

Remuneration Report 2023

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Directors' Remuneration Report 2023

This remuneration report presents the remuneration paid to members of the Board of Directors and the Chief Executive Officer (CEO) of Finnair during 2023. The report has been prepared based on the Finnish Corporate Governance Code 2020, which also conforms to the requirements of the EU Second Shareholder Rights Directive. The advisory vote of the Annual General Meeting 2023 approved the remuneration report for the year 2022. Therefore, there have not been changes made to this report which would result from the vote of the Annual General Meeting. For members of the Executive Board other than the CEO, the remuneration paid is presented on the investors.finnair.com website, in compliance with the Corporate Governance Code.

Introduction

Remuneration at Finnair is based on the principles of performance, fairness, and competitive remuneration. 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 behaviour consistent with Finnair's

values, and reward excellent performance. These principles also guide the work of Finnair's People and Remuneration Committee.

"2023 marked a year of turnaround for Finnair, as the Finnair team succeeded in restoring the company's profitability after the double crisis caused by the pandemic and the closure of Russian airspace," says Sanna Suvanto-Harsaae, Chair of the Board of Directors, Finnair. "This was achieved by extensive and systematic measures to rebuild the business, defining and implementing a new strategy, and successfully seizing the opportunities offered by the recovery of travel. Success in these areas also meant that the targets set in the personnel and management incentive plans for the period between July 2020 and June 2023 were well achieved. These plans were established when the pandemic began in 2020, to support the rebuilding of the company after global travel restrictions brought commercial aviation to a halt. The personnel and management plans had identical earnings periods, performance targets, and metrics that included both financial and sustainability metrics. 1,900 Finnair employees who contributed to the rebuild of Finnair through

savings agreements participated in the personnel plan. Management plan included the CEO and the Executive Board. The programs yielded 69.5% of the maximum goal defined in the programs for the participants.

I am pleased that the Finnair team has succeeded in rebuilding the company after the most severe crises in Finnair's 100-year history, and we have been able to reward the team for their excellent performance."

Development of remuneration between 2019 and 2023

The annual fees for the Board of Directors (Board) were last changed in 2020, and before that in 2008. The remuneration paid to the Board, as 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 varied because the number of Board members increased from seven to eight in 2018 and then from eight to nine in

2020. The number of Board members decreased from nine to eight in 2021 and remained at eight in 2022 and 2023.

A significant share of the CEO's remuneration is based on variable pay and is linked to the achievement of set business targets, including financial, operational, and sustainability performance. The CEO's remuneration between 2019 and 2023 has varied due to differences in the company's business and financial results, a CEO change, and restrictions set by the European Commission on Finnair's management remuneration due to the State of Finland's participation in Finnair's 2020 rights offering.

The short-term incentive plans (STI) for the years 2020–2022 and the long-term incentive plans (LTI) 2018–2020, 2019–2021, and 2020–2022 for the CEO and the Executive Board were cancelled due to the restrictions set by the European Commission. Consequently, in both 2021 and 2022, the remuneration paid to the CEO only included base salary and benefits. There were also no new long-term incentive plans started for the CEO and the Executive Board in 2021 and 2022. Between 2020 and

2022, the CEO and the Executive Board did not have any incentive plans other than the performance- and share-based Rebuild Incentive Plan, which was commensurate with the remuneration restrictions set by the European Commission. The plan contained a single three-year performance period (between July 2020 and June 2023) and was not repeated.

