

TRAFFIC MANAGEMENT FINLAND

Governance and remuneration report 2019



The world's smoothest traffic through smart services

Established in 2019, Traffic Management Finland (TMF) controls traffic on land, sea and air. The traffic information provided by the company helps companies to create new mobility solutions for people and goods. Smart traffic control and management services, up-to-date traffic information and the expertise of the company's 1,100 professionals improve the safety and smoothness of traffic and contribute to reducing emissions. TMF promotes sustainable mobility.

How to read the reports



Annual Report 2019

Strategy, key events of 2019 and a look at responsibility.



Governance and remuneration report 2019

Information about the governance system and the salaries and bonuses paid to the CEO and members of the Board of Directors.



Board of Directors' report and financial statements 2019

An account of operations in 2019 and a summary of the company's financial result and financial position.

Content

Corporate governance statement	3
Remuneration report	14

Corporate governance statement

Traffic Management Finland Oy

Traffic Management Finland Oy is a wholly state-owned special assignment company and parent company of the State's traffic control group. The company is engaged in controlling and managing of maritime, railway and road traffic and related information collection, management and utilisation.

As the owner of the company, the state has a special interest. The company has a state-defined task related to society, economy, security and traffic policy. It provides the crucial traffic control and management services needed by society, the economy and the authorities, ensuring smooth and safe traffic and seeing to the operational reliability of traffic control and management in all situations.

It is the company's special task to provide, maintain and develop traffic control and management services for the needs of defence and security authorities to the extent justified to take care of their statutory tasks. The company's special task is also to

collect, manage and utilise information relating to traffic, traffic control and traffic services and provide it equally to other operators as well, and to create opportunities for new business based on automation and the utilisation of information and new business models emerging in the market.

The State's activities as the owner are based on the State Shareholdings and Ownership Steering Act (1368/2007). The Ministry of Transport and Communications is responsible for the company's ownership steering. The Parliament has not authorised the Government to divest shares in Traffic Management Finland Oy. In accordance with the Government resolution on state-ownership policy issued on 13 May 2016, as an owner, the State seeks to maximise the overall financial and social benefit in the management of its assets which is assessed on the basis of how and at which cost the company fulfils its social service task.

The company's decision-making and governance comply with the Limited Liability

Companies Act, the company's Articles of Association, the Corporate Governance Code for limited liability companies steered by the Ministry of Transport and Communications issued on 1 January 2019, the ownership strategy concerning Traffic Management Finland Oy issued on 16 October 2019 and the corporate governance code incorporated into the Group's own management system.

Compliance with and deviations from the Corporate Governance Code

The decision-making, governance and management of Traffic Management Finland Oy comply with the Finnish Limited Liability Companies Act, the Articles of Association of Traffic Management Finland Oy and the Corporate Governance Code for Finnish listed companies issued by the Securities Market Association in 2015.

The company deviates from the Corporate Governance Code of 2015 with regard to procedures relating to general meetings

of shareholders and insider administration. The grounds for the deviation are that the company only has one shareholder and the company's shares are not listed.

Insider transactions

The Board of Directors of Traffic Management Finland Oy has approved the insider guidelines dated 3 December 2019, which will be followed in Traffic Management Finland Oy and all Group companies of Traffic Management Finland Oy. The purpose of the insider guidelines is to ensure the independence of decisions in transactions involving related parties of the decision-makers or which can otherwise give rise to suspicions regarding the independence of decision-making and business transactions being on market terms among outsiders.

Traffic Management Finland Oy assesses and monitors related party transactions and ensures that any conflicts of interest associated with any related party transactions are appropriately taken into consideration.

Related party transactions pursuant to the Limited Liability Companies Act and the Accounting Act and Decree during the financial year were not material from Traffic Management Oy's point of view, and they did not deviate from ordinary business or market terms.

Diversity

In preparing the line-up of the Boards of Directors of state-owned companies, the owner follows its own guidelines and resolutions on the diversity in state-owned companies and the government's gender equality policy for 2016–2019.

Traffic Management Finland Oy complies with the above-mentioned principles regarding diversity and equality. The representation of both genders is realised in the Board of Directors of Traffic Management Finland Oy as required by the Corporate Governance Code.

At the end of the financial year, two of the members of the Board of Directors of Traffic Management Finland Oy were women and three were men. After the end of the 2019 financial year, the line-up of the Board of Directors has changed so that currently three of the Board members are women and three are men.

