



SUSTAINABILITY REPORT

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RESPONSIBLE FINNAIR

Finnair's objective is to create sustainable, profitable growth, in harmony with the needs of the environment and society.

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Forewords from Vice President, Sustainability

“EVEN THOUGH THE CHALLENGES ARE HUGE AND SOLUTIONS SOMETIMES DIFFICULT TO FIND, WE FEEL THAT WE ARE WELL POSITIONED TO LEAD THE WAY AND ALSO INSPIRE OTHERS.”

Entering the decade of hope and action

I'm wrapping up 2019 at the same time as wrapping up my first three months at Finnair, and in the aviation industry. The industry is intriguing, traditional and fast-paced at the same time. The time has been too short to yet fully understand the company, but one thing has become clear to me; there is a strong commitment from the company and the employees to find the best ways to deliver on our purpose, bridging the world, while doing our best and beyond to minimize the environmental impacts.

2019 was a year of unforeseen sustainability action in the world, but also inaction. We saw children leading climate demonstrations, historical bush fires in Australia, and the large US companies committing to a broader purpose than only maximizing profits. EU introduced the Green Deal, and at the same time the UN Climate Change Conference COP25 failed to come to significant agreements. Geopolitical and socioeconomic tensions were on the rise, but child mortality and economic inequality continued their brisk downward march.

Trust in institutions also continued to decline. According to the Living Library Index, 49% of people globally trust their governments, when 56% trust businesses. This gives companies the responsibility and the opportunity to show leadership in tackling the global challenges while running profitable businesses.

In November, Finnair introduced its new strategy: Sustainable, profitable growth. A key part of the strategy is to run the business in a way that respects and contributes to the three pillars of sustainability; environmental, social, and financial. We already are one of the leading airlines in terms of sustainability performance, but we also understand that this is a moving target, and we need to improve year on year.

Our impact on the Finnish society is significant. We employ around 7000 people directly and significantly more indirectly. We invest in training our employees and training hours in 2019 were 335,438. We also focus strongly on diversity and inclusion in the workplace. In 2019 48% of our managers were women, and diversity

was considered in all our marketing and recruiting activities. However, there are pockets where we still have work to do. We signed on an aviation initiative 25by2025, pledging that by 2025 we will have either 25% or women in all work groups or a 25% improvement in the gender equality.

Employee wellbeing is of utmost importance. We believe strongly that happy employees will make happy customers. We monitor employee wellbeing and engagement regularly and are proud that our employee net promoter score is 3.66.

As an international company, we also have an impact outside of our own country. Especially our tour operator, Aurinkomatkat, is very close to the societies in our destination countries. With their sustainability program, Sustainability is part of the package, Aurinkomatkat strives to work with family owned hotels, trains local personnel to recognize and act on forced labor and child abuse and has stopped all trips to zoos and other attractions where animals are held captive.



By far the most complex challenge is our environmental impact. At the same time as aviation is imperative to manage the global trade, increase understanding between nations and among individuals, and enabling different aid and support initiatives, it needs to find ways to operate in a way that has less impact on the climate. Our carbon dioxide emissions per revenue ton kilometer have come down by 27.4% from 2005, but as we grow, and the whole industry grows, the absolute emissions have been growing as well.

We need to stop that and decouple our economic growth from the emissions growth. In the long term we need to find a way to make our operations carbon neutral. This will be accomplished by numerous activities, starting from obsession on the weight of planes to new technologies, such as synthetic fuels and electric flying. In the year 2020 we will share our plans in more detail and start reporting on our progress in a regular and transparent way.

Complex challenges require systemic solutions, and such is the case here. This means that we need to find likeminded partners on our journey towards carbon neutrality. We need our customers to be thoughtful of the weight of their luggage. We need to invest in research to help accelerate the development of new solutions. We need to work with our peers and partners in our value chain to find all opportunities, big and small, to reduce our emissions. We need to work together.

Even though the challenges are huge and solutions sometimes difficult to find, we feel that we are wellpositioned to lead the way and also inspire others. There is no better place to do this than the Nordics. With a strong legacy on sustainability and responsible business, easy networking within and across industries, stable regulatory environment and passionate employees, we will find the answers. Join us!

Anne Larilahti
Vice President, Corporate Sustainability

MATERIALITY ANALYSIS

Finnair has performed materiality analysis to identify the key economic, environmental and social impacts in Finnair's value chain as well as impacts on business and stakeholder decision making. The materiality analysis is based on identifying corporate's sustainability issues emerging from Finnair's business environment through an analysis of industry trends, legislation, sustainability reporting guidelines, the reporting of peer companies and issues highlighted by various stakeholders.

The identified sustainability topics were assigned priorities based on their business impact and stakeholder interest. The results

of the prioritisation were reviewed with the representatives of key stakeholders. Finnair's Board of Directors and Executive Board have approved the results of the materiality analysis.

The material topics defined as a result of the materiality analysis have been grouped under four themes. This analysis has also been used as the basis for reporting for 2019. Finnair's sustainability themes, focus areas, material topics, and related GRI standards and boundaries can be found in the table below. Specific GRI disclosures for the material topics can be found in the GRI content index.





FOCUS AREA	MATERIAL TOPICS	GRI TOPICS	TOPIC BOUNDARIES
ETHICAL BUSINESS AND RESPONSIBLE SOURCING			
Ethical business and responsible sourcing	• Code of Conduct	• Ethics and integrity • Environmental compliance • Socioeconomic compliance	Finnair's own operations, partners and supply chain
	• Anti-corruption and bribery	• Anti-corruption	
	• Compliance with anti-competition regulations	• Anti-competitive behaviour	
	• Supply chain sustainability	• Supplier social assessment • Human rights assessment	
ENVIRONMENTAL			
Energy	• Fuel efficiency	• Energy intensity	Finnair's own operation, supply chain, indirect impacts on greenhouse gas emissions and biodiversity
Noise	• Flight noise		
Protection of the natural environment	• Biodiversity	• Biodiversity	
Emissions	• Climate change mitigation • Renewable fuels • Offsetting	• GHG Emissions (Scope 1,2 and 3) • Reduction of GHG emissions	
Waste	• Reusing products • Reducing waste • Reducing single-used plastics • Material recycling	• Effluents and Waste	

FOCUS AREA	MATERIAL TOPICS	GRI TOPICS	TOPIC BOUNDARIES
SOCIAL			
Caring for our employees	• Employee experience • Employee brand image • Employee well-being • Working conditions • Equality	• Employment • Labour/management relations • Occupational health and safety • Training and education • Diversity and equal opportunity • Human rights assessment	Finnair's own operations
Respecting our customers	• Flight safety • Customer experience • Equality • Responsible use of customer data	• Stakeholder engagement • Customer health and safety • Marketing and labelling • Customer privacy • Human rights assessment	Finnair's own operations and customers
Stakeholders		• Stakeholder engagement • Public policy	Finnair's own operations, society and local communities
ECONOMIC			
Economic impact	• Economic responsibility	• Economic performance • Indirect economic impacts	Finnair's own operations, society and local communities



GOVERNANCE

General Management Principles

Finnair's management system is aimed at achieving strategic goals, creating added value for the company's owners and other stakeholders, managing operational risks and improving the company's performance.

The company's operations are guided by principles, policies and guidelines defined by the company, including the following:

- Code of Conduct
- Risk Appetite Statement
- Risk Management Policy
- Treasury Policy
- Disclosure Policy
- Compensation Policy
- Insider rules
- Board Diversity Principles
- Approvals Policy
- Insurance Policy
- Staff Travel Policy
- Occupational Health & Safety Policy
- Competition Policy
- Information Security Policy
- Data Protection Policy
- Corporate Responsibility Policy
- Business Continuity Management Policy
- Environmental and Energy Efficiency Policy

In financial reporting, Finnair applies the rules relating to listed companies as well as international financial reporting standards. Most of Finnair's operational activities are based on the official regulations and are subject to official supervision. Within the group, the legality and acceptability of operations is monitored as part of Finnair's general control and audit processes.

Sustainability Management

Finnair's sustainability is reflected in its purpose, strategy, vision and values of commitment to care, simplicity, courage and working together. Sustainability is integral to all Finnair operations. Target of the Finnair sustainability strategy is to reduce the environmental impact and increase the financial and social return for society. The key themes of sustainability fall under the following themes: Environment, Social and Economic. Finnair is committed to comply with international and national legislation in its operations, as well as the ethical business principles laid out in the Code of Conduct and the Sustainable Development Goals (SDG) set by The United Nations General Assembly. Sustainability at Finnair

concerns everyone and we strive to incorporate the sustainability topics equally in all our processes and product design.

Code of Conduct

Anti-corruption policies are outlined in Finnair's Code of Conduct and Supplier Code of Conduct as well as in the Rules for Anti-Bribery, Corporate Hospitality and Hosting of Public Officials. Receiving and giving of bribes is strictly prohibited at Finnair.

Finnair's human rights management is described in the Finnair Code of Conduct, The Supplier Code of Conduct, and the company's personnel management principles. Finnair respects the UN Universal Declaration on Human Rights and the core conventions of the International Labour Organization (ILO). Finnair has signed the United Nation's Global Compact initiative and as required by the Global Compact principles, the company aims to prevent any violations of human rights and the use of forced or child labour both within its own operations and its supply chain.

**Compliance Control**

Internal control and audit roles and responsibilities are compliant with the Finnish Companies Act, the Finnish Corporate Governance Code for Listed Companies and the regulations governing the aviation industry. Finnair's governance model, control environment and activities, internal audit and the roles, and responsibilities related to these are described in detail in Finnair's Corporate Governance Statement. The responsibility for regulatory compliance in flight operations lies with the persons defined and approved by the authorities. Finnair is also subject to supervision relating to finances and safety and security.

Public affairs and lobbying

Aviation is a strictly regulated industry. Therefore, it is important for Finnair to participate in discussions and decision-making regarding its operating conditions. It is part of the company's growth strategy to aim towards securing adequate traffic rights.

Finnair pursues its interests in an ethically sustainable manner by appropriately introducing its views, perspectives and expertise. The company does not pressurise or support political decision-makers in any way in pursuing its interests. The legality and ethicality of lobbying activities is controlled as part of the company's general supervision and audit processes.

The aim of Finnair's lobbying activities is to maintain relationships concerning relevant policy and to participate in relevant negotiations and the operations of advocacy organisations. When lobbying on various civil aviation and industry regulation issues, Finnair typically cooperates with various organisations and chambers of commerce. Finnair is an active member of various aviation industry organisations, such as A4E and IATA, but also in the Confederation of Finnish Industries (EK), and its subassociations and in several chambers of commerce.

Communications

Finnair aims at open, honest and timely communications. In line with these principles, Finnair's communications are also

in compliance with regulations governing listed companies and limited liability companies, as well as the obligations of the Finnish Act on Cooperation within Undertakings and the communications guidelines of the State Ownership Steering Department.

Finnair takes different perspectives into consideration and respects all stakeholders' views of its operations. Finnair's internal communications are based on reciprocity. Every employee has the duty to communicate matters related to their area of responsibility to the relevant target groups. Those in supervisory roles have a further duty to communicate goals, operations and results to their own work community and create a work environment that enables genuine constructive discussion. The company systematically develops its communication channels to enable more efficient communications and to facilitate constructive discussion.

Economic responsibility

Finnair has substantial direct and indirect financial implications on Finland's national

and local economies. Aviation is a significant industry for Finnish society and the national economy. The accessibility created by airline traffic is a necessity for Finland's global competitiveness and its economic impact is considerable; aviation is estimated to account for 3.5–4 per cent of GDP, employment and tax revenue.

Finnair's objective is to create sustainable economic added value by producing flight services profitably, costcompetitively and in harmony with the needs of the environment and society. Sustainable operations are the cornerstone of profitable business activity, and Finnair considers the effects of its operations on society.

Finnair's Board of Directors set the company's financial targets which are provided with investors. As a public limited company, Finnair is committed to earning a profit for its shareholders. The company's profit distribution principles are expressed in Finnair's dividend policy. Finnair's financial reporting aims to transparently provide information about Finnair's financial position and development.



FINNAIR'S GOAL IS TO BE AN ENGAGING LEADER IN THE FIELD OF ENVIRONMENTAL RESPONSIBILITY.

Environmental responsibility

Finnair's goal is to be an engaging leader in the field of environmental responsibility. The company is committed to the common goal of the aviation industry to achieve carbon neutral growth from 2020 and to cut the emissions of our flight operations by half by 2050 from the 2005 level. Finnair agrees this is not ambitious enough to reach the UN's goal to limit global warming to 1.5C and more collaboration and common actions are needed. Finnair strives being a pioneer in evaluating, reducing and reporting environmental impacts. Company is also committed complying with current environmental legislation, but its environmental work aims at exceeding statutory requirements.

