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# CORPORATE GOVERNANCE STATEMENT

## I INTRODUCTION

Elisa Corporation observes the recommendations of the Finnish Corporate Governance Code, which entered into force on 1 January 2016. Elisa departs in no respect from the recommendations of the Code. The Corporate Governance Statement has been prepared in accordance with the Corporate Governance Code. The Finnish Corporate Governance Code is available at [www.cgfinland.fi](http://www.cgfinland.fi).

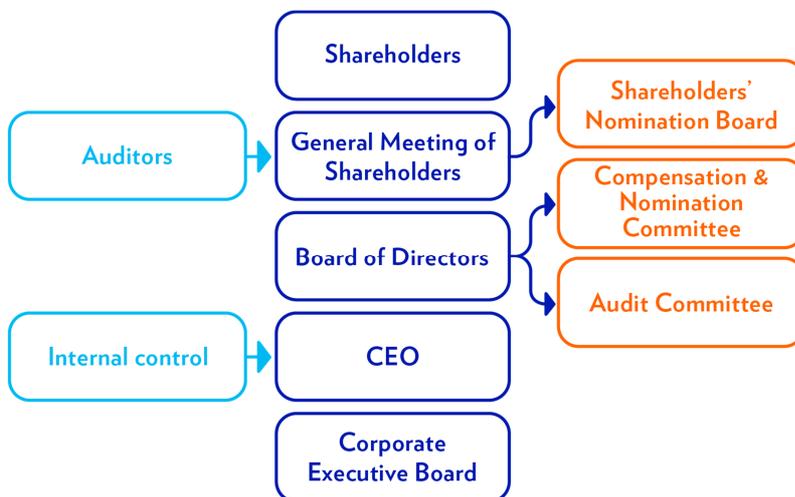
Elisa publishes its Corporate Governance Statement as part of the report of its Board of Directors, and also as a separate document published alongside it. The Corporate Governance Statement also includes a Remuneration Statement.

Elisa's financial statements, including a report on operations, are published on Elisa's website at [www.elisa.com](http://www.elisa.com).

The Audit Committee of Elisa's Board has examined the Statement, and the Board of Directors has approved it. The Statement is not updated during the financial year, but topical information is updated on Elisa's website at [www.elisa.com/investors](http://www.elisa.com/investors)

## II DESCRIPTIONS OF GOVERNANCE

### Elisa's governance structure



### General Meeting of Shareholders and Articles of Association

The General Meeting of Shareholders is Elisa's highest decision-making body. It approves, among other things, the income statement and balance sheet. It also declares the profit distribution



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according to the proposal of the Board of Directors, appoints members to the Board of Directors and the auditors, and approves the discharge from liability.

Notices of General Meetings of Shareholders are posted on Elisa's website, and information about the time and place, as well as the website address, is provided by announcing it in at least one Finnish newspaper no later than 21 days prior to the meeting, as required by the Articles of Association. A stock exchange release is also issued for each notice and can be found on Elisa's website. The agenda of the meeting is specified in the notice. Proposals from the Board of Directors for the meeting may be viewed on Elisa's website prior to the meeting.

Elisa's Articles of Association may be examined on Elisa's website at [www.elisa.com](http://www.elisa.com). Any decisions to amend the Articles of Association are taken by a General Meeting of Shareholders.

Elisa's Annual General Meeting 2017 will be held at Messukeskus, Expo and Convention Centre, Messuaukio 1, Helsinki, at 2:00 pm (EET) on Thursday 6 April 2017.

### **Shareholders' nomination board**

Elisa's annual general meeting decided in 2012 to establish a shareholders' nomination board, which is the body with responsibility for preparing the proposals to the annual general meeting for the election and remuneration of the members of the Board of Directors of Elisa, and it also accepted a charter for the nomination board. The shareholders' nomination board has been established for the time being. The term of each nomination board expires when the next shareholders' nomination board has been appointed.

The biggest shareholders were determined according to the shareholder register of Elisa on 31 August 2016, and they named the members of the nomination board. The composition of the nomination board since September 2016 has been as follows:

- Mr Kari Järvinen, Chief Executive Officer, nominated by Solidium Oy
- Mr Reima Rytölä, Chief Investment Officer, nominated by Varma Mutual Pension Insurance Company
- Mr Timo Ritakallio, Chief Executive Officer, nominated by Ilmarinen Mutual Pension Insurance Company
- Ms Hanna Hiidenpalo, Chief Investment Officer, nominated by Elo Mutual Pension Insurance Company
- Mr Raimo Lind, Chairman of Elisa's Board of Directors

The shareholders' nomination board nominated in September 2016 convened three times before making its proposals in January 2017. In addition, the member candidates were interviewed between the meetings. The nomination board discussed the size of the Board, its composition and diversity, and the areas of expertise that are seen as best for the company. The nomination board also examined the remuneration of Board members.

On 24 January 2017, the nomination board announced its proposal to Elisa's Board for the notice of the Annual General Meeting.



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The nomination board proposes the following to the Annual General Meeting:

- The remuneration for the members of the Board of Directors remains unchanged. The monthly remuneration is paid in two parts in order to acquire shares after the publication of the first- and third-quarter interim reports.
- The number of Board members is to be seven (7).
- Of the current members of the Board Ms Clarisse Berggårdh, Mr Raimo Lind, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen and Mr Mika Vehviläinen are to be re-elected.
- Mr Antti Vasara is proposed as a new member to be elected.