Structure of the company

The State's traffic control group is comprised of the parent company Traffic Management Finland Oy and the subsidiaries Air Navigation Services Finland Oy, Finrail Oy, Intelligent Traffic Management Finland Oy and Vessel Traffic Services Finland Oy. The Finnish State owns 100% of the shares in the Group's parent company that in turn owns 100% of the shares in the subsidiaries. The subsidiaries are responsible for the traffic control and traffic management services business in their respective modes of transport. The parent company sees the Group's common services and promotes the development of a traffic system entity that covers all modes of transport, traffic ecosystem, digital services and a common information platform in cooperation with its subsidiaries.

Administrative organs

The administrative organs of Traffic Management Finland Oy are the general meeting of shareholders, Board of Directors and CEO.

In order to ensure the quality and efficiency of decision-making, the organs are assisted by the Audit Committee and Personnel Committee of the Board of Directors, as well as the company's Management Team.

General meeting of shareholders

The general meeting of shareholders is the highest decision-making body of the company. The Annual General Meeting takes place each year before the end of June on the date specified by the Board of Directors. The Annual General Meeting decides on the matters stipulated in the Limited Liability Companies Act and the Articles of Association. In accordance with the Articles of Association, the general meeting of shareholders decides on the company's legal acts with a far-reaching or important significance to the company's operations in fulfilling its special assignment, especially ensuring the availability of air, vessel, railway and road traffic control service in Finland.

The Board of Directors convenes an extraordinary general meeting of shareholders as necessary or when required by the Limited Liability Companies Act.

According to the Articles of Association, the notice of a general meeting must be delivered at the earliest four weeks and at the latest one week before the general meeting.

Board of Directors

It is the duty of the Board of Directors to see to the administration and proper organisation of operations and ensure that the supervision of the accounting and financial matters is appropriately organised.

The Board of Directors of Traffic Management Finland Oy reviews matters which are far-reaching and important in principle from the point of the operations of the company and its subsidiaries, as well as policies concerning several companies.

The Board of Directors and CEO must manage the company professionally in accordance with healthy and prudent business practice. It is the duty of the Board of Directors to promote the interests of the company and its shareholder.

According to the Articles of Association, the Board of Directors is comprised of a minimum of three and a maximum of seven ordinary members. The Chairman and other members of the Board of Directors are elected by the general meeting of shareholders. The Board of Directors may elect a Vice Chairman from among its number. The term of office of a Board member expires at the close of the next Annual General Meeting after their election.

The Board of Directors meets on the date stipulated by the Board of Directors. The meeting schedule is confirmed as part of the Board of Directors' action plan, but the Board of Directors can also convene at other times by decision of the Board of Directors or as required by a Board member or the CEO. A meeting of the Board of Directors has a quorum when more than one-half of its members are present. The resolutions of the Board of Directors are made by a simple majority of votes. When the votes are even, the Chairman's vote decides.

The company's CEO is responsible for preparing the matters to be reviewed by the Board of Directors. The CEO is also responsible for ensuring that the Board of Directors has access to sufficient information to assess the Group's operations, financial position and other matters being reviewed. The matters reviewed by the Board of Directors are presented by the CEO or another person familiar with the matter assigned by the CEO.

The Board of Directors has ratified a charter specifying the duties and working methods of the Board of Directors in more detail. The Board of Directors assesses

its work and efficiency annually by way of self-assessment.

The extraordinary meeting of shareholders elected a new Board of Directors on 5 December 2018, with Pertti Korhonen as Chairman and Sauli Eloranta, Nina Kopola, Teemu Penttilä, Seija Turunen and Katriina Vainio as members. Nina Kopola gave up her membership on 4 November 2019.

The Board of Directors and its committees convened 26 times during the financial year: 7 times in 2018 and 19 times in 2019.

The Board of Directors and its committees convened 22 times during the financial year in its current line-up: 3 times in 2018 and 19 times in 2019.

Members of the Board of Directors on 31 December 2019



Pertti Korhonen

b. 1961, M.Sc. (Eng.)

Chairman of the Board of Directors
since 5 December 2018

Professional experience and key positions of trust:

Outotec Oyj, CEO 2010–2016. Elektrobit Oyj, CEO 2006–2009. Nokia Corporation, member of the Board of Directors 2002–2006. Nokia Corporation, CTO 2004–2006. Nokia Mobile Software, SVP 2001–2003. Several executive positions at Nokia Mobile Phones 1990–2001 (production director, logistics director, procurement director, project director, product development director).

