comfort that our incentive plans had a reduced pay out this year given the performance of the company, but it is reassuring to know that there is alignment between the interests of our executives, employees and shareholders. Our focus remains on improving the Company's performance and delivering the returns that our Shareholders expect. We will continue to work to ensure our compensation programs properly incentivize the management to deliver the strategy, and to ensure shareholder and management interests remain aligned. We will also continue to strive to increase transparency and understanding of our compensation plans and policies and share our analysis of their effectiveness. We work to improve our disclosures and engagement and look forward to working with you, our shareholders, as we move toward a new era in Finland and Europe with the Say on Pay becoming a reality.

Bruce Brown, Chair of the Personnel Committee

Pay overview of the President and CEO

Element	Year ended 31 December 2020, subject to and in accordance with the separately published Remuneration Policy to be presented to the Annual General Meeting 2020.	Year ended 31 December 2019
Base salary	EUR 1 300 000	EUR 1 300 000
Short-term incentives[1]	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: ■ 80% Nokia scorecard – ⅓ revenue – ⅓ operating profit – ⅓ free cash flow (excluding restructuring) ■ 20% Personal strategic objectives Achievement against measures is multiplied by the business results multiplier (operating profit), the overriding affordability measure.
Long-term incentives (Performance Shares)[1]	Target award: 200% of base salary (EUR 2 600 000) Minimum payout 0% of base salary Maximum payout 400% of base salary[2] Metrics: Absolute Total Shareholder Return	Target award: 200% of base salary (EUR 2 600 000) Minimum payout 0% of base salary Maximum payout of 400% of base salary[2] Metrics: ■ Market share ■ Earnings per share ■ Free cash flow
Pension	Contribution to the mandatory TyEL pension plan in Finland.	Contribution to the mandatory TyEL pension plan in Finland.
Benefits & mobility	Mobility related benefits, life and critical illness insurance and private medical insurance.	Mobility related benefits, life and critical illness insurance and private medical insurance.
Total Target Remuneration	EUR 7 541 000	EUR 7 541 000
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

(1) Revenue, operating profit and earnings per share measures exclude costs related to the acquisition of Alcatel Lucent and related integration, goodwill impairment charges, intangible asset amortization and other purchase price fair value adjustments, restructuring and associated charges and certain other items.
(2) The maximum payout from the long-term incentive plan is 200% of the units awarded. At a target award of 200% of base salary this could result in a maximum payout of 400% of base salary ignoring share price movement.

Remuneration Policy 2019

In this section, we describe our Remuneration Policy for the President and CEO and the Board of Directors in effect in 2019.

As we approach our first Say on Pay at the Annual General Meeting in 2020, we publish on our website as part of the Annual General Meeting documents the new 2020 remuneration policy, applicable to the President and CEO and the Board of Directors which has only minor modifications to the policy in place in 2019. As with current practice, the Board remuneration will be resolved annually by shareholders.

Below we also describe the principles of remunerating our Group Leadership Team, excluding the President and CEO.

While we are a Finnish company we compete in a global market for talent in the technology sector. In forming the policy we take into account the views of shareholders and the needs of the company to attract, retain and motivate individuals of suitable caliber and experience to lead Nokia. We also take into account the performance of the company, and where appropriate the individuals when assessing any potential changes against market practices and conditions and the compensation paid to our employees more broadly.

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.

Revenue, operating profit, and earnings per share measures referred to in the Remuneration Policy exclude costs related to the acquisition of Alcatel Lucent and related integration, goodwill impairment charges, intangible asset amortization and other purchase price fair value adjustments, restructuring and associated charges and certain other items as applicable.

Compensation continued

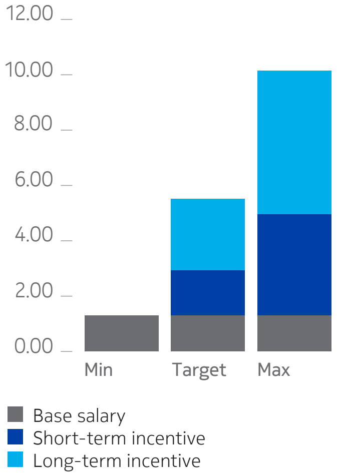
The President and CEO

The table below summarizes the main components of the compensation for the President and CEO in 2019.