### Composition and operations of the Board of Directors

According to Elisa's Articles of Association, the Board of Directors comprises a minimum of five and a maximum of nine members. The members of the Board are appointed at the Annual General Meeting for a one-year term of office starting at the close of the relevant General Meeting, and ending at the close of the next General Meeting. The Board of Directors elects a chairman and deputy chairman from among its members.

At its organising meeting, the Board of Directors annually decides upon committees, their chairs and members. In 2016, the acting committees were: the Compensation and Nomination Committee and the Audit Committee. The duties and charters of the committees are adopted by the Board of Directors.

### Information on Board members

At the Annual General Meeting of 31 March 2016, seven (7) members were elected to the Board of Directors. Mr Raimo Lind, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen, Mr Jaakko Uotila and Mr Mika Vehviläinen were re-elected as members of the Board of Directors and Ms Clarisse Berggårdh as a new member of the Board of Directors.



#### **Raimo Lind**

Chairman of the Board

- (1953), M.Sc. (Econ.)
- Member since 2009 and chairman since 2012.
- Key employment history: Wärtsilä, Senior Executive Vice President and deputy to the CEO 2005–2013, CFO 1998–2013; Tamrock; Coal division president, Service division president, CFO 1992–1997; Scantrailer, MD, 1990–91; Wärtsilä, Service division, Vice president, Wartsila Singapore Ltd, MD, Diesel division, VP Group Controller 1976–1989.
- Main Board memberships and public duties currently undertaken: Chairman of the Board: Evac Group Oy and Nest Capital. Member of the Board: HiQ AB and Nokian Tyres.

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### **Mika Vehviläinen**

Deputy Chairman of the Board

- (1961), M.Sc (econ and BA) Helsinki School of Economics 1986.
- Member since 2012 and Deputy Chairman since 2014.
- Key employment history: CEO, Cargotec from 1 March 2013. CEO, Finnair, 2010–2013. COO and member of the executive team of Nokia Siemens Networks, 2007–2010. Nokia Oyj, various positions in the group, 1992–2006.



### **Clarisse Berggårdh**

- (1967), M.Sc (Econ.), Svenska Handelshögskolan Helsinki.
- Member since 2016.
- Key employment history: Pohjoisranta Burson-Marsteller, CEO 2016–; IUM Finland, CEO 2014–2016; Sanoma Magazines Finland, CEO 2010–2013; Advertising Sales Director 2006–2010; Dagmar Media Agency, Client Director 2003–2006; Codetoy, Business Director 2001–2003; Valio, Marketing manager 1994–2000.
- Main Board memberships and public duties currently undertaken: Member of the Board: Fingertip Ltd since 2013–; Member of the Board, Suomen Mentorit since 2014–.



### **Petteri Koponen**

- (1970)
- Member since 2014.
- Key employment history: Founding partner, Lifeline Ventures 2009–. Business development positions Google Inc. 2007–2009. Founder and CEO Jaiku Ltd, 2006–2007. Founder, CEO and later CTO First Hop 1997–2005. Other positions: Blyk.
- Main Board memberships and public duties currently undertaken: Chairman of the Board: Grand Cru Oy, Mindfield Games Oy, Everywear Games Oy, Onemind Dogs Oy and Kontena Oy. Member of the Board: Smartly.io Solutions Oy. Member: DigiNYT-seurantaryhmä.



### **Leena Niemistö**

- (1963), MD, PhD, Specialist in Physical and Rehabilitation Medicine, University of Helsinki.
- Member since 2010.
- Key employment history: Pihlajalinna Oyj, Senior advisor 2016–. Dextra Oy, CEO 2003–2016. Pihlajalinna Oyj, Vice President, 2013–2016.
- Main Board memberships and public duties currently undertaken: Deputy Chairman of the Board of Pihlajalinna Oyj and Stockmann Oyj. Member of the board of Suomen Messut Osuuskunta. Chairman of the Board of The Finnish National Opera Ballet, HLD Healthy Life Devices Oy and BN Clarity Inc. Chairman of the prize committee of Ars Fennica. Member of the Board of Maanpuolustuskurssiyhdistys.

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### Seija Turunen

- (1953), M.Sc. (Econ.), Graduated 1976 from Helsinki School of Economics and Business Administration, and with M.Sc (Econ.) in 1978.
- Member since 2014.
- Key employment history: Advisor to the Board Finnlines Oyj 2013–2014. Vice President and CFO Finnlines Oyj 2007–2013, and Director of Harbor Functions and CEO of harbor companies (Finnsteve-yhtiöt) 2010–2013. Director of Finance Finnlines Oyj 1992–2007. Other positions before 1992: Kansallis-Osake-Pankki, Midland Montagu, Finca, Enso-Gutzeit.
- Main Board memberships and public duties currently undertaken: Chairwoma of the Board of Finnpilot Pilotage Oy. Member of the board and chairwoman of the Audit Committee of Pihlajalinna Oyj.



### Jaakko Uotila

- (1949), M.Sc, Pharmaseutics, Helsinki University 1977 and M.Sc of Management, California American University 1990.
- Member since 2013.
- Key employment history: CEO Alko Oy 2001–2012. CEO Yliopiston Apteekki 1996–2001. Deputy CEO Orion-Farmos 1994–1996. Orion-yhtymä Oy various positions 1977–1994.