Member of the Board of Directors of several listed and growth companies, e.g.: Business Finland, Chairman of the Board 2017–. DNA Plc, Chairman of the Board of Directors 2016–. Finpro Oy, Chairman of the Board of Directors 2017–. Fastems Oy, member of the Board of Directors 2016–. Rollock Oy, member of the Board of Directors 2016–. Juuri Partners, member of the Board of

Directors 2017–. Berggren Oy, member of the Board of Directors 2017–. Tekir Oy, member of the Board of Directors 2017–. Ahlström Plc, member of the Board of Directors 2013–2014, Vice Chairman 2011–2013. Rautaruukki Corporation, member of the Board of Directors 2010–2013. Elisa Corporation, member of the Board of Directors 2008–2011. Veho Group Oy, member of the Board of Directors 2007–2011. QPR Software Plc, member of the Board of Directors 2001–2003. WWF (World Wildlife Foundation) Finland, member of the Supervisory Board 2015–. Climate Leadership Council, Chairman of the Board of Directors 2014–2016, member of the Board of Directors 2017–. Lappeenranta University of Technology, member of the Advisory Board 2017–. International Chamber of Commerce ICC Finland, Chairman of the international trade working group 2017–.



Sauli Eloranta

b. 1962, M.Sc. (Eng.)

Member of the Board of Directors
since 5 December 2018

Professional experience and key positions of trust:

VTT (Technical Research Centre of Finland Ltd.), Professor of Practice (Safety & Security) 2020–. Kongsberg Maritime Finland Oy, Head of Innovation & Technology 2019–2020. Rolls-Royce Finland Oy, Head of Technology & Innovation 2015–2019. Rolls-Royce Marine, EVP, Engineering & Technology 2010–2015. Rolls-Royce Oy (Finland) and Rolls-Royce AB (Sweden), CEO 2013–2015. Wiima Logistics Oy, member of the Board of Directors 2018–.



Teemu Penttilä

b. 1964, LL.M.

Member of the Board of Directors
since 5 December 2018

Professional experience and key positions of trust:

Ministry of Defence of Finland, Director of the Administration Policy Department 2007–. Finnish Defence Forces, Principal Legal Adviser, Head of Legal Division 2002–2007. Finnish Defence Forces, Deputy Head of Legal Division 2000–2002. Leijona Catering Oy, member of the Board of Directors. Air Navigation Services Finland Oy, member of the Board of Directors 2017–. Urlus-säätiö sr., member of the Board of Directors.



Seija Turunen

b. 1953, M.Sc. (Econ.)

Member of the Board of Directors
since 5 December 2018

Professional experience and key positions of trust:

Finnlines Plc, Executive Advisor to the Board of Directors 2013–2014. Finnlines Plc, Deputy CEO and CFO 2007–2013, Head of Port Operations and Managing Director of the Group's port operations companies (Finnsteve companies) 2010–2013. Finnlines Plc, CFO 1992–2007. Other positions prior to 1992: Kansallis-Osake-Pankki, Midland Montagu, Finca, Enso-Gutzeit.

Elisa Corporation, member of the Board of Directors and Chairman of Audit Committee. Finnpiilot Pilotage Oy, Chairman of the Board. Pihlajalinna Plc, member of the Board of Directors and Chairman of Audit Committee.



Katriina Vainio

b. 1967, LL.M.

Member of the Board of Directors
since 5 December 2018

Professional experience and key positions of trust:

Vaisala Corporation, Group General Counsel 2009–, member of the management group 2017– and secretary of the Board of Directors 2015–. Outokumpu Oyj, Manager-Legal Affairs 2001–2009. Nordkalk Corporation, General Counsel 1997–2001. Partek Corporation, Legal Counsel 1992–1997.

Committees of the Board of Directors

The Board of Directors has established an Audit Committee and a Personnel Committee to prepare tasks for which it is responsible. The committees have no independent decision-making power; the Board of Directors makes the decisions on the basis of preparation work by the committees. The committees report on their activities to the Board of Directors.

Audit Committee

It is the task of the Audit Committee to assist the Board of Directors in seeing to the appropriate organisation of the supervision of the accounting and financial matters and ensuring that the company has an adequate internal control system that covers all of its operations. The Committee supports the organisation of the company's internal control system and ensures that the operations and internal control of the company are organised as required by legislation, regulations and good corporate governance.