Finnair participates actively in civil aviation environmental committees as well as in industry workgroups in Finland and the Nordic countries, promoting the reduction of the aviation sector's environmental load. An open dialogue with different stakeholders, continuous development of operations according to the latest available information and being active in implementing

new technologies are the prerequisites for environmental responsibility. Finnair report on environmental impacts regularly as part of the annual reporting and as a part of the Carbon Disclosure Project (CDP). Company also communicate directly with various parties about its operations and gladly answers any questions arising from its stakeholders.

All the abovementioned environmental objectives, targets, impacts and promotion are managed and continuously developed through Finnair's Environmental Management System (EMS). The system complies with IATA Environmental Assessment Program (IEnvA) Stage 2 and ISO 14001:2015. IEnvA is an environmental management program developed by IATA specifically for airlines, which helps the company to make use of the best practices in the industry.

Finnair considers environmental aspects and impacts in all its flight and ground operations. Besides energy solutions that reduce the environmental load, Finnair's environmental strategy includes also the

implementation of circular economy principles and the preservation and promotion of natural diversity, known as biodiversity thinking.

Social responsibility

Finnair is a company in a complex, highly technical business. The company has operations and supply chain partners in dozens of different countries, each with varying laws and practices. The most important social responsibility areas concern safety, personnel, the supply chain and customers.

Flight safety

Safety is at the core of all Finnair's operations. Flight safety and giving priority to it are part of all decisionmaking at every stage. Finnair has implemented a Safety Management System (SMS) through which it continuously develops the safety performance of the operations. It covers all aspects of flight safety: policy, risk management, training and communications for the entire personnel and subcontractor chain, continuous compliance evaluation of operations and the assessment of the potential impact of new factors in the operating envi-

ronment. Official regulations and standards set the minimum standards for Finnair's safety management, which the company aims to exceed in all areas.

One of the central elements in Finnair's safety system is the safety reporting concerning the entire staff. The company encourages its personnel and subcontractors to actively report any events they come across that could potentially compromise safety. Each report is analysed, classified and assessed for risk, followed by necessary corrective or preventive actions. The person submitting the report will be notified of the outcome of the investigation. Alongside subjective observations, Finnair extensively monitors and analyses objective indicators, such as flight data. Ongoing monitoring and analysis enable a transparent risk level in all areas, which in turn enables prompt action on any indication of altered safety level.

Events that seriously jeopardise safety are extremely rare and almost without exception an impartial safety investigation is launched on each such event. Serious incident investigations are coordi-



nated by public officials (Safety Investigation Authority) or, if the authorities elect not to investigate the event, Finnair will conduct its own internal safety investigation. The safety investigators always carry out the investigation independently and the company's management has no opportunity to influence the investigation outcome.

A strong safety culture, objective monitoring of the company's own operations, continuous development and implementing improving measures as well as open dialogue with the authorities guarantee safe and high-quality airline operations. A good example of the Finnair's safety performance during 2019 was a biannual IOSA audit (IATA Operational Safety Audit) made by external auditor resulting in zero findings.

Personnel Experience

Finnair personnel management policies cover all aspects of social responsibility that have been identified as material. The impacts affecting the personnel and the working conditions are managed as based on the respective national regulations, Finnair values, guidelines and policies.

Finnair does not discriminate based on gender, age, ethnic or national origin, nationality, language, religion, conviction, opinion, health, disability, sexual orientation or other personal attributes or circumstances. Finnair does not condone harassment in the work community. Reporting infractions is employee's basic right and the company is determined to take steps to intervene in all cases brought to its knowledge. Every employee is responsible for acting in a way no one is accorded unequal status.

Finnair offers equal opportunities to everyone with regard to recruitment, work performance, career progression and development. Finnair implements the equal pay principle based on the Finnish Equality Act and gives both men and women equal opportunities for balancing work and family life. In 2011, Finnair signed the United Nations Women's Empowerment Principles, which give guidance on the empowerment of women in the workplace, marketplace and community. Year 2019 Finnair signed on an aviation initiative 25by2025, pledging that by 2025 we will have either

25% or women in all work groups or a 25% improvement in the gender equality.

Finnair complies with procedures jointly agreed by the employer and employees for the prevention of harassment, inappropriate conduct, and conflicts. Finnair has also promoted the prevention culture and processes of easily accessible services. The procedures are based on the Finnish Act on Occupational Safety and Health and complies with the model recommended by the Finnish Ministry of Social Affairs and Health.

Leadership and competencies are developed on an individual, team, unit and organisation level. Learning and development solutions are typically either adopted by the entire personnel or tailored for specific development needs within a unit. They may also be aimed at developing professional skills, based on official requirements or in support of personal development. Development needs in teams and the organisation are identified and the wellbeing and commitment of the personnel are regularly monitored through a personnel survey.

Finnair has employee wellbeing high on the agenda. Company's People & Culture roadmap covers all the aspects of employee wellbeing: Leadership and Management, People development, Strategic resource management, Compensation and Benefits and driving Workability. In workability area sick leave development and preventing early retirements due to workability reasons have been top on the agenda and Occupational health and safety has kept on building even more safe working environments in all Finnair locations.

At Finnair, the Finnair Health Services unit is responsible for the implementation occupational health care services. Finnair Health Services focus on preventive care. The model of early caring and the occupational ability risk management system are examples of the guidelines governing preventive health care. The operational and service quality of Finnair Health Services is based on the European Foundation for Quality Management's EFQM Excellence Model. The quality system is used to ensure that Finnair Health Services meets the requirements for good occupational health care practice in



CUSTOMERS MUST BE ABLE TO TRUST IN THE FACT THAT THEY WILL BE CARED FOR THROUGHOUT THE ENTIRE SERVICE CHAIN.

both aviation health care and aviation medicine services.

Freedom of association and the collective right to negotiate on occupational issues are recognised as fundamental rights in Finland. There is a long tradition of trade union activity in Finnair. Labour market culture in the company has been constructed in such a way that the organisation of workers and collective negotiations between Finnair and employee groups are part of normal practice. All Finnair employees have the right and opportunity to agree on terms of employment collectively. The terms of employment of management employees are agreed on locally. Personnel and management remuneration principles are described Remuneration statement.

Customer Experience

Finnair is committed in transporting customers, their baggage and cargo to appointed destinations safely, smoothly and punctually. The most significant product responsibility aspects in the Finnair Group's operations are flight safety, one-time-performance, food safety, responsibility

for individual customers, and responsibility for the cargo carried. The aviation industry consists of a regulated value chain comprised of multiple suppliers of products and services. As an airline and service company at the top of this value chain, Finnair creates added value for the customers by providing them with a variety of product and service choices together with its partners.

Customers must be able to trust in the fact that they will be cared for throughout the entire service chain. Finnair has the responsibility for the customers overall quality experience, although some services are produced by its partners rather than the company itself. Therefore, Finnair pays increased attention to the selection of its partners and the they are required to comply with Finnair's quality assurance policies and ethical guidelines. At Finnair, situations that deviate from the norm are prepared for in advance. The group has developed processes for various unexpected situations, and they are continually updated and maintained. Flight traffic irregularities are handled with care, and efforts are made to minimise inconvenience to

the customer. Finnair has recently invested in new tools to both serve the customers better and perform the operations in a more optimized way.

Monitoring and supervision of customer service is based on regular auditing, customer feedback and customer satisfaction surveys, as well as external measurements. Finnair's partners' operations are also continually evaluated. Monitoring is systematic and is used to set targets and check that they are being met. Staff expertise is ensured through training. Finnair continuously develop the processes and assess the possibilities to use new technologies to improve the customer experience and operational efficiency.

Finnair respects the privacy of its customers and is committed to ensuring that personal details and other customer information are processed appropriately. Finnair has implemented the requirements of the EUs General Data Protection Regulation (GDPR) in all its business processes. Finnair do all its best to guarantee the confidentiality, security and accuracy of customer data under all circumstances. Company

processes personal details at all stages of travel in compliance with the legislation on personal data and regulations issued by the authorities in the countries in which we operate.

Supplier Co-operation and purchasing management

As provided in Finnair's Code of Conduct, its procurement operations are based on the fair treatment of suppliers. In line with Finnair's endorsement of the Global Compact, Finnair aims to prevent any violations of human rights and the use of forced or child labour both within its own operations and its supply chain. Finnair has its own ethical guidelines for suppliers, the Finnair's Supplier Code of Conduct, and expects all suppliers and partners to comply with the Supplier Code or essentially similar ethical standards. All partners and subcontractors, moreover, are obliged to comply with the principles of the UN Universal Declaration of Human Rights as well as local legislation. Finnair's Responsible Sourcing Manual complements the Supplier Code of Conduct as internal instructions for implementation.



The persons making sourcing decisions must always stay independent in relation with business partners concerned. Finnair employee must declare themselves disqualified due to bias whenever they are required to make a decision pertaining to a contract or business relationship involving family relationships, ownership in the company concerned (with the exception of a reasonable share of ownership in a listed company), or any other business or debt relationship external to Finnair. Finnair does not accept corruption in any form and requires that its personnel and partners comply with the principles of the UN's Universal Declaration of Human Rights.

Finnair's procurement steering group is responsible for the steering of the group's procurement activity. The management of the Procurement unit has the duty to ensure that the personnel carrying out purchasing has access to valid purchasing guidelines and that the guidelines are observed. Audits are performed in certain product and service groups and especially among strategic and key suppliers. Auditing focuses on quality and safety factors.

Finnair requires that its suppliers comply with essentially similar ethical standards as the company in its own operations. Finnair's Supplier Code of Conduct provides clear principles to ensure ethical purchasing. Finnair's Responsible Sourcing Manual complements the Supplier Code of Conduct as internal instructions for implementation. Finnair has a process and guidelines for continuous improvement in supply chain responsibility and for handling non-compliances. Company aspires to continuously develop practices ensuring negative sustainability impacts can be mitigated and responsible sourcing is favoured.

FINNAIR'S SUSTAINABILITY IS REFLECTED IN ITS PURPOSE, STRATEGY, VISION AND VALUES OF COMMITMENT TO CARE, SIMPLICITY, COURAGE AND WORKING TOGETHER.



ETHICS AND RESPONSIBLE SOURCING

Finnair's ethical business principles are outlined in its Code of Conduct. The Code applies to all Finnair personnel and all locations. Finnair requires that its suppliers comply with ethical standards essentially similar to those which Finnair complies with in its own operations. Finnair's Supplier Code of Conduct provides clear principles to ensure e.g. ethical purchasing and zero-tolerance for corruption. Finnair is working to further integrate sustainability and ethical business conduct to all business processes.

Finnair's Code of Conduct includes an anti-corruption section, and the receiving and giving of bribes is strictly prohibited. Preventing corruption is the responsibility for everyone at Finnair, including the heads of business operations, compliance function and the internal audit.

Finnair's Actions for ethics and responsible sourcing in 2019:

- Finnair organized Supplier Day event in May for strategic and key suppliers. Sustainability and ethics in supply chain were one of the key themes of the event and key suppliers' responsibility of their own sub-contractors and supply chain were highlighted.
- Finnair renewed its Whistleblowing line called Finnair Ethics Helpline to increase transparency and effectiveness of incident reporting. The new Whistleblowing system was launched in Supplier Day and was opened to both internal and external stakeholders. During 2019, no incidents of corruption were notified through Finnair Ethics Helpline nor were there any material investigations on-going in the company.
- Finnair implemented new Procure to Pay system during the year in order to increase compliance in purchasing process. By increasing purchase order coverage and contract compliance, we will steer more volumes to preferred suppliers and reduce total number of suppliers. This should increase Supplier Code of Conduct coverage and reduce overall supplier related risks.

Ethical Purchasing

The sustainability of the supply chain is of major importance for the airline as Finnair uses partners and service providers to an increasing degree as it expands its international route network. In line with Finnair's endorsement of the Global Compact, the company aims to prevent any violations of human rights and the use of forced or child labour both within its own operations and its supply chain. Finnair has its own ethical guidelines for suppliers, the Finnair's Supplier Code of Conduct, and expects all suppliers and partners to comply with the Code or essentially similar ethical standards. All partners and subcontractors, moreover, are obliged to comply with the principles of the UN Universal Declaration of Human Rights as well as local legislation.

