

Remuneration Report 2020

- 2 Directors' Remuneration Report 2020
 - 2 Introduction
 - 4 Paid remuneration of the Board of Directors in 2020
 - 5 Paid remuneration of the CEO in 2020



Directors’ Remuneration Report 2020

This Report presents the remuneration paid to members of the Board of Directors and the CEO of Finnair during 2020. Remuneration paid to members of the Executive Board is described on Finnair.com website. The report has been prepared based on the Finnish Corporate Governance Code 2020 and it complies with the requirements of the EU’s Second Shareholder Rights Directive.

Introduction

Year 2020 was an exceptionally challenging year for Finnair due to the Covid-19 pandemic and its’ impact on Finnair’s business. This had a major impact also on remuneration for the CEO, Executive Board members and all employees at Finnair. As incentive payouts are based on previous years’ performance, the pandemic’s impact on paid variable compensation was not yet visible in 2020. The STI and LTI payouts in the beginning of 2020 were based on 2019 performance (STI plan) and 2017-2019 performance (LTI plan).

CEO Topi Manner together with other Executive Board members voluntarily cut their base salaries by 15% for a 6-month period

during 2020. Also the Board of Directors voluntarily cut their annual fees by 15 % starting June 2020 until the 2021 Annual General Meeting.

The European Commission issued on 9 June 2020 a state aid decision regarding the participation of the State of Finland in Finnair’s Rights Offering finding such participation compatible with the EU state aid rules under the Treaty on the Functioning of the European Union Article 107(3)(b). Under the Commission’s decision, the Company agreed to certain conditions following the Rights Offering, which include, among other things, limitations on management remuneration for a period from June 2020 till the end of 2022. These limitations resulted in Finnair not being able to implement the STI and LTI structures as described in the Directors’ Remuneration Policy. To comply with the defined limitations, Finnair cancelled ongoing 2020 STI as well as 2018-2020, 2019-2021 and 2020-2022 LTI plans for the CEO and Executive Board members and launched a new performance share plan for the CEO and Executive Board members for the

period 7/2020-6/2023. At the same time, a rebuild incentive plan for personnel was launched that is based on the same period and target setting.

Development of remuneration 2016-2020
Annual fees for the Board of Directors were last changed in 2020 and before that, in 2008. The average paid remuneration to the Board of Directors in the table below has mainly varied from year to year depending on the amount of Board and committee meetings held during each year. The total amount paid to the Board has increased as the number of Board members increased from 7 to 8 in 2018 and from 8 to 9 in 2020. The Annual General Meeting held on 29 May 2020 decided to increase the annual board fee by three percent for the Chair and by one percent for the other members. The Board decided to forego the increases and additionally cut their current annual fees by 15% until the 2021 Annual General Meeting. A significant share of the CEO’s remuneration is based on performance and variable pay. As the performance targets for short- and long-term incentives are linked to Finnair’s business results, this develop-

ment is reflected in the performance-based rewards paid to the CEO. Remuneration of the CEO increased strongly during 2016-2018 mainly due to increased variable remuneration reflecting the company’s improved financial performance. 2018 CEO remuneration includes both CEO Pekka Vauramo’s and interim CEO Pekka Vähähyppä’s remuneration. CEO Topi Manner joined Finnair on 1 January 2019, and hence did not receive any short- or long-term incentives during 2019 based on previous years’ performance. The CEO’s variable compensation paid in 2020 was based on 2019 (STI) and 2017-2019 (LTI) performance.

Average paid remuneration of employees have been impacted by a number of factors during the past 5 years. In 2020, the extensive temporary lay-offs decreased the paid average remuneration per employee (all employees, including active (at work) and inactive (leave of absence)). Paid average remuneration per active employee on the other hand increased as the temporary lay-offs were extensive in operative employee groups where the salary level is

lower than average. The other main items impacting average remuneration over time are CLA-based annual salary increases, personnel incentive plan payouts as well as the volume of recruitments and retirements (especially in those employee groups where remuneration structures are heavily based on seniority).

Financial performance 2016–2020

The development of Finnair’s business performance impacts the CEO’s performance-based variable compensation. During 2016-2018 both Finnair’s business results and the CEOs remuneration increased strongly. The challenging year 2020 will be visible in paid variable compensation in 2021.