The Audit Committee prepares, controls and supports the Board of Directors in assessing risk management, internal control

systems, financial reporting processes, auditing and internal audit.

The Board of Directors of the company annually appoints the members and Chair of the Committee. A minimum of three members must be elected to the Committee, and they are required to have sufficient knowledge of accounting practices and the preparation of financial statements and other qualifications that the Board deems necessary.

During the financial year, Seija Turunen was the Chair of the Audit Committee and its members were Teemu Penttilä and Katriina Vainio. The Audit Committee convened three times. The members' attendance rate in the meetings was 100%.

Personnel Committee

It is the task of the Personnel Committee to assist the Board of Directors in managing the personnel matters for which it is responsible. The tasks of the Committee include preparing matters relating to the management's terms of employment and remuneration and the remuneration and incentive schemes of the management and personnel. Furthermore, the Committee prepares the

appointments of the members of the company's Management Team.

The Board of Directors of the company annually appoints the members of the Committee. The Committee must have a minimum of three Board members who are not managers of the company, and they must have sufficient expertise in senior management's remuneration and incentive schemes in particular and the competence considered necessary by the Board of Directors.

The Chair of the Personnel Committee was Nina Kopola (who gave up her membership of the Board of Directors on 4 November 2019) and its members were Pertti Korhonen and Sauli Eloranta. The Committee convened three times. The members' attendance rate in the meetings was 100%.

CEO

The key tasks of the CEO are to plan, manage and oversee the company's business operations, prepare the matters of the company's Board of Directors and implementing the decisions of the Board of Directors. The CEO has the general power to manage

and oversee to the day-to-day management of the company in accordance with the instructions and orders issued by the Board of Directors. The CEO is responsible for ensuring the compliance of the company's and reliable organisation of financial matters. The CEO acts as the Chair of the company's Management Team.

The Board of Directors appoints and dismisses the CEO. The terms and conditions of the CEO's employment relationship are specified in a written executive agreement ratified by the Board of Directors. The remuneration of the CEO is discussed in the remuneration report.

If necessary, the Board of Directors can appoint a Deputy CEO. The Deputy CEO is responsible for the obligations of the CEO if the CEO is temporarily prevented from carrying out their duties.

Management Team

The Management Team is chaired by the CEO. The Chair of the Management Team appoints the secretary of the Management Team. The Management Team convenes according to a pre-agreed schedule, sum-

moned by the Chair. It is the task of the Management Team to support the CEO in preparing strategic questions relating to the company and Group, coordinating operations, preparing and implementing operational matters which are significant or are issues of principle, as well as ensuring internal collaboration and flow of information. The Management Team prepares the matters to be reviewed and decided on by the Board of Directors. The proposal for Management Team members is made by the CEO and approved by the Board of Directors.

The remuneration of the Management Team is reviewed in the remuneration report.

At the end of 2019, the Management Team of Traffic Management Finland Oy included 10 persons.

Members of the Management Team on 31 December 2019



Pertti Korhonen

b. 1961, M.Sc. (Eng.)

Acting CEO, TMF

Professional experience and key positions of trust:

Outotec Oyj, CEO 2010–2016. Elektrobit Oyj, CEO 2006–2009. Nokia Corporation, member of the Board of Directors 2002–2006. Nokia Corporation, CTO 2004–2006. Nokia Mobile Software, SVP 2001–2003. Several executive positions at Nokia Mobile Phones 1990–2001 (production director, logistics director, procurement director, project director, product development director).

Member of the Board of Directors of several listed and growth companies, e.g.: Business Finland, Chairman of the Board 2017–. DNA Plc, Chairman of the Board of Directors 2016–. Finpro Oy, Chairman of the Board of Directors 2017–. Fastems Oy, member of the Board of Directors 2016–. Rollock Oy, member of the Board of Directors 2016–. Juuri Partners, member of the Board of Directors 2017–. Berggren Oy, member of the Board

of Directors 2017–. Tekir Oy, member of the Board of Directors 2017–. Ahlström Plc, member of the Board of Directors 2013–2014, Vice Chairman 2011–2013. Rautaruukki Corporation, member of the Board of Directors 2010–2013. Elisa Corporation, member of the Board of Directors 2008–2011. Veho Group Oy, member of the Board of Directors 2007–2011. QPR Software Plc, member of the Board of Directors 2001–2003. WWF (World Wildlife Foundation) Finland, member of the Supervisory Board 2015–. Climate Leadership Council, Chairman of the Board of Directors 2014–2016, member of the Board of Directors 2017–. Lappeenranta University of Technology, member of the Advisory Board 2017–. International Chamber of Commerce ICC Finland, Chairman of the international trade working group 2017–.



