

Corporate Governance and Remuneration Statement 2018



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Report on the governance and management system



Finavia Corporation

Finavia Corporation (hereafter also 'Finavia' or the 'Company') is a fully state-owned public limited company. The purpose of the Company is to develop the Finnish airport network and to maintain the airports with regular scheduled commercial traffic. The Company's registered office is in Vantaa, Finland.

The role of the State of Finland as the owner of Finavia is based on the State Shareholdings and Ownership Steering Act (1368/2007). The ownership steering of Finavia is the responsibility of the Ownership Steering Department in the Prime Minister's Office. Parliament has not granted the Government any authorisations to assign the shares of Finavia Corporation. According to the Government resolution of 13 May 2016, the State pursues an optimal financial and social overall result in the management of its corporate assets.

Decision-making and governance in Finavia is in accordance with the Finnish limited liability companies act, Finavia's articles of association, the applicable governance guidelines prepared by the Ownership Steering Department of the Prime Minister's Office, and Finavia's own governance guidelines. The principles steering Finavia's governance and the risk management and internal control principles contained in them and observed by the group were approved by Finavia's Board of Directors in May 2018.

Observing the Governance Code

Finavia also complies, as applicable, with the Corporate Governance Code of Finnish listed companies approved by the Finnish Securities Market Association in 2015 ("the Governance Code"). The most significant deviations from the Governance Code arise from the fact that Finavia only has one shareholder, the State of Finland. In addition, the Finnish Government has also specified some of the matters laid out in the recommendations, such as the grounds for electing Board members, in the Government resolution on its ownership policy. For this reason, observing all provisions of the Governance Code would not be appropriate or even possible.

The exceptions to the Governance Code are the recommendations concerning the contents and publication of notices of General Meetings of Shareholders and their subparagraphs (1 and 2), the recommendation concerning attendance in the GM (3), the recommendation concerning the retrospective publication of GM documents (4), the recommendation concerning the publication of the method or preparing the proposal for the composition of the Board of Directors (7), the recommendation concerning the definition of principles regarding the diversity of the Board of Directors (9) and the recommendation concerning the Shareholder's Nomination Committee (18b). Furthermore, the recommendation concerning share incentives (23) is not relevant due to the State ownership.

The Governance Code can be viewed on the Securities Market Association's website at www.cgifinland.fi.

Corporate structure

In 2018, the Company had two business areas: Helsinki Airport and the Airport Network. Other companies in the Finavia Group were Airpro Oy, a company providing support services for air traffic, and its subsidiary RTG Ground Handling Oy, as well as Lentoasemakiinteistöt Oy, which is engaged in the real estate business.

In an ownership and financing arrangement carried out in January 2018, Finavia sold 51% of the shares of its subsidiary LAK Real Estate Oy to a fund managed by NREP Oy and Pontos Aero Oy. This means that Finavia now owns 49% of the shares of LAK Real Estate Oy.

Administrative and operative bodies

The parent company of Finavia Group is Finavia Corporation, the administrative and executive bodies of which are its General Meeting of Shareholders, Board of Directors, the Board's Audit Committee, the Board's HR Committee, the CEO, and the Executive Group.

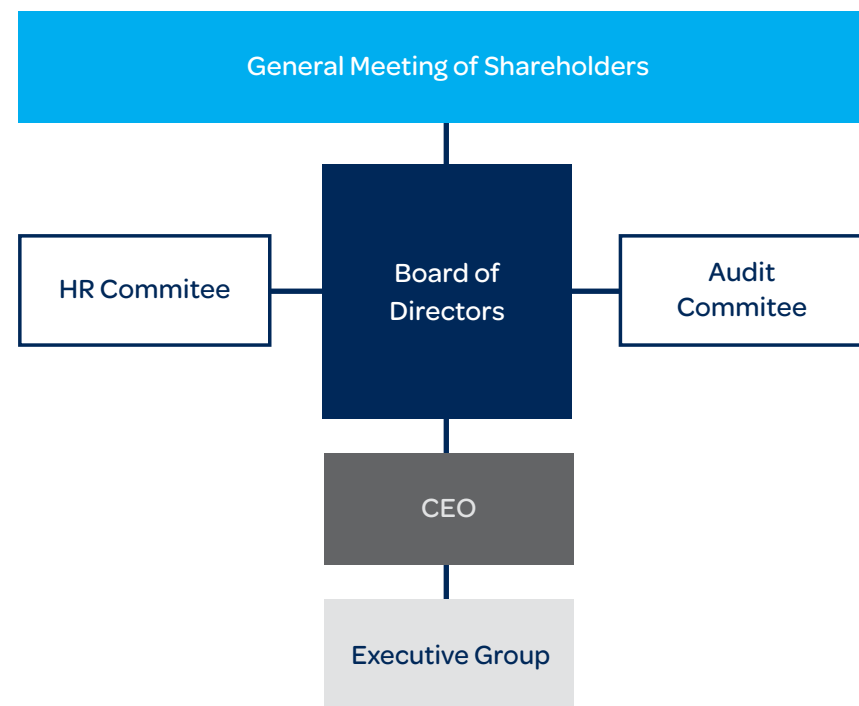
General Meeting of Shareholders

The Ordinary GM is Finavia's supreme decision-making body. The Ordinary Meeting of Shareholders is held annually on a day determined by the Board of Directors, within six months of the end of the financial period. The Ordinary General Meeting of Shareholders decides on issues within its powers under the Limited Liability Companies Act and the Company's articles of association.