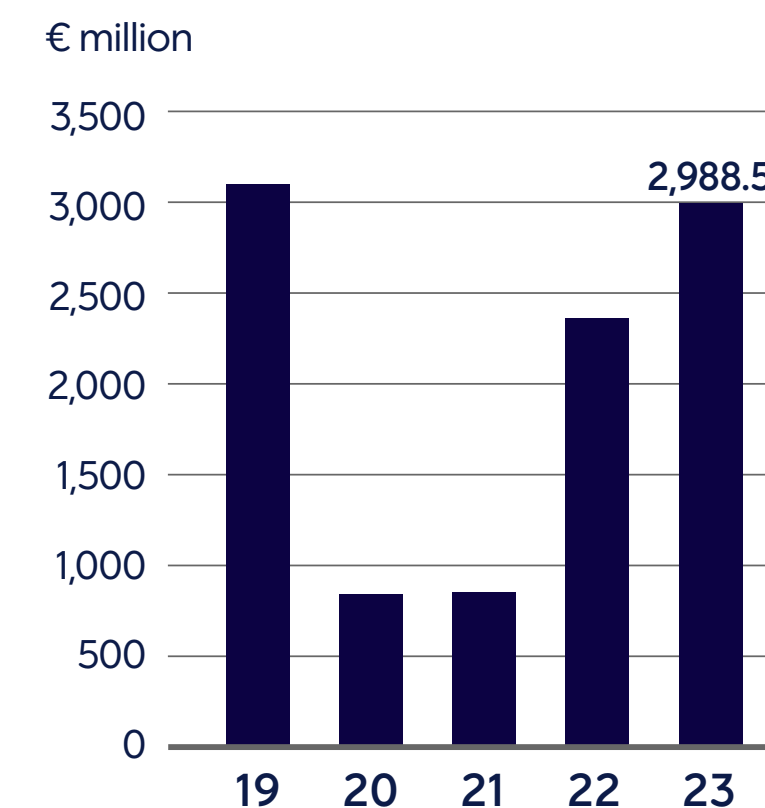
In parallel with the Executive Boards' Rebuild Incentive Plan, Finnair's personnel groups also had a cash-based Rebuild Incentive Plan with the same performance period and performance targets. The plan covered 63 % of all Finnair employees, i.e. those employee groups made savings agreements in 2020 to support the rebuilding of Finnair. The rewards earned under the personnel's plan were paid in September 2023.

The average paid remuneration of the personnel of Finnair Group was affected by several factors during the past five years. In 2020 and 2021, extensive temporary layoffs decreased the paid average remuneration per employee. The average remuneration per active employee increased in 2023 compared to 2022 both for the personnel at work and for the whole personnel, including also employees on temporary lay-offs and leave of absence. The increase is partly influenced by the temporary lay-offs in operational units at the beginning of 2022 and the payments of the Rebuild incentive in 2023.

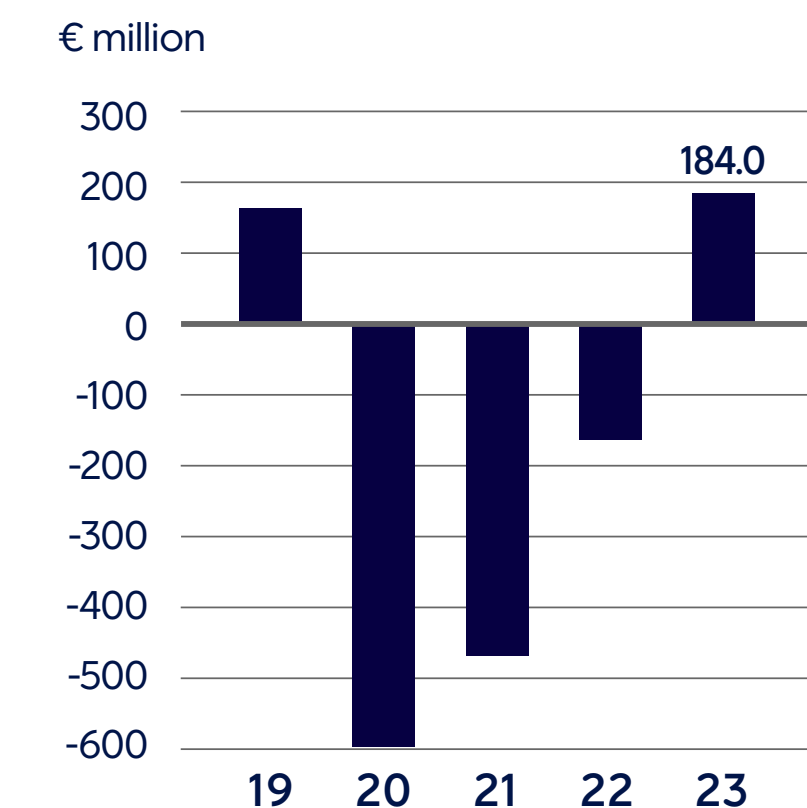
As an exception, holiday bonuses were not paid in 2021 and 2022 for some personnel groups, including the CEO and the Executive Board, as part of the savings measures agreed with the personnel.