Aapo Anderson

b. 1974, M.Sc. (Eng.)

CEO, Intelligent Traffic Management Finland Oy

Professional experience and key positions of trust:

ITM Finland Oy, CEO 2019–. Several positions in the Finnish Transport Agency: Director 2018, Project Manager for the incorporation of the FTA's traffic management 2017–2018, Head of Unit 2013–2018, Project Manager 2013–2018, Project Manager 2011–2013. Helsinki Region Transport, Project Manager 2007–2011. Consultant (in several companies) 1999–2007.



Tiina Häyhä

b. 1968, M.Sc. (Econ.), EMBA

HR Director, TMF

Professional experience and key positions of trust:

HR Legal Services Oy, Senior Advisor (HR & Law) 2017–2018. Hospital District of Southwest Finland/ Turku University Hospital, Negotiations Manager 2018. Carea (Kymenlaakso Social and Health Services), HR Director 2007–2016. Ahlström Glassfibre Oy, Human Resource Manager/Labour Relations Manager 2004–2007. Stevco Oy, Human Resource Development Manager 2001–2004. Kymenlaakso Chamber of Commerce, Project Manager 1997–2001. Service Sector Employers Palta, member of the Labour Market Committee 2020–. Finnish Business School Graduates, member of the Board of Directors 2016–2017. Kymenlaakso Chamber of Commerce, member of the Board of Directors 2014–2015. Kymenlaakso Chamber of Commerce. Chairman of the Competence Committee 2014–2015.



Tero Kossila

b. 1970, M.Sc. (Econ.)
SQE Director, TMF

Professional experience and key positions of trust:

Traffic Management Finland Oy, SQE Director 1 January 2019-. Finrail Oy, Director: safety, quality, environment and customer relationships 1 July 2018-. VR-Group Ltd, Vice President, Operations Passenger Services Long-Distance & Russian Passenger Business Division 2014-2018. VR-Group Ltd, Vice President Operations Centre 2011-2014. Business consulting 2009-2010. Emirates Airlines, Business Development Manager, operational divisions 2003-2008. Finnair Plc, Business Development Manager (Group & diverse business areas) 1994-2002.



Janne Lautanala

b. 1971, M.Sc. (Eng.)
Chief Ecosystem and Technology Officer, TMF

Professional experience and key positions of trust:

Wärtsilä Acceleration Centre Singapore, Director 2017-2019. Avanade Singapore, Director in charge of the Digital Workplace business in the Asia-Pacific 2015-2017. Avanade, Nordic innovation director and director of analytics business 2010-2015. Accenture, different management positions 1999-2010.



Raine Luojus

b. 1966, air traffic controller
CEO, Air Navigation Services Finland Oy

Professional experience and key positions of trust:

Air Navigation Services Finland Oy, CEO 2017. Finavia Corporation, Director, air navigation business 2011-2017. Finavia Corporation, COO, Air Navigation Business 2008-2011. Finnish Civil Aviation Administration/Finavia, Deputy and operational manager for air traffic control at Helsinki Airport 2002-2008. Finnish Civil Aviation Administration, managerial positions and chief instructor of air traffic control at Helsinki Airport 1999-2002, air traffic controller 1991-. Member of the Board in several projects and organisations, e.g. CANSO, Chairman of the Europe region management group (EC3) 2020- & Vice Chairman 2018-2020. Finnish Meteorological Institute, member of the Advisory Board 2018-. Chairman of the FINEST Management Board 2019-. North European Functional Airspace Block (NeFAB) CEO Board, Chairman 2015-2017. NEFAB CEO Board, member 2012-. Civil Air Navigation Services Organisation (CANSO) EC3, member 2011-. Borealis Alliance CEO Board, Chairman 2014-2015. Borealis Alliance CEO Board, member 2013-. NEFAB Management Board, member 2009-2011.



