



2017

# CORPORATE GOVERNANCE AND REMUNERATION STATEMENT

*FINAVIA*

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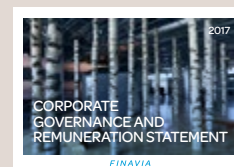
### Year 2017

The brochure contains an overview of Finavia's business operations in 2017, sets out the company's goals and achievements, and presents the CEO's review.



### Responsibility report

The report covers the priorities of Finavia's responsibility work, its aims and the results already achieved.



### Corporate governance and remuneration statement

The publication contains a description of Finavia's governance and steering system, as well as the salary and compensation report.



### Financial statements

The financial statements contain the Board of Directors' report and the main details of Finavia's finances.



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# REPORT ON GOVERNANCE AND MANAGEMENT SYSTEM

# Finavia Corporation

Finavia Corporation (hereafter “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.

Until 31 March 2017, the responsibility for Finavia’s ownership steering was vested with the Ministry of Transport and Communications, which has, in accordance with the State Shareholdings and Ownership Steering Act, made the ownership strategy policy decisions regarding Finavia Corporation. On 1 April 2017, the responsibility for Finavia’s ownership steering was transferred from the Ministry of Transport and Communications to the Ownership Steering Department of 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 therein and observed by the group were approved by Finavia’s Board of Directors in March 2017.

# 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.

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 the retrospective publica-

tion 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.cgfinland.fi](http://www.cgfinland.fi).

# Corporate structure

In 2017, 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 LAK Real Estate Oy and Lentoasemakiinteistöt Oy, two companies engaged in the real estate business.

Finavia's air navigation services were made into a separate special assignment company, Air Navigation Services Finland Oy, on 1 April 2017.



# 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 Chairman of the Board and the CEO must attend the GM. 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 2017 was held on 17 March 2017.

## 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 of Directors has a minimum of three and a maximum of seven members, and the GM decides on the number of Board members and their election for one year at a time. 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 of Directors.

The Board members must have sufficient general knowledge of financial matters and the field of business of the Company and

## STRUCTURE OF FINAVIA'S CORPORATE GOVERNANCE SYSTEM

General Meeting of Shareholders

HR Committee

Board of Directors

Audit Committee

CEO

Executive Group

its subsidiaries as well as other competencies required by their post, and they must be able to allocate sufficient time for attending to their duties as Board members. An acceptable account of the Board member candidate's interests and a security clearance are required for their appointment.

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–16 March 2017, the Board of Directors of Finavia was comprised of the following members: Harri Sailas (as Chairman), Katja Keitaanniemi, Jarmo Kilpelä, Nina Kiviranta, Erkka Valkila, Stefan Wentjärvi and (as representative of the personnel) Carita Pylkäs.

At the Ordinary General Meeting of shareholders of Finavia Corporation held in Helsinki on 17 March 2017, Harri Sailas, Katja Keitaanniemi, Jarmo Kilpelä, Nina Kiviranta, Erkka Valkila and Stefan Wentjärvi were re-elected as Board members. Annaleena Kiikonen was elected as personnel representative, replacing Carita Pylkäs.

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 Jarmo Kilpelä, who during his Board membership worked as a civil servant.

The Board convened 14 times in 2017. The attendance rate of Board members in Board meetings was 100% during the period 1 January–16 March 2017 (three meetings) and 97% during the period 17 March–31 December 2017 (11 meetings). Harri Sailas, Katja Keitaanniemi, Jarmo Kilpelä (Member of the Board until 28 May 2017), Erkka Valkila and Stefan Wentjärvi attended all Board meetings held between 17 March–31 December 2017. Nina Kiviranta and Annaleena Kiikonen attended nine and ten meetings, respectively (out of 11).



## Members of the Board of Directors on 31 December 2017



### 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

Finvera plc, Executive Vice President, Small and Medium Sized Enterprises, Member of Management Group 2014–

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

#### Positions of trust

Finpro plc, Member of the Board 2017–

Tekes - the Finnish Agency for Technology and Innovation, Member of the Board 2017–

Montreal Group, Member of the Board 2015–

Kasvu Open, Member of the Board 2015–



### 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



### 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–



### 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

Renor Oy, Chairman of the Board 2015–  
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–



### Stefan Wentjärvi

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

#### Main work history

Doctagon Oy, Managing Director 2014–  
Blue1 Oy, Managing Director 2005–2012  
several posts in the air traffic sector

#### Positions of trust

Livia Finland Oy, Chairman of the Board of Directors 2015–

Jarmo Kilpelä was a member of the Board of Directors until 28 May 2017.

## Committees of the Board of Directors

The Board has set an Audit Committee and an 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 for the consideration of the Board matters pertaining to risk management, internal control systems, financial reporting processes, auditing and internal audit.