As provided in the Code of Conduct, Finnair's procurement operations are based on the fair treatment of suppliers and Finnair's Responsible Sourcing Manual complements the Supplier Code of Conduct



as internal instructions for implementation. The company has a process and guidelines for continuous improvement in supply chain sustainability and for handling non-compliances. Company aspires to continuously develop practices ensuring negative sustainability impacts can be mitigated and responsible sourcing is favoured.

Certain job descriptions at Finnair are such that they are considered to have a higher than normal risk of corruption associated with them. All those handling such tasks are offered the opportunity to participate in anticorruption training in business units and subsidiaries. Finnair's Code of Conduct and Guidelines for Anti-Bribery, Corporate Hospitality and Hosting of Public Officials are also communicated to the employees handling such tasks. The Group's Guidelines for Anti-Bribery, Corporate Hospitality and Hosting of Public Officials specify more detailed guidelines concerning bribery and hospitality, and the group's Conflict of Interest Guidelines cover the identification and avoidance of conflicts of interest and related conduct.

Procurement Management

Finnair's procurement steering group is responsible for the steering of the group's procurement activity. The management of the Procurement unit has the duty to ensure that the personnel carrying out purchasing has access to valid purchasing guidelines and that the guidelines are observed. Audits are performed in certain product and service groups and especially among strategic and key suppliers. Auditing focuses on quality and safety factors.

Ethics Helpline

Finnair has a Whistleblowing line called Finnair Ethics Helpline in use, through which concerns for ethical business conduct can be raised. This is open for both internal and external stakeholders. During 2019 no material incidents of material misconduct were notified through the Finnair Ethics Helpline nor were there any investigations ongoing in the company.

Supplier Evaluation

Finnair implements the SEDEX system to improve risk management, the evaluation of social impacts and traceability in the supply

chain. Assessment of the direct geographical and industry-specific social responsibility risk of all suppliers that are significant regarding customer experience are made using the risk assessment tool. Finnair aims at including all new suppliers in the SEDEX system starting from the bidding phase. Finnair continues to rely on the SEDEX system to improve supply chain risk management, traceability and the assessment of human rights impacts.

Finnair is aware of the risks related to environment and human rights in geographical and industry-specific areas and aims at continuous improvement of preventive actions. The dialogue with the suppliers is continuous via themed supplier events.

FINNAIR AIMS TO PREVENT ANY VIOLATIONS OF HUMAN RIGHTS AND THE USE OF CHILD OR FORCED LABOUR BOTH WITHIN ITS OWN OPERATIONS AND ITS SUPPLY CHAIN.

ENVIRONMENT

Finnair's environmental management is based on the principle of continuous and systematic improvement. It has identified the key environmental aspects of its operations, their impacts, risks and opportunities involved, and set targets related to them. The company is committed to the common goal of the aviation industry to achieve carbon neutral growth from 2020 and to cut the emissions of its flight operations by half by 2050 from the 2005 level. Finnair agrees this might not be ambitious enough to reach the UN's goal to limit global warming to 1.5 degrees and more collaboration and common actions are needed. That's why Finnair aims for carbon neutral flying.

- 17 Energy consumption
- 20 Emissions
- 22 Noise and biodiversity
- 24 Waste





FINNAIR'S LONG-TERM VISION IS CARBON FREE FLYING.

The biggest environmental impact of an airline is its aircraft engine emissions. Another easily observed impact is aircraft noise at the areas surrounding airports. Modern aircraft are always more fuel-efficient and silent than previous generation aircraft, and hence Finnair's most significant environmental action has been continuous, ongoing investments in a modern fleet. Other environmental impacts arise from common company operations, including different waste streams and corporate building energy consumption.

Finnair's environmental responsibility achievements in 2019

- Fuel / emissions efficiency
 - Two new A350 aircraft were incorporated to A350 fleet, total amount now being 14.
 - Three biofuel flights were conducted, reducing CO₂ emission by 81.8 tonnes
 - All diesel driven ground service vehicles are running on biodiesel, reducing CO₂ emission by 155 tonnes
- Air operations energy efficiency was improved by 1.0%.
 - Improved further the operative methods to reduce weight of the flight (e.g. rationalised fuelling and potable water intake, and cargo pallet loading),
 - Further improved flying procedures (e.g. adjusted Optimum Cost Index, increased the amount of Continuous Descent Approaches (CDA) to Helsinki, introduced more single engine taxiing)
- Corporate facilities energy consumption has decreased by 23.6% comparing to year 2016.
 - The improved efficiency was mainly due to leasing facilities to external stakeholders, densifying operative functions and warm winter.
- Volume of waste was decreased by 5.5% even the number of passengers increased by 10%.
 - Reduced single-used plastics use in Catering operations by 23.4% (Reduced use of single packaged milk on board, introduced cardboard packaged hot meals to replace cPET (polyethylene terephthalate) casseroles, reduced plastic in amenity kits, and redesigned packaging at onboard sales)
 - Increased the recycling volumes of plastics in Catering operations (Included circular economy design principles to the service design; business-class slippers and salad containers are made from recycled PET, cups shall be made from recycled PET from May 2020 onwards)



ENERGY CONSUMPTION

Energy consumption within the organisation

Finnair’s primary energy consumption consists of the use of transport fuels. Aviation is very energy-intensive, and Finnair’s largest environmental load arises from flying and particularly from the use of fossil jet fuel.

Fuel Consumption

Finnair’s total consumption of jet fuel comprises flights operated by Finnair itself, flights operated by Norra on Finnair’s behalf, as well as so-called wet-lease flights leased on a short-term basis from other operators due to lack of fleet or crew. In addition, jet fuel is consumed on transfer and training flights, as well as test runs by technical services.

In 2019, Finnair’s traffic continued its growth leading to jet fuel consumption increase by 101.09 million kilogrammes or approximately 9.8% compared to the previous year. The breakdown of total consumption in 2019 is presented in the adjacent chart.

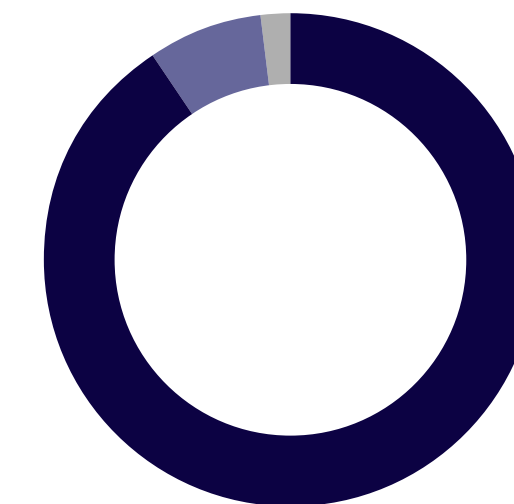
Electricity and heating consumption of properties
 In 2019, the energy consumption of Finnair’s properties decreased by 19,236 MWh or 26.7%. Of this amount, electricity consumption decreased by 10,214 MWh, and heating energy decreased by 9,023 MWh. Solar panels installed on the Cool Cargo terminal generated 297 MWh electricity for the terminals own use, covering 8.7% of the total consumption of the building. The total energy consumption reduction is mainly result of two facility lease to external operators and mild winter.

Energy Consumption

	2019		2018	
	non-renewable	renewable	non-renewable	renewable
Direct Energy Consumption				
Jet Fuel, kg	1,132,187,001	32,452	1,031,125,265	0
Jet Fuel, GJ	48,457,604	1,410	44,132,161	0
Ground vehicles, kg	203,789	54,887	233,427	33,108
Ground vehicles, GJ	8,335	2,305	9,597*	1,391*
Solar Power, MWh	0	297	0	287
Solar Power, GJ	0	1,069	0	1,033
Total, GJ	48,465,939	4,784	44,141,759	2,424
Indirect Energy Consumption				
Facilities electricity, MWh	27,718	0	37,932	0
Facilities electricity, GJ	99,786	0	136,555	0
Facilities heat, MWh	25,123	0	34,146	0
Facilities heat, GJ	90,444	0	122,924	0
Total, GJ	190,230	0	259,479	0
Grand total, GJ	48,660,953	4,784	44,403,662	2,424

* 2018 figure has been restated, fuel energy conversion factors amended year 2019.

Finnair flights fuel consumption



- Finnair 1,026,406 tonnes
- NoRRa 85,919 tonnes
- Wet Lease 19,894 tonnes



Energy intensity within the organisation

Fuel efficiency of Finnair fleet

Long-term work done to improve flights fuel efficiency has resulted in the continuous reduction of fuel used per passenger seat. The fuel used per revenue tonne kilometres decreased in year 2019 1.0% as various operative energysaving activities were successfully implemented and two new Airbus A350 aircrafts were incorporated in Finnair's fleet. Compared with the 2005 figures Finnair has improved its fleets' fuel efficiency by 27.2% over the past 14 years period resulting in 2.3% annual reduction.

Finnair's measures to improve its fuel efficiency focus primarily on flights operated by the company itself. Finnair monitors the fuel efficiency of its flights primarily by the payload indicator (RTK), which accounts for the passenger load factor, the volume of cargo transported and the distance between the origin and destination. The table on the next page illustrate the fuel

efficiency of all Finnair flights in 2016-2019 (including Norra flights and all wet lease flights). Finnair's opportunities to have an impact on the fuel efficiency of flight operations leased from NORRA and other cooperation partners are mainly limited to route planning, fleet utilisation and load factor optimisation.

Airlines with an environmentally friendly mindset, such as Finnair, strive to operate a modern fleet to reduce the required fuel and emissions. The average age of the fleet operated by Finnair was approximately 10.0 years at the end of 2019. Company has revealed new updated strategy where, in addition to other investments, it aims to renew its narrow body aircraft resulting to 10-15% further energy savings compared to the current similar types of aircrafts used.

Finnair strives to improve fuel efficiency also by other means, not just modernising

FINNAIR HAS IMPROVED ITS FLEETS' FUEL EFFICIENCY ANNUALLY BY AVERAGE 2.3% OVER THE PAST 14 YEARS.



its fleet. Finnair's initiatives to improve the efficiency of fuel cover all activities within operations, from flight and service planning to maintaining the aircrafts. Operational punctuality and fuel efficiency are the focus areas in flight planning. Due to the flexible deployment of Finnair Airbus fleet, it is possible to allocate an optimal aircraft type to each route on any given day of the year. During the flight captain is provided with an optimal flight path calculation based on payload, weather forecast, and capacity of airspace.

Besides weather factors and air traffic control, fuel consumption is affected by the weight of the aircraft and its load. The weight of the aircraft is followed up on a regular basis, as well as all the materials loaded. Finnair successfully continued to reduce the amount of potable water uplift and carrying unnecessary ULDs' onboard.

Energy efficiency of Finnair's properties

The properties owned and leased by Finnair are mainly located in the Helsinki Airport area. The combined volume in cubic metres of these properties was about 2.6 million

Finnairs Fuel efficiency

	2019	2018	2017	2016
g/RTK	249.3	251.3	247.7	265.3
g/RPK	29.4	29.7	30.0	32.3
L/ Pax/100km	3.67	3.71	3.75	4.04

RTK = Revenue tonne kilometer
RPK = Revenue passenger kilometer

square meters in 2019, and the energy efficiency was 20.2 KWh/m³.

Energy consumption figures are not available for Finnair's offices abroad (which are mainly sales offices), as their energy consumption is typically invoiced as a fixed part of rent.

Finnair has joined a nationwide energy efficiency agreement in the service sector, which is part of the implementation of Finland's longterm energy and climate strategy and the framework decision of the Council of State on energy efficiency measures. The agreement obliges Finnair to reduce its properties' energy consumption by 7 per cent from the 2016 level by 2025. Due to leasing two of the facilities to

external stakeholders, densifying operative functions and warm winter corporate buildings' energy consumption has been decreased by 23.6% over the period from 2016 to 2019.

**ONE PASSENGER CONSUMED
BY AVERAGE 3.7 LITERS FUEL
PER 100 KILOMETERS.**



EMISSIONS

Direct (Scope 1) GHG emissions

Emissions intensity of an aircraft goes hand in hand with its energy intensity. In other words, as the energy consumption of the aircraft increases, its' emissions increase. Finnair prefers to use RTK (revenue tonne kilometres) to divide its carbon emissions, since it measures emissions in relation to the distance travelled and the combined mass of passengers and cargo.

