



# CORPORATE GOVERNANCE STATEMENT

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# REGULATORY FRAMEWORK

Finnair Plc (“Finnair” or “Company”) is a Finnish public limited liability company domiciled in Helsinki. Finnair is the ultimate parent of Finnair Group, and its shares are listed on Nasdaq Helsinki Stock Exchange. The State of Finland is the majority owner in Finnair with 55.8% of the shares as of 31 December 2019.

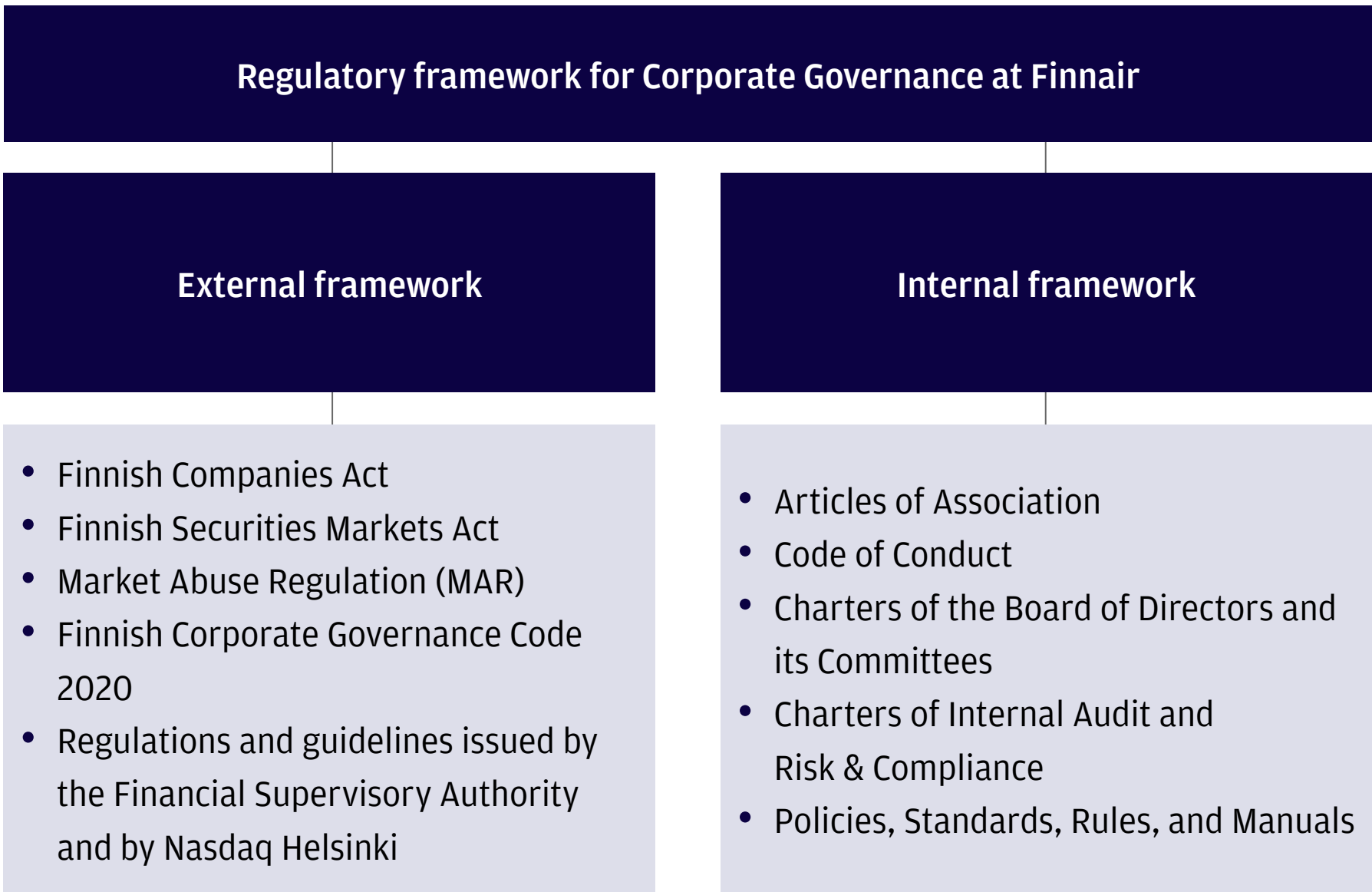
Corporate governance at Finnair is based on Finnish laws and the Company’s Articles of Association. Finnair complies fully with and has prepared this corporate governance statement in accordance with the Finnish Corporate Governance Code 2020. This corporate governance statement is issued separately from the Board of Directors’ report, and it has been reviewed by the Audit Committee of Finnair’s Board of Directors.

Finnair prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), the Finnish

Securities Markets Act as well as the Financial Supervision Authority’s regulations and guidelines and Nasdaq Helsinki’s rules. The company’s financial statements are prepared in accordance with the Finnish Companies Act, Accounting Act, Securities Markets Act, and the opinions and guidelines of the Finnish Accounting Board. The auditor’s report covers the consolidated financial statements and the parent company’s financial statements.

This corporate governance statement and other information to be disclosed in accordance with the Finnish Corporate Governance Code 2020, the Company’s financial statements, the Board of Directors’ report, the auditor’s report, the Company’s Articles of Association and its published policies are available at Finnair’s [website](#).

The Finnish Corporate Governance Code 2020 is available on the [website](#) of the Securities Market Association.





# GOVERNING BODIES

The governing bodies of Finnair pursuant to the Companies Act and the Articles of Association are the General Meeting of Shareholders, the Board of Directors (the “Board”) and the Chief Executive Officer (the “CEO”).

The roles of the governing bodies are described below.

**General Meeting of Shareholders**  
The ultimate authority in Finnair is vested in the General Meeting of Shareholders. An Annual General Meeting (the “AGM”) must be held each year by the end of May.

The competence of the General Meeting of Shareholders is set out in the Companies Act and in Finnair’s Articles of Association. The AGM shall annually decide on the following matters:

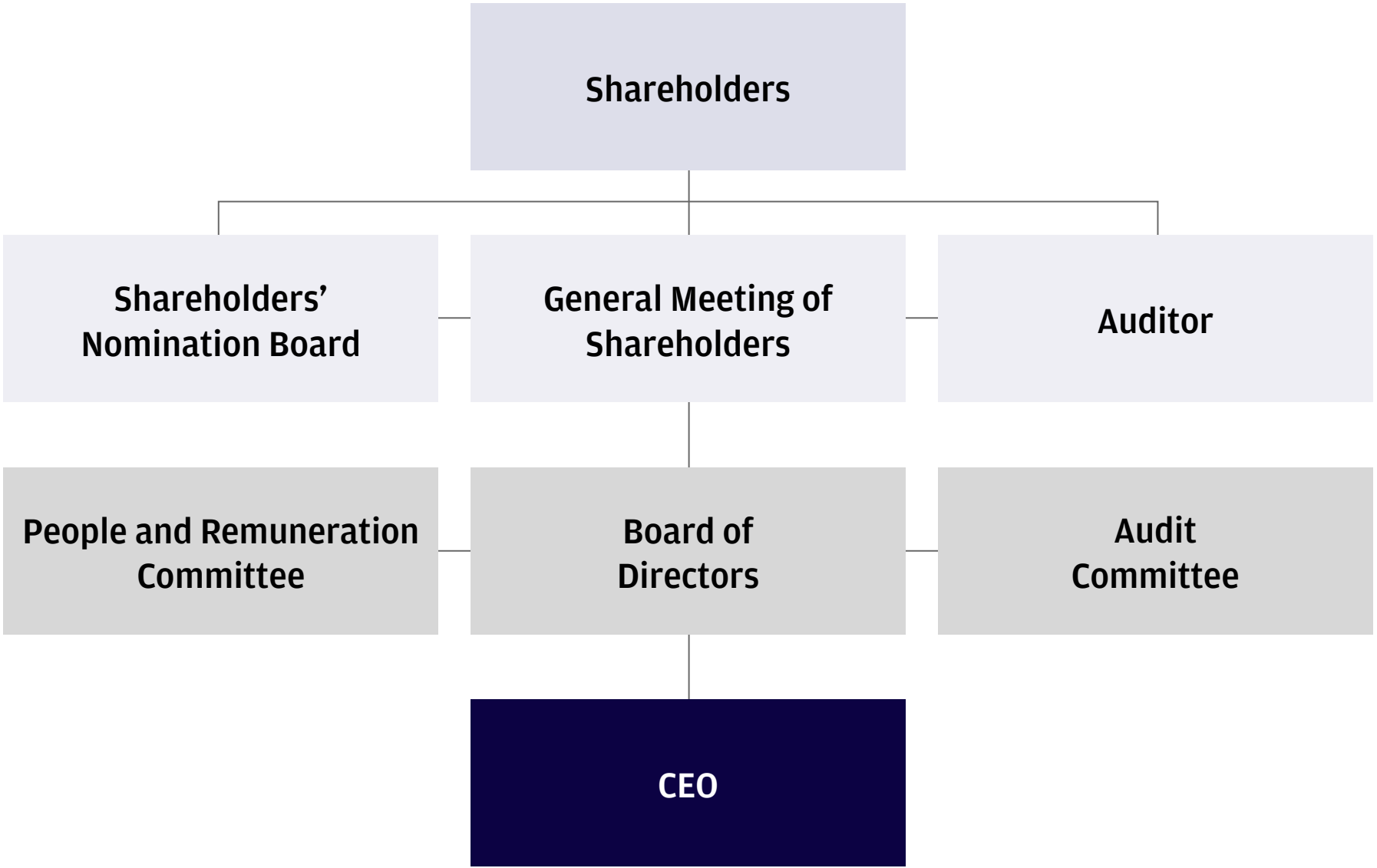
- adoption of the financial statements and the consolidated financial statements
- the use of the profit shown on the balance sheet
- the discharging of the Members of the Board and the CEO from liability
- the appointment of the Members of the Board and their remuneration