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–16 March 2017 and 17 March–31 December 2017, the Audit Committee comprised Stefan Wentjärvi as the Chairman and Nina Kiviranta and Katja Keitaanniemi as the members. The Audit Committee met five times in 2017. 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–16 March 2017 and 17 March–31 December 2017, the HR Committee comprised Harri Sailas as the Chairman and Jarmo Kilpelä (until 28 May 2017), Erkkä Valkila and Stefan Wentjärvi (until 31 May 2017) as members. During the period 1 March–31 December 2017, the HR Committee met 16 times. During this period, the average attendance rate of its members was 98.5%. Harri Sailas, Jarmo Kilpelä (Member of the HR Committee until 28 May 2017) and Stefan Wentjärvi took part in all meetings, while Erkkä Valkila took part in 15 of the 16 meetings.

### 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 once a week 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 under Salaries and benefits of the CEO and other members of the management in the [Salary and Compensation Report](#).

At the end of 2017, 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 25 times during the year.

## Members of the Executive Group on 31 December 2017



### **Kari Savolainen**, President and CEO

B. 1954, M.A.  
Employed by Finavia 2012–2017

#### **Main work history**

President and CEO of Finavia Corporation 2012–2017  
Managing Director of Steveco Oy 2005–2011  
Suomen Posti Oyj (Itella Oyj), Senior Vice President, logistics business 2001–2005  
Finnlines Oyj, Senior Vice President, business development and IT 1995–2001  
Kymmene Oy, Expert and managerial positions in IT and business management 1986–1995

#### **Positions of trust**

General Assembly of the Confederation of Finnish Industries (EK) 2014–  
Support Foundation of the Air Force (Ilmavoimien Tuki -säätö), Supervisory Board Member 2012–  
Confederation of Finnish Industries, Board Member 2011–2014  
Member of the Board of PALTA 2012–2014  
Member of the Advisory Board of the Finnish Meteorological Institute 2012–  
Member of the Supervisory Board of Ilmarinen 2013–2014, Deputy Board Member 2015–  
Airpro/RTG Oy, Chairman of the Board 2012–  
Lentoasemakiinteistöt LAK Oyj, Chairman of the Board 2012–  
Satamaoperaattorit ry, Chairman of the Board 2009–2011  
Kymenlaakso Chamber of Commerce, Board Member 2009–2011  
Pension Insurance Company Etera, Board Member, 2007–2012  
Finnish Lifeboat Institution, Committee member 2005–2011  
Oy Saimaa Terminals Ab, Chairman of the Board 2005–2011



### **Ville Haapasaari**, Director of Helsinki Airport

B. 1971, M.Sc. (Agr. and For.), B.A.  
Employed by Finavia since 2012

#### **Main work history**

Finavia Corporation, Airport Director of Helsinki Airport 2012–  
Finnlines Plc., HansaLink, Line Manager 2010–2012; Baltic Sea Liner Services, Vice President 2008–2010, Sales Vice President 2005–2010, Key Account Manager 2001–2005

#### **Positions of trust**

Finnpilot Pilotage Ltd, Board Member 2017  
Lentoasemakiinteistöt Oyj, Board Member 2014–



### **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 Oyj, Board Member 2017–  
LAK Real Estate Oyj, Board Member 2017–  
Lentoasemakiinteistöt Oyj, Board Member 2012–2016  
Board Member of Kiinteistöosakeyhtiö Lentäjätie 1 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–



**Niclas Köhler**, Chief Financial Officer

B. 1966, M.Sc. (Econ. and Bus. Adm.)  
Employed by Finavia since 2017

**Main work history**

Chief Financial Officer of Finavia Corporation 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**

Airpro Oy, Member of the Board 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  
Legal Counsel, Leonia Pankki Plc 1996–1998  
Credit Manager, Postipankki Plc 1994–1996

**Positions of trust**

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



**Juha-Pekka Pystynen**, Senior Vice President, Director of  
Risk Management

B. 1960, Flight Officer, General Staff Colonel  
Employed by 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, Member of the Board of Directors 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



**Katja Siberg**, Senior Vice President, Director of Marketing and Corporate Communications

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, Incoming Sales Manager, Lapland Airports 2011-2012  
Director of Sales, Eräsetti Wild North – Villi Pohjola 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 1990-2007, Counsel 1988-1990  
National Board of Health, Legal Counsel 1986-1989

**Positions of trust**

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, Member of the Board of Directors, 2007-  
Avia College, Member of the Board of Directors 2009-2017



**Joni Sundelin**, Senior Vice President, Director of Airport Networks, Airline Sales and Accounts, ICT

B. 1970, M.Sc. (Econ. and Bus. Adm.)  
Employed at Finavia since 2012

**Main work history**

Finavia Corporation, Senior Vice President, Director of Airport Networks, Airline Sales and Accounts, ICT 2012-  
Itella Logistics, Director of Logistics Business and the Scandinavian and Baltic Businesses 2005-2012, Finland Post, Logistics, Director of Agreement Logistics 2004-2005, Finland Post, Logistics Director of Business Development 2002-2004  
Tamro Jakelut, Director 2000-2002 and Business Developer 1998-2000  
Tamro Suomi, Trainee Manager 1997-1998

**Positions of trust**

Airpro Oy, Member of the Board of Directors 2012-  
RTG Oy, Member of the Board of Directors, 2012-  
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  
Combifragt Group A/S; Chairman of the Board 2005-2007

Raine Luojus, Director of the Air Navigation business area, was a member of the Executive Group until 31 March 2017, Kai Laitinen, Chief Financial Officer, until 31 July 2017, and Mikko Saariaho, Communications Director, until 30 September 2017.