The Board of Directors convenes an extraordinary GM when necessary or when required under the Limited Liability Companies Act.

The auditor must attend the Ordinary GM. Under the Articles of Association, the notice of a General Meeting of Shareholders must be delivered to the shareholders no earlier than two months and no later than one week prior to the meeting. The Ordinary GM for 2018 was held on 19 March 2018.

Administrative organisation



Board of Directors

The Board of Directors is responsible for the Company's governance and the appropriate organisation of its operations as well as for ensuring that the Company's accounting and financial management are appropriately arranged. The Board of Directors deals with matters that are far-reaching and important for the operations of the Company and its subsidiaries.

Under the Articles of Association, the Board has at least three and a maximum of seven members. The GM also elects the Chairman of the Board and, if necessary, a Deputy Chairman. The CEO cannot be elected as a member or the Chairman of the Board.

The Board members must have the qualifications required for the task and they must be able to allocate sufficient time for attending to their duties as Board members.

The majority of Board members must be independent of the Company. At least two of the members must also be independent of the Company's shareholder. The Board assesses the independence of the members in relation to the Company and its shareholder every year. Both genders must be represented on the Board.

The Board of Directors convenes on the date determined by the Board, on average once a month. The Board meeting has a quorum when more than half of its members, including the Chairman or the Deputy Chairman, are present. The decisions of the Board require a simple majority. In the

event of a tie, the Chairman casts the deciding vote.

The CEO is entitled to attend Board meetings and be heard at them, unless otherwise decided by the Board in a certain case. The Board meetings may also be attended by other persons whose presence is necessary, taking into account the matter to be discussed. The General Counsel of Finavia Group acts as the secretary of the Board.

The preparation of the issues to be discussed by the Board is primarily the CEO's responsibility. The CEO is also responsible for ensuring that the Board receives sufficient information to assess the operations and financial position of the Company and its subsidiaries as well as any other issues to be discussed. The matters to be discussed by the Board are presented by the CEO. In individual cases, the CEO may delegate this task to a member of the Executive Group, the CEO of a subsidiary, or another person familiar with the matter.

In its decision-making, the Board of Directors adheres to the current legislation of Finland as well as regulations and orders issued pursuant to it and the Articles of Association. The Board of Directors has adopted a working order for itself, containing a more detailed account of the duties and procedures of the Board. The Board of Directors carries out annual assessments of its own work and efficiency.

When required, the Board of Directors decides on establishing new committees for the purpose of preparing the matters for which the Board is responsible and elects

their members annually after the Ordinary General Meeting.

During the period 1 January-18 March 2018, the Board of Directors of Finavia had the following members: Harri Sailas (as Chair), Katja Keitaanniemi, Nina Kiviranta, Erkkä Valkila, Stefan Wentjärvi and (as representative of the personnel) Annaleena Kiikonen.

At the Ordinary General Meeting of Shareholders of Finavia Corporation, which was held in Helsinki on 19 March 2018, Esko Pyykkönen was also appointed to the Board and he joined the six members referred to above.

All members of the Board were independent of Finavia with the exception of personnel representative Annaleena Kiikonen, who has a contract of employment with Finavia. The members of the Board of Directors were independent of Finavia's sole shareholder, the State of Finland, with the exception of Esko Pyykkönen, who during his Board membership worked as a civil servant.

The Board convened 13 times in 2018. The attendance rate of Board members in Board meetings was 96% during the period 1 January-18 March 2018 (four meetings) and 95% during the period 19 March-31 December 2018 (nine meetings). Harri Sailas, Katja Keitaanniemi, Esko Pyykkönen and Erkkä Valkila attended all Board meetings. Nina Kiviranta and Stefan Wentjärvi attended 12 meetings, and Annaleena Kiikonen attended 11 meetings.

Committees of the Board of Directors

The Board has set an Audit Committee and a HR Committee for the preparation of its duties. The committees do not have any independent powers of decision; instead, the Board makes the decisions on the basis of the proposals presented by the committees. The committees report to the Board of Directors.