- election of the Chairman of the Board from among the Members
- the election and remuneration of the auditor.

The Board convenes the General Meetings of Shareholders by publishing a notice no earlier than three months and no later than three weeks before the date of the meeting and always at least nine days before the record date of the meeting. The notice shall be published as a stock exchange release and on Finnair’s [website](#).

Each shareholder who is registered on the record date as a shareholder in the company’s public register of shareholders, maintained by Euroclear Finland Oy, has the right to participate in the General Meeting of Shareholders. If a holder of nominee-registered shares wishes to participate in the meeting, he or she has to register temporarily in the register of shareholders. Furthermore, in order to attend the meeting, a shareholder must register for the meeting in the manner defined in the notice convening the meeting.

## GOVERNING BODIES OF FINNAIR





A shareholder has the right to have a matter falling within the competence of the General Meeting of Shareholders addressed by the meeting, if the shareholder so demands in writing from the Board by the date announced on Finnair’s [website](#).

The minutes of the General Meeting of Shareholders and the voting results, if any, shall be made available to shareholders on Finnair’s [website](#) within two weeks of the meeting.

**2019 Annual General Meeting**

Finnair’s AGM 2019 was held in Helsinki on 20 March 2019. A total of 507 shareholders, representing 72.9 per cent of the shares and voting rights of the company, participated either in person or by proxy representatives. All Board members, except for Maija-Liisa Friman, Henrik Kjellberg and Jonas Mårtensson, as well as candidates for Board membership and the auditors of the company were present in the meeting.

**Auditor**

The company’s auditor in 2019 was PricewaterhouseCoopers, and Mr. Markku Katajisto acted as the auditor with principal responsi-

bility. The audit fees paid in 2019 amounted to 0.3 million euros, and the fees for other services rendered amounted to 0.2 million euros.

**Shareholders’ Nomination Board**

The AGM 2013 decided to establish a permanent Shareholders’ Nomination Board. The term of the Nomination Board continues until further notice. The previous practice since 2008 was that a Shareholders’ Nomination Committee was established annually by the AGMs.

The purpose and task of the Nomination Board is to prepare and present to the AGM - and if necessary, to an Extraordinary General Meeting - proposals on the composition and remuneration of Board of Directors. In addition, the task of the Nomination Board is to seek potential future candidates for Board members. The Nomination Board shall forward its proposals to the company’s Board of Directors by 31 January each year.

The Nomination Board consists of four members nominated annually. The company’s three largest shareholders appoint

three of the members, and the current Chairman of the Board serves as the fourth member. The Nomination Board appoints its chairman from among its members. The company’s largest shareholders entitled to appoint members to the Nomination Board are determined on the basis of the registered holdings in the company’s shareholder register held by Euroclear Finland Oy as of the first working day in September each year. In the event that a shareholder does not wish to exercise their right to appoint a representative, such right passes to the next largest shareholder.

The members of the Nomination Board are not remunerated by Finnair for their membership in the Nomination Board. The members’ expenses are reimbursable in accordance with the company’s expense policy. In addition, the Nomination Board’s costs of using external experts shall be borne by the company.

The Charter of the Nomination Board is available at the company [website](#).

**2018 Nomination Board**

The 2018 Nomination Board consisted of the representatives of the first, second and third largest shareholders as at the first working day in September 2018, i.e. the State of Finland, Keva and Etola Oy (through its subsidiaries Tiiviste-Group Oy and Etra Invest Oy), and of the Chairman of the Board. The composition of the 2018 Nomination Board was the following:

- Ms. Minna Pajumaa, b. 1963, Senior Financial Counsellor, Government Ownership Steering Department (Chairman)
- Mr. Robin Backman, b. 1971, Portfolio Manager in Keva
- Mr. Mikael Etola, b. 1977, Managing Director, Etola Oy
- Mr. Jouko Karvinen, b. 1957, Chairman of the Board of Finnair.

The Nomination Board convened two times and the participation rate was 100%. In addition, the Nomination Board held several telephone conferences and interviewed the Board candidates. On 31 January 2019, the Nomination Board submitted to the Board its proposals for the 2019 AGM to be held on 20 March 2019. The proposals are available at Finnair’s [website](#).

**2019 Nomination Board**

The 2019 Nomination Board consisted of the representatives of the first, third and fourth largest shareholders as at the first working day in September 2019, i.e. the State of Finland, Varma Mutual Pension Insurance Company and Etola Oy (through its subsidiaries Tiiviste-Group Oy and Etra Invest Oy), and of the Chairman of the Board. The composition of the 2019 Nomination Board was the following:

- Ms. Minna Pajumaa, b. 1963, Senior Financial Counsellor, Government Ownership Steering Department (Chairman)
- Mr. Timo Sallinen, b. 1970, Senior Vice President, Investments, Varma Mutual Pension Insurance Company
- Mr. Mikael Etola, b. 1977, Managing Director, Etola Oy
- Mr. Jouko Karvinen, b. 1957, Chairman of the Board of Finnair.

The Nomination Board convened once in 2019 and the participation rate was 100%. On 27 January 2020, the Nomination Board submitted to the Board its proposals for the 2020 AGM to be held on 18 March 2020. The proposals are available at Finnair’s [website](#).



# BOARD OF DIRECTORS

The Chairman and the Members of the Board are elected by the Annual General Meeting. According to the Articles of Association, the Board consists of the Chairman and a minimum of four and a maximum of nine other members. The Board elects a Vice Chairman from among its members. The term of the office of the members of the Board ends at the close of the first AGM following their election.

According to the Companies Act, the Board represents all shareholders of Finnair and has the general duty to act diligently in the interests of the company. The Board is accountable to the shareholders for the appropriate governance of the company and for ensuring that the operations of the company are run adequately.

The accountability for the company’s governance pertains specifically to the reliability of the financial reporting and to the efficiency of the company’s internal control and risk management systems. The main features of the internal control and risk management systems are described later in this Corporate Governance Statement. The

Board has extensive general competence in the governance of the Company as its competence covers all matters that are not within the powers of other governing bodies of the Company.

## The main duties of the Board of Directors:

- approve the company’s strategic targets and monitor the achievement of strategic targets
- ensure the administration of the company and the appropriate organisation of its operations
- confirm the values and top-level policies of the Company
- monitor and ensure the appropriateness of the accounting, financial administration and risk management
- approve significant strategic matters, business plans, partnerships and other decisions exceeding the limits of the CEO’s decision-making power

- decide on guarantees and other commitments for external parties’ liabilities
- appoint and dismiss the CEO and other members of the Executive Board, as well as evaluate their performance and determine their remuneration, also attend to the succession planning of the management
- establish and regularly evaluate the company’s personnel policies and its compensation systems
- evaluate its own work on an annual basis
- prepare and approve the charters of the Board of Directors and its committees and confirm the charters of the Internal Audit and Risk & Compliance

The Charter of the Board of Directors is available on the Finnair’s Corporate Governance [website](#).