### Independence of Board members

All Board members are independent of the company and of the company's major shareholders.

Elisa holdings of Elisa's current Board members and persons closely associated	Number of shares, 31 December 2016
Raimo Lind, Chairman	14 493
Mika Vehviläinen, Deputy Chairman	4 578
Clarisse Berggårdh, member	572
Petteri Koponen, member	2 181
Leena Niemistö, member	8 020
Seija Turunen, member	2 404
Jaakko Uotila, member	3 508

### Charter of the Board of Directors

The Board attends to the administration and proper organisation of the company's operations in accordance with the Finnish Limited Liability Companies Act and other regulations. The Board decides on matters that under law are subject to decision by the Board. The company's Board of Directors has adopted a charter for itself.

The charter tasks the Board with determining the company's strategic guidelines and the targets for Elisa's management, and with monitoring their achievement. The Board must also appoint the CEO and decide on the composition of the Executive Board. The Board of Directors regularly monitors financial performance and the development of the company's financial standing on the basis of



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management reports. The Board also supervises the compliance of Elisa's administration, and the management of business and other risks. The Board addresses major investments in and disposal of businesses or assets, and also sets the boundaries for the company's management in executing operational investments and financial arrangements.

According to the charter, the following are particularly subject to the Board's decision:

- Elisa's strategic guidelines
- distribution policy
- convening General Meetings and submitting proposals
- matters having to do with Elisa's stock and Elisa shareholders
- major mergers and acquisitions, as well as investments
- financial statements and interim reports
- appointment, dismissal and terms of employment of the CEO and members of the Executive Board.

The charter also specifies other matters to be addressed by the Board, such as adopting the annual financial plan, the principles of the company's organisation and the main business policies. The Board conducts an annual self-evaluation of its activities executed in the form of a questionnaire. Members of the Board of Directors are not allowed to participate in decision-making for which they must legally disqualify themselves due to conflict of interests.

#### **Attendance at meetings by the Board members**

Attendance at meetings by Elisa's Board members in 2016	Attendance/ Meetings
Raimo Lind, Chairman	18/18
Mika Vehviläinen, Deputy Chairman	17/18
Clarisse Berggårdh, member since 31 March 2016	16/16
Petteri Koponen, member	18/18
Leena Niemistö, member	18/18
Seija Turunen, member	18/18
Jaakko Uotila, member	18/18

#### **Appointment and diversity principles for Board members**

The company adapted diversity principles for Board members at the Annual General Meeting 2016.

At Elisa diversity is seen as an essential part of corporate responsibility and as a factor in success that enables achievement of strategic targets and continuous improvement of customer intimacy.

In planning the composition of the Board of Directors, the shareholders' nomination board takes into account the requirements of Elisa's business operations, the phase of development and the competence requirements of the Board committees. In appointing members of the Board the target is to ensure that the Board as a whole supports the development of Elisa's current and future business operations. Diversity plays a part in supporting this goal.



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Diversity is considered from different perspectives. From Elisa's point of view it is important to have Board members with diverse backgrounds in terms of competence, training, and experience of differing business operations, of varying stages of business development, and of leadership as well as diverse personal characteristics. Experience of international business environments and different cultures in addition to consideration of age and gender will support the diversity of the Board. The objective is to have at least two representatives of both genders.

A person elected as an Elisa Board member must have the competence required for the position and be able to devote a sufficient amount of time to the duties required. In forming the composition of the Board long-term needs and successor planning will be taken into account.

According to the Articles of Association, Elisa's Board of Directors comprises a minimum of five and a maximum of nine members. The composition of the Board and the number of members shall be such that they enable the Board to perform its duties efficiently. Elisa's Shareholders' Nomination Board prepares the proposal for both the number of members of the Board of Directors and its composition. The members of the Board are appointed annually at Elisa's Annual General Meeting.

In 2016 at the Annual General Meeting seven members were elected to the Board of Directors. The competence, training, experience and personal characteristics of the Board of Directors are different and complement each other. The Board of Directors consists of three women and four men between 46 and 67 years of age. The composition of the Board of Directors as whole is according to Elisa's diversity principles.

The principles concerning the election of the Board and its diversity are available on the company's website at [www.elisa.com](http://www.elisa.com).

## **Board committees**

### *Compensation and Nomination Committee*

According to its charter, the Compensation and Nomination Committee deals with and prepares the appointment and dismissal of persons within management, management succession planning and development, matters associated with long-term incentive schemes applicable to management, and other matters relating to the remuneration of management. The Committee also deals with incentive schemes for Elisa's personnel.

In 2016, the Compensation and Nomination Committee comprised Chairman of the Board, Mr Raimo Lind (Committee Chairman) and members Mr Petteri Koponen (since 31 March 2016), Ms Leena Niemistö and Mr Mika Vehviläinen.

### *Audit Committee*

The Audit Committee is tasked with supervising the proper organisation of the company's accounting and financial administration, financing, internal and financial auditing, and risk management. According to its charter, the following in particular shall be addressed and prepared by the Audit Committee:

- significant changes in recognition principles
- significant changes in items measured on the balance sheet



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- follow-up to ensure the independence of the auditor
- matters reported by internal auditing
- financial statements, interim reports and Corporate Governance Statement
- risk reports and organisation of risk management
- organisation of financial administration and financing.

The Committee also regularly reviews reports from internal auditing and the financial auditors, and prepares proposals on the audit.