Audit Committee

The role of the Audit Committee is to assist the Board in ensuring that the Company's accounting and financial management are appropriately organised and that the Company has an appropriate system of internal control that covers its entire operations. The committee supports the organisation and monitoring of the Company's internal audit activities, and sees to it that the Company's operations and internal control are organised in the manner required by law, regulations and good corporate governance.

The Audit Committee prepares, guides and assists the Board in assessing issues relating to risk management, internal monitoring systems, financial reporting processes and audits, and internal auditing.

The Audit Committee convenes at the invitation of its chairperson at least four times a year. At least three members are elected to the committee. The Board elects the chairperson and members of the committee from among its members for a term of one year at a time. All committee members must be independent of the Company, and at least two members must be independent of the shareholder. The Secretary of the Board acts as the secretary of the committee.

The Audit Committee has a working order approved by the Board.

During the period 1 January–27 April 2018, the Audit Committee comprised Stefan Wentjärvi as the Chairman and Katja Keitaanniemi and Nina Kiviranta as the members. Between 28 April and 31 December 2018, the committee comprised Stefan Wentjärvi as the Chairman and Nina Kiviranta and Esko Pyykkönen as the members. The Audit Committee met five times in 2018. The attendance rate of its members was 100%.

HR Committee

The HR Committee assists the Board in the management of HR tasks coming under its responsibility. The tasks of the

committee include the preparation of the matters pertaining to the terms and conditions of employment and remuneration of senior management and the compensation and incentive schemes of senior management and personnel. The committee also prepares the appointments of employees reporting to the CEO.

The HR Committee meets at the invitation of its chairperson at least twice a year. It is chaired by the Chairman of the Board, and it has at least two annually appointed Board members as its members. The majority of the committee members must be independent of the Company.

The HR Committee has a working order approved by the Board. During the period 1 January–27 April 2018, the HR Committee comprised Harri Sailas as the Chairman and Erkka Valkila and Stefan Wentjärvi as members, and between 28 April and 31 December 2018, Harri Sailas as the Chairman and Katja Keitaanniemi and Erkka Valkila as members. During the period 1 March–31 December 2018, the HR Committee met five times. During this period, the average attendance rate of its members was 92%. Harri Sailas, Erkka Valkila and Stefan Wentjärvi attended all meetings, and Katja Keitaanniemi took part in 2 of the 3 meetings.

Members of the Board of Directors on 31 December 2018

**Harri Sailas**

Chairman of the Finavia Board of Directors from 21 December 2015
B. 1951, M.Sc. (Econ. and Bus. Adm.)

Main work history

President and CEO,
Ilmarinen Mutual Pension Insurance Company 2007–2015
Before that executive posts at Nordea and its predecessor banks, most recently as Director of the Helsinki Regional Bank and as Deputy CEO of Nordea Bank Finland

Positions of trust

Solidium Oy, Chairman of the Board 2016–
Alko Inc., Chairman of the Board 2015–
Helsinki Deaconess Institute Foundation,
Member of the Supervisory Board 2015–
HSE Support Foundation, Vice Chairman of the Board 2014–

**Katja Keitaanniemi**

Member of the Finavia Board of Directors from 3 March 2016
B. 1973, Lic.Sc. (Tech.)

Main work history

OP, Board member, Executive Vice President, Banking, Corporate and Institutional Customers 2018–, Finnvera plc, Executive Vice President, Small and Medium Sized Enterprises, Member of Management Group 2014–2018
Swedbank, Head of Investment Banking Finland & Member of Management Group of Global Investment Banking 2011–2013, Head of Research, Deputy Head of Global Research & Member of Management Group in Finland 2010–2011
eQ Bank/Conventum Securities,
Director of Equity Research & Member of Executive Group 2002–2009
Nordea Securities, Helsinki, Senior Analyst
– Forest & Paper Product, 2001–2002

**Annaleena Kiikonen**

Personnel representative in the Finavia Board of Directors from 17 March 2017
B. 1980, Master of Business Administration

Main work history

Finavia Corporation, Procurement Manager 2016–,
Service Supervisor 2010–2016, Customer Service Officer 2005–2010
Finland Travel Bureau, Sales Clerk 2002–2005

Positions of trust

Finavia Corporation, Shop Steward 2006–2010

Members of the Board of Directors on 31 December 2018

**Nina Kiviranta**

Member of the Finavia Board of Directors from 3 March 2016
B. 1964, LL.M. with court training

Main work history

Outotec Corporation, General Counsel, Senior Vice President 2013–
Nokia Siemens Networks, Head of Corporate Legal 2006–2013
Metsä-Serla/Metsä Group, General Counsel, Vice President
1996–2006
Attorneys at Law Ahola, Pentzin, Rantasila & Sokka Oy, Associate
Lawyer 1994–1996
Attorneys at Law Smith, Gambrell & Russell Ltd, Atlanta, USA,
Finnish Advisor 1992–1994

Positions of trust

Finnish International Arbitration Board, Member 2016–

**Esko Pyykkönen**

Member of the Finavia Board of Directors
from 19 March 2018
B. 1962, M.Sc.(Econ.)