Nearly all of Finnair Group's greenhouse gas emissions arise from flight operations. Flying primarily causes two kinds of direct greenhouse gas emissions: carbon dioxide and water vapour. Water vapour is the most important greenhouse gas in the atmosphere, but it is not generally examined directly as a human-derived greenhouse gas emission, because the water vapour in the atmosphere is mainly the result of natural evaporation. Air transport is in a special position in this respect because the water vapour generated by the engines is released high in the atmosphere, which increases the atmosphere's H₂O content above the cloud layer. However, not much is yet known about the potential impacts of water vapour emissions from aviation.

In the year 2019, the direct CO₂ emissions from Finnair's traffic amounted to approximately 3,566,409 tonnes. This figure covers 99.98% of the company's total direct greenhouse gas emissions and 82.0% when also indirect emissions are summed-up.

Finnair's long-term efficiency target has been to reduce carbon emissions by 17% relative to the revenue tonne kilometres (RTK) from the level of 2013 by the end of 2020. The ambitious target is estimated to be unreachable during the coming year. At the end of the 2019 emission efficiency has decreased 8.8% and Finnair predicts it can reach 12-13% reduction by 2020 leaving the performance 4-5% short from the target. Main contributor in this is that Finnair has been growing faster than market in general and the original fleet renewal schedule made years ago changed from the previously estimated.

New technology implementation and reducing the fuel burn are not enough to reduce carbon dioxide emissions. In the mediumterm, sustainable aviation fuels provide promising opportunities in low-carbon flying. Finnair is an active

member of the Nordic Initiative for Sustainable Aviation working group comprised of Nordic airlines, airport operators and government ministries who are working together with aircraft manufacturers to expedite the development of biofuel in the aviation industry. Further, Finnair joined in 2019 on a research consolidation where the feasibility of an industrial-pilot of carbon-neutral fuel (Power to X-technology) is researched and developed. Currently, Finnair is increasingly fuelling biofuels in its flights and provide biodiesel in all ground equipment refuelling, and these together reduced 237 tonnes of CO₂ emissions year 2019.

2019 Finnair joined a Nordic initiative to enhance the development of electric aviation. The Network for Electric Aviation (NEA) is a unique initiative, where Nordic actors come together to accelerate the introduction of electric aviation in the Nordic countries.

Finnair has provided customers at the beginning of the 2019 with an easy way to offset or reduce the CO₂ emissions of their flights. Customers can choose between offsetting their CO₂ emissions through an

emissions reduction project, and/or through the support of biofuels. As a continuum, Finnair will offset all business travel flights its personnel made during 2019. This offsetting will bind 1,730 tonnes of CO₂ from the atmosphere back to the ground.

Energy indirect (Scope 2) GHG emissions

In Finland, the energy consumption of buildings accounts for more than a third of total greenhouse gas emissions. Finnair uses means such as repairs, alterations, preventive maintenance as well as user training, to ensure the energy efficiency of its business premises to mitigate the greenhouse gas emissions arising from the energy consumption of its buildings.

In 2019, the CO₂ emissions arising from the production of heating energy amounted to 6,205 tCO₂, calculated according to the emission factor reported by the heating energy supplier (247 kg CO₂/kWh). The locationbased emissions of heat consumption amounted to 4,120 tCO₂, calculated based on the average emission factor for Finnish district heating joint generation areas (164 g CO₂/kWh).



The CO₂ emissions attributable to the production of electrical energy in 2019 were 7,068 tCO₂, according to the supplierspecific emission factors (255 g CO₂/kWh). Respectively, based on the average emission factor in Finland (158 g CO₂/kWh) locationbased emissions would amount 4,379 tCO₂.

Other indirect (Scope 3) GHG emissions

The greenhouse gas emissions arising from the production and transport of jet fuel constitute a significant proportion of Finnair's indirect greenhouse gas emissions balance. These greenhouse gas emissions amounted to an estimated 770,476 tonnes of CO₂ in 2019.

Business travel by Finnair employees primarily involves the company's own flights, the emissions of which are reported under Direct greenhouse gas emissions (Scope 1). Business travel made by using other airline services is reported under the Other indirect greenhouse gas emissions (Scope 3).

Emissions arising from flight operations produce the major part of the compa-

ny's GHG emissions. Though, emissions are produced from the on-flight service preparation. Emissions arising from these materials, such as food and beverages served on flights, have not been reported, since the greenhouse impacts of the material flows could not be estimated.

Information on truck transport by Finnair Cargo is absent from this report. Finnair Cargo purchase transport services from truck companies, and the statistical practices of these companies do not allow actual emissions to be calculated at present. Finnair Cargo's main partners in truck traffic use vehicles classified as EURO 4 at a minimum.

When there is humidity in the air and the temperature is close to or below freezing, airlines use de-icing and anti-icing to ensure the safety of their operations. De-icing involves cleaning impurities on the exterior of the aircraft, while anti-icing involves spraying the exterior with a protective substance, propylene glycol, to prevent ice from accumulating on it. The greenhouse impact of glycol could not be estimated, since no emission factor is available for it.

Emissions

	2019	2018
Direct (Scope 1) GHG emissions		
Jet Fuel, t CO ₂	3,566,409	3,248,045
Ground vehicles @ HEL, t CO ₂	668	755**
Total, t CO ₂	3,567,078	3,248,800
Indirect (Scope 2) GHG emissions*		
Facilities, electricity, t CO ₂	7,068	9,673**
Facilities, heat, t CO ₂	6,205	8,434**
Total, t CO ₂	13,274	18,107
Other indirect (Scope 3) GHG emission		
Fuel transportation & production, t CO ₂	770,476	701,701
Business travel, t CO ₂	326	485***
Total, t CO ₂	770,802	702,186
Grand total, t CO ₂	4,351,153	3,969,093

* Scope 2 emissions figure market-based emissions.

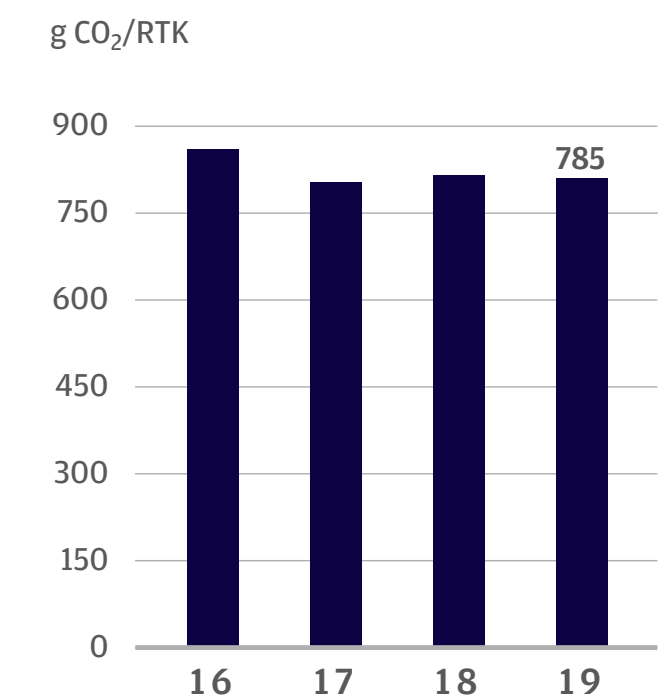
** 2018 figure has been restated, emissions conversion factors amended year 2019.

*** 2018 figure has been restated to include scope 3 emissions only.

Emissions of ozone-depleting substances (ODS)

Halons are found to be major contributors to ozone depletion. Airline operators are bound to use aircraft manufacturer certified and safe fire extinguishers. The manufacturers are constantly working on replacing halons from aircrafts but currently there are locations where decent replacements are not yet found. Finnair has reported 2019 four events where halon 1211 or 1301 was emitted to the air. The amount of halon 1211 emission was 0.25 kg (used in portable extinguishers) and halon 1301 7.3 kg (used in engines).

Development in Finnair's emission efficiency



RTK = revenue tonne kilometres, i.e. capacity use according to payload weight



NOISE AND BIODIVERSITY

Flight noise

One typical adverse environmental effect of air transport is noise. The noise produced by aircraft is mainly engine noise and aerodynamic noise. The level of engine noise is greater in take-offs, while the level of aerodynamic noise grows during approaches.

Finnair has reduced noise by modernising its fleet and by scheduling take-offs and landings at less undesirable times from a noise perspective. However, Finnair also operates flights in the evenings and at night, at which times noise is perceived to be more disruptive. The use of the continuous descent approach (CDA) helps reduce flight noise within ten kilometres of the airport. However, the use of CDA requires uncongested airspace and good weather conditions. During the busiest afternoon hours at Helsinki Airport, for example, when there are a lot of parallel approaches, using the CDA has challenges. Finnair aims together with Air Traffic Control at increasing the annual amount of CDA landings in Helsinki and has achieved good improvement; the year 2019 average in the CDA was 79.9% when in the year 2014 figure was 62.5%.

The International Civil Aviation Organisation (ICAO) has specified noise certification limits for aircraft and their engines. Airbus A350 aircraft comply with the newest Chapter 14 noise specification. Over 97% of the rest of the Finnair fleet comply with the second best specification Chapter 4.

Biodiversity

Finnair takes environmental aspects into consideration on the ground and in the air. Besides energy solutions that reduce the environmental load, Finnair's environmental policy also includes the preservation and promotion of natural diversity, known as biodiversity thinking. Finnair has assessed the ecosystem services, or benefits provided to people by nature, that are most relevant to its business, and its operations most significant impacts on them.

Of the different categories of the ecosystem services, cultural services and regulating services are the most relevant to Finnair's business. Cultural services include tourism, human value and aesthetic value. Regulating services include the regulation of air quality and climate, disease control, pest control and pollination. Finnair's core

business and key product areas benefit ecosystem services in various ways. Cultural services are particularly important for travel services. Accordingly, Finnair's travel agency, Aurinkomatkat, has participated in various local projects to maintain biodiversity at various destinations for several years.

When planning its destination programmes, Aurinkomatkat carefully evaluates their potential effects on the environment and biodiversity, for example it has stopped all trips to zoos and other attractions where animals are held captive. The operations aim also to avoid excursions to sites where visits could pose a threat to biodiversity. The customers are informed at destinations on appropriate conduct to preserve biodiversity.

For several years, Finnair has also actively supported a rain forest reforestation and biodiversity project in Madagascar in collaboration with the Finnish Association for Nature Conservation, although the company does not operate any flights to the area.

In the airline business, Finnair supported both cultural and regulating services by

prohibiting the transportation of hunting trophies or memorabilia originating from endangered species or their parts in its cargo network. Also, primates and canines intended for laboratory, experimental or other exploitation use will never be accepted for transport. Furthermore, Finnair has signed the United for Wildlife (UFW) Buckingham Palace declaration of the Duke of Cambridge to prevent the illegal wildlife trade. As a signatory, the company has undertaken to promote the awareness of different stakeholders about this topic.

The significance of biodiversity in Finnair's airline business will be highlighted further in the coming years through climate change mitigation measures. When Sustainable Aviation Fuels (SAFs) replace fossil fuels in

CO-OPERATION WITH HEL AIR TRAFFIC CONTROL HAS INCREASED CONTINUOUS DECENT APPROACHES REDUCING BOTH NOISE AND CO₂ EMISSIONS.



the future, the company wants to ensure that the primary production of raw materials for renewable energy sources is used in line with the principles of sustainable development and does not compromise ecosystem services. For example, in the manufacturing of biofuel, measures must be taken not directing to Indirect Land Use Change (ILUC). The objective is to ensure that arable land used for growing food crops is not used to produce raw material for biofuel, which would result in either the clearing of forests or wetlands to create space for food production or a decline in food production.

Regulating services have a significant impact on both the airline business and travel services. The local decline of biodiversity erodes the operating conditions of the tourism industry and increases the risk of infectious diseases.



WASTE

Waste by type and disposal method

Total amount of waste generated by Finnair decreased by approximately 5.5 per cent, or over 253 tonnes, from the previous year total mass being 4,348 tonnes.