# MEMBERS OF THE BOARD IN 2019



**Jouko Karvinen**  
+  
b. 1957, M. Sc. (Tech.)  
Chairman of the Finnair Board of Directors since March 2017 and member of the Board since March 2016  
**Main occupation:**  
Board professional  
**Key positions of trust:**  
Member of the Foundation and Supervisory Boards of IMD Business School, Lausanne, Switzerland.



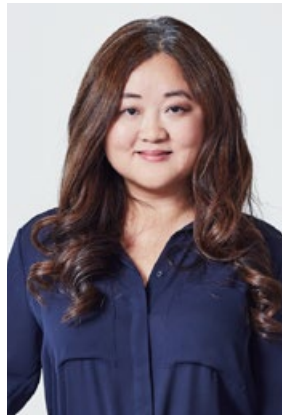
**Tiina Alahuhta-Kasko**  
+ PR  
b. 1981, M. Sc. (Econ.), CEMS MIM.  
Member of the Finnair Board of Directors since 2019  
**Main occupation:**  
President & CEO of Marimekko Corporation  
**Key positions of trust:**  
-



**Colm Barrington**  
A  
b. 1946, M. Sc. (Econ.)  
Vice Chairman and member of the Finnair Board of Directors since 2017  
**Main occupation:**  
CEO and Director of Fly Leasing Limited  
**Key positions of trust:**  
Member of the Board of Directors of Hibernia REIT Plc



**Montie Brewer**  
A  
b. 1957, BA (Business Administration).  
Member of the Finnair Board of Directors since 2018  
**Main occupation:**  
Board professional  
**Key positions of trust:**  
Member of the Board of Directors of Allegiant Travel Company



**Mengmeng Du**  
PR  
b. 1980, M. Sc. (Econ.), M. Sc. (Computer science)  
Member of the Finnair Board of Directors since 2017  
**Main occupation:**  
Digital advisor, board professional  
**Key positions of trust:**  
Member of the Board of Directors of Skandia, Netonnet Group and Saminvest.



**Jukka Erlund**  
+ A  
b. 1974, M. Sc. (Econ.), eMBA.  
Member of the Finnair Board of Directors since 2019  
**Main occupation:**  
Executive Vice President, CFO, of Kesko Oyj  
**Key positions of trust:**  
The Chair of the Tax and Economic Policy Committee of Finnish Commerce Federation, Member of the Economy and Tax Committee of Confederation of Finnish Industries EK, and Member of the Supervisory Board of Varma Mutual Pension Insurance Company.



**Henrik Kjellberg**  
A  
b. 1971, M. Sc. (Econ.).  
Member of the Finnair Board of Directors since 2018  
**Main occupation:**  
CEO of Awaze  
**Key positions of trust:**  
-



**Jaana Tuominen**  
+ PR  
b. 1960, M. Sc. (Eng.).  
Member of the Finnair Board of Directors since 2014  
**Main occupation:**  
CEO of Fiskars Group  
**Key positions of trust:**  
-



**Maija-Liisa Friman (member until 20 March 2019)**  
+ A  
b. 1952, M. Sc. (Chem. Eng.).  
Member of the Finnair Board of Directors from 2012 until 20 March 2019  
**Main occupation:**  
Board professional  
**Key positions of trust:**  
Member of the Board of Directors of Essity AB and the Finnish Securities Market Association



**Jonas Mårtensson (member until 20 March 2019)**  
+ PR  
b. 1977, M. Sc. (Business Admin).  
Member of the Finnair Board of Directors from 2017 until 20 March 2019  
**Main occupation:**  
CEO of Mojang  
**Key positions of trust:**  
-

## Committees

- A = Audit Committee
- PR = People and Remuneration Committee



Members of the Board and their independence

The 2019 Annual General Meeting held on 20 March elected Mr. Jouko Karvinen as Chairman of the Board of Directors and Ms. Tiina Alahuhtala-Kasko, Mr. Colm Barrington, Mr. Montie Brewer, Ms. Mengmeng Du, Mr. Jukka Erlund, Mr. Henrik Kjellberg and Ms. Jaana Tuominen as other members of the Board. The Board elected Mr. Colm Barrington as its Vice Chairman.

Finnair complies with applicable requirements regarding independence of the Board of Directors according to Finnish laws and regulations as well as according to the Finnish Corporate Governance Code. The Board considers all the members elected by the shareholders, apart from Mr. Jukka Erlund, to be independent of the Company according to the Code. Mr. Jukka Erlund is considered dependent on the Company because Piia Karhu, Finnair’s Senior Vice President in Customer Experience and a member of the Executive Board, is a member of Kesko Corporation’s Board of Directors and Jukka Erlund is the Chief Financial Officer of Kesko Oyj. All the Board members elected by the shareholders are independent

in relation to the Company’s major share-holders in accordance with the Code.

The ownership of the Directors and companies controlled by them in Finnair

At the end of 2018 and 2019, neither the members of the Board of Directors nor any companies under their control held any shares or share-based rights in any company within Finnair Group.

The Committees of the Board

The Board delegates some of its functions to the Audit Committee and to the People and Remuneration Committee. The Board appoints the Committee members and their Chairs from among the members of the Board. The minimum number of members is three in both Committees.

Each Committee meets regularly under their respective charters. The Committees report on their work regularly to the Board but they do not have decision-making powers independent from the Board, except where expressly authorised by the Board. Copies of the Committees’ charters are available on Finnair’s [website](#).

Number of the Board meetings and Board Committee meetings in 2019 and the attendance rate of the members

Member	Board of Directors	Audit Committee	People and Remuneration Committee
Jouko Karvinen	9/9		
Tiina Alahuhta-Kasko (member since 20 March)	7/7		4/4
Colm Barrington	9/9	5/5	
Montie Brewer	9/9	5/5	
Mengmeng Du	9/9		5/5
Jukka Erlund (member since 20 March)	7/7	4/4	
Henrik Kjellberg	9/9	5/5	
Jaana Tuominen	9/9		5/5
Maija-Liisa Friman (member until 20 March)	1/2	1/1	
Jonas Mårtensson (member until 20 March)	2/2		1/1