Main work history

Prime Minister's Office, Ownership Steering Department, Special
Advisor 2016–
Ministry of Education and Culture, Special Advisor 2013–2016
Prime Soil Oy, CEO 2010–2013, Destia Oy, Senior Vice President
2007–2010
Ministry of Transport and Communications, Special Advisor
1999–2007
Ministry of the Environment, Senior Inspector 1991–1999

Positions of trust

Suomen Viljava Ltd, Board member 2017–
Gasonia Oy, Board member 2017–2018

**Erkka Valkila**

Member of the Finavia Board of Directors from 3 March 2016
B. 1953, B.Sc. (Tech.)

Main work history

SATO Corporation, CEO 2003–2015
Polar Kiinteistöt Corporation, CEO 1997–2003
Polar-Yhtymä, Head of Real Estate 1991–1997
Ferenda Corporation, CEO 1988–1991

Positions of trust

EcoReal Oy, Chairman of the Board 2016–
FCG, Finnish Consulting Group Oy, Board member 2018–
Renor Oy, Chairman of the Board 2015–2018
Grand Residence Development Oy, Chairman of the Board 2015–
Duuri Oy, Chairman of the Board 2010–
ARE Oy, Board member 2017–
Antilooppi Oy, Board member 2015–
Pohjola Rakennus Oy, Board member 2016–
HYY-yhtymä, Board member 2008–
Suomen Talokeskus Oy, Board member 2004–2018

Members of the Board of Directors on 31 December 2018



Stefan Wentjärvi

Member of the Finavia Board of Directors from 3 March 2016
B. 1967, M.Sc Pol

Main work history

Pihlajalinna Plc, Head of Sales,
Member of the Management Team 2018–
Doctagon Oy, Managing Director 2014–2018
Blue1 Oy, Managing Director 2005–2012
Several posts in the air traffic sector

Positions of trust

Livia Finland Oy, Chairman of the Board 2015–

CEO

The CEO's main duties include the planning, management and monitoring of the Company's business activities as well as preparation of matters for the Board and implementation of the Board's decisions.

The CEO has the general competence to attend to and control the Company's day-to-day administration in compliance with the instructions and orders issued by the Board of Directors. The CEO is also responsible for ensuring that the Company's accounting is in accordance with the law and the financial administration is organised in a reliable manner. The CEO chairs the Executive Group.

The CEO is appointed and dismissed by the Board of Directors. The terms and conditions for the position of the CEO are defined in a written contract approved by the Board. The remuneration of the CEO is discussed under Salaries and benefits of the CEO and other members of the management in the Salary and Compensation Report.

The Board may appoint a Deputy CEO as required. The Deputy CEO attends to the CEO's duties when the CEO is temporarily unavailable.

Executive Group

The Executive Group is chaired by the CEO. The chairperson of the Executive Group appoints the secretary for the group. The Executive Group meets at the CEO's invitation in keeping with a schedule agreed in advance.

The task of the Executive Group is to support the CEO in preparing strategic issues for the Company and the Group, in coordinating the Company's operations, in preparing and implementing operative matters that are significant in nature, as well as in ensuring internal cooperation and the flow of information.

The Executive Group prepares the issues to be considered and decided by the Board. The Executive Group has a working order approved by the CEO.

The remuneration of the Executive Group is discussed in the Salary and Compensation Report under Salaries and benefits of the CEO and other members of the management.

At the end of 2018, Finavia's Executive Group had nine members. The Executive Group consists of Finavia's CEO and the members who are proposed by the CEO and confirmed by the Board.

The Executive Group met 24 times during the year.

Members of the Executive Group on 31 December 2018

**Kimmo Mäki**

President and CEO
B. 1974, M.Sc. (Tech.)
Employed by Finavia since 2018

Main work history

Port of Helsinki Ltd, CEO 2011–2017
Steveco Oy, Senior Vice President 2006–2011
Stockmann Plc, Director, Logistics 2003–2006

Positions of trust

Airpro Oy and RTG Ground Handling Oy, Chairman of the Board 2018–
Lentoasemakiinteistöt Oy, Chairman of the Board 2018–
LAK Real Estate Oy, Board member 2018–
ANS Finland, Chairman of the Board 2017
Finrail Oy, Chairman of the Board 2015–2018
Finnish Port Association, Chairman of the Board 2017–

**Henri Hansson**

Senior Vice President, Technical Director
B. 1972, Construction Engineer, M.Sc. (Tech.)
Employed by Finavia (and its predecessor organisations) since 2000

Main work history

Finavia's Technical Director 2012–, Director of Airport Operations
2011–2012, Director of Airport Services 2009–2011, Head of Airport
Technical Services 2006–2009, Project Manager 2004–2006,
Project Engineer 2000–2004
Pohjolan Voima Oy, Project Engineer 1997–2000