In 2016, the Chairwoman of the Audit Committee was Ms Seija Turunen and the members were Ms Clarisse Berggårdh (since 31 March 2016) and Mr Jaakko Uotila, and Mr Petteri Koponen (until 31 March 2016). The principal auditor also attends Committee meetings.

#### Attendance at Committee meetings by Elisa's Board members in 2016

	Compensation and Nomination Committee	Audit Committee
Raimo Lind	3/3	
Mika Vehviläinen	3/3	
Clarisse Berggårdh, member since 31 March 2016		5/5
Petteri Koponen	2/2	1/1
Leena Niemistö	3/3	
Seija Turunen		6/6
Jaakko Uotila		6/6

#### CEO and their duties

Elisa's Chief Executive Officer (CEO) is responsible for the day-to-day business activities and administration of the company in accordance with instructions and orders from the Board of Directors and with the Finnish Limited Liability Companies Act. The CEO is also responsible for ensuring that the company's accounting practices comply with the law and that financial matters are handled in a reliable manner. The CEO is appointed by the Board of Directors. Mr Veli-Matti Mattila served as CEO in 2016.



#### Veli-Matti Mattila

Chief Executive Officer

- (1961), M.Sc. (Tech.), MBA, joined the company in 2003
- Key employment history: CEO of Oy LM Ericsson Ab from 1997 to 2003. He has held various positions in the Ericsson Group in Finland and the USA since 1986. Mr Mattila's previous career also includes expert advisory tasks at the Swiss firm Ascom Hasler AG.
- Main Board memberships and public duties currently undertaken: Chairman of the Board and the Representative Assembly of the Confederation of Finnish Industries EK, ;Member of the Board of Directors of Sampo plc, Member of the Board of Directors of the Research Institute of the Finnish Economy (Etlä) and the Finnish Business and Policy Forum EVA, Member of the Supervisory Board of the Finnish Fair Association.



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Holdings in Elisa of the CEO and persons closely associated	Number of shares, 31 December 2016
Veli-Matti Mattila, CEO	62,146

### Other management

Elisa's Executive Board prepares the company strategy, directs the company's regular operations, monitors the development of results and deals with issues having substantial financial or other impact on Elisa, including i.e. significant mergers and acquisitions, as well as organisational changes. In addition, the Executive Board monitors risk management and is responsible for the proper organisation of administration in the CEO's guidance. Matters stipulated in the charter of the Board as requiring a decision by the Board of Directors are submitted for decision-making by the Board.

### Members of Elisa's Executive Board



#### Asko Känsälä

Deputy CEO and Executive Vice President, Consumer Customers

- (1957), M.Sc. (Tech.), joined the company and the Executive Board in 2003, Deputy CEO since 2016
- Key employment history: Executive Vice President, Corporate Customers at Elisa, 2005–2007. Executive Vice President, Development at Elisa, 2003–2005. Sales Director, Nordic and Baltic sales unit, Ericsson Group and member of the management group, 2001–2003. Sales director, Oy LM Ericsson Ab, 1996–2001. Counsellor, Industry and Technology at Tekes, the Finnish Funding Agency for Technology and Innovation, 1993–1996. Sales Manager at Hewlett Packard Oy, 1987–1993.



#### Timo Katajisto

Executive Vice President, Corporate Customers

- (1968), M.Sc. (Tech.), joined the company and the Executive Board in 2008
- Key employment history: Executive Vice President, Production at Elisa, 2008–2014. Member of the Executive Board, Nokia Siemens Networks, 2007, responsible for strategic projects and quality. Member of the Executive Board of Nokia Networks 2005–2007, responsible for production and network installation. Various positions at Nokia Networks and its predecessor Nokia Telecommunications, 1992–2005.



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### Jari Kinnunen

Chief Financial Officer

- (1962), M.Sc. (Bus. Finance and Accounting), joined the company in 1999, member of the Executive Board since 2005
- Key employment history: CEO and President of Yomi Plc, 2004. CFO of Elisa Kommunikation GmbH in Germany, 1999–2004. Managing Director of Polar International Ltd, 1996–1999 and Controller, 1990–1996. Controller at Oy Aftan Ab, 1987–1990.



### Pasi Mäenpää

Executive Vice President, New Business Development

- (1965), Diploma in Computer Science, MBA, joined the company and the Executive Board in 2006
- Key employment history: Executive Vice President, Corporate Customers at Elisa, 2007–2014. CEO of Cisco Systems Finland Oy, 2002–2006. Regional Manager for Central Europe at Netigy Corporation, 2000–2002. Vice President, Sales, Europe and USA at Fujitsu, 1999–2000. Sales and Country Manager, Northern, Central and Eastern Europe at Oracle Corporation, 1990–1999.



### Vesa-Pekka Nikula

Executive Vice President, Production

- (1964), M.Sc. (Tech.), MBA, joined the company in 2009, member of the Executive Board since 2014
- Key employment history: Director of Consumer Customer services at Elisa, 2010–2014 and Director, development, 2009–2010. Director of Managed Services business West South Europe at Nokia Siemens Networks, 2007–2009. Director of Managed Services business, EMEA (Europe, Middle East, Africa) at Nokia Networks, 2005–2007. Ericsson, several positions in Finland, the Netherlands and Great Britain, 1994–2005.