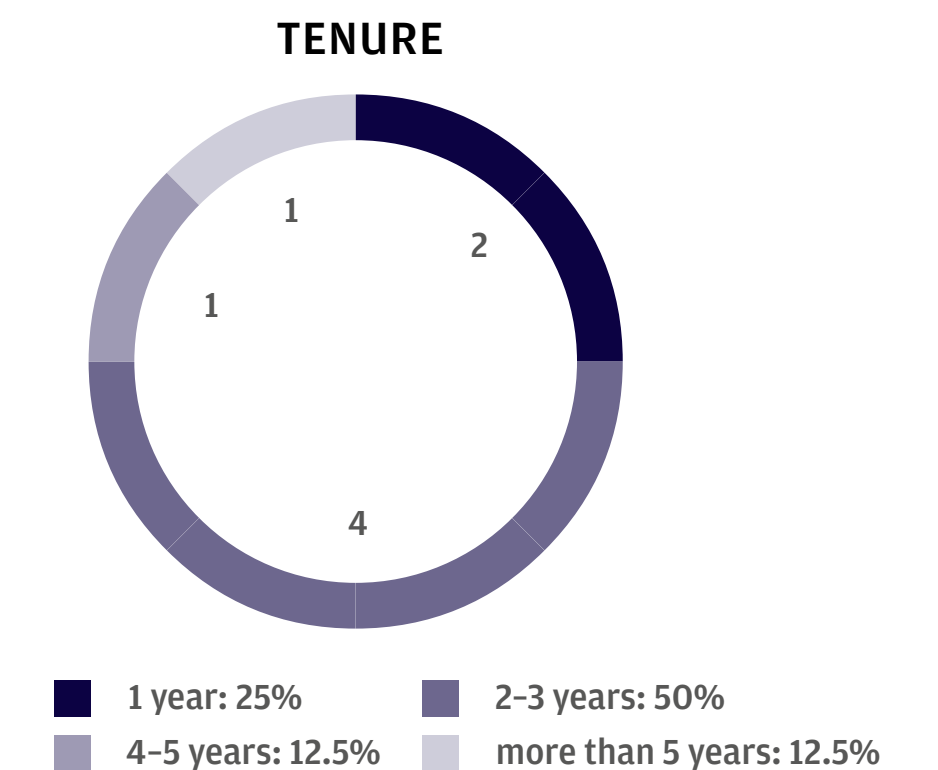
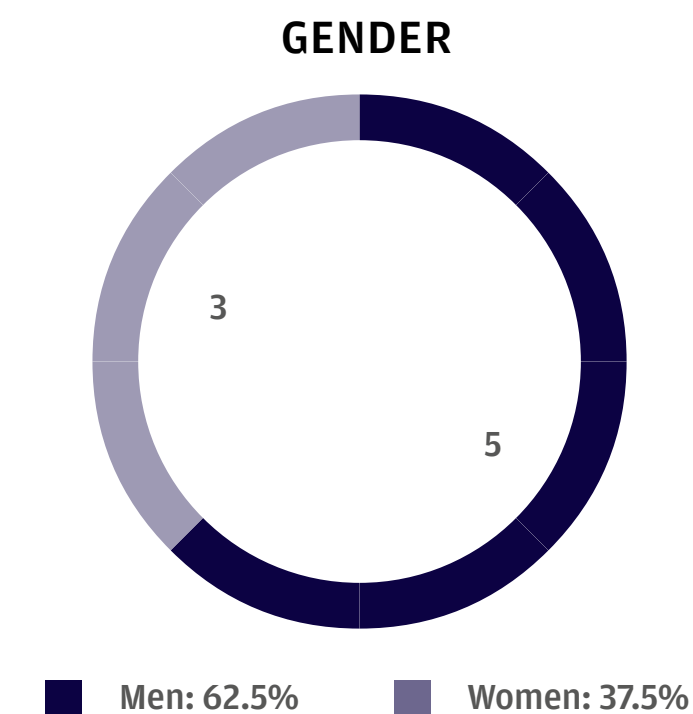
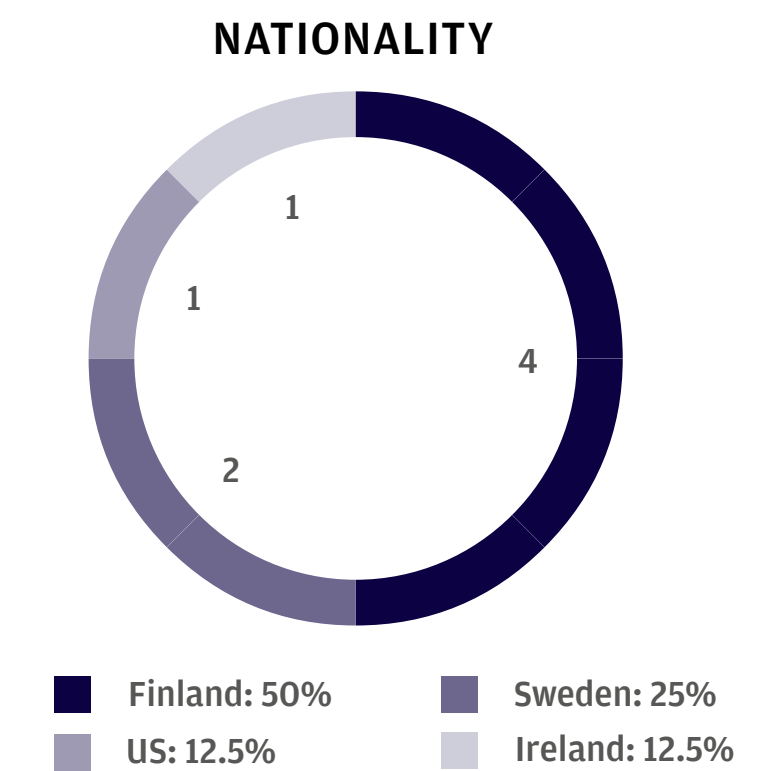
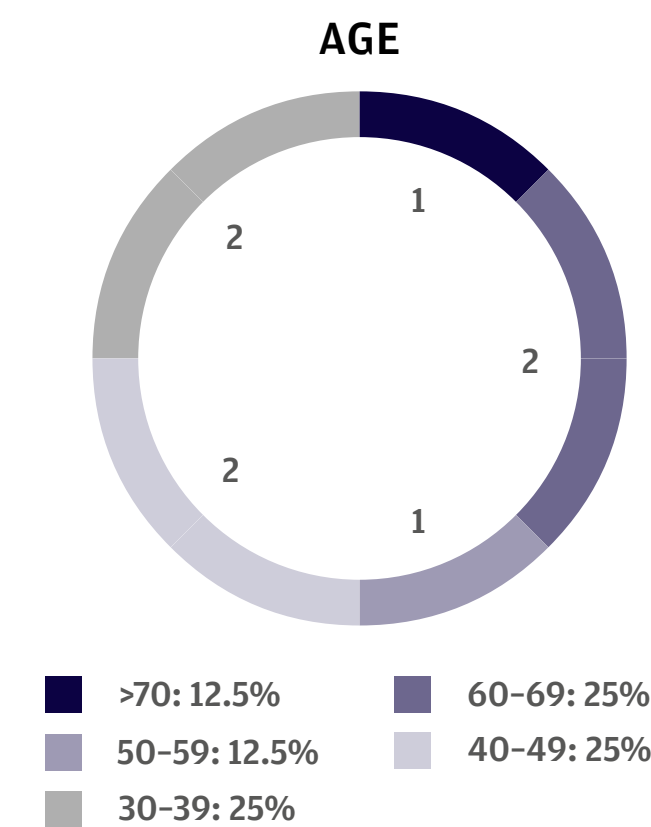
## The diversity principles of the Board of Directors

The Board of Directors has determined its diversity principles for the use of the Shareholders' Nomination Board when preparing proposals on the composition of the Board to the General Meeting of Shareholders.

The diversity principles of the Board of Directors are:

- The Board as a whole must have sufficient expertise and experience to conduct the duties carefully and effectively, taking into account the quality, scope and international nature of the company's operations, the company's strategic targets and changes in the business environment and society.
- The members of the Board must be capable of cooperating with the other members and the management.
- The members of the Board should have training and experience that complement each other and experience from industries that are important for the company.
- The members should have experience of Board work and conducting managerial duties in business or other areas of society.
- The Board shall have at least 40 per cent both men and women. The composition should show diversity also in terms of the age distribution, length of service and cultural background.
- Sufficient continuity should be ensured in reforming the composition of the Board, but the continuous term of any member may not exceed 10 years.

## The diversity of the Board of Directors







# AUDIT COMMITTEE

The Audit Committee assists the Board in matters relating to financial reporting and control in accordance with the duties specified for audit committees in law and in the Finnish Corporate Governance Code.

The Audit Committee monitors and evaluates the company’s reporting process of financial statements and the efficiency of the internal control and risk management systems as well as the internal audit. The committee monitors the statutory audit and evaluates the independence of the auditor. In addition, the Audit Committee monitors the efficiency of the company’s compliance systems.

Pursuant to the Finnish Corporate Governance Code, the members of the Audit Committee shall have the qualifications necessary to perform the responsibilities of the committee, and at least one of the members shall have expertise specifically in accounting or auditing.

## The main duties of the Audit Committee:

- monitor the financial position of the company
- monitor and assess the financial reporting process
- monitor and assess the efficiency of the company’s internal control and risk management systems as well as internal audit
- monitor the statutory audit of the financial statements
- monitor and assess the independence of the statutory auditor, and particularly the provision by auditor of non-audit services to the company
- prepare the Board’s proposal for resolution on the election of the auditor and its remuneration
- review the auditor’s and internal

- auditor’s plans and reports
- monitor and assess agreements and transactions between the company and its related parties with respect to compliance with the governance and disclosure requirements of the same
- review the company’s corporate governance statement
- prepare the Board’s decisions on the company’s risk management policies
- monitor the processes and risks relating to cyber security
- prepare the Board’s decisions on significant changes in the accounting principles or in the valuations of the group’s assets
- assess the efficiency of the company’s compliance systems
- maintain contact with the auditor

In addition to the Committee members, the CEO, the CFO, the auditor, and the General Counsel as secretary to the committee attend the committee meetings. Other executives attend the meetings as invited by the committee.

## Audit Committee in 2019

After the AGM of 20 March 2019, the Board of Directors elected the following members to the Audit Committee: Jukka Erlund as Chairman and Colm Barrington, Montie Brewer and Henrik Kjellberg as members. Between 1 January and 20 March 2019, the committee was Chaired by Maija-Liisa Friman and its other members were Colm Barrington, Montie Brewer and Henrik Kjellberg. The Audit Committee met five times in 2019 and its attendance rate was 100%.



