



# Remuneration Report 2021

2	Directors' Remuneration Report 2021
2	Introduction
4	Paid remuneration of the Board of Directors in 2021
5	Paid remuneration of the CEO in 2021





# Directors' Remuneration Report 2021

This Remuneration Report presents the remuneration paid to members of the Board of Directors and the CEO of Finnair during 2021. Remuneration paid to members of the Executive Board is presented on investors.finnair.com website. The report has been prepared based on the Finnish Corporate Governance Code 2020, which also correspond to the requirements of the EU's Second Shareholder Rights Directive.

## Introduction

Remuneration at Finnair is based on the principles of performance, fairness and competitiveness. Remuneration shall support the achievement of Finnair's strategic goals and sustainability strategy, align the management's priorities with the interests of Finnair's shareholders, encourage behaviors consistent with Finnair's values, and reward for excellent performance. These principles also guide the work of Finnair's People and Remuneration Committee.

Year 2021 continued as 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 the remuneration for the CEO, Executive Board members and all employees at Finnair. The fast-changing business environment and the European Commission's (Commission) restrictions on management remuneration require special attention, especially for the variable pay structures and target setting. The People and Remuneration Committee follow the validity of remuneration structures on a regular basis, and if needed, takes appropriate steps to ensure that remuneration aligns with the defined remuneration principles.

Despite an improvement in Finnair's business performance compared to 2020, the level is still significantly below the pre-pandemic era. In addition to the business performance, the remuneration of the CEO Topi Manner and other Executive Board members is directly impacted

by the restrictions set by the Commission on management remuneration. The Commission issued on 9 June 2020 a decision that the participation of the State of Finland in Finnair's Rights Offering is compatible with the EU state aid rules. Under the Commission's decision, the Company agreed to certain conditions following the Offering, which include, among other things, limitations on management remuneration during the financial years 2020, 2021 and 2022. These limitations resulted in Finnair not being able to implement the Short Term Incentive (STI) and Long Term Incentive (LTI) structures as described in the Directors' Remuneration Policy. To comply with the defined limitations, Finnair cancelled the ongoing STI and 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.

The Board's voluntary annual fee cut by 15%, that was decided in 2020, continued until the 2021 Annual General Meeting.

## Development of remuneration 2017–2021

Annual fees for the Board of Directors (Board) were last changed in 2020 and before that, in 2008. The average paid remuneration to the Board, presented in the table below, has varied from year to year mainly based on the number 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, and from 9 to 8 in 2021. The Board's decision in 2020 to forego the annual fee increases and additionally cut their current annual fees by 15% impacted the remuneration paid to the Board in both 2020 and 2021.

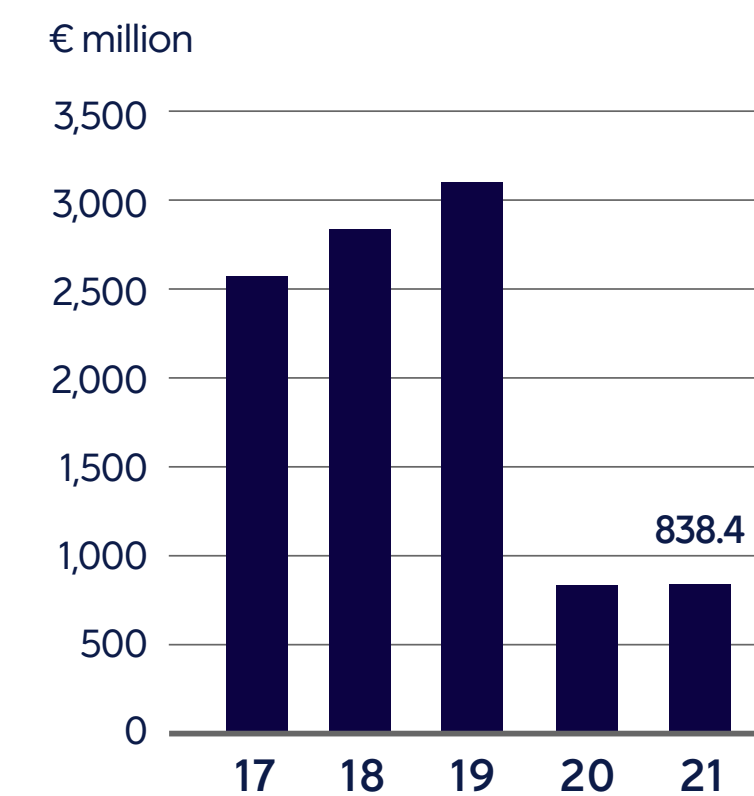


A significant share of the CEO's remuneration is based on variable pay and is linked to the achievement of set business targets, including both financial, operational and sustainability performance. Remuneration of the CEO increased strongly during 2017–2018 mainly due to increased variable remuneration reflecting the Company's improved financial performance. The 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 STI or LTI payouts during 2019 based on previous years' performance. In 2021, the CEO's paid remuneration decreased by 33% compared to 2020 and included only base salary and benefits, in line with the restrictions set by the European Commission.