Finnair has set an objective to include circular economy principles in all business operations increasing waste recovery, cost efficiency and safety, as well as reducing the volume of waste. As a starting point it has set long-term targets aiming for inflight catering sustainability. Actions towards these goals are ongoing and some of the first concrete changes have been reducing the use of single packaged milk, introducing cardboard packaged hot meals to replace

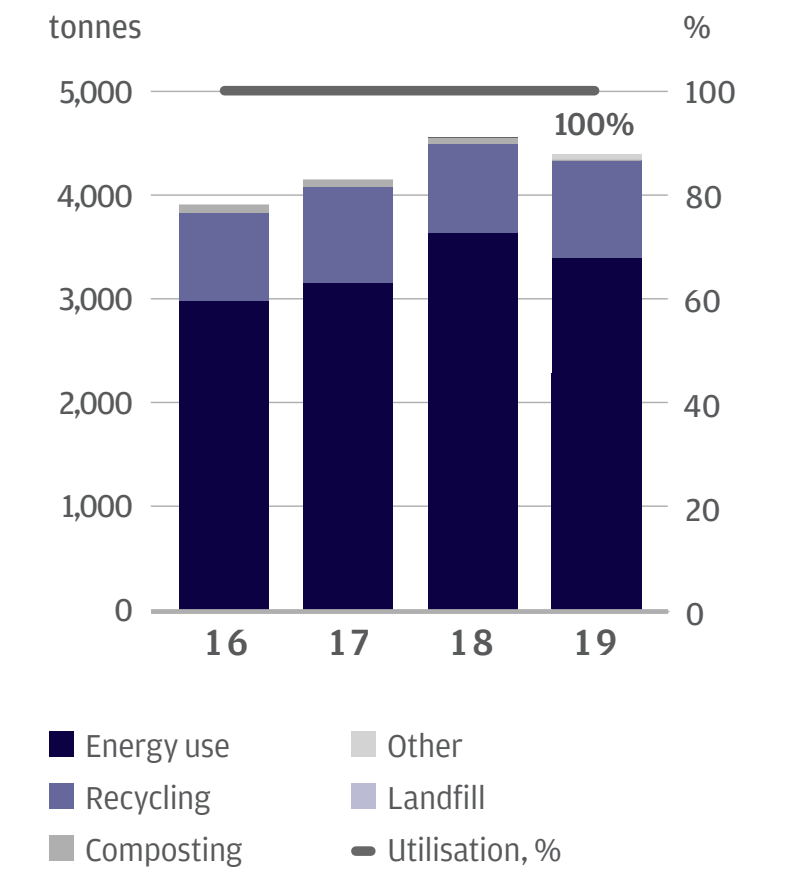
cPET casseroles, reducing plastic in amenity kits, and redesigning the packaging of the onboard sales selection (the Nordic Kitchen Brand). These actions alone have reduced generated plastic waste by 80.0 tonnes annually.

During the year 2019 old plating facilities at technical area were cleared out increasing the amount of Hazardous waste volumes.

In promoting circular economy Finnair aims at recycling at least 50% of the plastics returning to Helsinki hub, and included the utilisation of recycled material in its service design; e.g. salad containers and business-class slippers are currently made from recycled PET. Due to contagious animal

health concerns and regulations in place some parts of waste flows are not safe for material recycling or biogas production. All waste from inflight ending at Helsinki, however, reused either as energy, heat, biogas, manure or material, nothing ending up to landfill.

Amounts of waste and utilisation percentage



Total weight of waste

	2019		2018	
	Hazardous, kg	Non-hazardous, kg	Hazardous, kg	Non-hazardous, kg
Energy use	74,057	3,281,482	81,743	3,587,845
Recycling	15,134	917,232	11,326	850,869
Composting	0	13,296	0	65,626
Other	47,034	0	3,039	1,201
Landfill	0	0	0	300
Total	136,225	4,212,010	96,108	4,505,841

PERSONNEL & CUSTOMERS

Finnair's operations is by nature very diverse and in many ways highly technical. Company organisation and partners are present in dozens of countries around the globe and are subject to a wide range of laws and regulations. The core areas of the company's social responsibility include safety, care for our employees and customers, and supply chain management.

- 26 Employee experience
- 29 Caring for our customers
- 30 Working together with stakeholders





EMPLOYEE EXPERIENCE

A core part of Finnair’s social responsibility involves taking care of its employees and their working conditions. With this respect, Finnair is a notable employer. The policies of personnel management cover all aspects of social responsibilities that have been identified as material.

Finnair’s strategic HR guidelines and HR policy cover all factors that may impact personnel and working conditions. According to Finnair’s personnel the Finnair’s values - Commitment to Care, Simplicity, Courage and Working Together- are increasingly reflected and used as guidelines in day-to-day operations. The Employee Engagement survey (We Together@Finnair) helps the company determine what areas it has been successful in and what areas need improvement. The employee survey covers the following key themes: My Job, Managerial and Supervisory Work, Teamwork, and My Employer.

Finnair identifies regularly the needs for team and organisational development and monitors the welfare and commitment of the personnel by an employee survey. Finnair’s key focus areas for 2019 included

leadership development, implementing a Workday learning platform, new ways of working; such as Yle-Finnair agile program and exchange programme, where change leaders were trained for leading transformation towards agile way of working through their own example.

Finnair’s social responsibility achievements for personnel during 2019:

- Harmonious Workplace framework created
- Substance Abuse prevention program launched
- New Occupational Safety reporting tool implemented
- Remarkable improvement in all Occupational Safety KPIs

Who we are

In 2019 Finnair’s total number of employees increased significantly. At the end of 2019, the number of Finnair employees in active employment relationships was 6,788 which

is 326 more than at the end of 2018. During 2019 Finnair hired 969 new employees, of which 342 were flight personnel. At the same time, 66 employees retired from Finnair. The employee turnover has been rather low (on average 3.7% in 2019) in Finnair.

A large majority of the personnel works in Finland, mostly at the Helsinki-Vantaa airport or in the neighbouring area. At the end of the year 2019, there were 645 Finnair employees in active employment relationships working in 26 different countries. The employment contracts and terms of employment are based on local legislation.

Full-time staff accounted for 87 per cent of Finnair employees in 2019, and 96 per cent of staff were employed on a permanent basis. The average age of employees was 42 years. Of the personnel, 29 per cent were over 50 years of age, while 18 per cent were under 30 years of age. At the end of 2019, 57 per cent of Finnair’s employees were women and 43 per cent were men. Three out of the eight members of Finnair’s Board of Directors are women. Finnair does not maintain statistics based on ethnicity.

Employees can agree on their terms of employment through collective bargaining in countries in which that is the local practice. Finnair does not limit its employees’ rights to participate in trade union activities. Senior management constitutes an exception to this, as its terms of employment are agreed on locally or individually.

Finnair’s employer brand image has developed positively. According to the survey by Universum, business students considered Finnair the most attractive employer in 2019. Students and professionals in other fields also consider Finnair an interesting employer, Finnair was for example considered #9 and #6 attractive employer among IT students and professionals respectively.

Work-related accidents in 2019

	Occupational accidents	Workplace accidents	Loss time injury frequency*	Commuting accidents
2019				
Airline's flight personnel	72	54	16	18
Airline's ground personnel**	21	19	5	2
Finnair Technical Service Oy	11	7	5	4
Finnair Cargo Oy	0	0	0	0
Finnair Flight Academy Oy	0	0	0	0
Aurinkomatkat Oy	1	1	4	0
Total	105	81	10	24

During 2019 no suspected occupational diseases were discovered

* Loss time injury frequency (LTIF) refers to the number of workplace accidents per million working hours.

** Airline's ground personnel include group management, support services, ground crew, and operative ground personnel.

Occupational Safety

Work-related accidents comprise workplace accidents and business trip accidents. The table above presents all work-related or business trip accidents resulted in at least one day of sick leave.

Medical examinations pertaining to exposure at work include examinations concentrating on the effects of carcinogenic substances, solvents and other chemicals, noise, vibration and working night shifts. To prevent/minimise exposure to such

work-related health hazards, the primary focus is on implementing working methods and procedures that involve minimal exposure to hazards.

Finnair Health Services has monitored the cosmic radiation exposure of all flight personnel on a quarterly basis. Radiation exposure levels have not exceeded the annual maximum level (6 mSv). All flight personnel can check their cumulative radiation exposure by accessing a browser-based system that provides information on actual

Medical checks at Finnair in 2019

	Medical check-ups at Finnair in 2019
Finnair Group	110
Customer Experience	
Helsinki Airport Customer Service	160
Cabin crew	588
Operations	
Cockpit	883
Cargo	48
Finnair Flight Academy	17
Technics	510

hours of flight duty performed and a mathematical calculation of cosmic radiation exposure based on the routes flown.

Competency Development

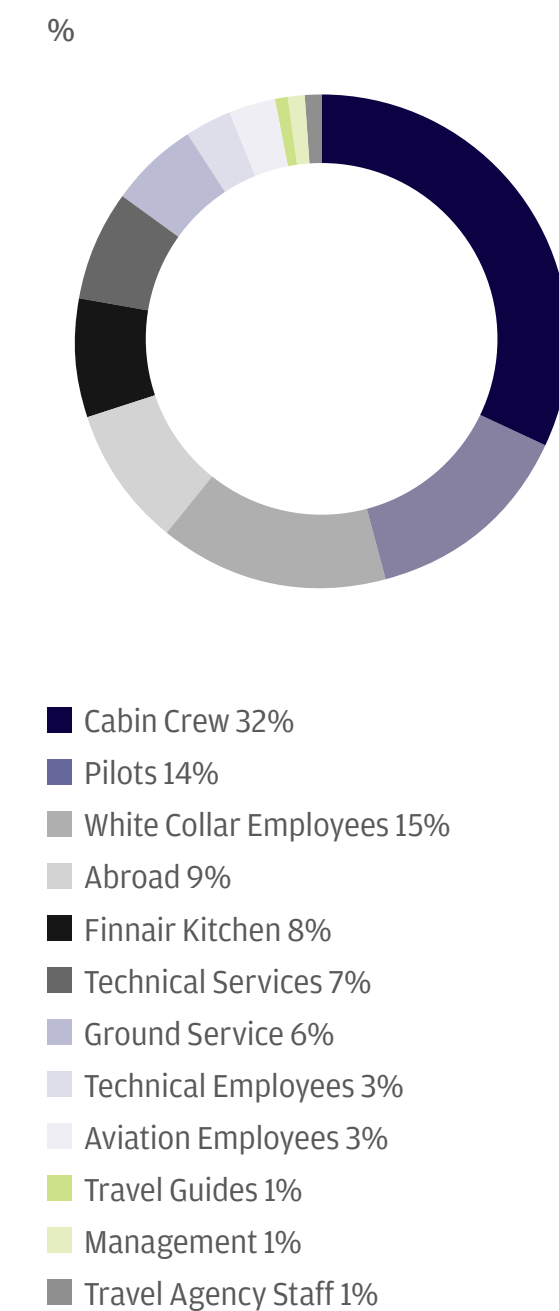
As the largest airline company in Finland, it is particularly critical that Finnair maintains high level of aviation-specific competencies. Improving employee competence has a significant effect on the strategy implementation and finding critical competence development areas itself is an integral part of strategic implementation process.

The strategic competencies development requires cooperation with various parties. Learning and development plans are built at the company, unit, team and individual levels. These are further discussed during the annual My Journey development discussions.

Personnel competency is developed using varieties of different learning methods, including; traditional classroom training, on-the-job learning, e-learning, workshops, coaching, shadowing, and mentoring. On-the-job learning, for example, is a widely utilised effective learning method in ever changing working environment where continuous self-learning is required.

The vocational training for Finnair flight crew is conducted in cooperation with Finnair Flight Academy, while Finnair's Technical Services unit handles its own technical-specific training requirements. Learning & Development team is responsible for strategic and general business competence development.

Employees by group



Training hours provided per employee group

EUR mill.	All training hours and share between men & women			Average hours of training			Count of active employees		
	Total, h	Women, %	Men, %	Total, h	Women, h	Men, h	Total, ea	Women, ea	Men, ea
Employees	35,638	40%	60%	27	25	29	1,302	567	735
Office staff	35,640	45%	55%	18	15	20	2,032	1,062	970
Cabin	158,096	89%	11%	71	71	71	2,215	1,966	249
Pilots	106,064	3%	97%	118	142	118	897	25	872
Total	335,438	52%	48%	52	48	57	6,446	3,620	2,826

Development areas in 2019 included the following:

A. Development of managerial and supervisory work

- Leading our Daily Operations - development programme for leading operative work
- My Leadership Lab - the programme to support individual development of managers
- Global Exchange - programme to support understanding of markets and cultures
- Finnish Broadcasting company YLE and Finnair - Joint Agile leadership program
- MOVE onboard - a training programme for new managers
- Project management trainings
- Captain & Chief Purser Leadership Day, where captains and chief pursers develop their managerial roles and their cooperation in leading customer experience and people experience
- Individual coaching programmes for key individuals continued

B. Customised personnel development solutions (some examples)

- Renewed Cabin crew basic training course
- Cabin crew learning modules to support individual learning needs
- Ground operations Experience Day and Meet and Greet session aiming at improving customer service quality
- Continuous Improvement afternoon

C. Professional competence development and induction training

- #JoinFinnair induction training for all new employees
- Safety training for all employees, with targeted training for special groups
- General competence development, related to systems, languages, facilitation and purchasing, plus Code of Conduct, Occupational safety, Substance abuse prevention eLearnings
- Training to support the digitalization: Office 365 and various applications for operative work
- Nordic Business Forum live stream

Permanent learning themes include the Code of Conduct, flight safety management, occupational safety and health in aviation, work induction, occupational safety and health awareness for supervisors, and occupational safety card training.