Element	Purpose	Operation	Opportunity
Base pay	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.
Short-term incentives	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).	Minimum 0% of base salary. Target 125% of base salary. Maximum 281.25% of base salary.
Long-term incentives	To reward for delivery of sustainable long-term performance, align the President and CEO's interests with those of shareholders and aid retention.	Annual 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).	Minimum 0% of base salary. Target award level is 200% of base salary. Maximum 400% of base salary. The 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.
Benefits & perquisites	To attract, retain and protect the President and CEO.	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.
Relocation & mobility	To support international mobility and ensure the right person is in the right location to meet business needs.	Support may be offered to cover additional costs related to relocation to and working in a location other than home country based on business need. The policy supports the mobility needs of an individual and their dependents or the reasonable costs of commuting.	Benefits are market specific and are not compensation for performing the role but provided to defray costs or additional burdens of a relocation or residence outside the home country.
Retirement plans	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.

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.

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 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 which is sufficient to attract, retain and motivate the individual with the right skills for the required role. Any offer would be expected to fit within the framework described above.

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 which 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 under "Termination provisions of the President and CEO".

Change of control arrangements are offered on a very limited basis only and 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.

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 and experience 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 21, 2019 and ends at the close of the Annual General Meeting in 2020 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.

Remuneration Report

The Remuneration Report prepared in accordance with regulations applicable to Nokia for the financial year 2019 provides information on the remuneration of the President and CEO and the Board of Directors between January 1, 2019 and December 31, 2019. We also describe the remuneration to our Group Leadership Team, excluding the President and CEO, on aggregate level below. Revenue, operating profit and earnings per share measures referred to in the Remuneration Report exclude costs related to the acquisition of Alcatel Lucent and related integration, goodwill impairment charges, intangible asset amortization and other purchase price fair value adjustments, restructuring and associated charges and certain other items.

The President and CEO

The following table shows the remuneration received by the President and CEO in 2019 and 2018. The long-term incentive payments reflect actual payments in the respective years attributable to the vesting of the 2016 plan in 2019 (comparative figure show the payment of the 2015 Nokia performance share plan in 2018) and a special long-term incentive related to delivery of synergies from the Alcatel Lucent acquisition which pays in three tranches, in 2017, 2018 and 2019.

EUR	2019	2018
Salary	1 300 000	1 050 000
Short-term incentive(1)	637 163	873 862
Long-term incentive	1 841 843	2 597 426
Other compensation(2)	118 619	129 721
Total	**3 897 625**	**4 651 009**

(1) Short-term incentives represent amounts earned in respect of the financial year, but that are paid in April of the following year.
(2) Other compensation includes compensation for housing equaling EUR 48 049 (2018: EUR 45 890); travel assistance equaling EUR 16 813 (2018: EUR 35 454); Tax services equaling EUR 16 826 (2018: EUR 12 230) and other benefits including mobile phone, driver and supplemental medical and disability insurance equaling EUR 36 931 (2018: EUR 36 147).

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 2019, payments to the Finnish state pension system equaled EUR 353 846 (EUR 312 607 in 2018).

Short-term incentive

The 2019 short-term incentive framework for the President and CEO was based on three core metrics: revenue, operating profit and free cash flow.

The short-term incentive for the President and CEO were based on the achievement of key financial targets and other strategic objectives, as defined above. Performance against these defined targets was then multiplied by a business results multiplier, which acts as a funding factor (based on operating profit) for the incentive plan for most employees, to determine the final payment.

Short-term incentive targets and achievements reflect the challenging market conditions yet also show the operational resilience of our business. In line with Nokia's performance in 2019, the short-term incentive of the President and CEO equaled EUR 637 163 or 39% of the target award, reflecting the over-delivery on revenue, but below target delivery of operating profit and free cash flow. Achievement by each element of the short-term incentive plan was as follows:

Metric	Weight	Target EURm	Achievement
Revenue	27%	22 748	100.56%
Operating profit	27%	2 423	34.92%
Free cash flow	27%	1 028	25.00%

Long-term incentive

In 2019, the President and CEO's 2016 performance share award vested at 46.25% of the target award valued at EUR 1 618 530. This was based on performance of financial years 2016 and 2017.