### Merja Ranta-aho

Executive Vice President, HR

- (1966), MSc (Psychology), Lic. Techn. (Work and organization psychology), joined the company in 2001, member of the Executive Board since 2014
- Key employment history: Vice President, HR, Elisa Consumer Customers Business, 2009–2013. Various positions in Elisa and Radiolinja human resources development 2001–2009. Helsinki University of Technology, researcher and teacher, 1992–2001 and positions in communication, 1990–2001.
- Main Board memberships and public duties currently undertaken: Member of the Labour Market Committee of the Service Sector Employers' Association PALTA.



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### **Katiye Vuorela**

Executive Vice President, Corporate Communications

- (1968), M.Sc. (Econ. & Bus. Adm.), joined the company and the Executive Board 2008
- Key employment history: Paroc Group Holding Oy, Vice President, Communications, 2000–2008. Lotus Development Finland Oy (an IBM subsidiary), Marketing and Communications Manager, 1998–2000. Nokia Telecommunications (predecessor of Nokia Siemens Networks), Dedicated Networks business unit, Marketing Communications Manager, 1994–1998.



### **Sami Ylikortes**

Executive Vice President, Administration

- (1967), M.Sc.(Econ. & Bus. Adm.), LL.M., joined the company in 1996, member of the Executive Board since 2003
- Key employment history: Positions in accounting management at Unilever Finland Oy, 1991–1996.
- Main Board memberships and public duties currently undertaken: Member of Industrial Policy Committee of Service Sector Employers' Association PALTA.

Elisa holdings of Elisa's Board members and persons closely associated	Number of shares, 31 December 2016
Timo Katajisto, Executive Vice President, Production	2,000
Jari Kinnunen, Chief Financial Officer	35,511
Asko Käsälä, Executive Vice President, Consumer Customers	27,114
Pasi Mäenpää, Executive Vice President, New Business Development	16,406
Vesa-Pekka Nikula, Executive Vice President, Production	11,145
Merja Ranta-aho, Executive Vice President, HR	2,080
Katiye Vuorela, Executive Vice President, Corporate Communications	645
Sami Ylikortes, Executive Vice President, Administration	14,085

## **III DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND MAIN FEATURES OF RISK MANAGEMENT SYSTEMS**

The objective of the internal control and risk management systems associated with Elisa's financial reporting process is to obtain reasonable assurance that the company's financial statements and financial reporting are reliable, that they have been prepared in compliance with laws, regulations and generally accepted accounting principles, and that they provide a true and fair view of the financial situation of the company. Internal control and risk management procedures are integrated into the company's operations and processes. Elisa's internal control can be described using the international COSO framework.



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**Control environment**

Elisa's control environment is based on the company's values, policies, guidelines and practices, as well as goal-oriented management. Elisa's key processes have been documented, and they are both controlled and developed systematically.

Annual business and strategy planning processes and targets, as well as rolling monthly financial forecasts, represent a key element in Elisa's business and performance management. Financial results are assessed against the forecast, the annual plan, the previous year's results and the strategic plan.

Targets are set for the Elisa Group and for each unit, and individual targets are specified in semi-annual appraisals based on the scorecard and performance-based bonus system.

**Risk assessment**

Risk assessment is an integral part of Elisa's planning process. The purpose of risk assessment is to identify and analyse risks that could affect the achievement of specified targets and to identify measures to reduce those risks.

The key risks associated with the accuracy of financial reporting have been identified in a process-specific risk analysis. Risk assessment also covers risks related to misuse and the resulting financial losses, as well as the misappropriation of the company's other assets.

**Controls**

Control measures consist of automatic and manual reconciliation, control and instructions integrated into the processes, with the objective of ensuring the accuracy of financial reporting and the management of the risks involved. The reporting control mechanism processes have been documented. Key control mechanisms also include access rights management of information systems, authorisation, and the controlled and tested implementation of information system changes.

The financial development of business operations is constantly monitored on a unit basis. Financial management discusses any exceptional items and recognitions at its meetings and investigates the causes and reasons for any changes in the rolling monthly forecasts. Financial reporting is also ensured by comprehensive and analytical reporting of operative metrics, drivers and key figures, and continuous development of the reporting.

**Auditing**

The Board of Directors' Audit Committee is tasked with supervising the proper organisation of the company's accounting and financial administration, internal and financial auditing, and risk management. Elisa's Board of Directors reviews and approves the interim reports and financial statement releases. Elisa's Board of Directors and Executive Board monitor the Group's and the business units' results and performance on a monthly basis.



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Elisa's Finance unit is responsible for the internal auditing of the financial reporting and continuously evaluates the functionality of controls. In addition, Elisa's internal auditing function controls the reliability of financial reporting within the framework of its annual audit plan.

### **Risk management**

The company classifies risks into strategic, operational, insurable and financial risks. Insurable risks are identified, and insurance is taken out through an external insurance broker to deal with these risks. The insurance broker assists the company when the amount and likelihood of insurable risks are estimated.

### **Financial communication and training**

Key instructions, policies and procedures are available to the personnel on the company's intranet and through other shared media. In addition, regular information and training are provided to the financial organisation, particularly regarding any changes in accounting, reporting and disclosure requirements.

Elisa's valid Disclosure Policy is available on the company's website at [www.elisa.com](http://www.elisa.com)

## **IV OTHER INFORMATION TO BE PROVIDED IN THE STATEMENT**

### **Internal auditing**

The purpose of internal auditing is to estimate the appropriateness and profitability of the company's internal control system and risk management, as well as the management and administration processes. Internal auditing supports the development of the organisation and improves the management of the supervision obligation of the Board of Directors.