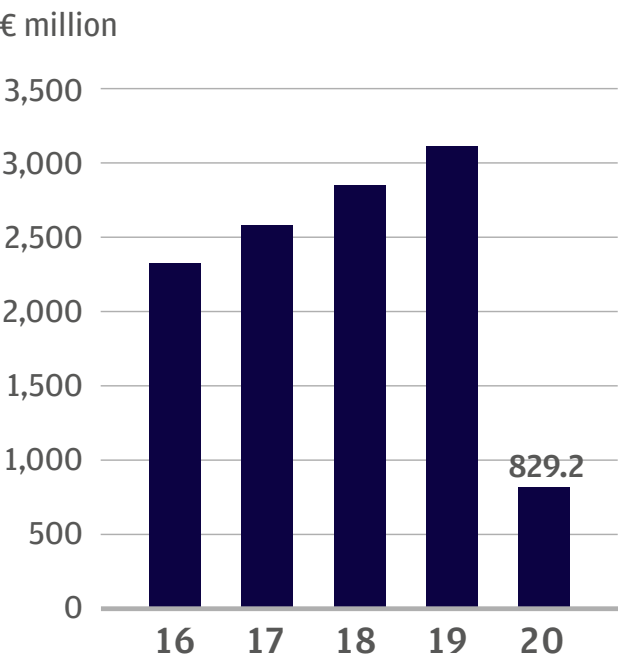
Paid total remuneration 2016–2020

Member	2020	2019	2018	2017	2016
Chair of the Board	71,968	77,907	89,308	74,223	82,800
Deputy Chair of the Board	52,365	55,984	70,500	51,367	67,029
Other members of the Board, average	46,102	43,878	53,873	49,982	54,613
CEO	1,125,233 Topi Manner	769,205 Topi Manner	1,456,648 Pekka Vauramo 1.1.-31.10.2018 123,714 Pekka Vähähyppä 4.9.-31.12.2018	1,241 910 Pekka Vauramo	992,886 Pekka Vauramo
Finnair employees (active employees), average*	66,072	57,608	56,131	62,880	59,766
Finnair employees (active and inactive employees), average**	33,835	54,852	53,333	59,866	56,557

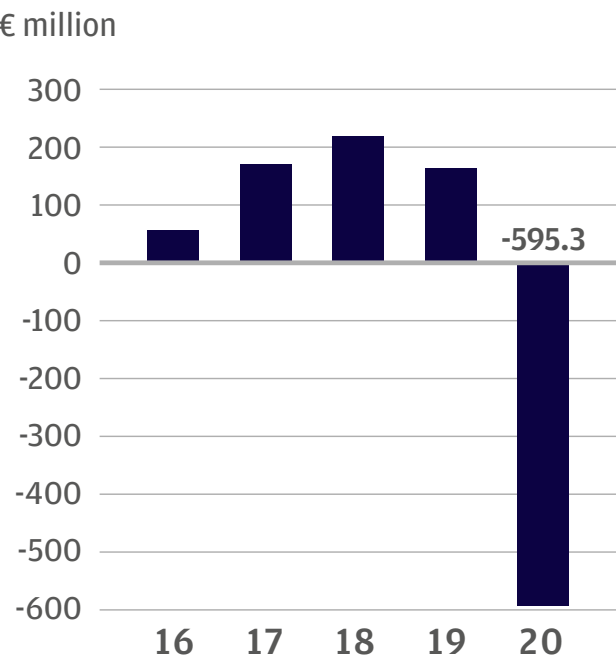
* Average salary is calculated by dividing the total paid salaries with the average number of active (at work) employees during the year.
** Average salary is calculated by dividing the total paid salaries with the average number of all employees (includes both active (at work) and inactive (leave of absence) workers) during the year. Temporary lay-offs have a significant impact on average paid remuneration of all employees.

Financial performance 2016–2020

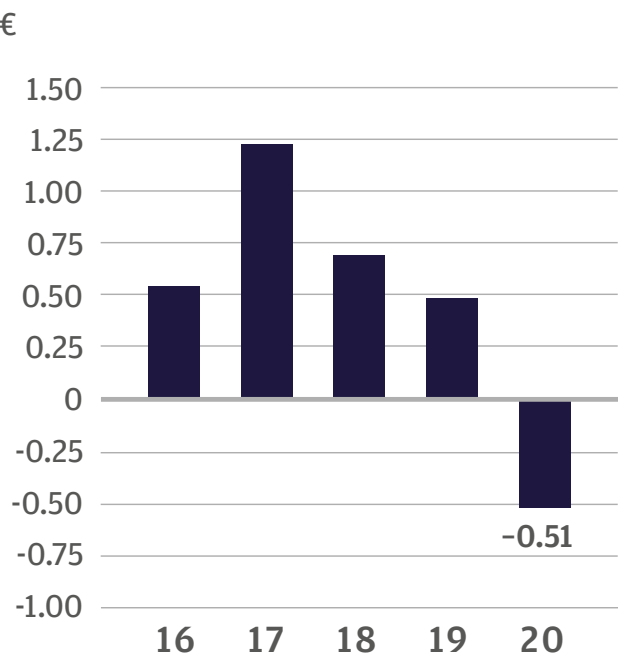
Revenue



Comparable operating result



Earnings per share



Paid remuneration of the Board of Directors in 2020

The fees for Board of Directors were paid in cash.