# PEOPLE AND REMUNERATION COMMITTEE

The People and Remuneration Committee assists the Board in matters pertaining to the compensation and benefits of the CEO and other senior management, their performance evaluation, appointment and successor planning. The Committee assists the Board also in establishing and evaluating the company’s compensation structures and other personnel policies. Pursuant to the Board’s authorisation, the committee reviews and confirms the achievement of targets for short-term incentives and approves the payment of the incentives to the CEO and other senior management.

## The main duties of the People and Remuneration Committee:

The Committee prepares the following matters for the Board:

- the key principles of the company’s compensation policies and practices
- compensation, pension, benefits and other material terms of the contract of the CEO and the Executive Board members

- CEO’s and the Executive Board members’ incentive and retention plans
- CEO’s and the Executive Board members’ performance reviews
- nominations of the CEO and the Executive Board members
- composition and responsibilities of the Executive Board
- CEO’s and the Executive Board members’ succession planning and leadership development
- assessment of the people strategy and key development initiatives
- equity-based incentive plans
- the remuneration policy for the company’s governing bodies
- annual remuneration reporting based on the recommendations of the Finnish Corporate Governance Code for listed companies

The CEO, the SVP People and Culture, and the General Counsel as secretary to the committee attend the committee meetings.

## People and Remuneration Committee in 2019

After the AGM of 20 March 2019, the Board elected the following members to the People and Remuneration Committee: Jaana Tuominen as the Chair, and Mengmeng Du and Tiina Alahuhta-Kasko as members. Between 1 January and 20 March 2019, Jaana Tuominen acted as the Chair of the committee and Mengmeng Du and Jonas Mårtensson acted as members. The committee met five times in 2019 and the attendance rate was 100%.



# COMPANY MANAGEMENT

## Finnair’s corporate structure

Finnair’s core airline activities are operated in the Group’s parent company, Finnair Plc, whereas technical services, travel services (package tours), catering services and financial business services are run in wholly owned subsidiaries. Finnair business is considered one operating segment, consisting of Finnair units Customer Experience, Operations and Commercial. The shared functions in Finnair’s Group administration are Finance and Control, People and Culture, Digital Services, Strategy,

Communications and Corporate Responsibility, Legal Affairs, Risk & Compliance, and Internal Audit.

## The CEO

The CEO is appointed by the Board. The CEO manages the company’s operations in accordance with guidelines and instructions issued by the Board. The CEO acts as the Chairman of the Executive Board.

The Board determines the CEO’s compensation and sets his short- and long-term

incentive targets. The main contents of the CEO’s contract, including his compensation and benefits, are described in the Remuneration Statement and on Finnair’s corporate governance [website](#).

Mr. Topi Manner, M.Sc. (Econ.), b. 1974, has been the CEO of Finnair since 1 January 2019. Manner has had a long career in management positions at Nordea, the largest financial group in the Nordic countries, where he worked as a member of Nordea’s Group Executive Management and as Head of Personal Banking.

The CEO belongs to Finnair’s short- and long-term incentive programs, described in more detail in Note 1.3.8 to the financial statements and in the Remuneration Statement.

## Executive Board

The Executive Board of the company is led by the CEO, and it comprises the senior management responsible for Finnair’s operations and commercial activities, customer experience, digital services, finance, people and culture, strategy, communications and corporate responsibility and legal affairs.

The Executive Board members are appointed by the Board, which also determines their remuneration.

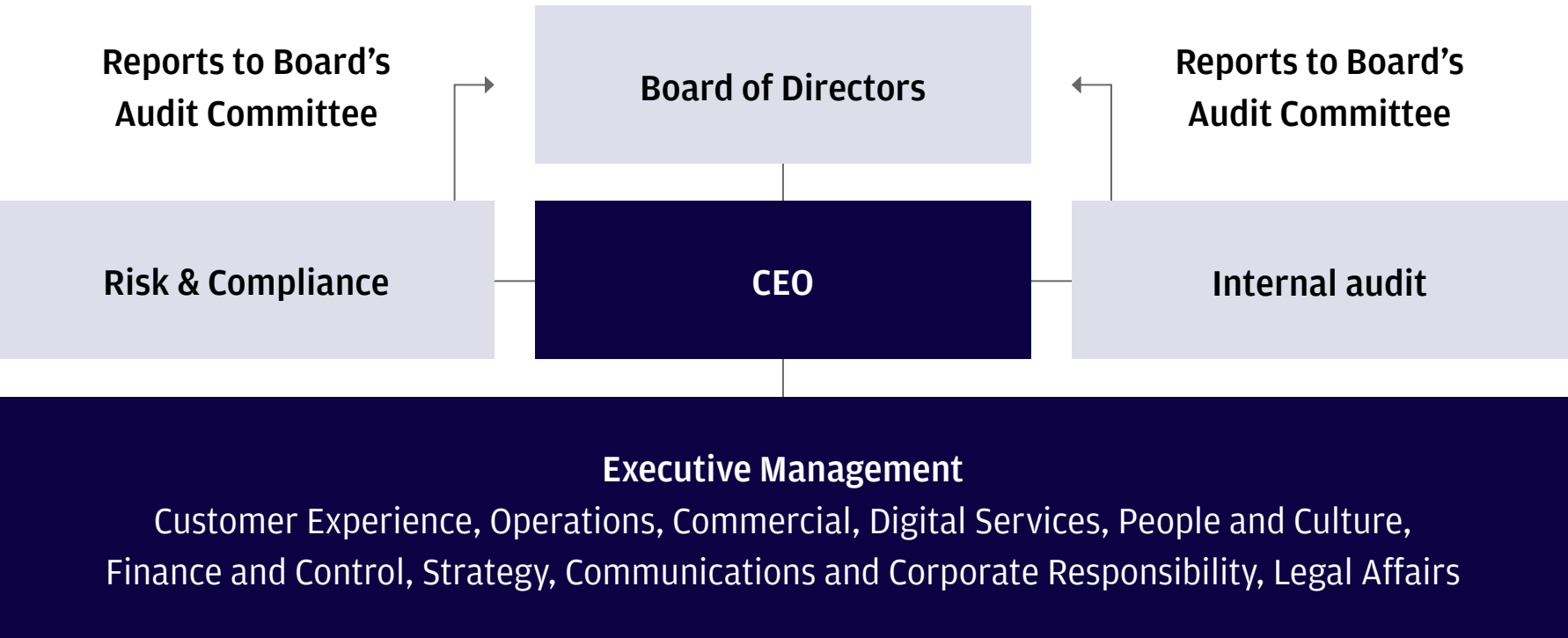
The Executive Board assists the CEO in the strategy implementation, coordinates group-wide development projects and defines policies that guide the company’s activities. The Executive Board members report to the CEO and their main task is to lead the daily operations of their respective unit or group function.

## Executive Board subsets

The governance structure contains two Executive Board subsets which are the Investment Steering Board and Safety Review Board.

The Investment Steering Board acts as the forum for preparing investment decisions for the Executive Board’s approval as well as exercises delegated powers to approve investments below a given threshold. The Investment Steering Board is headed by the Chief Financial Officer.

### COMPANY MANAGEMENT







Finnair has a Safety Review Board that is responsible for reviewing the company's safety policy and assessing the safety performance against the safety policy and objectives. The Safety Review Board reviews the effectiveness of the flight safety, security and compliance management systems relating to safety, and ensures that appropriate resources are allocated to achieve the targeted safety performance. The Safety Review Board is headed by the Chief Operating Officer and it convenes at least four times per year.

**Management Board**

The Finnair Management Board is principally a communication and co-operation forum designed for the personnel's participation in the company's governance processes, especially with regard to matters that affect the personnel. The Management Board discusses the implementation of the company's strategic objectives and development projects that affect Finnair's personnel as well as business plans and financial performance of the Group, the operational quality and customer satisfac-

tion. The Management Board comprises the Executive Board members, certain senior managers and the representatives of all personnel groups. In 2019, the Finnair Management Board met seven times.

**Corporate Governance in Finnair subsidiaries**

For major subsidiaries, the members of the boards of directors are selected from individuals belonging to Finnair's senior management and, in selected subsidiaries, also from representatives proposed by personnel groups. The subsidiaries of Finnair are presented in the Financial Statements 2019 under Note 4.2.