Financial performance 2019–2023

Revenue



Comparable operating result



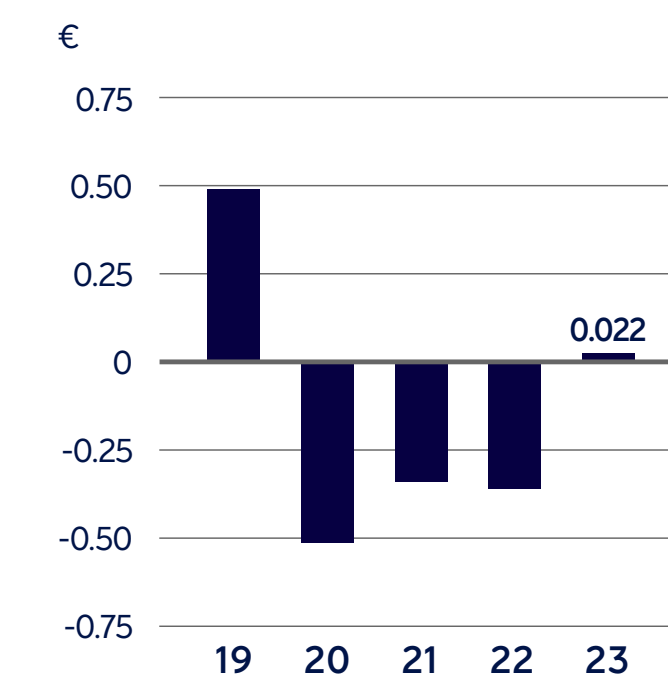
Paid remuneration in the years 2019–2023

	2023	2022	2021	2020	2019
Chair of the Board, Sanna Suvanto-Harsaae	73,050				
Chair of the Board, Jouko Karvinen	21,150	80,627	68,228	71,968	77,907
Vice Chair of the Board	56,834	54,300	43,410	52,365	55,984
Other members of the Board average	42,199	46,583	41,695	46,102	43,878
CEO, Topi Manner	1,724,053	754,452	756,713	1,125,233	769,205
Finnair employees (average active)*	72,361	66,191	62,016	66,072	57,608
Finnair employees (average employed)**	67,109	55,719	32,522	33,835	54,852

* 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 i.e., both active (at work) and inactive (temporary lay-offs and leaves of absence) workers during the year. Temporary lay-offs have a significant impact on average paid remuneration of all employees.

Earnings per share*



* A rights offering was implemented in November 2023 and, therefore, 2019–2022 key figures based on the number of shares have been adjusted.

Remuneration paid to the members of the Board of Directors in 2023

The Annual General Meeting of Shareholders (AGM) decides on the remuneration of the members of the Board of Directors based on the proposal of the Shareholders' Nomination Board. The AGM's decision covers the period extending to the next year's AGM. On March 23, 2023, Finnair's AGM decided on the following annual fees and meeting fees for Board members:

Chair	63,000 euros
Vice Chair	32,700 euros
The Chair of the Audit or People and Remuneration Committee*	32,700 euros
Members	30,300 euros

* In the case she/he does not act as the Chair or Vice Chair of the Board at the same time.

The meeting fee to be paid for Board or committee meetings is 600 euros per meeting if the meeting is in the Board member's country of residence. A meeting fee of 2,400 euros is paid for other meetings and 600 euros for telephone meetings. No fee is paid for decisions made without a meeting (per capsulam).

The Board fees were paid in cash. The table below shows the meetings for which a fee has been paid.