Internal auditing is also intended to support the organisation in achieving its goals by evaluating and investigating its functions and by monitoring compliance with corporate regulations. For this purpose, internal auditing produces analyses, assessments, recommendations and information for use by the company's senior management. Reports on completed audits are submitted to the CEO and the management of the unit audited, as well as to the Audit Committee, when necessary.

Internal auditing is based on international internal auditing standards (IIA). Internal auditing is independent of the rest of the organisation. The starting point for internal auditing is business management, and the work is coordinated with financial auditing. An annual auditing plan and auditing report are presented to the Board of Directors' Audit Committee. Internal auditing may also carry out separately agreed audits on specific issues at the request of the Board of Directors and Elisa's Executive Board.



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## **Company insiders and insider management**

Elisa complies with Nasdaq Helsinki Ltd's guidelines for insiders in force at any given time. In addition, Elisa's Board of Directors has approved insider guidelines for Elisa Group to complement Nasdaq Helsinki Ltd's guidelines for insiders.

According to the Market Abuse Regulation ((EU) N:o 596/2014, "MAR"), the members of Elisa's Board of Directors and Elisa's Corporate Executive Board are defined as persons discharging managerial responsibilities within Elisa. A person discharging managerial responsibilities within Elisa shall not conduct any transactions relating to Elisa's shares or other financial instruments during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report. It is advisable for a person discharging managerial responsibilities to make long-term investments in Elisa and conduct the transactions after the publication of Elisa's financial results.

Insider lists contain persons who have access to specific inside information (insider projects). A person listed in the insider lists must not make any transactions in Elisa's shares or other financial instruments during the time they are registered in the list.

Elisa's Legal Affairs department monitors compliance with insider guidelines and maintains the list of persons discharging managerial responsibilities and persons closely associated with them as well as the insider lists.

## **Auditors**

The auditors' principal duty is to ensure that the financial statements have been prepared in accordance with valid regulations and give a true and fair view of the company's performance and financial position, as well as other necessary information, to the company's stakeholders.

Other main targets are to ensure that internal auditing and risk management has been properly organised and that the organisation operates in compliance with instructions and within the framework of issued authorisations. The division of labour between external and internal auditing is organised so that internal auditing ensures that the organisation operates in accordance with the company's internal guidelines.

In accordance with the Articles of Association, the company must have at least one and no more than two regular auditors. The auditing company must be duly authorised by the Finland Chamber of Commerce. The auditors' term of office is the current financial period for which they are appointed. The duties of the auditors end at the close of the first Annual General Meeting following the expiration of their term of office.

In 2016, the company had one regular auditor. In the year under review, Elisa's auditor was KPMG Oy Ab, authorised public accountants, with Mr Esa Kalliala (APA) serving as the principal auditor.

For the 2016 financial period, the auditing fees of the Finnish group companies totalled EUR 265,215.00, of which the parent company accounted for EUR 189,354.00. The auditing fees for the foreign group companies were EUR 51,000.00.



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The auditing firm has been paid fees of EUR 298,795.00 for services not associated with auditing. These services had to do with mergers and acquisitions, tax services, a review of regulation accounting, information security auditing and other expert services.

## REMUNERATION STATEMENT

### A. DECISION-MAKING PROCEDURE

Elisa's General Meeting of Shareholders annually decides on the remuneration of Board members on the basis of the proposal prepared by the shareholders' nomination board.

The salaries and other remuneration of the CEO and other members of the Executive Board, as well as their long-term incentive plans, are decided by the Board of Directors. The Board of Directors also decides on the short-term incentive plan for the CEO. In addition, the Board decides on the maximum limits of the short-term incentive plan for the Executive Board. The Compensation and Nomination Committee prepares the aforementioned matters to be decided by the Board with the assistance of independent external experts, as necessary. The CEO decides on the targets for the short-term incentive plan for the Executive Board.

On 31 March 2016, Elisa's General Meeting of Shareholders authorised the Board to decide on a share issue and the issue of special rights giving entitlement to shares and the acquisition of treasury shares and the acquisition of company's own shares. The authorisations are valid until 30 June 2017, and the Board may also use them for remuneration.

### B. MAIN PRINCIPLES FOR REMUNERATION

#### Remuneration of Board members

Board members are paid monthly remuneration fees and meeting remuneration fees for attending Board and committee meetings. The monthly remuneration fees (minus tax withheld at the calculated rate of 60%) are used to purchase Elisa shares every quarter. At the Annual General Meeting of 2016, it was decided to pay the following remuneration fees to Board members:

- monthly remuneration fee for the Chairman of EUR 9,000 per month
- monthly remuneration fee for the Chairwoman and Deputy Chairman of the Audit Committee of EUR 6,000 per month
- monthly remuneration fee for the members of EUR 5,000 per month
- meeting remuneration fee of EUR 500 per meeting for each participant.

Elisa's shareholders' nomination board requires that members of the Board have shareholdings in the company. A four-year assignment limit applies to shares acquired with the remuneration fees during the first quarter of 2014 and prior to it; this limit will, however, end earlier if the term of office of the member of the Board ends.



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The Chairman of the Board of Directors is not paid any remuneration fees for attending the meetings of Elisa's shareholders' nomination board.