In 2016, the President and CEO was granted a share award subject to the fulfillment of predetermined and demanding performance conditions related to the successful integration of Nokia and Alcatel Lucent. This award vested in three equal tranches, the last of which was in 2019 and worth EUR 223 313.

In 2019, the President and CEO was awarded the following equity awards under the Nokia equity program:

Performance share awards	Units awarded	Grant date fair value (EUR)	Grant date	Vesting date
Awarded as regular performance share award(1)	650 699	2 627 002	3 July 2019	1 January 2022

(1) The 2019 performance share plan has a three-year performance period based on financial targets. There is no minimum payout at below threshold performance for the President and CEO. The maximum payout would be 200% subject to maximum performance against all the performance criteria. Vesting is subject to continued employment.

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.

	Units	Value(1) (EUR)
Beneficially owned shares as of December 31, 2019	2 798 146	9 233 882
Vested shares under the 2017 performance share plan delivered on February 13, 2020(2)	153 405	506 237
Unvested shares under outstanding Nokia equity plans(3)	1 689 492	5 575 323
Total	**4 641 043**	**15 315 442**

(1) The values are based on the closing price of a Nokia share of EUR 3.30 on Nasdaq Helsinki on December 30, 2019.
(2) The value of the shares at delivery was based on fair market value of a Nokia share of EUR 3.99 on Nasdaq Helsinki on February 13, 2020 giving a total value delivered of EUR 612 086. The number of shares delivered reflects the net number of shares delivered after the applicable taxes were withheld from the number of shares that vested to the President and CEO.
(3) The number of units represents the number of unvested awards as of December 31, 2019 including the payout factor of the 2018 performance share plan and excluding the 2017 performance share plan that vested on January 1, 2020.

Termination provisions of the President and CEO

Currently the termination provisions for the President and CEO's service agreement specify alternatives for termination and associated compensation in accordance with the following table:

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 18 months	The President and CEO is entitled to a severance payment equaling up to 18 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	Six months	The President and CEO may terminate his service agreement at any time with six 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 18 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 18 months of compensation (including annual base salary, benefits and target incentive). Any unvested equity awards would be forfeited after termination.

The President and CEO's service agreement includes special severance provisions in the event of a termination of employment following a change of control event. Such change of control provisions are based on a double trigger structure, which means that both a change of control event and the termination of the President and CEO's employment within a defined period of time must take place in order for any change of control-based severance payment to become payable. More specifically, if a change of control event has occurred, as defined in the service agreement, and the President and CEO's service with Nokia is terminated by either Nokia or its successor without cause, or by the President and CEO for "good reason", in either case within 18 months from such change of control event, the President and CEO would be entitled to a severance payment equaling up to 18 months of compensation (including annual base salary, benefits, and target incentive) and cash payment (or payments) for the pro-rated value of his outstanding unvested equity awards, restricted shares, performance shares and stock options (if any), payable pursuant to the terms of the service agreement. "Good reason" referred to above includes a material reduction of the President and CEO's compensation and a material reduction of his duties and responsibilities, as defined in the service agreement and as determined by the Board.

The President and CEO is subject to a 12-month non-competition 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

In 2019, the aggregate amount of compensation paid to the members of the Board for their services on the Board and its committees equaled EUR 2 219 000.

The Annual General Meeting held on May 21, 2019 resolved to elect ten members to the Board. The following members of the Board were re-elected for a term ending at the close of the Annual General Meeting in 2019: Sari Baldauf, Bruce Brown, Jeanette Horan, Edward Kozel, Elizabeth Nelson, Olivier Piou, Risto Siilasmaa, Carla Smits-Nusteling and Kari Stadigh. Søren Skou was elected as a new member of the Board for the same term. For director remuneration resolved by the Annual General Meeting for the current term refer to “Remuneration Policy 2019—Board of Directors” above.

The following table outlines the total annual compensation paid in 2019 to the members of the Board for their services, as resolved by the shareholders. The table does not include the meeting fees as resolved by the Annual General Meeting in 2019 since those fees for the ongoing term will be paid in 2020. For details of Nokia shares held by the members of the Board, refer to “Corporate Governance Statement—Share ownership of the Board of Directors” above.