	Annual remuneration ¹	Board meetings	Committee meetings	Meeting compensations in total	Taxable benefits ²	Total
Members 1.1.–31.12.2023						
Montie Brewer (Vice Chair)	32,700	15,000	7,800	22,800	1,334	56,834
Henrik Kjellberg	30,300	15,000	7,800	22,800	0	53,100
Jukka Erlund (Chair, Audit Committee)	32,700	7,800	4,200	12,000	2,400	47,100
Tiina Alahuhta-Kasko	30,300	7,800	7,200	15,000	0	45,300
Simon Large	30,300	15,000	7,800	22,800	0	53,100
Hannele Jakosuo-Jansson (Chair, People & Remuneration Committee)	32,700	7,800	7,200	15,000	3,196	50,896
Members 24.3.–31.12.2023						
Sanna Suvanto-Harsaae (Chair)	47,250	12,000	13,200	25,800	0	73,050
Minna Pajumaa	22,725	6,600	5,400	12,000	0	34,725
Members 1.1.–23.3.2023						
Maija Strandberg	7,575	1,800	1,800	3,600	0	11,175
Jouko Karvinen (Chair)	15,750	5,400	0	5,400	0	21,150

¹ The annual remuneration is expressed at the annual level but paid in monthly instalments.

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

Remuneration paid to the CEO in 2023 and due to be paid for 2023

Finnair's Board of Directors decides on the remuneration of the CEO based on a proposal from the People and Remuneration Committee. In compliance with Finnair's Remuneration Policy, the remuneration of the CEO consists of a fixed salary and fringe benefits, as well as short- and long-term variable pay earning opportunities. The CEO has no supplementary pension benefit. The CEO's variable pay earning opportunities are based on a combination of short-term and long-term targets which are balanced between long-term value creation and the efficient achievement of short-term goals. Founded on the principles described in the introduction above, the target setting of the CEO's variable pay is designed to support the achievement of Finnair's strategic goals and sustainability strategy, maximize shareholder value creation, and reward excellent performance.

The double crisis caused by COVID-19 pandemic and war in Ukraine have demanded exceptional decisions from the Board of Directors regarding the management remuneration. The CEO's base salary in 2023 remained at the same level as in 2021 and 2022. The STI plans for the years 2020, 2021, and 2022 were cancelled for the CEO due to

the remuneration restrictions explained above in the introduction section. As those restrictions have now expired, the CEO was able to participate in the STI plan as of 2023 and onwards. Due to the exceptional challenges Finnair faced with the COVID-19 pandemic and the war in Ukraine, the CEO's maximum earning opportunity for the 2023 STI plan was set at 90% of his annual base salary. Therefore, this temporarily exceeded 60% of the annual base salary, which is the maximum STI earning opportunity guidance given in Finnair's Remuneration Policy. The total rewards paid to the CEO of all variable pay plans are capped at 120% also with regard to the temporarily increased STI earning opportunity. Since the CEO gave notice of his resignation on August 18, 2023, and since his responsibilities as CEO ended at the end of February 2024, his entitlement to any short-term incentives accrued during the year 2024 has been cancelled.

Similar to the cancellation of the STI plans, the CEO's LTI plans for 2018–2020, 2019–2021, and 2021–2023 were cancelled due to the remuneration restrictions explained in the introduction. These restrictions have now expired, and the CEO

would be able eligible to participate in LTI plans for the period between 2023–2025 and onwards. However, since the CEO gave his notice of resignation on August 18, 2023, his entitlement to any reward under this LTI plan, and any subsequent LTI plan, has been cancelled.

The CEO and the Executive Board members were participants in the performance- and share-based Rebuild Incentive Plan explained in the introduction above. The plan contained a three-year performance period, covering from July 2020 until June 2023, and the rewards earned under this plan were paid in 2023. The performance period and the performance targets in this plan were the same as in the Rebuild Incentive Plan for Finnair's personnel.