Rami Metsäpelto

b. 1968, LL.M. (trained on the bench)
CEO, Vessel Traffic Services Finland Oy Legal affairs and procurement, TMF

Professional experience and key positions of trust:

Vessel Traffic Services Finland Oy, CEO 2019-. Traffic Management Finland Oy, Director, legal services 2019-. Finnish Transport Agency, Director General and Director, legal services 2010-2018. In addition, several positions at the Ministry of Transport and Communications, Finnish Rail Administration and Helsinki District Court.

Hansel Oy, member of the Board of Directors 2014-2019. Liikenneturva, member of the Board of Directors 2017-2018.



Pertti Saarela

b. 1957, LL.M.
CEO, Finrail Oy

Professional experience and key positions of trust:

Finrail Oy, CEO 2013-. Several executive position at VR-Group Ltd 2012-1999 (director of the service and production division, acting CEO, HR and administration director). Employers' Association for Transport and Special Services (Liikenne- ja Erityisalojen Työntajat, LTY), Managing Director 1993-1999. Several positions at the Ministry of Finance 1983-1993.

Member of the Boards of Directors of several companies, including Arctia Ltd, Chairman of the Board of Directors 2018-. Finlogic Plc, Chairman of the Board of

Directors 2013-. Finferries Group, Chairman of the Board of Directors 2010-. VR Track Oy, Vice Chairman of the Board of Directors 2009-2014. Rautuki-Säätiö, Chairman of the Board of Directors 2008-2014. Corenet Oy, Chairman of the Board of Directors 2013-. Varma Mutual Pension Insurance Company, member of the Supervisory Board 2010-2015. VR Eläkesäätiö, Chairman of the Board of Directors 2009-2010 & member of the Board of Directors, Vice Chairman. The State Pension Fund of Finland, member of the Board of Directors 1999-2009.



Mikko Saariaho

b. 1977, FM
Chief Impact Officer, TMF

Professional experience and key positions of trust:

HKScan Corporation, Executive Vice President, Communications and Corporate Responsibility 2017-2019. Finavia Corporation, Communications Director 2011-2017. Lassila & Tikanoja Plc, Communications Manager 2007-2011. Yleisradio Oy, Financial Journalist 2000-2005 and Deputy Supervisor of the economic editorial board 2005-2007.



Ilkka Virtanen

b. 1961, M.Sc. (Econ.)
CFO, TMF

Professional experience and key positions of trust:

Ministry of Transport and Communications, Senior Specialist, Steering Unit/Ministerial Governance Department 2017-2019. Entrepreneur, traffic engineer student, business consultant 2012-2017. VTI Technologies (Murata Electronics), CFO 2007-2010. Outokumpu Technology (Outotec), CFO 2002-2006. Outokumpu Pyrometallurgy, CFO 1999-2002. Outokumpu Technology, VP Project and Trade Finance 1995-1999. Outokumpu Oy, Finance Manager 1990-1995.

Internal control, risk management and internal audit

Internal control

Internal control refers to the measures and procedures that aim to ensure the achievement of the company's goals and objectives, economical and efficient use of resources, appropriate management of operational risks and trustworthiness and accuracy of financial and other information.

The Board of Directors has approved a management system that specifies the decision-making authorities followed in the Group and authorisations and most significant operating policies and codes of conduct which all employees of the Group are required to follow. Any violations of the Code of Conduct and corporate governance code and guidelines are addressed within the Group without undue delay.

Control and supervision of the financial reporting process

The consolidated financial statements of Traffic Management Finland Oy are based on the Finnish Accounting Standard (FAS), which is mainly incorporated into the Accounting Act and Decree. The general

guidelines and statements issued by the Finnish Accounting Board (Kirjanpitolautakunta, KILA) are an integral part of the accounting policy.

The Group's finance function, headed by the Group CFO, is responsible for the financial reporting pursuant to the requirements of external accounting and for providing internal financial reporting.

The consistency and trustworthiness of the reporting is assessed as part of internal control by way of diverse controls. The acting management assesses the financial reports before they are reviewed by the Board of Directors and the Audit Committee.

Risk management

At Traffic Management Finland Oy, risk management is proactive, systematic and comprehensive, covering all of the operations of the Group. According to the management system approved by the Board of Directors, the company must be managed professionally in accordance with healthy and prudent business practice.

Ensuring safety is the most important value of the company in all of its operations. The corporate responsibility risks of

the Group's business operations have been identified and incorporated into the companies' risk management systems. The high level of traffic control and management services and safety culture are ensured and the continuity of operations secured in all situations. The companies systematically develop the management of safety and security risks.