	Annual fee (EUR)	Meeting fees (EUR)	Total remuneration paid (EUR)	Number of shares Approximately 40% of the annual fee
Risto Siilasmaa, Board Chair	440 000	–	440 000	38 675
Sari Baldauf, Vice Chair	185 000	12 000	197 000	16 261
Bruce Brown	190 000	27 000	217 000	16 700
Jeanette Horan	175 000	22 000	197 000	15 382
Louis R. Hughes	–	22 000	22 000	–
Edward Kozel	195 000	20 000	215 000	17 140
Elizabeth Nelson	175 000	25 000	200 000	15 382
Olivier Piou	175 000	14 000	189 000	15 382
Søren Skou	160 000	–	160 000	14 063
Carla Smits-Nusteling	190 000	20 000	210 000	16 700
Kari Stadigh	160 000	12 000	172 000	14 063
Total			**2 219 000**	**179 748**

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.

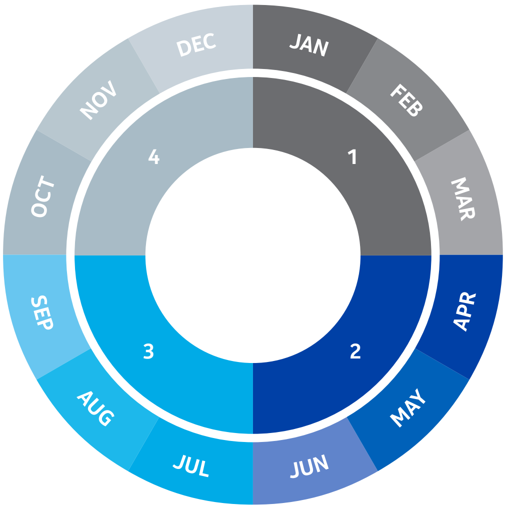
The Board of Directors approves, and the independent members of the Board confirm, the compensation of the President and CEO, upon recommendation of the Personnel Committee. The Personnel Committee consults regularly with the President and CEO and the Chief Human Resources Officer though they are not 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.

The Remuneration Policy of the President and CEO and the Board will be presented to the shareholders’ at the 2020 AGM and is expected to remain in force for four years.

Work of the Personnel Committee

The Personnel Committee convened four times during 2019 with a general theme for each meeting. In addition to meetings in person, the Committee held one meeting in writing.



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

January:

- Review of the President and CEO compensation
- 2018 achievement review and short-term incentive plan payment approvals including review of the performance of the President and CEO
- Budget approval for the 2019 Nokia equity program and performance review for the 2017 performance share plan
- Review of the Group Leadership Team succession planning

July:

- Review of:
  - Compensation of the Group Leadership Team
  - The EU Shareholder Rights Directive II
  - Talent overview
  - Workforce demographics
- Update on market and legal environment and market practices

September:

- Risk review
- Review of Alcatel Lucent 2015 performance share plan
- Investor outreach update
- Study on metrics used in long-term incentive programs in the technology sector and wider corporate environment

December:

- Review of:
  - Culture
  - Framework for the short-term incentive program for 2020;
  - Framework for the long-term incentive program for 2020; and
  - The Remuneration Statement and Report for 2019

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 2019, the Group Leadership Team consisted of 18 persons split between Finland, other European countries and the United States.

Name	Position in 2019	Appointment date
Rajeev Suri[1]	President and CEO	May 1, 2014
Nassib Abou-Khalil	Chief Legal Officer	August 1, 2019
Basil Alwan	Co-president of IP/Optical Networks	January 8, 2016
Hans-Jürgen Bill	Chief Human Resources Officer	January 8, 2016
Kathrin Buvac[2]	President of Nokia Enterprise	January 8, 2016
Rick Corker	President of Customer Operations, Americas	January 1, 2019
Joerg Erlemeier	Chief Operating Officer	December 11, 2017
Barry French	Chief Marketing Officer	January 8, 2016
Sanjay Goel[3]	President of Global Services	April 1, 2018
Bhaskar Gorti[4]	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
Kristian Pullola	Chief Financial Officer	January 1, 2017
Sri Reddy	Co-president of IP/Optical Networks	May 15, 2018
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

