

## **Evaluation of remuneration policies and programs for 2018**

### **1 Evaluation of the guidelines for remuneration to Group Executive Management**

The annual general meeting 2018 decided on guidelines for remuneration to the Group Executive Management. According to the guidelines, Telia Company's objective is to ensure that the Company can attract and retain the best people in order to support the purpose and strategy of the Company. Remuneration to the Group Executive Management should be built upon a total reward approach and be market relevant, but not market leading. The total reward approach should consist of the following compensation components:

- i) Fixed salary
- ii) Pension benefits
- iii) Other benefits

Each year the Remuneration Committee reviews benchmark studies for each of the Group Executive Management members, in order to follow how the total reward provided for the Group Executive Management is aligned with the guidelines.

*It is the Board of Directors' assessment that the remuneration guidelines for the Group Executive Management has been complied with. The level and composition of remuneration to the CEO and the Group Executive Management is shown in the annual and sustainability report 2018, note C31 to the consolidated financial statements.*

### **2 Evaluation of the group policy - remuneration**

The Board of Directors has, in order to secure a coherent application of remuneration principles in the group, adopted a group remuneration policy that is revised annually by the Remuneration Committee and the Board of Directors. The policy states that remuneration structures may vary by country. The position of total remuneration should be market competitive without leading relative to competitors of each local market and should factor in the affordability of the business. It also states that the Telia Company remuneration structures should be based on an evaluation system that is reflecting the competence required, responsibility, complexity and business contribution of the position.

In identifying remuneration levels for individuals, corporate, team and individual performance should be taken into account.

In making remuneration comparisons with market levels and in communicating the value of remuneration to stakeholders, the emphasis should be placed on the total value of the remuneration, not on the individual components.

Telia Company may offer annual variable pay (short and long term) to some of its employees (Group Executive Management excluded). Each year the Board of Directors reviews and decides upon the choice of financial performance targets to be applied in the variable pay programs.

*In the assessment of the Board of Directors, Telia Company has a structured process for decisions regarding remuneration issues, including variable pay models and targets. The processes enable balanced decision making regarding remuneration in line with the group policy. The variable programs create a link between the remuneration of the individual, the group's performance and shareholder value creation.*

### **3 Evaluation of the Performance Share Programs**

Based on the decisions of the 2010-2018 annual general meetings, respectively, Telia Company launched performance share programs (PSP), which shall comprise certain senior managers and key employees within the group (the members of Group Executive Management are excluded). The purpose has been to strengthen the company's ability to attract, recruit and retain such personnel.

Provided that certain financial performance conditions are met during a defined performance period, participants in the programs shall be given the opportunity to receive final allotments of Telia Company shares without consideration (performance shares).

The financial targets include a minimum level which must be achieved in order for any allotments to occur at all, as well as a maximum level in excess of which no additional allotments will occur. Each program shall in total comprise no more than 3,793,200 (PSP 2015), 2,370,400 (PSP 2016), 2,491,202 (PSP 2017) and 2,413,597 (PSP 2018) Telia Company shares, corresponding to approximately 0.08 percent of the total number of outstanding shares for PSP 2015, 0.04 for PSP 2016, 0.06 percent for PSP 2017 and 0.06 percent for PSP 2018. Recalculation of final allotments of performance shares shall take place in the event of an intervening bonus issue, split, rights issue and/or other similar events.

#### **Performance Share Program 2015/2018**

Financial targets for the Performance Share Program 2015/2018 are earnings before interest, taxes, depreciation and amortization (EBITDA) and total shareholder return (TSR). The total number of granted share awards amounts to 30 percent of the annual base salary. The final allotments of performance shares will be based 50 percent on accumulated EBITDA and 50 percent on TSR during the full performance period in relation to TSR in a group of comparable telecom companies defined by the Board of Directors. Participants are not required to invest in Telia Company shares. The final number of performance shares awarded shall be capped at such number where the aggregated market value corresponds to 60 percent of each participant's base salary.

*The Board of Directors has found, in course of its evaluation, that the long-term incentive programs are in line with the principles resolved by the annual meetings.*

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