# 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 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 ethical principles, which all individuals 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 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 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 material danger to the success of the Group or to 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 the 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 auditing company with APA certification. The proposal for the auditor is prepared by the Board of Directors and the proposal must be mentioned in the invitation to the Ordinary GM. 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 2017 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 2017, the auditor was paid fees totalling EUR 99,366. In 2017, the auditor was paid EUR 67,968 for services not related to the audit.

The auditor's report for the financial period 1 January to 31 December 2017 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.



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# SALARY AND COMPENSATION REPORT

# Principles

Finavia observes management remuneration principles approved by the Board and 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 2017.

The fees payable to the members of Finavia's Board of Directors in compliance with the resolution of the Ordinary GM of 2017 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 2017

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

Member of the Board of Directors	Attendance rate, %	Fees paid for Board membership in 2017, EUR	Meeting fees in 2017, EUR	Total in 2017, EUR	Total in 2016, EUR
Harri Sailas	100	20,400	15,000	35,400	30,250
Katja Keitaanniemi	100	12,000	10,000	22,000	17,500
Annaleena Kiikonen***	91	9,500	4,500	14,000	0
Jarmo Kilpelä**	100	5,000	8,000	13,000	17,500
Nina Kiviranta	90	12,000	9,000	21,000	17,500
Carita Pylkäs****	100	3,000	2,500	5,500	18,500
Erkka Valkila	97	12,000	14,500	26,500	17,500
Stefan Wentjärvi	100	13,900	13,000	26,900	17,000

\* The fees are given on a payment basis.

\*\*Member of the Board until 28 May 2017

\*\*\*Member of the Board from 17 March 2017

\*\*\*\*Member of the Board 1 January - 16 March 2017

# Remuneration of the CEO and other management

The remuneration of Finavia's CEO and Executive Group is based on a fixed monthly salary and a performance bonus. The Company's management does not have any other compensation systems or supplementary pension plans.

## Details of the CEO's contract of employment

In addition to the salary, the CEO has a company car and telephone. The retirement age of the CEO is 63 years, and the pension is determined on the basis of the Employees Pensions Act. The CEO does not have a supplementary pension plan.

The CEO's period of notice is six months. When the employment is terminated by the employer, severance pay equivalent to six months' basic salary is payable on top of the salary for the period of notice.

## Principles governing the performance-related pay of Finavia management in 2017

In 2017, the short-term incentive (STI) scheme of the management and key personnel was updated and a long-term incentive (LTI) scheme was introduced. The scheme was prepared with the help of external experts.

## INDICATORS APPLIED IN THE SHORT-TERM INCENTIVE (STI) SCHEME USED IN THE REMUNERATION OF FINAVIA MANAGEMENT AND KEY PERSONNEL

STI indicators used			
	Joint targets	Targets for a profit centre*	Personal targets
CEO (2–3 indicators)	EBITDA % customer satisfaction	–	Development programme
Executive Group (3–4 indicators)			Development programme Unit performance Development projects (such as IT and HR) Customer loyalty
Executive group of a profit centre (3–4 indicators)		Example: Unit performance Customer loyalty Safety	Example: Development programme Adherence to cost budget Operational efficiency Development projects (such as IT and HR)
Salaried employees (3–4 indicators)			

\* Employees in support functions have not been set profit centre targets.

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

The annual STI and LTI criteria, 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 incentive schemes, performance-related pay is not paid in full if safety criterion and criteria for the financial indicator are not met.

## Remuneration of the management under the 2016 STI scheme

### Fees paid in 2017 to the CEO and the Executive Group\*

	Salaries and fringe benefits in 2017, EUR	Bonus based on 2016 performance, EUR (% of annual earnings)	Total paid in 2017, EUR	Total paid in 2016, EUR
CEO	351,918	84,309	436,227	420,416
Other members of the Executive Group	1,340,018	340,468	1,680,486	1,760,502

\*The fees are given on a payment basis.

### Fees paid to the CEOs of Finavia subsidiaries in 2017\*

	Salaries and fringe benefits in 2017, EUR	Bonus based on 2016 performance, EUR (% of annual earnings)	Total paid in 2017, EUR	Total paid in 2016, EUR
CEO of Airpro	177,636	47,053	224,689	221,347
CEO of Lentoasemakiinteistöt	103,520	5,214	108,734	131,985

\*The fees are given on a payment basis.

## Bonuses payable to other members of staff

The Group's parent company has a personnel fund. All employees, apart from top management and those covered by the performance bonus scheme, are members. The personnel fund is supplemented annually by a specific sum, the maximum of which is equivalent to four per cent of the Company's total payroll. 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 employees' performance-based pay scheme are identical with the criteria laid out for the STI scheme of Finavia management.

Airpro and its subsidiary RTG have their own performance-based pay schemes. The indicators and payment criteria for the performance-based remuneration for the employees of these two companies are approved by the Finavia Board of Directors.