Other vocational training organised in 2019 included outstation training, first aid and emergency training, basic and recurrent trainings, systems training and cooperation with various educational institutions. The Finnair Aviation Academy, founded in 1964, is a special vocational educational establishment maintained by Finnair Plc, which operates as a special educational establishment under the Act on Vocational Adult Education (631/1998). Its task is to arrange further vocational training leading to a vocational or special vocational qualification as well as other further vocational training required for the practice of

Finnair Plc's and its subsidiaries' operations (Further Vocational Training Arrangement Permit 551/530/2006, 13 December 2006). As a privately-owned educational establishment, the Aviation Academy funds its operations in accordance with government aid practices and it is a member of Business Education Establishments ELO (Elinkeino-elämän oppilaitokset Elo ry).



CARING FOR OUR CUSTOMERS

Finnair has the overall responsibility for the quality of the customer experience, regardless of the fact that some services are produced by Finnair's partners rather than the company itself. Therefore, Finnair pays increased attention to the selection of its partners and the partners are required to comply with Finnair's quality assurance policies and ethical guidelines.

Assessment of the health and safety impact of products and services

The aviation industry consists of a strictly regulated value chain comprised of multiple suppliers of products and services. As an airline and service company at the top of this value chain, Finnair creates added value for its customers by providing them with a comprehensive and highquality service product in collaboration with its partners. Finnair is responsible for transporting its customers and their baggage to their destinations safely, smoothly and punctually.

The most significant product responsibility aspects in the Finnair group's operations are flight safety, food-safety, responsibility

for the individual customer, and responsibility for the cargo carried.

Finnair's Safety Management System (SMS) covers all aspects of flight safety: safety policy, operational risk management, safety training and communications, safety assurance including continuous auditing of operations and the assessment of the potential impact of changes in the operating environment. Official regulations and standards set the minimum requirements, which the company aims to exceed in all areas.

Finnair Kitchen is responsible for food- and productsafety for all Finnair inflight services. Quality and safety of the catering operations are covered by Finnair Kitchen Quality Management System. Official regulations and industry standards set the minimum requirements, which the company aims to exceed in all areas.

Finnair's Ground Operations unit is responsible for the acquisition, quality criteria and quality control of ground handling services required at airports. The unit's task is to ensure that the ground services used by Finnair fulfil the requirements set for them,

both in terms of quality and with respect of safety and official regulations.

To deliver on their service promises, Finnair Cargo, Kitchen and Ground Operations unit apply a systematic evaluation process to select subcontractors and partners. Partners are required, for example, to ensure and maintain the competency of their personnel,

and also to ensure that vehicles, equipment and premises are appropriate. In addition to quality audits, Finnair regularly performs quality inspections to continuously monitor both its own and subcontractors' work. Finnair Cargo and Ground Operations are responsible for maintaining and updating their own quality systems and ensuring that operations comply with the requirements.

Finnair's achievements in Product responsibility in 2019

- Implementation of new digital tool to handle disruption situations, better customer experience and more efficient operations
- Implementation of a new digital tool (CRM system) for Contact Centres to handle customer contacts better and more efficiently
- Helsinki Airport service desk renewal
- Increased automation in the background processes for customer service to increase consistency and reduce handling times for customer contacts.
- Improvements in the aircraft loading for catering: More fuel-efficient loadings by optimization and reducing waste by e.g. changing individual packages to larger ones.
- Developing the possibilities for customers to pre-order their meals (e.g. in mobile app) to improve customer experience, ensure availability and reduce waste
- Introduction of Chabla service for hearing impaired customers
- New channels for customer communication implemented to ensure better reachability of services, e.g. Kakaotalk in Korea



WORKING TOGETHER WITH STAKEHOLDERS

The sustainability strategy is geared at preserving the license to operate from key stakeholders and contributing to good reputation and long-term shareholder value of Finnair. It also helps protect Finnair from the downside risks that breaches of environmental regulations, human rights abuses or governance issues, such as corruption, can bring to a company.

Member	Subjects	Channels
Customers	Travel experience, customer service issues, product quality, on-time performance, emissions and noise reduction, safety, recycling, responsible sourcing, responsible tourism, corporate responsibility projects via Finnair Plus.	Surveys, research, written feedback, Finnair website, social media, customer events, customer service encounters at every stage of the journey, messages to Finnair Plus customers, Finnair mobile app, Blue Wings inflight magazine, In-flight Entertainment system (IFE).
Personnel	Occupational health and wellbeing at work, target setting, Code of Conduct and ethical issues, safety and security, changes to improve profitability, values and business practises, increasing trust, reducing environmental impact on the job, corporate responsibility in partnerships, changes affecting personnel.	Intranet, internal blogs, theme weeks, Yammer, personnel events, WeTogether@Finnair-Wellbeing At Work survey, occupational health services, performance evaluation and development planning, discussions with labour organisations, Leadership forum.
Shareholders and investors	Market environment and competitive landscape, the company's operations, corporate responsibility, goals, reporting, strategy and financial position.	Stock exchange bulletins under periodic and ongoing disclosure obligation; interim reports, financial statements, report of the Board of Directors, Corporate Governance Statement. Annual General Meeting; investor, analyst and media meetings and events; corporate website; Carbon Disclosure Project.
Aviation sector	Safety, emissions and noise, reduction, emissions reduction schemes, air traffic management, biofuel and supply chain development, sustainable tourism, economic impacts of the sector.	Membership in IATA and A4E; cooperation forum for sustainable tourism; membership in oneworld alliance; Joint Businesses; cooperation with Finavia and other airport operators; sector seminars and working groups; manufacturers.
Authorities and government	Competitiveness, market access, safety, emissions trading and reduction schemes, air traffic management, supply chain responsibility, reporting, economic contribution of aviation, impact of operations on environment and noise, disruptions and irregularities, biofuels, employee relations, the Transport Code.	Dialogue with local, national, EU-level authorities and governments; dialogue with governments and authorities in destination and overflight countries, events and other cooperation with the Finnish Consumer Agency, Flight Safety Authority (TraFicom), embassies and other relevant Finnish and foreign actors.
NGOs	Greenhouse gas emissions and environmental impact reduction, public health measures, human rights, disaster relief, wildlife protection, common interest projects for sustainability and development cooperation, supply chain responsibility.	Cooperation with the Finnish Association for Nature Conservation, UNICEF, Finnish Red Cross, Cancer Society of Finland and other NGOs. Membership in the Carbon Disclosure Project and the Climate Leadership coalition, Commitment 2050 -cooperation.
Suppliers	Cooperation efforts to reduce emissions and other environmental impacts, monitoring of responsibility and business ethics everywhere in the value chain.	Contractual cooperation, Finnair procurement guidelines and Supplier Code of Conduct.
Media	Company strategy and business, Finnair products and network, daily operations irregularities, investments, emissions reduction, personnel relations, financial sustainability, economic contribution of aviation, ethics, cooperation projects with NGOs, trends in travel and traffic, biofuels, emissions trading and reduction schemes, noise, impact of aviation on local economy and mobility.	Press releases, press conferences, visits by reporters, press trips, interviews, Finnair media desk calls and emails, websites social media, Blue Wings magazine.
General public	Customer service, product quality, labour relations, economic contribution of aviation, ethics, emissions reduction, presence in local economies, cooperation projects with NGOs, corporate citizenship.	Communications via media, websites, email and lectures; social media including blogs, Facebook, Twitter and Sina Weibo.

ECONOMIC RESPONSIBILITY

Finnair's Board of Directors has set the company's financial targets, which are provided in information material for investors. As a public limited company, Finnair is committed to earning a profit for its shareholders. The company's profit distribution principles are expressed in Finnair's dividend policy. Finnair's financial reporting aims to transparently provide information about Finnair's financial position and development.

33 Tax footprint





Direct economic value generated and distributed

EUR mill.	2019	2018	2017	2016
Direct economic value generated				
Revenue	3,097.7	2,836.1	2,568.4	2,316.8
Other operating income	56.4	73.7	77.0	75.5
Sales gains and losses on aircraft and other transactions	0.2	42.7	44.1	30.4
Financial income	3.3	-2.2	-0.3	1.0
Total	3,157.6	2,950.3	2,689.3	2,423.7
Economic value distributed				
Materials, services and other operating expenses	2,128.3	1,899.3	1,909.6	1,834.5
Staff costs	530.9	494.7	418.9	356.4
Payments made to shareholders and loan providers	120.1	181.0	41.9	30.7
Dividend	35.0	38.4	12.8	0.0
Hybrid bond interests and expenses	15.8	15.8	15.8	19.1
Financial expenses	69.4	126.8	13.4	11.5
Payments to governments	14.5	19.2	7.2	9.8
Donations and other charitable payments	0.0	0.0	0.0	0.0
Total	2,793.9	2,594.2	2,377.5	2,231.3
Economic value retained for operational development				
Investments in tangible and intangible assets and acquisitions of subsidiaries	443.8	474.0	511.5	518.9
Comparable operating result	162.8	218.4	170.4	55.2
Return on capital employed (ROCE), %	6.3	9.3	13.6	8.9

Financial implications and other risks and opportunities due to climate change

In combating climate change, the main measures are directed at reducing the combustion of fossil fuels. The jet fuel used by Finnair is mainly fossil fuel and fuel costs are Finnair's single most significant cost item. Therefore, all the factors influencing the price of jet fuel similarly influence Finnair's operating costs. The need to reduce fuel consumption and the resultant carbon dioxide emissions have a significant impact on the company's business operations. In 2019, fuel made up approximately one fifth of Finnair's operational expenses; therefore, efficiency has a material impact on the development of shareholder value. In order to reduce its fuel consumption, Finnair follows a strategy comprised of four elements: technological development, improvement of operational efficiency, development of infrastructure and economic measures. Finnair operates a modern fleet and has invested from 2015 onward in fuel-efficient next generation aircraft to maintain its competitive advantage. Finnair has a special cross-functional

team to lead aircraft weight reduction and fuel efficiency targeting for best possible fuel efficiency performance of the fleet. For several years now, Finnair has voiced its support for a global marketbased measure for offsetting greenhouse gas emissions that would complement the industry's technological, operational and infrastructural efforts to reduce emissions. In 2019, Finnair participated in the European Union's Emissions Trading Scheme (EU-ETS), which concerned only Intra-European flights. The direct costs incurred by Finnair from emissions trading totalled 18.78 million euros in 2019. In total, Finnair paid environmental related costs and fees over 35.5 million euros in 2019. The direct costs of market-based emission reduction schemes in the coming years are difficult to estimate due to open details of the system and accepted carbon credits.

Finnair is a leading airline in carbon dioxide emissions reporting and reducing emissions. The risks, opportunities, financial effects and management methods related to climate change are described in detail in the Non-Financial Information chapter.

Significant indirect economic impacts

Finnair's sustainable growth and current route network utilising Helsinki hub's geographical position enable that Finland has better connections to other parts of the world than domestic demand alone could support. This has a significant impact on the travel opportunities of Finns and on the Finnish business sector. In addition, the aviation sector is a major job creator in Finnish society.

TAX FOOTPRINT

Tax principles

Finnair's principle is to pay, collect, remit and report the indirect and direct taxes it is subject to in each country according to local laws and regulations. High-quality tax returns and reports are very important to Finnair and, as a result, tax returns are prepared carefully and submitted on time. Finnair also discusses openly with tax authorities. The aim of Finnair's tax principle is to support business decisions and to ensure their appropriate implementation, also from the perspective of taxation. Finnair Group does not have any structures in place in order to transfer taxable income from Finland to jurisdictions with lower tax rates.

Taxes related to international business operations

Finnair's international business operations are mainly related to the sales of flight tickets and cargo through Finnair Plc's foreign sales units, as well as local sales promotion activities. Sales units are not separate legal entities. The sales units' income is taxed pursuant to the regulations and double tax treaties pertaining to

the international airline business as part of the parent company's taxable income in Finland. The operations of Finnair's foreign subsidiaries in 2019 and 2018 have been primarily related to travel and back office services, and they are very minor in scale relative to the Group's business operations as a whole. Finnair has also had minor holdings (less than 20%) in some insurance captives located in Guernsey for business reasons, the results of which are subject to taxation in Finland.