**Governance principles in key partnerships and outsourcings**

Finnair has equity partnership in Nordic Regional Airlines Oy through Nordic Regional Airlines AB (Finnair's ownership 40 per cent as at 31 December 2019). 60 per cent of Nordic Regional Airlines AB is owned by Danish Air Transport (DAT). Nordic Regional Airlines Oy is a Finnish regional passenger airline operating ATR turboprop

and Embraer 190 aircraft. Its route network is designed to provide convenient feeder connections to Finnair's European and long-haul routes. Finnair's influence over the governance of the company is based on shareholding and contractual rights.

Finnair procures certain important operational services from strategic partners, such as the ground handling and cargo terminal handling services in Helsinki hub from Swissport Finland Ltd, and the engine and component services from SR Technics, Lufthansa Technik and Rolls Royce. In the area of IT and mobile services Finnair partners with Amadeus, IBM and Apple, among others. The cost and quality targets of these agreements have been determined so as to correspond at least to a good general market level.

Finnair participates in joint businesses with certain airlines belonging to the **oneworld** alliance. These joint businesses seek to improve competitiveness and efficiency in a manner benefitting the passengers. Finnair's influence in the joint business

ventures is based on contractual arrangements. Decisions by the joint venture are sought to be made unanimously.

All Finnair's service providers are expected to comply with Finnair's Supplier Code of Conduct. Finnair aims to secure in its supply contracts the rights to audit the Supplier's governance and security measures.

Finnair's Code of Conduct and Supplier Code of Conduct are available on Finnair's [website](#).



EXECUTIVE  
BOARD  
MEMBERS  
IN 2019



**Topi Manner**  
b. 1974, M.Sc. (Econ.)  
**Main occupation:**  
CEO as of 1 January 2019  
**Key positions of trust:**  
Vice chairman, Finland Chamber of Commerce  
**Shareholding 31 December 2019:**  
37,538



**Nicklas Ilebrand**  
b. 1980, M.Sc. (Computer Science)  
**Main occupation:**  
SVP Strategy as of 1 May 2019  
**Key positions of trust:**  
Chairman of the Board of Directors, Nordea Kredit 2016–2019 and Nordea Hypotek AB 2016–  
**Shareholding 31 December 2019:**  
629



**Piia Karhu**  
b. 1976, Dr. Business Administration  
**Main occupation:**  
SVP Customer Experience as of 1 March 2016  
**Key positions of trust:**  
Member of the Board of Directors, Kesko Oyj 2018–  
**Shareholding 31 December 2019:**  
15,117



**Johanna Karppi**  
b. 1968, LLM, (trained on bench)  
**Main occupation:**  
SVP People & Culture as of 1 October 2019  
**Key positions of trust:**  
Member of the Board of Directors, Finnpiilot Pilotage Oy  
**Shareholding 31 December 2019:**  
-



**Ole Orvér**  
b. 1966, Degree in Market Economics  
**Main occupation:**  
Chief Commercial Officer as of 1 May 2019  
**Key positions of trust:**  
-  
**Shareholding 31 December 2019:**  
-



**Tomi Pienimäki**  
b. 1973, Dr. Tech, M.Sc. (Eng.), M.Sc. (Econ.)  
**Main occupation:**  
Chief Digital Officer as of 1 October 2019  
**Key positions of trust:**  
-  
**Shareholding 31 December 2019:**  
4,500



**Sami Sarelius**  
b. 1971, LLM  
**Main occupation:**  
SVP and General Counsel as of 20 August 2010  
**Key positions of trust:**  
-  
**Shareholding 31 December 2019:**  
61,135



**Jaakko Schildt**  
b. 1970, B.Sc. (Eng.), MBA  
**Main occupation:**  
SVP Operations as of 1 March 2016  
**Key positions of trust:**  
-  
**Shareholding 31 December 2019:**  
16,165



**Mika Stirkkinen**  
b. 1968, M.Sc. (Econ.)  
**Main occupation:**  
Chief Financial Officer (CFO) as of 1 July 2019, interim Chief Commercial Officer from 1 January to 30 April 2019  
**Key positions of trust:**  
-  
**Shareholding 31 December 2019:**  
12,983



**Arja Suominen**  
b. 1958, MA, e-MBA  
**Main occupation:**  
SVP Corporate Communications and Corporate Responsibility as of 14 March 2011  
**Key positions of trust:**  
Member of the Board of Directors, Savonlinna Opera Festival Ltd  
**Shareholding 31 December 2019:**  
101,140



**Eija Hakakari (member until 30 Sep 2019)**  
b. 1961, M.Sc. (Ed)  
**Main occupation:**  
SVP People & Culture from 1 October 2014 until 30 September 2019  
**Key positions of trust:**  
-  
**Shareholding 31 December 2019:**  
28,866



**Katri Harra-Salonen (member until 30 Sep 2019)**  
b. 1969, M.Sc. (Tech.), eMBA  
**Main occupation:**  
Chief Digital Officer from 21 March 2016 until 30 September 2019  
**Key positions of trust:**  
Member of the Board of Directors, Veho Oy Ab 2016–  
**Shareholding 31 December 2019:**  
12,440



**Pekka Vähähyyppä (member until 30 Jun 2019)**  
b. 1960, M.Sc. (Econ.), eMBA  
**Main occupation:**  
Chief Financial Officer from 17 August 2015 until 30 June 2019  
**Key positions of trust:**  
Member of the Board of Directors, A-lehdet Oy 2013–2019, Vincit Oyj 2019–  
**Shareholding 31 December 2019:**  
77,638

The CEO's and the Executive Board members' direct and indirect shareholdings in Finnair as at 31 December 2019 are shown in the table above.





# KEY EVENTS IN FINNAIR GOVERNANCE IN 2019

## Shareholders

The ownership profile of Finnair Plc remained unchanged in 2019. The largest shareholder at the end of the year was the Government of Finland, holding 55.81% of the shares and votes, followed by Keva (4.88%), mutual pension insurance company Varma (2.55%), and Etola Group (2.46%). Nominee-registered shareholders held 13.92% of the shares at year-end. The number of shareholders increased from 24,541 to 27,029 between 1 January and 31 December 2019.

The shareholders’ Annual General Meeting was held on 20 March 2019.

## Subsidiaries

Finnair Flight Academy Ltd merged into Finnair Plc as of 31 December 2019.

## Auditor

The Annual General Meeting re-elected PricewaterhouseCoopers as the company’s auditor. The lead audit partner of Finnair appointed by PricewaterhouseCoopers concurrently changed due to mandatory rotation requirements.

As the maximum duration of the auditing engagement by PricewaterhouseCoopers would be reached in 2021, the Audit Committee of the company’s Board of Directors ran a public tendering process for the statutory audit in 2019. In accordance with the recommendation and preference of the Audit Committee, the Board resolved to propose to the Annual General Meeting 2020 that it elect KPMG as the company’s statutory audit firm.

## Board of Directors

The composition of the Board of Directors changed in 2019 as two new members were elected by the Annual General Meeting and two members retired from their positions. In 2019, the Board of Directors and the Executive Board worked intensively to define the company’s new vision and strategic focus areas for the period 2020-2025. In autumn 2019, Finnair launched its new strategy of sustainable, profitable growth.

## Executive Board

The composition of the Executive Board changed in 2019 substantially as new Chief Executive Officer, Chief Financial Officer,

Chief Digital Officer, Chief Commercial Officer, Chief People and Culture Officer and Chief Strategy Officer started in their positions. Apart from running and developing the daily operations, customer service, digital services, people and culture matters, finance, governance and internal controls, and other group functions, the renewed Executive Board focused on defining the company’s new values, vision and strategy for years 2020-2025.

A new centralised corporate governance and executive assistance function, the Executive Office, was formed in 2019.

## Management Board

The Management Board’s composition changed in 2019 as some of the personnel groups replaced their representatives and as new Executive Board members and new heads of the technical services unit and of the Risk & Compliance function started in their positions.

## Internal Control and Risk Management

Adherence to the Three Lines of Defence model - with a clear division of roles and responsibilities with respect to internal control and risk management - was further strengthened in 2019. The Risk & Compliance function acts as a control function that is responsible for developing and maintaining the Internal Control Framework and Risk Management Framework as well as for monitoring the implementation of the policies, rules, procedures and key controls within the frameworks.

## Internal Audit

Internal audit performed audits according to the annual plan approved by the Audit Committee of the Board of Directors and performed also assignments requested by the management.