### **Chief Executive Officer**

#### *Annual salary*

The total salary of the CEO consists of a fixed monetary salary and taxable benefits. The fixed salary totals EUR 515,700.00 per year (not including bonus holiday pay), and the taxable fringe benefits total EUR 12,300.00 per year. The total remuneration of the CEO includes also short- and long-term incentive bonuses.

#### *Short- and long-term incentive plans*

The CEO is paid a performance-based bonus based on financial targets set by the company's Board of Directors. The target period of this short-term incentive plan is six months, and any bonuses are paid every six months.

The long-term incentive plan of the CEO consists of share-based incentive plans. The key targets of the currently valid share-based incentive plan are described in the section 'Share-based incentive plans for key personnel'. The maximum bonus limits are described in Table 1.

#### *Pensions and terms and conditions related to contract termination*

According to the CEO's contract, the contractual relationship with the CEO ends with a pension when he turns 60 years of age. The supplementary pension is based on a defined contribution plan. Elisa's CEO is entitled to a paid-up pension.

The period of notice for the CEO is six months from Elisa's side and three months from the CEO's side. Should the contract be terminated by Elisa, the CEO is entitled to receive a severance payment that equals the total salary of 24 months minus his salary for the period of notice.

### **Other members of Elisa's Executive Board**

#### *Annual salary*

Members of the Executive Board are paid a total salary that includes a fixed monetary salary and taxable benefits. In addition, members of the Executive Board fall within the scope of the short- and long-term incentive plans. The fixed monetary salary of members of the Executive Board totals EUR 1,743,900.00 per year, and the taxable fringe benefits total EUR 44,100.00 per year (the figures do not include bonus holiday pay, the CEO's salary and taxable fringe benefits).

#### *Short- and long-term incentive plans*

As a short-term incentive for Elisa's Executive Board, Elisa pays a performance-based bonus, which is based on achieving the financial and operational targets in the scorecards of Elisa and its units. The target period is six months, and any performance-based bonus is paid every six months.

Elisa's Executive Board also falls within the scope of the company's long-term incentive plan, i.e. the share-based incentive plan (see 'Share-based incentive plans for key personnel'). The maximum limits for bonuses are stated in Table 1.



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*Pensions and terms and conditions related to contract termination*

The contractual relationship with the company of members who started on Elisa's Executive Board before 2013 will terminate when the member turns 62 years of age. They have a defined contribution supplementary pension plan concluded with a pension insurance company, which includes a paid-up pension. The right to a pension will start at the age of 62.

The period of notice for members of the Executive Board is six months from Elisa's side and three months from the member's side. Should the contract be terminated by Elisa, the member of the Executive Board has the right to receive an amount corresponding to nine months' total salary from Elisa.

*Table 1. Maximum limits for the bonuses under the short and long term incentive plans*

	Short term incentive plan	Long-term incentive plans				
	Performance based bonus scheme  2015 and 2016, % *	Share based incentive commitment plan 2011, shares <sup>1</sup>  Earnings periods 13.12.2016 - 13.12.2017 and 13.12.2016 - 13.12.2018	Share based incentive plan 2011, shares (maximum)  Earnings period 2014-2016	Share based incentive plan 2014, shares (maximum)  Earnings period 2015-2017	Share based incentive plan 2014, shares (maximum)  Earnings period 2016-2018	Share based incentive plan 2014, shares (maximum)  Earnings period 2017-2019
CEO	90 %	5,000 and 5,000	83,000	55,000	42,000	45,000
Other members of the Executive Board	73.2 % **		268,000	160,000	125,000	132,000

\* The maximum limits are presented as percentages of the fixed earnings for the target period

\*\*Average for the other members of the Executive Board,

**Share-based incentive plans for key personnel***Share-based incentive plan 2014*

On 11 December 2014, Elisa's Board of Directors decided to implement two new, share-based incentive plans for key personnel in the Elisa Group. The plan is designed to align the goals of shareholders and key personnel in increasing the value of the company, to secure the commitment of key employees to the company and to offer them a competitive compensation plan that is based on holding shares in the company. The target group of the incentive plan covers no more than 200 employees.

There are three 3-year earnings periods in the share-based incentive plan, the calendar years of 2015–2017, 2016–2018 and 2017–2019. Elisa's Board of Directors will decide on the plan's performance criteria and their targets at the beginning of each earnings period.



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Any bonus from the the plan from the earnings periods 2015–2017 and 2016–2018 will be based on earnings per share (EPS), the revenues of new business operations and other key targets.

The bonuses to be paid through the incentive plan for the earnings period 2015–2017 will equal at most the value of around 700,000 shares in Elisa (including the portion payable in cash). Any bonus for the 2015–2017 earnings period will be paid in 2018, partly in company shares and partly in cash.

The bonuses to be paid through the share-based incentive plan for the earnings period 2016–2018 will equal at most the value of around 480,000 shares in Elisa (including the portion payable in cash). Any bonus for the 2016–2018 earnings period will be paid in 2019, partly in company shares and partly in cash.

The bonuses to be paid through the share-based incentive plan for the earnings period 2017–2019 correspond to the value of an approximate maximum total of 495,664 Elisa shares (including the proportion to be paid in cash). The potential reward on the basis the performance period 2017–2019 will be paid partly in shares and partly in cash in 2020.