Finnair's taxable operations in individual countries outside of Finland are minor in scale. Hence, the table below presents Finland separately and all other countries together. Country level information for foreign subsidiaries is found in the second table on this page. Country level specification for taxes paid and collected outside Finland is found on page 25.

Finnair Group's foreign operative subsidiaries are located in Estonia, where income tax is due in connection with distribution of dividends. The Group has also a dormant subsidiary in Russia.

Finnair's operations in Finland and in other countries	2019			2018		
	Finland*	Other countries	Total	Finland*	Other countries	Total
Revenue, EUR million	3,088.2	9.5	3,097.7	2,825.8	10.2	2,836.1
Result before taxes, EUR million	93.5	-0.5	93.0	127.7	-0.5	127.2
Number of personnel	6,164	607	6,771	5,828	532	6,360

* Internal turnover has been eliminated.

Finnair's operations in other countries	2019			2018		
	Estonia	Russia	Total	Estonia	Russia	Total
Revenue, EUR million	9.5	0.0	9.5	10.2	0.0	10.2
Result before taxes, EUR million	-0.5	0.0	-0.5	-0.5	0.0	-0.5
Income tax payable	0.0	0.0	0.0	0.0	0.0	0.0
Number of personnel	235	0	235	191	0	191

Profits of sales units are taxed in accordance with regulations and double tax treaties pertaining to the international airline business and hence, revenue, result before taxes, income tax payable and number of personnel in other countries are not separately adopted in financial statements. Specification of taxes paid and collected in other countries is presented on page 25.



Direct taxes payable, EUR million	2019			2018		
	Finland*	Other countries	Total	Finland*	Other countries	Total
Employer contributions	4.5	2.2	6.7	2.7	2.3	5.0
Property taxes	0.7	0.0	0.7	0.9	0.0	0.9
Other taxes	2.2	0.0	2.2	2.2	0.1	2.2
Public subsidies received	-1.3	0.0	-1.3	-1.7	0.0	-1.7
Taxes included in direct operating expenses and subsidies in total	6.1	2.3	8.4	4.1	2.3	6.4
Income taxes payable*	4.9	0.0	4.9	25.9	0.0	25.9
Total direct taxes payable	11.0	2.3	13.3	30.0	2.3	32.3

* Income taxes payable are tax expenses recorded based on the taxable result, which has partly been utilised against confirmed tax losses.

Indirect taxes collected for the financial year, EUR million	2019			2018		
	Finland	Other countries	Total	Finland	Other countries	Total
Value added taxes, sales	95.0	0.9	96.0	107.0	0.9	107.9
Value added taxes, purchases	125.2	5.1	130.3	136.9	5.1	142.0
Value added taxes, net	-30.1	-4.2	-34.3	-29.9	-4.2	-34.1
Withholding taxes on wages and salaries and other indirect taxes	100.1	2.5	102.6	100.0	2.8	102.8
Excise taxes	0.5	0.0	0.5	0.5	0.0	0.5
Total	70.5	-1.7	68.8	70.5	-1.4	69.2

Other taxes primarily include environmental and electricity taxes. Due to the nature of the international airline business, jet fuel is tax-free. Public subsidies consist of subsidies received for training and they are primarily related to the aviation training services provided by Finnair. The reported public subsidies do not include subsidies

paid to the airline business by the authorities in various countries, as they are considered business secrets. In 2018, the reported public subsidies, however, include a subsidy of 0.1 million euros relating to Enontekiö region's tourism promotion received from a Finnish authority. In 2019, there were no similar subsidies.

Finnair had confirmed losses in taxation from previous tax periods amounting to approximately 0.3 million euros. After the 2019 taxable result, there are no confirmed tax losses.

More detailed specification of employer contributions paid in other countries is found on the next page.

More information on direct taxes, such as the taxes pursuant to the consolidated income statement, deferred tax assets and liabilities, and the adjustment of the effective tax rate, is presented in Note 5.1 in Finnair's consolidated financial statements.

The most significant indirect taxes collected during the financial year are withholding tax liabilities, value added tax and excise taxes.

The passenger tariffs collected from flight passengers are not considered as tax-like payments remitted to the authorities subject to reporting as part of the tax footprint, as these payments are usually remitted to the private or public party responsible for airport operations. More detailed specification of taxes collected in other countries is found overleaf.



Country specific information for 2019 is presented below only regarding countries where the amount of taxes paid, collected or deducted is at least 0.05 million euros. Countries where this threshold is not met are presented as two areas below. The figures below include taxes paid and collected by subsidiaries and sales units.

2019 Country specification, EUR million	Employer contributions	Value added taxes, sales	Value added taxes, purchases	Value added taxes, net	Withholding taxes on wages and salaries	Total
Countries						
Estonia	1.1	0.1	0.2	0.0	0.5	1.5
China	0.3	0.0	0.0	0.0	0.2	0.5
Germany	0.0	0.1	-0.1	0.2	0.1	0.4
Belgium	0.1	0.0	0.0	0.0	0.1	0.2
USA	0.0	0.0	0.0	0.0	0.2	0.2
Spain	0.1	0.1	0.1	0.0	0.1	0.2
Greece	0.0	0.1	0.0	0.1	0.0	0.1
Russia	0.0	0.0	0.0	0.0	0.1	0.1
Italy	0.0	0.1	0.1	0.0	0.0	0.0
Switzerland	0.0	0.0	0.1	-0.1	0.1	0.0
Singapore	0.0	0.0	0.1	-0.1	0.0	0.0
South-Korea	0.1	0.0	0.2	-0.2	0.1	0.0
France	0.0	0.0	0.1	-0.1	0.0	0.0
Denmark	0.0	0.0	0.1	-0.1	0.0	-0.1
Sweden	0.1	0.0	0.4	-0.4	0.2	-0.1
Australia	0.0	0.0	0.1	-0.1	0.0	-0.1
Norway	0.0	0.0	0.6	-0.6	0.0	-0.5
Thailand	0.0	0.0	0.6	-0.6	0.0	-0.6
The UK	0.0	0.1	0.8	-0.7	0.1	-0.6
Japan	0.3	0.0	1.5	-1.5	0.6	-0.7
Areas						
Other European countries*	0.0	0.2	0.2	0.0	0.0	0.1
Rest of the world**	0.0	0.0	0.0	0.0	0.0	0.0
Total	2.2	0.9	5.1	-4.2	2.5	0.5

* Austria, Bulgaria, Croatia, Cyprus, Czech Republic, Hungary, Ireland, Latvia, Lithuania, Malta, the Netherlands, Poland, Portugal, Slovakia and Slovenia

** Canada, India and United Arab Emirates

Country specific information for 2018 is presented below only regarding countries where the amount of taxes paid, collected or deducted is at least 0.05 million euros. Countries where this threshold is not met are presented as two areas below. The figures below include taxes paid and collected by subsidiaries and sales units.

2018 Country specification, EUR million	Employer contributions	Value added taxes, sales	Value added taxes, purchases	Value added taxes, net	Withholding taxes on wages and salaries	Total
Countries						
Estonia	1.0	0.2	0.2	-0.1	0.5	1.4
China	0.3	0.0	0.0	0.0	0.3	0.6
Belgium	0.1	0.0	0.0	0.0	0.3	0.4
USA	0.0	0.0	0.0	0.0	0.2	0.2
Greece	0.0	0.1	0.0	0.1	0.0	0.1
Italy	0.0	0.1	0.0	0.0	0.0	0.1
Russia	0.0	0.0	0.0	0.0	0.1	0.1
Germany	0.0	0.1	0.2	-0.1	0.1	0.1
Spain	0.1	0.1	0.1	-0.1	0.1	0.0
Switzerland	0.0	0.0	0.1	-0.1	0.1	0.0
Sweden	0.2	0.0	0.4	-0.4	0.2	0.0
Singapore	0.0	0.0	0.1	-0.1	0.0	0.0
Australia	0.0	0.0	0.1	-0.1	0.0	-0.1
France	0.0	0.0	0.2	-0.2	0.0	-0.1
Denmark	0.0	0.0	0.2	-0.1	0.0	-0.1
South-Korea	0.1	0.0	0.2	-0.2	0.1	-0.1
Japan	0.3	0.0	1.2	-1.2	0.6	-0.3
Norway	0.0	0.0	0.6	-0.6	0.1	-0.5
Thailand	0.0	0.0	0.6	-0.6	0.0	-0.6
The UK	0.0	0.1	0.7	-0.7	0.1	-0.6
Areas						
Other European countries*	0.1	0.2	0.2	0.0	0.0	0.2
Rest of the world**	0.0	0.0	0.0	0.0	0.0	0.0
Total	2.3	0.9	5.1	-4.2	2.8	0.9

* Austria, Bulgaria, Croatia, Cyprus, Czech Republic, Hungary, Ireland, Latvia, Lithuania, Malta, the Netherlands, Poland, Portugal, Slovakia and Slovenia

** Canada, India and United Arab Emirates

ANNEX

Finnair was one of the first airlines in the world to communicate on its sustainability issues under the Global Reporting Initiative reporting framework starting from 2008.

- 37 Reporting principles
- 39 Global compact content index
- 40 GRI content index
- 46 Independent practitioner's assurance report
- 48 Contact information





REPORTING PRINCIPLES

Finnair was one of the first airlines in the world to communicate on its sustainability issues under the Global Reporting Initiative (GRI) reporting framework starting from 2008. This GRI-section is integrated to the Annual Report 2019 and this report has been prepared in accordance with the GRI Standards: Core option.

The report covers the parent company, and all Finnish subsidiaries.

Finnair group does not report on the operations of foreign subsidiaries, because they are deemed not to be of key significance in terms of the group's sustainability issues as minor operators. Any exceptions to this are mentioned separately in connection with each indicator. Finnair does not report on outsourced operations, either. The business units and subsidiaries covered by the report are listed in the adjacent table.

Reporting period is a calendar year; 1 January–31 December 2019.

Information sources, measurement and Finnair group calculation methods

The information of the report has been collected from the group's internal statistics systems and from various subcontractors. In terms of measurement and calculation methods, the GRI topic-specific accounting principles have been adhered to whenever the available data have so allowed. If some other measurement or calculation method has been used, this is mentioned in connection with the key figure concerned. The figures have been presented in time series when this has been appropriate and reliably possible.

Direct energy consumption

Finnair's largest single material cost item is jet fuel. In this report, jet fuel is treated, however, as energy, because in terms of its purpose and environmental effects it is sensible to understand jet fuel as stored energy.

Fuels are also reported based on their mass and volumes.

Fuel consumption and emission figures for flight operations (Annex 1 EU ETS Directive 2003/87/EC of the European Parliament and of the Council) are derived from the company's own monitoring systems and based on actual fuel consumption (Method A EU ETS Monitoring and Reporting Regulation (EU) N:o 601/2012).

European Union Emissions Trading System (EU ETS) "Method A" formula: Amount of fuel contained in aircraft tanks once fuel uplift for the flight is complete - Amount of fuel contained in aircraft tanks once fuel uplift for subsequent flight is complete + Fuel uplift for that subsequent flight. This method is used in order to capture the fuel consumption by the aircraft's auxiliary power unit (APU) on the ground. Where Method A cannot be used, estimated average fuel burn per block hour per aircraft type is used.

Ground vehicles' fuel consumption figures have been derived from the company's own fuel filling station. Densities for different fuel qualities provided by fuel vendor have been used.

Solar power production figures have been received from service provider on-line up-to-date web channel.

Indirect energy consumption

Energy consumption includes those corporate facilities having company's own operations and the data comprises of electricity and heating consumption. The figures have been obtained from service providers and on the basis of invoices paid.

Direct (Scope 1) GHG emissions

Emission factor for jet fuel used in the report is 3.15 kg CO₂/kg (Default IPCC emission factors, taken from the 2006 IPCC Inventory Guidelines).

Fuel mass is converted to volume using densities provided by fuel vendor. If density is not available, we are using default value 0.80 kg/l.

For wet-leased flights fuel burn is requested from wet-lessor. If not received, then fuel burn is calculated by aircraft manufacturer specifications or lessor's information on aircraft type fuel burn per block hour. Data



gaps and erroneous data are handled using substitution data as close to actual values as possible.

Where material technical data sheets for fuels have not been available from the manufacturer, UK Government Conversion Factors for greenhouse gas (GHG) reporting 2019 have been used.

Ground vehicles' emissions have been calculated using emission conversion factors for different fuel qualities originating from UK Government Conversion Factors for greenhouse gas (GHG) reporting 2019.