The companies pay particular attention to the information security of information classified as confidential by the authorities and business secrets. Effective and high-quality information security is ensured throughout the Group.

The Group makes sure that the hardware, information systems and software it uses are reliable and secure. The Group prepares for cyber threats by e.g. enhancing the management of information assets and enabling extensive and adequate investments in the development of information security.

Observations relating to safety and security are regularly reported to the Board of Directors during the year. Risk management is part of the companies' business strategies and setting of operational objectives. The Board of Directors reviews the most significant risks and uncertainties relating to

operations. The identification and management of risks is part of the companies' management systems. The Board of Directors has approved the risk management policy to be complied with throughout the Group.

Internal audit

It is the task of internal audit to assess the appropriateness and adequacy of internal control and risk management and carry out the audit tasks separately assigned to it. Internal audit assesses whether the Group's internal control procedures are appropriate and adequate in proportion to the operational risks so that they ensure the lawfulness and profitability of finances and operations, safeguarding of assets in possession and the correct and sufficient information about finances and operations required for management and ownership steering.

The Group's internal audit function has been outsourced. Internal audit reports to the Audit Committee of the parent compa-

ny's Board of Directors. The Board of Directors has approved the guideline on the organisation of internal audit and its procedures throughout the Group.

Auditing

In accordance with the Articles of Association, the general meeting of shareholders appoints the auditor of Traffic Management Finland Oy. It must have one auditor that must be an audit firm approved by the Central Chamber of Commerce. The proposal for the auditor is prepared by the Board of Directors. The general meeting of shareholders decides on the auditor's fee.

The Group has an audit firm appointed by the parent company's general meeting of shareholders. The parent company's auditor prepares the annual audit plan for the Group companies together with the management. The term of office of the auditor expires at the close of the next Annual General Meeting after their election.

The general meeting of shareholders has elected Ernst & Young, Authorised Public Accountants, as the Group's auditor for 2019, with Mikko Ryttilahti, APA, CPFA, as the auditor in charge.

The fee paid for the statutory audit amounted to EUR 101,459 in 2019. The auditor was paid EUR 154,831.65 for non-audit services.

Remuneration report

Principles

Traffic Management Finland adheres to the management remuneration policy approved by the company's Board of Directors and the guidelines on remuneration in state-owned companies ratified by the Government, such as the announcement concerning executive remuneration in state-owned companies included in the state's ownership steering policy announced on 13 May 2016. The General meeting of shareholders of TMF decides

on the remuneration paid to the members of the company's Board of Directors. The company's Board of Directors decides, based on the proposal of the Personnel Committee, on the amount of the salary and other remuneration paid to the CEO and Management Team members reporting directly to the CEO and other executives reporting directly to the CEO. The Board of Directors also decides on the remuneration policy (performance bonus scheme, one-time remunera-

tion, personnel and employee benefits and employee anniversary gifts).

Remuneration of the Board of Directors

The extraordinary meeting of shareholders elected a new Board of Directors on 5 December 2018, with Pertti Korhonen as Chairman and Sauli Eloranta, Nina Kopola, Teemu Penttilä, Seija Turunen and

Katriina Vainio as members. Nina Kopola gave up her membership on 4 November 2019.

The Board of Directors and its committees convened 26 times during the financial year: 7 times in 2018 and 19 times in 2019.

The Board of Directors and its committees convened 22 times during the financial year in its current line-up: 3 times in 2018 and 19 times in 2019.

Committees of the Board of Directors

The members of the Audit Committee were Katriina Vainio, Teemu Penttilä and Seija Turunen.

The Audit Committee convened 3 times, and the members' attendance rate was 100%.

The members of the Personnel Committee were Pertti Korhonen, Sauli Eloranta and Nina Kopola (who gave up her membership of the Board of Directors on 4 November 2019).

The Personnel Committee convened 3 times, and the members' attendance rate was 100%.