Positions of trust

Lentoasemakiinteistöt Oy, Board member 2017–2018
LAK Real Estate Oy, Board member 2017–
Lentoasemakiinteistöt Oy, Board member 2012–2016
Kiinteistöosaakehtiö Lentäjätie 1, Board member 2015–
Avia College, Chairman of the Board 2011–2012
Chairman of the ACI Europe's Regional AirPorts' Forum Working
Group 2009–
Member of the construction and procurement committee of the
Finnish Association of Building Owners and Construction 2009–2013,
Member of the Association's Advisory Board 2013–2018, Board
member 2018–

**Jani Jolkkonen**

Senior Vice President, Airport Network Director
B. 1973, EMBA, M.Sc. (Tech.)
Employed by Finavia since 2018

Main work history

Posti Group, SVP, ICT and Digitalization 2016–2018, SVP Head of
business division Postal Services 2015–2016
Itella, SVP, Head of business division Itella Logistics 2013–2014
Itella Posti, VP, Delivery and Marketing Services 2012–2013, VP,
Delivery Services 2011–2012, VP, Operations 2008–2011, Itella Corp,
Director, Mail 2004–2008

Positions of trust

Airpro Oy and RTG Ground Handling Oy, Board member 2018–

Members of the Executive Group on 31 December 2018

**Niclas Köhler**

Chief Financial Officer

B. 1966, M.Sc. (Econ. and Bus. Adm.)

Employed at Finavia since 2017

Main work history

Finavia Corporation, Chief Financial Officer 2017–
 Pihlajalinna Ltd., Chief Financial Officer 2016–2017
 Talentum Ltd., Chief Financial Officer 2011–2016
 OneMed Group Ltd. (CapMan), Chief Financial Officer 2007–2011
 Kauppalehti Group, Chief Financial Officer 2004–2007
 DW Beton GmbH, Sales and Marketing Manager 2001–2004
 Consolis Group Ltd., Head of Administration Development
 1998–2001
 Myllykoski Ltd., Group Controller 1996–1998, Business Controller
 1992–1996

Positions of trust

LAK Real Estate Oy, Board member 2018–
 Airpro Oy and RTG Ground Handling Oy, Board member 2017–

**Petteri Nissilä**

Senior Vice President, Director of Legal

B. 1965, LL.M. with court training

Employed by Finavia (and its predecessor organisations) since 1998

Main work history

Finavia Corporation, Senior Vice President,
 Director of Legal 2008–, Legal Counsel 1998–2008
 Leonia Pankki Plc, Legal Counsel 1996–1998
 Postipankki Plc, Credit Manager 1994–1996

Positions of trust

Finnish Aviation Museum Foundation,
 Chairman of delegate body 2008–
 Airport Coordination Finland ry,
 Chairman of the Board 2004–2014

**Juha-Pekka Pystynen**

Senior Vice President, Director of Risk Management

B. 1960, Flight Officer, General Staff Colonel

Employed at Finavia since 2007

Main work history

Finavia, Director of Risk Management 2012–, acting President and CEO of
 Finavia Corporation 22 August 2011–15 January 2012, Airport Director of
 Helsinki Airport 2007–2012
 Chief of Operations of the Finnish Air Force 2006–2007, Chief of Staff
 of Satakunta Air Command 2003–2006, Air Force Planning Chief 2000–
 2003, Director of Sector Operation Centre no. 3 1997–2000 (responsible
 for area surveillance and air space control), Chief of Flight and Squadron
 Officer for Fighter Squadron 21 1987–1997

Positions of trust

Member of the regional committee of the Capital Region Electricity Area
 2010–2012, Avia College, Board member 2009–2010
 Chairman of the Air Transport Pool 2007–
 Member of the National Emergency Supply Agency, Transport and
 Logistics Sector 2007–
 Member of the Military Flight Accident Investigation Board 2006–
 Finnish military member of the European Union's Single European Sky
 (SES) concept 2000–2003, Finnish military member of Eurocontrol and
 the Nato Air Traffic Management Committee (NATMC) 1998–2003

Members of the Executive Group on 31 December 2018

**Katja Siberg**

Marketing, Corporate Communication and Customer Experience
B. 1976, M.Sc. (Econ. and Bus. Adm.)
Employed at Finavia since 2011

Main work history

Finavia Corporation, Director of Marketing and Corporate Communications 2017-, Vice President, Marketing and Business Development 2016-2017, Vice President, Business Development 2015-2016, Head of Marketing 2014-2015, Key Account and Marketing Manager 2012-2014, Lapland Airports, Incoming Sales Manager 2011-2012
Eräsetti Wild North – Villi Pohjola, Director of Sales 2009-2011