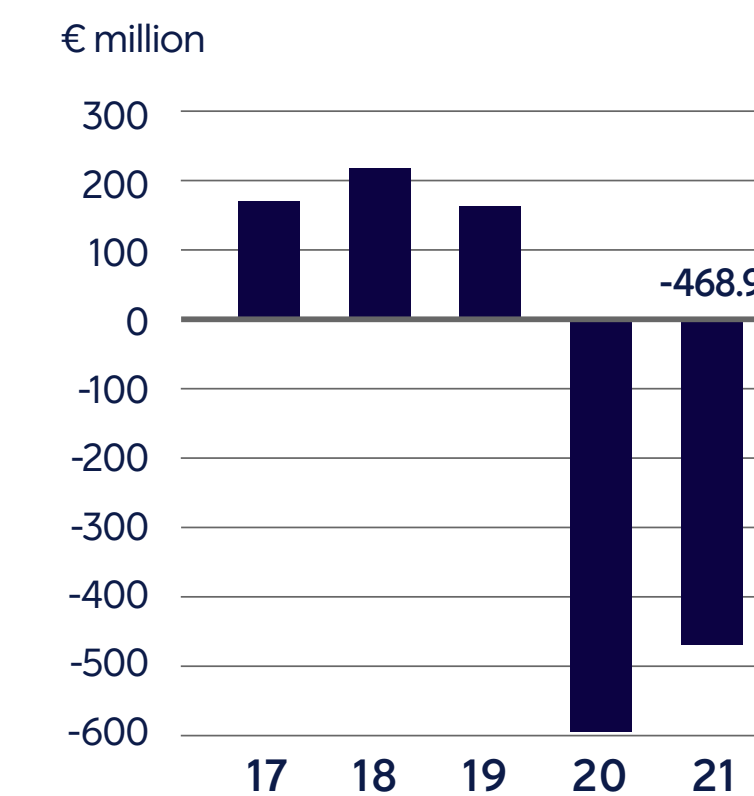
Average paid remuneration of employees has been impacted by a number of factors during the past 5 years. In 2020 and 2021, extensive temporary lay-offs decreased the paid average remuneration per employee including active (at work) and inactive (leave of absence). Paid average remuneration per active 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 employee remuneration over time include 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 2017–2021