The cash payments are intended to cover any taxes and tax-like costs arising from the bonus for the participant. As a rule, no bonus is paid if a key person's employment ends before the bonus payment.

#### *Share-based incentive plan 2011*

On 19 December 2011, Elisa's Board of Directors decided to implement a share-based incentive plan for key personnel in the Elisa Group.

The performance-based incentive plan includes three earnings periods: the calendar years of 2012–2014, 2013–2015 and 2014–2016. The bonuses will equal at most the value of some 3.3 million shares in Elisa. The Board of Directors will decide on the performance criteria and their targets at the beginning of each earnings period. The first earnings period of 2012–2014 was realised as share-based bonuses in 2015 and the second earnings period of 2013–2015 in 2016.

Any bonuses for the earnings periods of 2012–2014, 2013–2015 and 2014–2016 will be based on increases in new business revenue in the Consumer Customer and Corporate Customer segments and on Elisa's earnings per share (EPS). For the realised earnings period of 2012–2014, bonuses were paid in February 2015, partly in the company's shares and partly in cash, and for the earnings period 2013–2015 in January 2016. Any implementation of the future earnings periods will follow the same principle. The portion payable in cash will cover the taxes and tax-like costs arising from the bonus. As a rule, no bonus is paid if a key person's employment ends before the bonus payment. The target group of the share-based incentive plan consists of about 160 people, and the bonuses will equal at most the value of around one million shares in Elisa, including the portion payable in cash.



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*Share-based incentive commitment plan 2011*

On 19 December 2011, Elisa's Board of Directors decided to implement a share-based incentive commitment plan that covers the years 2012–2018. Any bonus will be paid only if a key person's employment is valid when the bonus is due to be paid. The bonuses to be paid through this incentive plan will equal at most the value of around 0.5 million shares in Elisa, including the portion payable in cash.

On 11 December 2014, Elisa's Board of Directors decided to adopt the share-based incentive plan in question with periods of one year and two years. The share-based bonus of the first commitment period was paid in November 2015 and of the second commitment period in November 2016.

On 16 December 2016, Elisa's Board of Directors decided on new earning periods for the Restricted Stock Plan. The lock-up period of the rewards to be granted on the basis of the plan consists of one-year and two-year periods.

**C. REMUNERATION STATEMENT****Board of Directors**

The monthly remuneration fees for Board members, the number of shares acquired and the meeting remuneration fees for the Board and its Committees are presented in the table below.

*Table 2. Remuneration fees of Board members in 2016*

	Position on the Board	Fixed monthly remuneration fees, total, EUR*	Meeting remuneration fees, EUR ***	Committee meeting remuneration fees, EUR***	Total remuneration fees, EUR	Elisa's shares acquired with fixed monthly remuneration fees, number of shares*	Share-holdings of the Board on 31 December 2016, number of shares**
Raimo Lind	Chairman	108,000	7,500	1,500	117,000	1,311	14,493
Mika Vehviläinen	Deputy Chairman	72,000	7,000	1,500	80,500	874	4,578
Clarisse Berggårdh	Member since 31 March 2016	45,000	6,500	2,500	54,000	552	572
Petteri Koponen	Member	60,000	7,500	1,500	69,000	727	2,181
Leena Niemistö	Member	60,000	7,500	1,500	69,000	727	8,020
Seija Turunen	Member, Chairwoman of the Audit Committee	72,000	7,500	3,000	82,500	874	2,404
Jaakko Uotila	Member	60,000	7,500	3,000	70,500	727	3,508
<b>Total</b>		<b>477,000</b>	<b>51,000</b>	<b>14,500</b>	<b>542,500</b>	<b>5,792</b>	<b>35,756</b>

\* The monthly remuneration fees (minus tax withheld at the calculated rate of 60%) have been used for purchases of Elisa shares every quarter.

\*\* Shareholdings on 31 December 2016 also include the shares owned by the related parties of Board members and persons closely associated. The shares purchased by the current members of Elisa's Board of Directors on 30 December



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2016 were not registered in the members' book-entry accounts before 3 January 2017 and are thus not included in the figures below. Up-to-date information on changes in the shareholdings are available on Elisa's Management Transactions releases.

\*\*\* Based on the number of meetings.

### CEO and the Executive Board

Table 3. Salaries and financial benefits paid to the CEO and the company's other Executive Board members in 2016

	Monetary salaries, EUR	Taxable fringe benefits, EUR	Performance based bonuses, EUR	Total value of the share based bonus, EUR	Total, EUR	Share of the share based bonus paid in shares, number of shares
CEO	546,781.94	9,132.16	351,260.80	947,863.27 *	1,855,038.17	13,573
Other members of the Executive Board	1,694,420.00	58,377.06	699,219.34	2,667,400.29 **	5,119,416.69	37,838
<b>Total</b>	<b>2,241,201.94</b>	<b>67,509.22</b>	<b>1,050,480.14</b>	<b>3,615,263.56</b>	<b>6,974,454.86</b>	<b>51,411</b>

\* According to the stock exchange prices of the assignment dates of 29 January 2016 and 7 November 2016

\*\* According to the stock exchange price of the assignment date of 29 January 2016

The CEO's accrued supplementary pension for his 60th and 61st years of age was covered by a provision of EUR 214,884 on the balance sheet, and for the 62nd year of age with an insurance premium that equalled EUR 156,700.39. With regard to the Executive Board, annual supplementary pension insurance premium totalled EUR 130,623.93.