**Kaarina Soikkanen**

Senior Vice President, Director of Administration and Personnel
B. 1960, LL.M.
Employed by Finavia (and its predecessor organisations) since 1988

Main work history

Finavia Corporation, Personnel Director 2008-, Deputy Director 2007-2008, Senior Legal Adviser 1999-2007, Counsel 1988-1999
National Board of Health, Legal Counsel 1986

Positions of trust

Member of the Advisory Board of Haaga Campus, Bachelor of Tourism and Hospitality Management 2017-
Chairman of EK's skilled workforce committee 2017, Deputy Chairman 2015-2017
Member of Palta's Labour Market Committee 2014-
Member of the education and labour committee of the Helsinki Region Chamber of Commerce 2015-
Board member of RTG Ground Handling Oy 2010-
Airpro Oy, Board member 2007-
Avia College, Board member 2009-2011

**Joni Sundelin**

Senior Vice President, Executive Director of Helsinki Airport and Airline Sales & Accounts
B. 1970, M.Sc. (Econ. and Bus. Adm.) Employed at Finavia since 2012

Main work history

Finavia, Executive Director of Helsinki Airport and Airline Sales & Accounts 2018-, Executive Director of airport network, Airline Sales and Accounts 2012-2018, ICT 2017-2018, Itella Logistics, Director of Logistics Business and the Scandinavian and Baltic Businesses 2005-2012, Finland Post, Logistics, Director of Contract Logistics 2004-2005, Finland Post, Director of Business Development 2002-2004
Tamro Distribution Finland, Director 2000-2002, Business Developer 1998-2000

Positions of trust

Youredi Ltd, Board member 2018-
Airpro Oy, Board member 2012-2018
RTG Ground Handling Oy, Board member 2012-2018
Eurofreight, Japan; Board member 2007-2012
Porlogis, Lda; Board member 2011-2012
Innorail Oy, Board member 2010-2013
Itella Logistics UAB, OU and SIA; Chairman of the Board 2007-2011
Itella Logistics Ab and AS; Chairman of the Board 2006-2011
Itella Logistics Group A/S; Chairman of the Board 2007-2011

Internal control, risk management and internal audit

Internal control

Internal control at Finavia means the measures and procedures intended to ensure that the Company's targets and objectives are achieved, its resources are used appropriately and efficiently, operational risks are appropriately managed, and financial and other information is reliable and correct.

As part of the internal control, the Company's organisation and structure, duties and responsibilities related to key areas, the management system as well as the procedures observed for producing services are defined in Finavia's set of operational manuals compliant with aviation regulations. In addition to the operational manuals, Finavia has defined the operational policies and procedures for different areas of operation.

The Company's Board of Directors has approved all major operational policies and the ethical principles, which all persons working at Finavia and those who participate in the Company's administration are expected to observe. Any activities that are in violation of the ethical principles or principles of good governance are dealt with without undue delay.

Control and supervision of the financial reporting process

The consolidated financial statements and the interim report prepared by Finavia are based on the Finnish Accounting Standards (FAS), most of which are contained in the Finnish accounting act and decree. The instructions and opinions issued by the Accounting Board constitute an important part of the accounting practices.

Financial reporting that is in accordance with external accounting requirements and internal financial reporting are the responsibility of the Group's financial administration, which operates under the Chief Financial Officer.

Consistency and reliability of the reporting are assessed as part of the internal control by means of different types of control and matching. The Group's financial department determines the control procedures for the financial reporting process. These include instructions and guidelines, process descriptions, matchings and analyses, which help to ensure the correctness of the data used in the reporting and the reporting itself.

The senior management assesses the financial reports

before they are reviewed by the Board of Directors and the Audit Committee. The financial statements for the year and the H1 interim report are reviewed by the Audit Committee and the Board of Directors before they are made public.

Controls of matters requiring financial expertise, such as the definition of the fair values of properties and construction projects in progress are carried out in close cooperation with external experts.

Risk management

Risk management at Finavia is proactive, systematic and comprehensive, and it covers all operations and risk areas of the Group on a continuous basis. Finavia only takes business risks relating to the implementation of the strategy that can be managed to an acceptable level or the effects of which, were they to materialise, are reasonable. Risk-taking must not cause a material danger to the success of the Group or the continuity of its operations in the short or long run.

A high level of aviation safety is the most important objective for Finavia in its risk management. The safety

management system is an essential part of Finavia's risk management system. The system is used to manage functions critical to aviation safety and to ensure that a good and reliable level of safety is achieved.

Management of safety-related risks is based on proactive safety and follow-up. Safety reviews are carried out before structural and operational changes concerning aviation safety are introduced. Their purpose is to assess and manage the overall safety of the changes. The risks arising from the implementation and introduction of the changes are evaluated by monitoring the observations of deviations. An open and reliable reporting culture is an integral part of the follow-up procedure.