In the absence of other variable earning opportunities for the same period, the CEO's combined maximum earning opportunity under the Rebuild Incentive Plan was 120% of his annual base salary per year, when annualized over the three-year length of the performance period. The Plan included three annual performance periods and a cash flow multiplier measuring

the performance over the total plan period. The combined materialized earnings for the entire plan were measured and confirmed in 2023 once the three-year performance period ended. However, the annual variable pay cap of 120% of the individual's annual base salary, as stated in Finnair's Remuneration Policy, was also applied to the rewards payable under the Rebuild Incentive Plan. Therefore, the payment of the portion of the reward which exceeded 120% of his annual base salary, was not paid in 2023 but would be paid in the following years. The postponed portion of the reward is similarly subject to the annual pay cap. Consequently, the variable pay which was paid to the CEO in any given year does not exceed 120% of his annual base salary. Due to CEO Topi Manner notice of resignation, the reward earned by the CEO under the Rebuild Incentive Plan was paid in cash. Even though the Topi Manner resigned in 2023 and left Finnair in February 2024, according to the Rules of the Rebuild Incentive Plan, he will be entitled to rebuild incentive reward also in 2024, within the annual variable pay limit of 120%. After which, any remaining payments of the Rebuild Incentive will be forfeited.

Remuneration paid, euros per year	CEO 2023 Topi Manner	CEO 2022 ² Topi Manner
Base salary ¹	733,183	734,197
Holiday bonus ²	37,502	0
Benefits ³	18,902	20,256
Short term incentives ⁴	0	0
	as % of paid base salary	0%
Long term incentives ⁵	0	0
	as % of paid base salary	0%
Rebuild Incentive Plan 07/2020-06/2023 ⁶	896,280	0
	as % of paid base salary (of which re-ward the amount equalling 120% of base sala-ry was paid in 2023)	115%
Fly Share Plan	38,186	0
	as % of paid base salary	5%
Variable pay in total, euros	934,466	0
	as % of paid base salary	120%
Supplementary pensions	0	0
Remuneration paid in total	1,724,053	754,453

Remuneration of the CEO not yet paid but due based on the year 2023, euros

Short-term incentives (STI 2023) ⁷	405,108
Rebuild Incentive Plan ⁶	529,356

⁷ Since the CEO gave his notice of resignation on August 18, 2023, he forfeited any short-term incentives (STI 2024) which would have accrued during the year 2024 until the end of his office.

¹ There has been no change in the CEO's base salary during the years 2021–2023. Base salary includes car benefit deduction (10,817€). In the base salary, the note no. (2) below with regards to the non-payment of holiday bonuses in 2021 and 2022 should be noted.

² In 2021 and 2022, the CEO's holiday bonus was left unpaid as part of the company's savings measures. In 2023, the holiday bonus was paid.

³ Benefits include e.g. a telephone benefit, a car benefit, health insurance and the company's personnel ticket benefit.

⁴ The short-term incentives for the years 2021 and 2022 were cancelled for the CEO and the Executive Board members.

⁵ The long-term incentive programs for the years 2019–2021, 2020–2022 and 2021–2023 were cancelled for the CEO and the Executive Board members.

⁶ According to the Terms and Conditions of the Rebuild Incentive Plan, the proportion of the reward, which exceeds the annual variable pay cap (120% of the individual's annual base salary), was postponed and will be paid in the subsequent year(s) in which the individual continues to be employed by Finnair, each year subject to the annual pay cap. Any amount that remains unpaid after the payment in the year during which the individual's service or employment with Finnair ends, is cancelled and forfeited. The value of the already earned Rebuild Incentive Plan rewards which the CEO forfeited, amounts in the aggregate to 706,165€.