### Revenue



### Comparable operating result



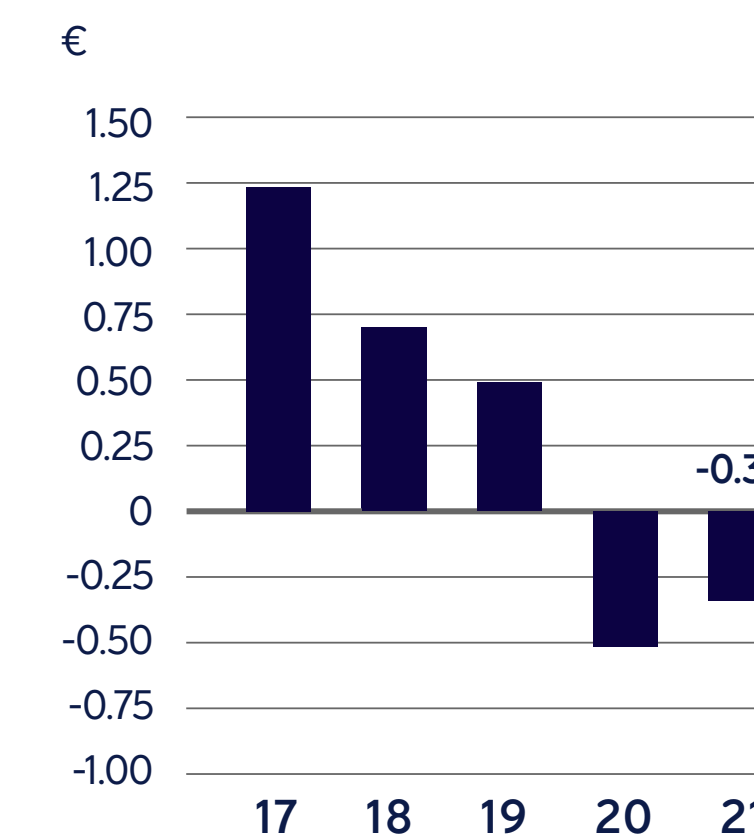
### Paid remuneration

	2021	2020	2019	2018	2017
Chair of the Board	68,228	71,968	77,907	89,308	74,223
Vice Chair of the Board	43,410	52,365	55,984	70,500	51,367
Other members of the Board average	41,695	46,102	43,878	53,873	49,982
CEO	756,713 Topi Manner	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
Finnair employees (average active)*	62,016	66,072	57,608	56,131	62,880
Finnair employees (average employed)**	32,522	33,835	54,852	53,333	59,866

\* 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.

### Earnings per share





# Paid remuneration of the Board of Directors in 2021

The Board fees were paid in cash. The Board decided in 2020 to forgo annual fee increases and made a voluntary annual fee cut by 15%, which impacted paid fees until the 2021 Annual General Meeting.

Members 1.1.–31.12.2021	Annual remuneration <sup>1</sup>	Board meetings	Committee meetings	Meeting compensations in total	Taxable benefits <sup>2</sup>	Total
Jouko Karvinen (Chair)	60,255	10/10	0/0	7,800	173	68,228
Colm Barrington (Vice Chair)	31,410	10/10	7/7	12,000		43,410
Montie Brewer	29,100	10/10	7/7	13,800		42,900
Henrik Kjellberg	29,100	10/10	7/7	12,000		41,100
Jukka Erlund	31,410	10/10	7/7	10,200		41,610
Tiina Alahuhta-Kasko	29,100	10/10	10/10	12,000		41,100
Maija Strandberg	29,100	10/10	10/10	12,000		41,100
<b>Members 17.3.–31.12.2021</b>						
Hannele Jakosuo-Jansson	24,525	7/7	8/8	9,000		33,525
<b>Members 1.1.–17.3.2021</b>						
Mengmeng Du	6,375	3/3	2/2	3,000		9,375
Jaana Tuominen	6,885	3/3	2/2	3,000		9,885

<sup>1</sup> The annual remuneration is expressed at the annual level but paid in monthly instalments.

<sup>2</sup> 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.



# Paid remuneration of the CEO in 2021

The change in the CEO's base salary is mainly due to the 15% voluntary and temporary base salary cut during 2020 and to holiday bonus cut during 2021. The change in company car during 2020 increased taxable benefit value but reduced the base salary.

The 2020 and 2021 STI as well as 2018–2020, 2019–2021 and 2020–2022 LTI plans were cancelled for the CEO due to the limitations set by the Commission. Hence, there are no due short or long-term incentive payments that are made in 2021 and 2022.

The CEO and the Executive Board members are participants of the performance share plan that was launched for the CEO and the Executive Board members during 2020. 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 the delivery. The CEO and the Executive Board members also participate in the annually commencing LTI plans starting with the 2021–2023 plan, where the potential reward would be paid in 2024.

The pandemic's impact on paid variable compensation was not yet visible in 2020 as STI payouts were based on 2019 performance and LTI payouts were based on 2017–2019 performance.

The contractual base salary of the CEO has not changed during 2020 and 2021. The change in paid base salary compared to 2020 is mainly due to the 15% voluntary and temporary base salary cut during 2020 and to holiday bonus cut during 2021.

Remuneration paid, euros per year		CEO 2021 Topi Manner	CEO 2020 Topi Manner
Base salary <sup>1</sup>	In total, euros	735,615	724,866
Benefits <sup>2</sup>	In total, euros	21,098	14,821
Short Term Incentives <sup>3</sup>		Based on 2020 performance	Based on 2019 performance
	In total, euros	0	216,727
	as % of paid base salary	0%	28%
Long Term Incentives <sup>4</sup>		Based on 2018–2020 performance	Based on 2017–2019 performance
	Key personnel LTI, monetary and share reward, euros	0	168,819
	Fly Share, monetary and share reward, euros	0	0
	In total, euros	0	168,819
	as % of paid base salary	0%	22%
Supplementary pensions	In total, euros	0	0
Remuneration paid in total		756,713	1,125,233

<sup>1</sup> Base salary includes holiday bonus.

<sup>2</sup> Benefits include company car, phone, staff tickets and possible voluntary health insurance.

<sup>3</sup> 2020 Short Term Incentive plan was cancelled.

<sup>4</sup> 2018–2020 Long Term Incentive plan was cancelled for the CEO and Executive Board members.





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