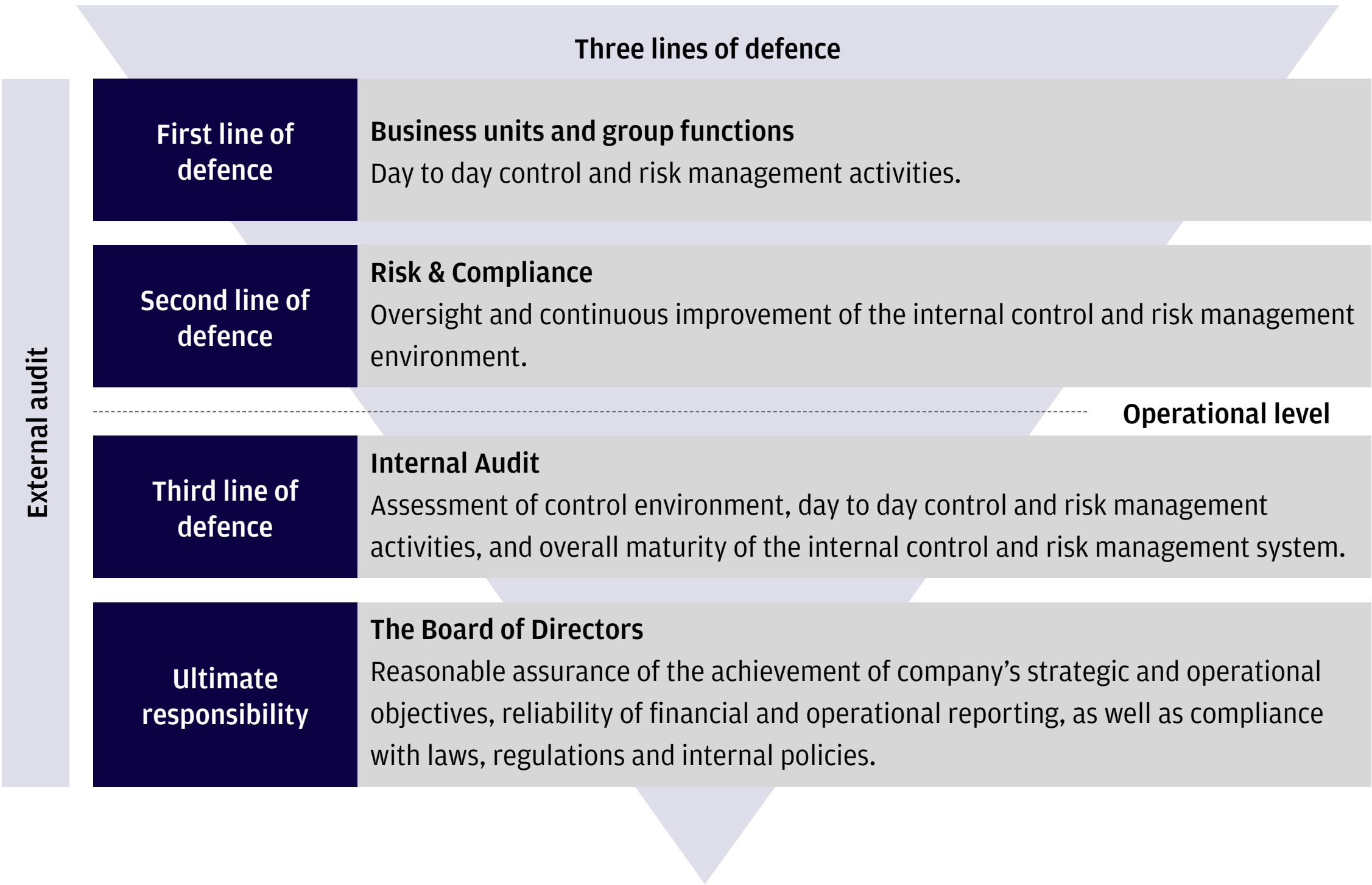


# MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Based on the limited liability companies act the management of the company shall act with due care and promote the interests of the company. The Board of Directors shall see to the administration of the company and the appropriate organisation of its operations. The Board is responsible for the appropriate arrangement of the control of the company accounts and finances. The CEO shall see to the executive management of the company in accordance with the instructions given by the Board. The CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Internal control and risk management activities are an integral part of the management’s overall duty to ensure that the company achieves its business objectives. Through efficient systems of internal control and risk management, deviations from objectives can be prevented or detected as early as possible. The Board of Directors is responsible for monitoring and evaluating the efficiency of the company’s internal control and risk management systems.

## THE ROLE IN THE IMPLEMENTATION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS



Finnair’s Internal Control Framework is the defined set and structure of the company’s internal policies, rules, procedures and key controls. The framework is systematically developed and maintained to ensure

the efficiency of the internal control system. The Internal Control Framework is designed to ensure effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of busi-

ness, including safeguarding of assets, sound administrative and accounting procedures, reliability of financial and non-financial information both externally and internally, and compliance with laws, regu-



lations, supervisory requirements and with Finnair’s internal policies and rules.

The primary governance principle is adherence to the Three Lines of Defence model, with a clear division of roles and responsibilities with respect to internal control and risk management. A proper Three Lines of Defence governance ensures that the segregation of duties is defined and established between risk management and risk control.

- In the first line of defence, the business organisation and group functions are risk owners, and thus responsible for conducting day-to-day control and risk management activities in accordance with the Internal Control Framework.
- In the second line of defence, Risk & Compliance acts as a control function that is responsible for developing and maintaining the Internal Control Framework and Risk Management Framework as well as for monitoring the implementation of the policies, rules, procedures and key controls within the frameworks.
- In the third line of defence, Internal Audit performs audits and provides the

Board of Directors with an independent assessment of the overall effectiveness and maturity of the internal control and risk management systems.

### **Internal control and risk management systems in relation to financial reporting**

The systems for internal control and risk management of financial reporting are designed to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. Internal control and risk management of financial reporting at Finnair can be described in accordance with the COSO framework which consists of the five components: control environment, risk assessment, control activities, information and communication, and monitoring.

#### **Control environment**

The control environment constitutes the basis for Finnair’s internal control system.

The control environment encompasses the culture and values as well as a clear and transparent organisational structure. Finnair’s Internal Control Framework is a fundamental element in the control environment and consists of the Code of Conduct, Finnair Policies, Standards, Rules, and Manuals, as well as the related key controls.

For the proper functioning of the internal control and risk management of financial reporting, clearly defined roles and responsibilities are critical. The risk owners in the first line of defence - i.e. business units, Finance organisation as well as certain other group functions - are responsible for the risk management activities, whereas Risk & Compliance, being a control function in the second line of defence, facilitates the identification and evaluation of risks, assists the first line of defence in defining the controls, and monitors the implementation of controls and risk management activities. In the third line of defence, Internal Audit provides the Board of Directors with an assessment of the overall effectiveness of the governance, risk management and control processes.

#### **Risk assessment**

Risks are continuously identified and analysed as part of the risk management process. Risk management is an integral part of running the business. Performing risk assessments as part of the business activities improves the relevance and quality of risk assessment. Main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation and group functions, i.e. the first line of defence. Processes related to financial reporting are subject to on-going risk assessment by the business controllers, financial controllers and other shared service staff as part of their activities.

Consistent with the Three Lines of Defence model, the role of Risk & Compliance function is to develop and maintain the Finnair Risk Management Framework.



### Control activities

Financial reporting manuals and instructions have been prepared to be followed across the organisation. The manuals and instructions outlining the content and schedule for the reporting aim to increase the overall controllability of the financial reporting process and ensure that financial statements fulfil the requirements set in the IFRS standards and other applicable requirements.

Risks related to financial reporting are managed through controls aiming to provide reasonable assurance that the information of interim reports and year-end reports are correct and that they have been prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies.