Performance measures and outcomes of variable pay elements ending in 2023

Instrument
Short-term incentive 2023. The outcome of the CEO 2023 short-term incentive plan was 61% of the plan's maximum, which the Board of Directors had exceptionally set in 2023 at 90% of the annual base salary.
<div> <div>61%</div> </div>
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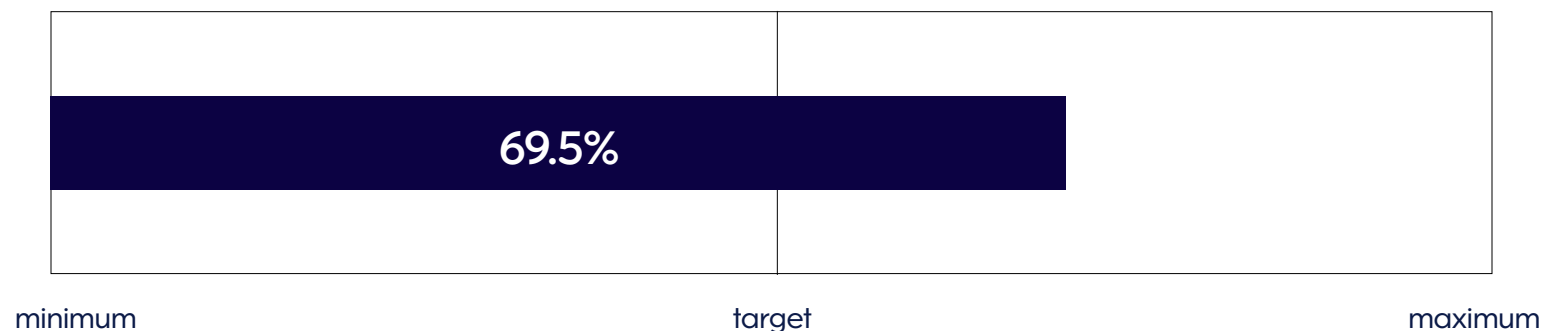
Short-term Incentive 2023, total performance, percentage		61%
Measure	Weight	Performance, % of maximum
Comparable EBIT	12,5%	100%
Operating cash flow	12,5%	100%
Carbon dioxide emissions/Revenue tonne kilometre CO ₂ /RTK	10,0%	43%
Employee Net Promoter Score eNPS	7,5%	0%
Customer Net Promoter Score NPS	7,5%	14%
Revenue per available seat kilometre RASK	15%	93%
Cost per available seat kilometre CASK	15%	43%
Individual targets	20%	50%

Instrument
Long-term incentive 2021–2023 ⁵ . Long term incentive 2021-2023 was cancelled for the CEO due the EU restrictions restrictions set by the European Commission in Finnair's 2020 rights offering.
<div> <div>0%</div> </div>
<div> <div>minimum</div> <div>target</div> <div>maximum</div> </div>