Energy indirect (Scope 2) GHG emissions

Market-based emission factors used have been received from the energy company. Local-based emission factors have been received through Motiva.

Other indirect (Scope 3) GHG emissions

Finnair has assessed its Scope 3 emissions based on GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard). Category 3 (Fuel and Energy related activities not included in Scope 1-2)

primary data originates from Finnair's fuel data base. Emission factor source: SFS-EN 16258 standard for JET A-1. Emissions of Extraction, production and transportation of the fuels = the amount of fuel energy used * 0,0159 tonnes CO₂/GJ.

Business travel by Finnair employees primarily involves the company's own flights, the emissions of which are reported under Direct greenhouse gas emissions (Scope 1). Business travel made by using other airline services is reported under the Other indirect greenhouse gas emissions (Scope 3). These Scope 3 emissions are estimates, calculated utilising Finnair fuel consumption data from the same or similar Finnair route network.

Waste

In relation to material streams, the amounts of waste have been obtained from service providers and goods suppliers.

Personnel data

Information on personnel comes from Finnair's HR information system and from parties responsible for the wellbeing of

employees. Accident statistics are obtained from the insurance company and they are updated retroactively, as a result of which the 2018 figures may be subject to further adjustment.

Information relating to human rights and local communities are derived from procurement agreements, from personnel responsible for procurement, subcontractors and, in terms of the impact of tourism, mainly from Aurinkomatkat-Suntours, which as a tour operator occupies a key position in this respect. Operational compliance with laws and regulations has been confirmed with the group's Legal Affairs department.

Customer satisfaction data, on the other hand, are based on customer satisfaction surveys and on feedback received by the group.

Indicators on personnel are based on active employment relationships as at 31 December 2019. The figures exclude dormant employees and Aurinkomatkat-Suntours' Baltic subsidiary (number of personnel on 31 December 2019).

Finance

Figures on economic responsibility are mainly derived from the financial statements. Other information with respect to economic responsibility is derived from the group's various operators.

Effect of any restatements of information provided in earlier reports

In 2018, Finnair updated its materiality analysis on corporate's sustainability topics in accordance with the GRI Standard reporting guidelines. Impacts and indicators related to material themes were redefined in the process. This report follows the same principles.

However, there have been no significant changes in the data compared with the previous report. Information on changes in individual indicator data is provided under the section on the indicator in question. Year 2018 indirect energy consumption figures have been amended to exclude properties where Finnair do not have operations but are leased during or before the reporting year.

Changes pertaining to Finnair's organisational structure and the calculation of financial statement data are described in more detail in connection with Finnair's financial key figures.

Reporting priorities

The priorities of the report are based on the materiality analysis described on pages 5-6.



GLOBAL COMPACT CONTENT INDEX

Human rights		Location
Principle 1:	Businesses should support and respect the protection of internationally pro-claimed human rights; and	p. 7, 9-12, 13-14
Principle 2:	Make sure that they are not complicit in human rights abuses.	p. 7, 9-12, 13-14
Labour		
Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	p. 10-11
Principle 4:	Elimination of all forms of forced and compulsory labour;	p. 7, 11-12, 13-14
Principle 5:	Effective abolition of child labour; and	p. 7, 11-12, 13-14
Principle 6:	Elimination of discrimination in respect of employment and occupation.	p. 7, 11-12, 13-14
Environment		
Principle 7:	Businesses should support a precautionary approach to environmental challenges;	p. 3-4, 7-8
Principle 8:	Undertake initiatives to promote greater environmental responsibility; and	p. 3-4, 7-8
Principle 9:	Encourage the development and diffusion of environmentally friendly technologies.	p. 3-4, 7-8
Anti-corruption		
Principle 10:	Businesses should work against all forms of corruption, including extortion and bribery.	p. 7, 11-12, 13-14



GRI CONTENT INDEX

Code	GRI content	Location	Further information
GENERAL DISCLOSURES			
Organisational profile			
102-1	Name of the organisation		Finnair Plc
102-2	Activities, brands, products, and services	Financial information p. 7-9	
102-3	Location of headquarters		Tietotie 9, Vantaa, Finland
102-4	Location of operations	Financial information p. 7-9, 49	
102-5	Ownership and legal form	Financial information p. 49, 79	
102-6	Markets served	Financial information p. 7-8, 10, 57	
102-7	Scale of the organisation	Financial information p. 9-12 Sustainability report p. 26	
102-8	Information on employees and other workers	Sustainability report p. 26-27	
102-9	Supply chain	Sustainability report p. 13-15	
102-10	Significant changes to the organisation and its supply chain	Financial information p. 29, 48	
102-12	External initiatives	Sustainability report p. 11-24	
102-13	Membership of associations	Sustainability report p. 30	
Strategy			
102-14	Statement from senior decision-maker	Financial information p. 3-5	
102-15	Key impacts, risks, and opportunities	Sustainability report p. 5-6, 32 Financial information p. 21-23, 34-36	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Sustainability report p. 7-14 Financial information p. 19, 21	
102-17	Mechanisms for advice and concerns about ethics	Sustainability report p. 13-14	
Governance			
102-18	Governance structure	CG statement p. 102-104; 109-111	



Code	GRI content	Location	Further information
Stakeholder engagement			
102-40	List of stakeholder groups	Sustainability report p. 30	
102-41	Collective bargaining agreements	Sustainability report p. 26	
102-42	Identifying and selecting stakeholders	Sustainability report p. 30, 13-14	
102-43	Approach to stakeholder engagement	Sustainability report p. 30, 13-14	
102-44	Key topics and concerns raised	Sustainability report p. 30, 13-14	
Reporting practice			
102-45	Entities included in the consolidated financial statements	Financial information p. 81-82	
102-46	Defining report content and topic Boundaries	Sustainability report p. 5-6	
102-47	List of material topics	Sustainability report p. 5-6	
102-48	Restatements of information	Sustainability report p. 38	
102-49	Changes in reporting	Sustainability report p. 38	
102-50	Reporting period	Sustainability report p. 37	
102-51	Date of most recent report		February 2019
102-52	Reporting cycle		Annually
102-53	Contact point for questions regarding the report		Communications, Finnair Plc, Tietotie 9, 01053 Finnair.comms(a) finnair.com
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability report p. 37	
102-55	GRI content index	Sustainability report p. 40-45	
102-56	External assurance	Sustainability report p. 46-47	
Management approach			
103-1	Explanation of the material topic and its Boundary	Sustainability report p. 5-6	
103-2	The management approach and its components	Sustainability report p. 7-12	
103-3	Evaluation of the management approach	Sustainability report p. 8-12	



Code	GRI content	Location	Further information
ECONOMIC STANDARDS			
Economic performance			
201-1	Direct economic value generated and distributed	Sustainability report p. 32	
201-2	Financial implications and other risks and opportunities due to climate change	Sustainability report p. 32; The report of the Board of Directors p. 19	
201-4	Financial assistance received from government		The Finnish Government does not support Finnair's operations financially. The Finnair Aviation College constitutes an exception. The Finnair Aviation College, founded in 1964, is a special vocational educational establishment maintained by Finnair Plc, which operates as a special educational establishment under the Act on Vocational Adult Education (631/1998).
Indirect economic impacts			
203-2	Significant indirect economic impacts	Sustainability report p. 32	
Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	Sustainability report p. 7, 13-14	
205-3	Confirmed incidents of corruption and actions taken	Sustainability report p. 13	No incidents
Anti-competitive behavior			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		No incidents



Code	GRI content	Location	Further information
ENVIRONMENTAL STANDARDS			
Energy			
302-1	Energy consumption within the organisation	Sustainability report p. 17	
302-3	Energy intensity	Sustainability report p. 18	
302-4	Reduction of energy consumption	Sustainability report p. 17-19	
302-5	Reductions in energy requirements of products and services	Sustainability report p. 17-19	
Biodiversity			
304-2	Significant impacts of activities, products, and services on biodiversity	Sustainability report p. 22-23	
Emissions			
305-1	Direct (Scope 1) GHG emissions	Sustainability report p. 20-21	
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability report p. 20-21	
305-3	Other indirect (Scope 3) GHG emissions	Sustainability report p. 21	
305-4	GHG emissions intensity	Sustainability report p. 18-19	
305-5	Reduction of GHG emissions	Sustainability report p. 16-21	
305-6	Emissions of ozonedepleting substances (ODS)	Sustainability report p. 21	
Effluents and waste			
306-2	Waste by type and disposal method	Sustainability report p. 24	
Environmental compliance			
307-1	Non-compliance with environmental laws and regulations		No incidents



Code	GRI content	Location	Further information
SOCIAL STANDARDS			
Employment			
401-1	New employee hires and employee turnover	Sustainability report p. 26	
Labour/management relations			
402-1	Minimum notice periods regarding operational changes		Significant operational changes in Finland are governed by the Finnish Act on Cooperation within undertakings. Depending on the matter in question, the minimum time period applied can range from one day to six weeks. The collective bargaining agreements that concern Finnair do not include provisions that run counter to these legislative provisions.
Occupational health and safety			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Sustainability report p. 27	
403-3	Workers with high incidence or high risk of diseases related to their occupation	Sustainability report p. 27	
Training and education			
404-1	Average hours of training per year per employee	Sustainability report p. 28	
404-2	Programmes for upgrading employee skills and transition assistance programs	Sustainability report p. 28-29	
404-3	Percentage of employees receiving regular performance and career development reviews		Performance and career development reviews cover all Finnair personnel. The PD process (Performance Dialogue) is a management tool based on biannual discussions that guide the setting and achievement of targets, the evaluation of performance and management, and development.
Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Sustainability report p. 26; CG statement p. 105-106	
Human rights assessment			
412-1	Operations that have been subject to human rights reviews or impact assessments	Sustainability report p. 14	



Code	GRI content	Location	Further information
Supplier social assessment			
414-2	Negative social impacts in the supply chain and actions taken	Sustainability report p. 13	
Public policy			
415-1	Political contributions		Finnair does not support any political parties or persons.
Customer health and safety			
416-1	Assessment of the health and safety impacts of product and service categories	Sustainability report p. 29	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		No incidents
Marketing and labelling			
417-2	Incidents of non-compliance concerning product and service information and labeling		No incidents
417-3	Incidents of non-compliance concerning marketing communications		No incidents
Customer privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		No incidents
Socioeconomic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area		No incidents



INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

To the Management of Finnair Plc

We have been engaged by the Management of Finnair Plc (hereinafter also the Company) to perform a limited assurance engagement on selected environmental performance indicators for the reporting period 1 January to 31 December 2019 (hereinafter the Selected environmental information), disclosed in Finnair's Sustainability Report 2019.

The Selected environmental information consists of the following performance indicators:

1. Jet Fuel consumed by all flights under the Finnair call sign.
2. Fuel consumed by Finnair's ground vehicles
3. Finnair's Solar Power
4. Electricity and heating consumed in Finnair's properties.
5. CO₂ emissions originating from the consumption referred to in points 1, 2 and 3 (Scope 1).
6. CO₂ emissions originating from the consumption referred to in point 4 (Scope 2).
7. CO₂ emissions in Scope 3 category 3

(Fuel- and energy-related activities) and category 6 (Business travel).

Management's responsibility

The Management of Finnair Plc is responsible for preparing the Selected environmental information in accordance with the Reporting criteria:

For items 1 to 6 of the scope above:

- Finnair's own reporting instructions as described in Finnair Plc's Sustainability Report 2019.
- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.

For item 7 of the scope above:

- The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard as applicable.
- Finnair's own reporting instructions as described in Finnair Plc's Sustainability Report 2019.

The Management of Finnair Plc is also responsible for such internal control as the management determines is neces-

sary to enable the preparation of the Selected environmental information that is free from material misstatement, whether due to fraud or error.

Practitioner's independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Selected

environmental information based on the procedures we have performed and the evidence we have obtained. Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Finnair Plc for our work, for this report, or for the conclusions that we have reached.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3410 "Assurance Engagements on Greenhouse Gas Statements". That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected environmental information is free from material misstatement.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other



disclosures in the Selected environmental information. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Selected environmental information.

Our work consisted of, amongst others, the following procedures:

- Visiting the Company's Head Office in Finland.
- Interviewing employees responsible for collecting and reporting the Selected environmental information at the Group level.
- Assessing how Group employees apply the Company's reporting instructions and procedures.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Finnair PLC's Selected environmental information for the reporting period ended 31 December 2019 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Helsinki, 6 February 2020

PricewaterhouseCoopers Oy

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