Finavia applies a comprehensive risk management model in which business-related risks and the manner in which they are managed are identified and assessed on a regular basis. The most important risks are reported to the Company's Board of Directors. Every year, the Group's Risk Management Unit coordinates the implementation of the risk management model and compiles a summary of the major risks related to the Group's business for presentation to the Board of Directors. The unit also develops the

Group's risk management and safety management system and strengthens risk awareness at Finavia through risk management training and guidelines, and by providing information on risk management.

The Board of Directors approves the risk management policy and any amendments to it. The most recent version of risk management policy was approved on 4 November 2013.

Internal Audit

In accordance with the audit plan approved by the Board of Directors each year, the Internal Audit Unit assesses the adequacy of the Company's internal control and risk management procedures and issues recommendations for developing procedures, processes and controls.

Administratively, the Internal Audit Unit works under the CEO, while operationally it works under the Board of Directors and the Audit Committee appointed by the Board. The most recent version of the internal audit guidelines to be observed by the Group was approved by the Board of Finavia on 25 November 2016.

The Internal Audit Unit submits regular reports to the Audit Committee appointed by Finavia's Board of Directors

on the manner in which the targets laid out in the audit plan have been achieved, important open risks, control issues, issues concerning the organisation's management and administration systems, and other information requested by senior management and the Board. The audit findings and the recommendations concerning them are reviewed with the persons in charge of the audited entities at the conclusion of the audit. The Internal Audit Unit monitors the implementation of the measures in accordance with the agreed timetables.

Finavia's Internal Audit Unit is committed to observing international professional standards and ethical principles on internal auditing.

Audit

Under Finavia's Articles of Association, the Ordinary GM elects the Company's auditor, which must be an auditor or an auditing company with APA certification, as laid down in the Auditing Act. The proposal for the auditor is prepared by the Board of Directors. The Ordinary GM decides on the auditor's fees.

The Group's financial reports are based on the financial reports of the Group companies. An auditing company with APA certification elected by the parent company's Ordinary GM operates in the Group. Each Group company has an auditor selected by its GM. The parent company's auditor prepares, jointly with the Company's management, an annual audit plan for Group companies. The auditor submits to the shareholders an auditor's report on the Group companies' financial statements and the consolidated financial statements.

The auditor reports to the CEO and the Board of Directors at least annually. The auditor participates in the work of the Board's Audit Committee. The auditor meets the Board, with all its members present, at least once a year.

The Ordinary GM of 2018 re-elected the auditing firm Ernst & Young as the Company's auditor, with Mikko Rytilahti (APA, CPFA) as the auditor in charge. Mikko Rytilahti has served

as the Company's auditor in charge since 28 November 2014.

In 2018, the fees paid for the audit totalled EUR 92,466. The auditor was paid EUR 76,740 for services not related to the audit.

The auditor's report for the financial period 1 January to 31 December 2018 covers the accounts, consolidated financial statements, Board of Directors' report, audit of the administration and the financial statements of the parent company Finavia Corporation. The auditor's report was presented after the financial statements.

Related party transactions

Finavia assesses and monitors any related party transactions and ensures that any conflicts of interests are properly considered in its decision-making. The related parties of Finavia and its Group Companies are specified and a register of the related parties is maintained. Finavia and each of its Group Companies has its own related party register. The related party guidelines approved by the Board of Directors on 9 March 2017 defines related party transactions and describes the principles concerning the identification and consideration of related party transactions and reporting on them.

Salary and compensation report



Principles

Finavia observes the management remuneration principles approved by the Board and the recommendations of State ownership steering, including the opinion on remuneration of the management of state-owned companies contained in the Government Resolution on State Ownership Policy adopted on 13 May 2016.

Finavia's Ordinary GM decides on the remuneration of the Company's Board of Directors. The HR Committee assesses the amounts of salary and compensation payable to the CEO and Deputy CEO as well as that of other managers reporting to the CEO, including the incentive and bonus systems, and makes proposals regarding these amounts of compensation to the Board of Directors.

Remuneration of the Board of Directors

The Ordinary GM decides on the fees payable to the Board of Directors. The fees payable to the Board of Directors of Finavia remained unchanged in 2018.

The fees payable to the members of Finavia's Board of Directors in compliance with the resolution of the Ordinary GM of 2018 were as follows:

- Chairperson EUR 1,700 per month
- Deputy Chairperson EUR 1,200 per month
- Member EUR 1,000 per month
- A meeting fee of EUR 500 for each Board and committee meeting

The Chairperson of the Board of Directors has a company mobile phone. The Board members did not receive any other fees or benefits.