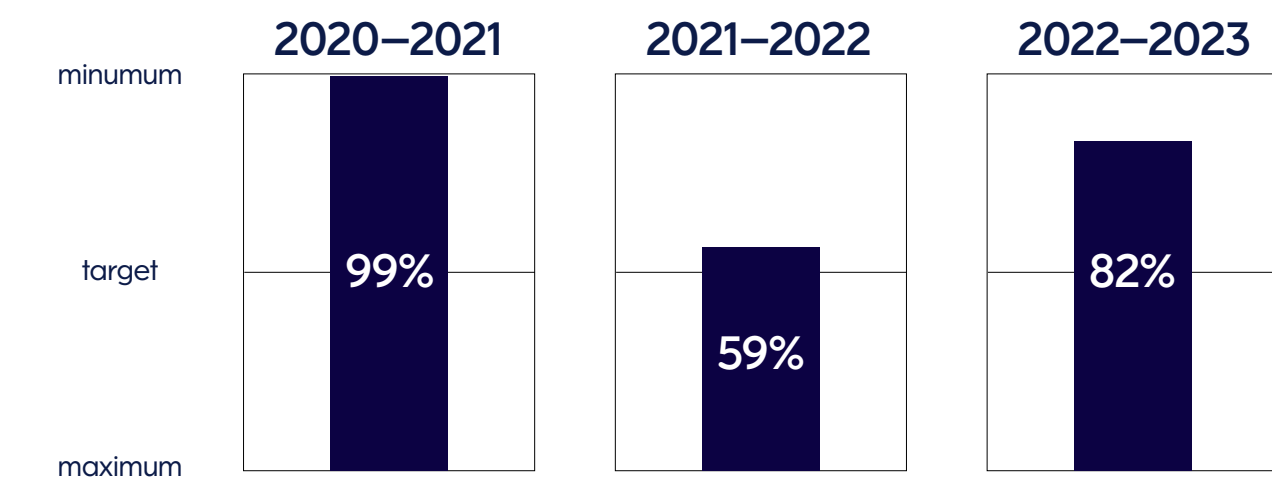
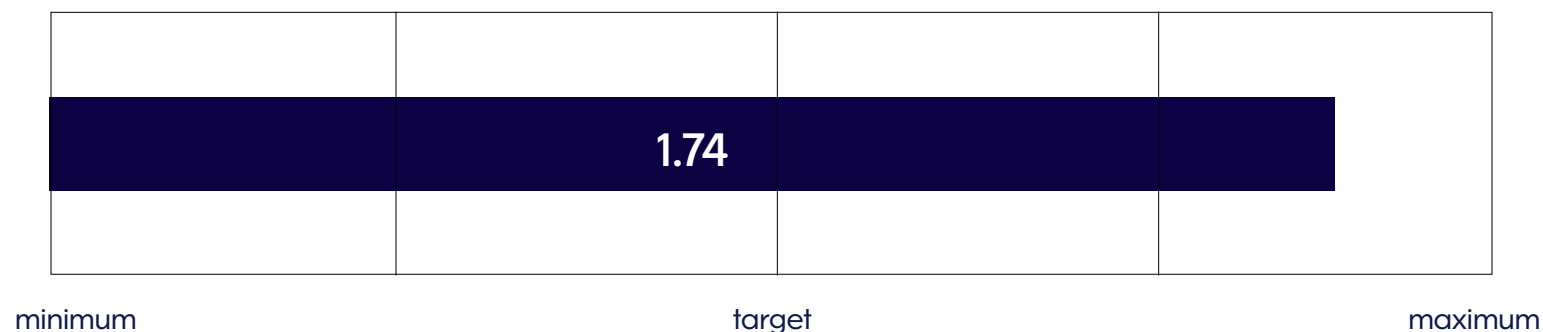
Long-term Incentive 2021–2023, total performance, percentage		0%
Measure	Weight	Performance, % of maximum
EPS 21-23	45%	Cancelled for CEO
CASK 21-23	45%	Cancelled for CEO
Fuel Efficiency Index 21-23	10%	Cancelled for CEO

Instrument
Rebuild Incentive Plan⁶ 7/2020-6/2023. The outcome of the CEO's three-year rebuild incentive plan was 69.5% of the plan's maximum.

Rebuild incentive plan



Cash flow multiplier



Long-term Incentive 2021-2023, total performance, percentage			69.5%
Measure	Weight	Performance, % of maximum	
2020-2021 Comparable EBITDA	40%	100%	
2020-2021 Gearing %	40%	97,7%	
2020-2021 LTIF	10%	100%	
2020-2021 Fuel Efficiency Index	10%	100%	
2020-2021, total	100%	99%	
2021-2022 Comparable EBIT	60%	72,4%	
2021-2022 Revenue	20%	80,4%	
2021-2022 Retention	10%	0,00%	
2021-2022 Fuel Efficiency Index	10%	0,00%	
2021-2022, total	100%	59%	
2022-2023 Comparable EBITDA	40%	100%	
2022-2023 NPS	40%	63,3%	
2022-2023 LTIF	10%	72,5%	
2022-2023 Retention	10%	92,2%	
2022-2023, total	100%	82%	
2020-2023 Cash flow multiplier		1.74	

Outstanding long-term incentives granted to the CEO*

Instrument	Measure	Weight	Grant date	Grant in shares	Vesting date
LTI 2023-2024	EBIT margin	100%	January 23, 2023	6,775,040	15.3.2025
LTI 2023-2025	EBIT margin	100%	January 23, 2023	6,775,040	15.3.2026

* Since the CEO gave his notice of resignation on August 18, 2023, he forfeited any outstanding and unvested LTI grants, including the earning opportunities under LTI 2023-2024 and LTI 2023-2025. The value of his forfeited LTI earning opportunities under these plans, calculated based on their grant value, amounts in the aggregate to 940,001.57€. Additionally, the CEO forfeited any earnings under the next following LTI plan, LTI 2024-2026.



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