The Board members were paid for Board and committee meetings as follows:

Member of the Board of Directors	Attendance at meetings of the Board of Directors	Board of Directors fees, EUR	Meeting fees, EUR (incl. attendance at committee meetings)	Total, EUR
Pertti Korhonen, Chairman	18/19	33,600	10,200	43,800
Sauli Eloranta	18/19	24,000	10,200	34,200
Teemu Penttilä	19/19	24,000	10,800	34,800
Seija Turunen	19/19	24,000	10,800	34,800
Katriina Vainio	19/19	24,000	10,800	34,800
Nina Kopola	16/19	20,000	9,000	29,000

The general meeting of shareholders decides on the remuneration of the Board of Directors. The fees paid to the members of the Board of Directors of TMF were, in accordance with the resolution of the 2019 general meeting of shareholders, as follows:

- Chairman EUR 2,800 per month
- Member EUR 2,000 per month
- Meeting fee for each Board of Directors and committee meeting EUR 600.

Remuneration of the personnel

The remuneration scheme covers all employees of TMF (to a limited extent with regard to the management). The aim is that the remuneration policy is considered to be encouraging and fair, and that it is transparent and ensures a pay policy with gender equality throughout the Group. The remuneration of the personnel includes both monetary and non-monetary rewards. On the whole, remuneration is comprised of:

- Performance bonus scheme and associated personnel fund
- One-time bonus system (not for the management)
- Project bonuses (not for the management)
- Personnel and employment benefits
- E.g. anniversary gifts to employees (material and immaterial).

Performance bonus scheme

The company's entire personnel is covered by the short-term (annual) performance bonus scheme. The performance bonus scheme is based on the state's ownership steering principles and guidelines in force from time to time and the company's strategy and objectives met. The Board of Directors monitors the implementation of the performance bonus scheme and decides on the interpretation of these conditions, as well as all related matters.

The performance bonus scheme is comprised of two separate schemes:

- 1) Bonus scheme based on personal objectives

The incentive scheme for executives, managers and specialists that is based on

personal annual objectives derived from the company's strategy and business plans.

- 2) Bonus scheme based on shared objectives

The incentive scheme includes employees for whom no personal objectives are set. Typically, such occupations include traffic controllers and other operational employees. The company's CEO sets the annual shared objectives together with the Management Team. The objectives are approved by the Boards of Directors of the Group companies. The objectives are related to the company's financial, operational and safety-related objectives and impact, and they are measurable.

Remuneration of the CEO and other executives

The remuneration of TMF's CEO and other members of the Management Team is based on fixed monthly salary (total pay) and the remuneration scheme pursuant to the remuneration policy approved by the Board of Directors. The company's management has no other incentive scheme or supplementary pension insurance. The Group Management Team is included in the scope of the bonus scheme based on personal objectives (STI). The Board of Directors annually approves the objectives of the Management Team and decides on the payment of the incentives.

Subject	Performance bonus / target % and upper limit %
Company CEOs	upper limit 30%, target 15% of personal annual salary
Other members of the Group Management Team	upper limit 25%, target 12.5% of personal annual salary
Executive members of the companies' Management Teams	upper limit 20%, target 10% of personal annual salary (on special grounds 25%)
Other members of the companies' Management Teams	upper limit 15%, target 7.5% of personal annual salary
Specialists and managers	upper limit 10%, target 5% of personal annual salary

Information about the employment relationship of the company's CEO

In addition to the fixed monthly salary (total pay), the CEO is entitled to employee benefits in accordance with the Board of Directors' policy in force from time to time. The CEO has a company car and telephone. The retirement age and pension of the CEO are determined on the basis of the Employees Pensions Act. The CEO's period of notice is 3 months. In the event of termination by the employer, the period of notice is 6 months.

Remuneration of other personnel

The entire personnel is covered by the remuneration scheme pursuant to the

remuneration policy (see Remuneration of TMF personnel).

Personnel fund

The personnel fund is a fund owned and managed by the personnel. It manages the performance bonuses paid to it by the company and other assets pursuant to the Act on Personnel Funds. The Group's personnel fund was established in December 2019. In the first phase, the personnel of ITM, VTS and TMF are its members. The personnel funds of ANS Finland and Finrail will be merged with the Group's personnel fund after the end of the financial year.

Salaries and bonuses paid to the CEO and members of the Management Team in 2019:

	Salaries and fringe benefits, EUR	Performance bonus (STI), EUR	Total, EUR
CEO ¹	468,838.80	-	468,838.80
acting CEO ²	114,874.19	-	114,874.19
Other members of the Management Team	1,272,468.41	90,971.85	1,363,440.26

¹ Includes the severance pay included in the contract ended on 27 August 2019

² Employment relationship as of 27 August 2019



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