Members 1.1.–31.12.2020	Annual fees ¹	Board meetings (participated/total number of meetings)	Committee meetings (participated/total number of meetings)	Meeting fees in total ³	Taxable benefits ²	Total
Jouko Karvinen (Chair)	55,845	16/16	0/0	14,400	1,723	71,968
Colm Barrington (Deputy Chair)	29,565	16/16	7/7	22,800		52,365
Mengmeng Du	27,375	16/16	9/9	21,000		48,375
Jaana Tuominen	29,565	16/16	9/9	17,400		46,965
Montie Brewer	27,375	16/16	7/7	21,600		48,975
Henrik Kjellberg	27,375	16/16	7/7	21,600		48,975
Jukka Erlund	29,565	16/16	8/8	15,000		44,565
Tiina Alahuhta-Kasko	27,375	16/16	9/9	15,600		42,975
Members 29.5.–31.12.2020						
Maija Strandberg	14,875	8/8	7/7	7,800		22,675

¹ Annual fees are expressed at the annual level but paid in monthly instalments. Annual fees were cut by 15% starting June 2020 so that the impact for the whole year 2020 was approximately 9%. The cut continues until 2021 Annual General Meeting.

² Taxable benefits include Finnair staff tickets. The members of the Board and their spouses have a right to use staff tickets in accordance with Finnair's staff ticket rule.

³ Meeting fees include fees paid during the year regardless of which year the meeting has been held. In the financial statement meeting fees are reported based on attended meetings and therefore the figures can be different.

Paid remuneration of the CEO in 2020

Remuneration paid, euros per year		CEO 2020 Topi Manner	CEO 2019 Topi Manner
Base Salary ¹	In total, euros	724,866	751,597
Employee benefits ²	In total, euros	14,821	17,488
Short-term incentives ³		based on 2019 performance:	based on 2018 performance:
	In total, euros	216,727	0
	as % of paid base salary	28%	0%
Long-term incentives		based on 2017-2019 performance:	based on 2016-2018 performance:
	Key personnel LTI, monetary and share reward, euros	168,819	0
	Fly Share, monetary and share reward, euros	0	120
	In total, euros	168,819	120
	as % of paid base salary	22%	0%
Supplementary pensions	In total, euros	0	0
REMUNERATION PAID IN TOTAL		1,125,233	769,205

¹ Base salary includes holiday bonus.
² Benefits include car, phone, staff tickets and possible voluntary health insurance.
³ CEO Topi Manner joined Finnair on 1 January 2019, and hence did not receive any short- or long-term incentives based on previous years’ performance.

The 2020 short-term incentive as well as 2018-2020, 2019-2021 and 2020-2022 long-term incentive plans were cancelled for the CEO due to the limitations set by the European Commission. Hence, there are no due short or long-term incentive payments that will be paid during 2021.

During 2020, a new 3-year performance share plan was launched for the CEO and the Executive Board members. The program contains a three-year performance period (7/2020-6/2023). The potential rewards will be delivered to the participants in a pre-determined proportion of shares and cash after the end of the performance period and the rewards are at the participants’ free disposal after delivery. To comply with the restrictions set by the European Commission, the program structure differs from the STI and LTI incentive structures described in the Director’s Remuneration Policy but the maximum annual incentive opportunity remains within the 120% cap defined in the Policy.

The pandemic’s impact on paid variable compensation was not yet visible in 2020 as STI and LTI payouts were based on 2019 performance (STI plan) and 2017-2019 performance (LTI plan). The 2019 STI performance (based on a variety of financial and non-financial measures) for the CEO was slightly below target level and hence resulted in and STI payout equaling 28% of annual base salary. The 2017-2019 EPS and revenue performance significantly exceeded set targets and resulted in LTI payout equaling 22% of paid annual base salary. For CEO Topi Manner the LTI payout was pro-rated to the length of his service during the performance period.

Contact information

House of Travel and Transportation
Finnair Oyj
Tietotie 9 A (Helsinki Airport)
01053 FINNAIR

Tel. +358 600 0 81881
(1,25 €/answered call + local charge)



company.finnair.com
investors.finnair.com



www.facebook.com/finnair
www.facebook.com/finnairsuomi



www.twitter.com/Finnair
www.twitter.com/FinnairSuomi



<https://blog.finnair.com/en/>
<https://blog.finnair.com/>



www.instagram.com/feelfinnair/