Remuneration of the Board of Directors in 2018

The total amounts paid to the members of the Board of Directors for Board and committee meetings were as follows:*

Board member	Attendance rate, %	Fees paid for Board membership in 2018, EUR	Meeting fees in 2018, EUR	Total in 2018, EUR	Total in 2017, EUR
Harri Sailas	100	20,400	8,500	28,900	35,400
Katja Keitaanniemi	95	12,000	8,000	20,000	22,000
Annaleena Kiikonen	85	12,000	4,500	16,500	14,000
Nina Kiviranta	95	12,000	8,000	20,000	21,000
Esko Pyykkönen**	100	9,500	5,500	15,000	–
Erkka Valkila	100	12,000	8,500	20,500	26,500
Stefan Wentjärvi	95	14,400	10,000	24,400	26,900

* The fees are given on a payment basis **Board member from 19 March 2018

Remuneration of the CEO and other management

The remuneration of Finavia's CEO, Executive Group members and the CEOs of Airpro Oy and RTG Ground Handling Oy, which are both Finavia subsidiaries, is based on a fixed monthly salary and STI and LTI schemes. The Company's management does not have any other compensation systems or supplementary pension plans.

In addition to the Executive Group members, other managers and key personnel in the Finavia Group are covered by the STI scheme. The STI and LTI schemes are based on the guidelines issued by the Ownership Steering Department. Under the STI and LTI schemes, the performance-related pay paid during a tax year may not exceed 80% of the individual's yearly fixed basic pay.

The criteria for the STI and LTI periods, the targets set out for the schemes and their weightings are determined by the Board of Directors each year in accordance with the targets laid out for the Group. In the STI criteria, the emphasis is on economic efficiency and customer satisfaction indicators. The STI scheme may have criteria for the Group as a whole, for individual profit centres and for individual employees. The targets set out for the LTI scheme are based on increasing shareholder value. Under

the LTI scheme introduced in 2017, the first performance bonuses can be paid in 2020. Under the incentive schemes, the performance-related pay is not paid in full if the safety criterion and the criteria for the financial indicator are not met.

No changes were made to the STI and LTI schemes of Finavia management and key personnel in 2018.

Indicators applied in the short-term incentive (STI) scheme used in the remuneration of the Finavia management and key personnel

Number of indicators / role	Joint targets	Targets for a profit centre	Personal targets (examples)
CEO (2-3 indicators)	EBITDA % Customer satisfaction	–	Development programme
Executive Group (3-4 indicators)	EBITDA % Customer satisfaction	–	Development programme Unit performance Projects
Executive group of a profit centre (3-4 indicators)	EBITDA % Customer satisfaction	Example: Profit centre performance Customer loyalty Security	Example: Adherence to cost budget Efficiency Projects
Other key staff members (3-4 indicators)	EBITDA % Customer satisfaction		

Details of the CEO's contract of employment

In addition to the salary, the CEO has a company car and telephone. The retirement age and pension of the CEO are determined on the basis of the Employees Pensions Act.

The CEO's period of notice is six months. When the employment is terminated by the employer, the CEO receives a six months' pay for the period of notice. The CEO does not receive any separate compensations in addition to the salary for the period of notice.

Bonuses payable to other members of staff

The Group's parent company has a personnel fund. All employees, apart from the top management and those covered by the performance bonus scheme, are members. The personnel fund is supplemented annually by a sum equivalent to a maximum of six per cent of the company's payroll coming under the fund. The Company does not have any other personnel compensation schemes.

The amount payable to the personnel fund is determined on the basis of performance targets achieved. The Board of Directors sets the targets for the personnel's performance-based pay and approves the result achieved. The criteria for the employees' performance-based pay scheme are identical with the criteria laid out for the STI scheme of the Finavia management. Finavia's operating margin and customer satisfaction are used as the criteria.

Finavia's subsidiary Airpro Oy and its subsidiary RTG Ground Handling Oy have their own employee incentive schemes. The payment criteria for the incentive schemes of these two companies are approved by the Finavia Board of Directors.

Fees and salaries paid to the CEO and Executive Group members in 2018

	Salaries and fringe benefits in 2018, EUR	Performance bonus based on the 2017 earning period, as set out in the STI scheme*, EUR	Total paid in 2018, EUR	Total paid in 2017, EUR
CEO**	315,140	274,496	589,636	436,227
Other members of the Executive Group	1,300,627	316,076	1,616,703	1,680,486

* The bonuses based on the 2017 earning period were paid in 2018

** Finavia's new CEO started in his job on 1 January 2018

Fees and salaries paid to the CEOs of Finavia subsidiaries in 2018

	Salaries and fringe benefits in 2018, EUR	Performance bonus based on the 2017 earning period, as set out in the STI scheme*, EUR	Total paid in 2018, EUR	Total paid in 2017, EUR
CEO of Airpro	180,905	53,865	234,770	224,689
CEO of LAK**	78,766	28,725	107,491	108,734

* The bonuses based on the 2017 earning period were paid in 2018.

** CEO of Lentoasemakiinteistöt Oy 1 January 2018 – 31 August 2018.