(1) Rajeev Suri will leave his current position on August 31, 2020. Nokia's Board of Directors has appointed Pekka Lundmark as President and Chief Executive Officer of Nokia and he is expected to start in his new role on September 1, 2020.
(2) Kathrin Buvac was appointed President of Nokia Enterprise as of January 1, 2019 and continued in her other role as Chief Strategy Officer until November 30, 2019.
(3) Sanjay Goel, President of Global Services and member of the Group Leadership Team was in addition to this role appointed President of Operations as of January 1, 2020.
(4) Bhaskar Gorti, President of Nokia Software and member of the Group Leadership Team was in addition to this appointed Chief Digital Officer as of January 1, 2020.

The following persons stepped down from the Group Leadership Team during 2019.

Name	Position in 2019	Appointment date	Leaving date
Maria Varsellona	Chief Legal Officer and President of Nokia Technologies	January 8, 2016	July 31, 2019
Joerg Erlemeier	Chief Operating Officer	December 11, 2017	December 31, 2019
Hans-Jürgen Bill[1]	Chief Human Resources Officer	January 8, 2016	December 31, 2019

(1) Hans-Jürgen Bill was a member of the Group Leadership Team until December 31, 2019. Stephanie Werner was appointed Chief Human Resources Officer and a member of the Group Leadership Team as of January 1, 2020.

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 and follows the same policy framework as the President and CEO and other eligible employees, except that the quantum differs by role. 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.

Remuneration on recruitment
Our policy on recruitment is to offer a compensation package which is sufficient to attract, retain and motivate individuals 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 and will take into account any conditions attached to the awards and the likely performance against such conditions.

Clawback
Our executives are 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 which 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.

Share ownership policy

Members of the Group Leadership Team are required to own two times their base salary in Nokia Shares. They are given five years from joining the Group Leadership Team to meet the requirements of the policy.

Pension arrangements of the Group Leadership Team

The members of the Group Leadership Team participate in the local retirement plans applicable to employees in the country of residence. Executives based in Finland participate in the statutory Finnish pension system, as regulated by the Finnish TyEL.

Executives based outside Finland participate in arrangements relevant to their location. Retirement plans vary by country and include defined benefit, defined contribution and cash balance plans. The retirement age for the members of Group Leadership Team varies between 60 and 65.

Termination provisions

In all cases, if an executive is dismissed for cause, no compensation will be payable and no outstanding equity will vest.

In the event of termination by Nokia for any other reason than cause, where Nokia pays compensation in lieu of notice period salary, the benefits and target short-term incentive amounts are taken into account.

The Board has discretion to implement change of control agreements if there is a period of significant instability in the business to facilitate stable and effective leadership during such a time, for example during a merger. At the end of 2019 there were no change of control agreements in place for the Group Leadership Team members.

Remuneration of the Group Leadership Team in 2019

Remuneration of the Group Leadership Team (excluding the President and CEO) in 2019 and 2018, in the aggregate, was as follows:

	2019 EURm(1)	2018 EURm(1)
Salary, short-term incentives and other compensation(2)	21.7	20.5
Long-term incentives(3)	4.4	3.6
Total	**26.1**	**24.1**

(1) The values represent each member's time on the Group Leadership Team.
(2) Short-term incentives represent amounts earned in respect of 2019 performance. Other compensation includes mobility related payments, local benefits and pension costs.
(3) The amounts represent the value of equity awards that vested in 2019.

The members of the Group Leadership Team (excluding the President and CEO) were awarded the following equity awards under the Nokia equity program in 2019:

Award	Units awarded(1)	Grant date fair value (EUR)	Grant date	Vesting date
Performance shares(2)	1 993 548	7 931 654	July 3, 2019, October 2, 2019 and December 11, 2019	January 1, 2022
Restricted shares(3)	93 300	438 930	April 24, 2019	July 1, 2020, 2021 and 2022

(1) Includes units awarded to persons who were Group Leadership Team members during 2019.
(2) The 2019 performance share plan has a three-year performance period based on financial targets. There is no minimum payout at below threshold performance for executive employees. The maximum payout would be 200% subject to maximum performance against all the performance criteria. Vesting is subject to continued employment.
(3) Nokia and some senior executives of the Company entered into agreements based on which the vesting of Restricted Shares granted to them is subject to fulfilment of predetermined performance conditions related to 5G development.