Control activities are applied in the business processes and, from the financial reporting perspective, they ensure that errors or deviations are prevented or detected and corrected. Controls in financial reporting pertain to the initiation, recognition, measurement, approval,

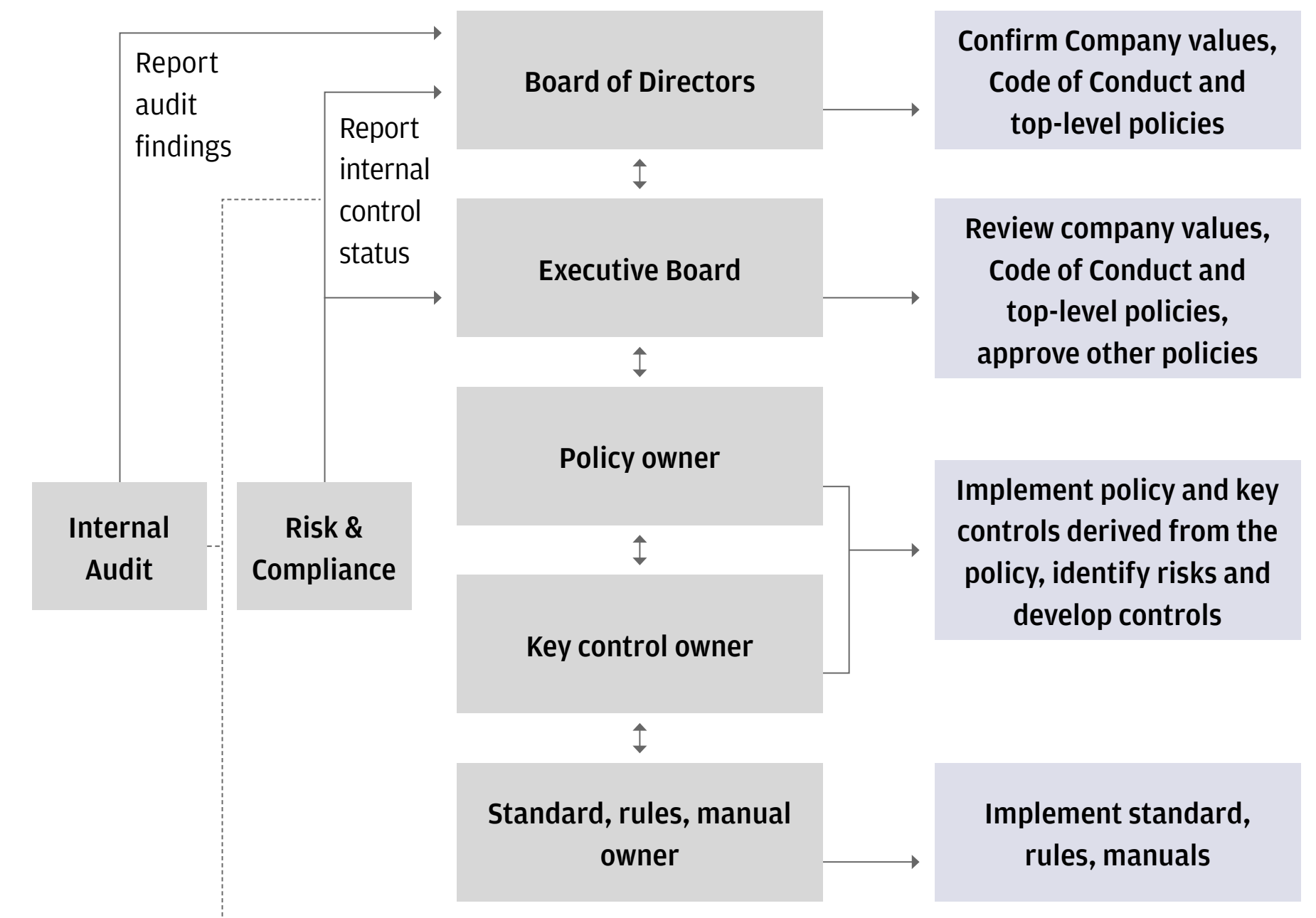
accounting and reporting of financial transactions as well as disclosure of financial information. The general IT controls support the financial reporting controls in areas like access control and back-up management. Responsibilities are assigned in the Finance function ensuring that analyses of the business performance, including analyses on volumes, revenues, costs, working capital, and asset values are performed in accordance with the control requirements.

### Information and communication

The Finance organisation is responsible for ensuring that the financial reporting manuals and instructions are up-to-date and that changes are communicated to the relevant units and functions. The process owners of the main finance processes are responsible for informing about upcoming changes in International Accounting Standards, new accounting principles and other changes in reporting requirements.

The key principles of Finnair's Disclosure Policy regarding disclosure to the stock markets are reliability, openness, consist-

### THE KEY COMPONENTS AND ROLES IN CONTROL PLANNING, IMPLEMENTATION AND MONITORING







ency and fairness. Finnair publishes press and stock exchange releases without undue delay and makes them available to the markets and all principal stakeholders simultaneously.

**Monitoring and improvement**

The business units and group functions regularly assess the maturity of their control activities. The control function - Risk & Compliance - facilitates the identification and evaluation of risks, assists business units and group functions in defining the controls, and monitors the implementation of controls and risk management activities.

The design and effectiveness of the internal control and risk management systems are also assessed as part of the audits by Internal Audit. Audit results, corrective actions and their status, are regularly reported to the Executive Board and to the Audit Committee.

**Internal Audit**

The Internal Audit is established by the Board of Directors, and its responsibilities

are defined by the Audit Committee of the Board as part of their oversight responsibility.

Internal audit acts in the third line of defence providing the Board an independent assessment of the effectiveness and maturity of the internal control and risk management systems.

The mission of Internal Audit in Finnair is to provide independent, objective assurance and consulting services designed to add value and improve the organisation’s operations. Internal Audit helps the organisation to mitigate factors that might undermine its business objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**Transactions with closely associated parties**

Finnair has rules concerning the avoidance of conflicts of interest, which concern, among other things, business transactions between the Finnair group and people in its employ. The rules also apply to the

members of the Board of Directors. Permission must be obtained for transactions with the company. The permission can be given by the Executive Board, or if the permission concerns the CEO or a member of the Board of Directors, by the Board of Directors. The requirement to have permission also applies to transactions in which the counter-party is a person closely related to a Finnair employee or Board member, or an entity in which these have an ownership of at least 20%. The person concerned may not participate in discussing the matter on the Executive Board or the Board of Directors or participate in preparations, decisions or implementation of the matter on behalf of the company.

In addition, the members of the Executive Board and the Board of Directors are required to file an annual report of transactions conducted by them or their closely related parties with Finnair during the financial period as well as of transactions anticipated for the next period.

The permission and notification procedures only apply to negotiated transac-

tions. Hence, they do not apply to service or product purchases available on normal commercial terms or to normal employee discounts.

Significant transactions between Finnair and its closely associated parties are announced with a stock exchange release in accordance with the rules of Nasdaq Helsinki.

Information on transactions with closely associated parties is also provided in note 4.5 to the financial statements.

**Managers’ transactions and key insider management procedures**

Inside information within the company and transactions on Finnair financial instruments by persons discharging managerial responsibilities in the company or their closely related persons are managed in accordance with the Market Abuse Regulation (MAR) and the insider guidelines of Nasdaq Helsinki and of the company. The company’s insider rules also apply to employees in the so-called informative core of the company.



The company maintains a list of persons discharging managerial responsibilities in Finnair (managers), including their closely related persons and entities, who are under the obligation to notify the company and the Financial Supervisory Authority of their transactions on the company's financial instruments within three business days of the execution of the transaction. The company is under the obligation to disclose these transactions in a stock exchange release during the same period. The company's managers are the members of Finnair's Board of Directors and of the Executive Board.

The company's managers and employees in the so-called informative core of the company are bound by a closed window on trading, which begins 30 days before the release of interim or annual results and continues until the end of the release date. The company may also impose other trading restrictions and grant exemptions in accordance with its insider rules.

The company's managers and employees in the so-called informative core of the

company must give an advance notice to the company before the execution of a planned transaction. In addition, they can request an advance assessment of the legality of a planned transaction. The advance notice obligation and advance assessment opportunity are intended to reduce the risk of trading during a closed trading window or at a time when the company has undisclosed inside information. Giving an advance notice does not affect the responsibility of the company's managers and employees in its so-called informative core regarding the abuse of inside information.

The disclosure policy of the company requires, in accordance with the Market Abuse Regulation (MAR), that the company discloses as soon as possible any inside information it may have. However, the disclosure may be delayed if the requirements specified in MAR are met. The identification of inside information and decisions regarding the disclosure or delay of disclosure are made by the company's Disclosure Committee, which is comprised of the members of the Executive Board. The Disclosure Committee assesses the compa-

ny's information typically twice a month and otherwise whenever necessary. If the company delays the disclosure of inside information, it establishes a project-specific insider list and enters the persons with access to the relevant information on the insider list.

The person responsible for insider issues within the company is the General Counsel. Finnair's insider rules are available at the company's [website](#).



# CONTACT INFORMATION

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