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, 2019:

	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)	7 877 129	15 754 258	761 462
% of the outstanding shares(2)	0.14%	0.28%	0.01%
% of the total outstanding equity incentives (per instrument)(3)	8.63%	8.63%	23.25%

(1) Includes the 18 members of the Group Leadership Team in office as of December 31, 2019.
(2) The percentages are calculated in relation to the outstanding number of shares and total voting rights of Nokia as of December 31, 2019, 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, 2019, the payout would be 200% and the table reflects this potential maximum payout. The restriction period for the performance share plan 2017 and the performance period for the performance share plan 2018 ended on December 31, 2019 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 2017 plan took place in February 2020 and the settlement for the performance share 2018 plan is expected to take place in the beginning of 2021 after the restriction period ends.

Compensation continued

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 to 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 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
Short-term incentive targets and achievements were based on a mix of revenue, operating profit and cash flow as well as personal targets. 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 2019 represent the challenging business environment in which Nokia has been operating with median payout at 37.49% of target.

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

The 2016 performance share plan vested on January 1, 2019 with 46.25% of the target award vesting based on the achievement against the revenue and earnings per share targets during the performance period (financial years 2016 and 2017).

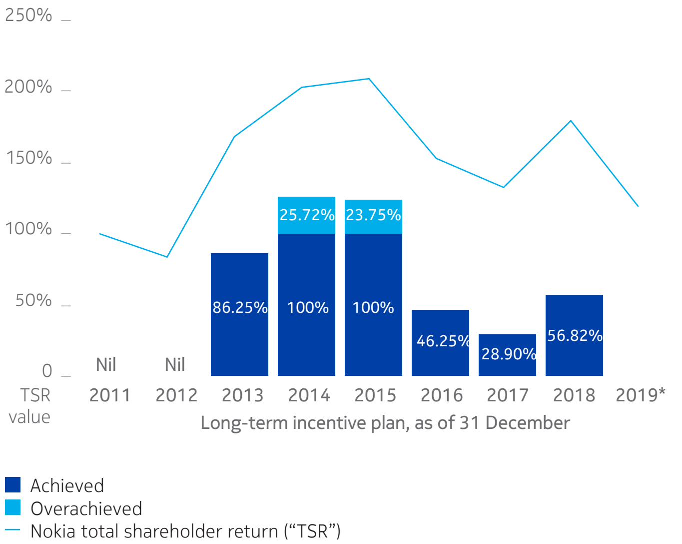
The 2017 performance share plan vested on January 1, 2020 with 28.9% of the target award vesting based on the achievement against the revenue and earnings per share targets during the performance period (financial years 2017 and 2018).

The 2018 performance share plan will vest 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).

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

Each year we review overall total shareholder return compared to 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.

Following the change in the performance metrics in the 2019 long-term incentive plan to better fit with the needs of the business, 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

This remains an appropriate comparator group and is expected to remain the same in 2020.

Nokia Equity Program

The outstanding Nokia equity programs include the following equity instruments

	Performance shares	Restricted shares	Employee share purchase plan ("Share in Success")
Eligible employees	Grade-based eligibility	Grade-based eligibility	Employees in participating countries
Purpose	Annual long-term incentive awards, to reward delivery of sustainable long-term performance, align with the interests of shareholders and aid retention of key employees	Limited use for recruitment and retention	Encourage share ownership within the Nokia employee population, increasing engagement and sense of ownership in the company
Vesting schedule	Three-year plan period based on financial target(s). Prior to 2019 two-year performance period based on financial targets and one-year restriction period.	Vesting equally in three tranches on the 1st, 2nd and 3rd anniversary of grant. From 2020 in very exceptional cases all tranches may vest in a total of 18 months.	Matching shares vest at the end of the 12 month savings period
Performance period	Three years	Conditions may be applied before grant of the award	n/a
Shareholder rights	Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with the performance shares.	Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with the restricted shares	Participants have immediate shareholder rights over all purchased shares. Until the matching Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with the matching shares.