

## Corporate Governance Statement

[5.3.2021]

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## 1 General

Fingrid is a public limited company whose governance is based on the Finnish Limited Liability Companies Act, the Market Abuse Regulation, the Securities Market Act, the company's articles of association and its shareholder agreements. Fingrid complies in its operations with the Corporate Governance Code for Finnish listed companies published by the Securities Market Association because the company has issued bonds listed on the Ireland and London Stock Exchanges. This corporate governance statement has been drawn up in accordance with the recommendations and the reporting requirements of Finland's Corporate Governance Code. Fingrid's shares are not subject to public trading.

The company's activities are primarily regulated by the Electricity Market Act. The Electricity Market Act stipulates that Fingrid's governance and its grid operations must be independent of the production and sale of electricity and natural gas. Fingrid's owners must ensure that they keep decision-making which concerns Fingrid separate from decision-making concerning companies which practice the production or sale of electricity or natural gas. The confirmed regulatory methods allow the Energy Authority to monitor the reasonableness of the prices of Fingrid's electricity transmission operations, as well as its capabilities to make sufficient investments in its grid and cover its costs. The Energy Authority confirms the allowed earnings for each regulatory period. The current regulatory methods for the regulatory periods 2016–2019 and 2020–2023 entered into force on 1 January 2016.

Fingrid's corporate governance statement has been drawn up as a separate report from the annual report and has been processed by Fingrid's Board and the Board's audit committee. Fingrid's auditing organisation PricewaterhouseCoopers Oy has verified that this statement has been provided and that the description of the internal control and risk management systems pertaining to the financial reporting process is consistent with the financial statements of the company.

The Finnish Corporate Governance Code is available in full at [www.cgfinland.fi](http://www.cgfinland.fi).

## 2 Description of Fingrid's administrative bodies

Fingrid's administrative system is described below, and the tasks of the administrative bodies are described later in sections 3 –7 .



## 3 General meeting

The general meeting is the company's supreme decision-making body. Each shareholder has the right to participate in the general meeting and to exercise their right to vote. The shares of the company are divided into Series A shares and Series B shares. Series A shares confer three (3) votes each at the general meeting and Series B shares one (1) vote each. When electing members of the Board of Directors, Series A shares confer ten (10) votes each and Series B shares confer one (1) vote each.

Decisions at the general meeting are primarily made with a simple majority vote. Certain changes to the articles of association nevertheless require support from a qualified majority. In addition, Series B shareholders have the right to elect one (1) member of the Board. Up-to-date information on the total number of shares and voting rights in each share class is published on Fingrid's website.

The general meeting adopts the financial statements, decides on the distribution of profits, and elects an auditor and the company Board, elects a Chair and Deputy Chair of the Board, and decides on discharging members of the Board and the President & CEO from liability. In addition, the general meeting decides on the remuneration paid to the Board of Directors and its committees. The annual general meeting is held once a year, no later than in June. An extraordinary general meeting shall be held if the Board so decides or if the Limited Liability Companies Act (*Osakeyhtiölaki*, 324/2006) so requires.

The general meeting is convened by the company Board. In accordance with the articles of association, invitations to general meetings and other notifications shall be sent at the earliest four (4) weeks and at the latest two (2) weeks before the meeting as a registered letter to each shareholder to the address entered in the share register of the company.

The notice of the general meeting and the following information is published on the company website at least 21 days before the general meeting:

- Proposals concerning the composition and remuneration of the Board and the auditors
- Remuneration report of the governing bodies
- Methods complied with while preparing the proposal for the election of the Board
- Information on the proposed Board members and an assessment of their independence
- Other proposals made by the shareholders and to be addressed by the general meeting
- Documents to be submitted to the general meeting
- Board proposals for decisions
- Procedure according to which the Board members are to be appointed in compliance with the articles of association

Each shareholder has the right to have an item falling within the competence of the general meeting by virtue of the Limited Liability Companies Act addressed by the general meeting. The shareholder must submit his or her request to have the item discussed by the annual general meeting such that the company has sufficient time to process the matter before delivering the notice of the annual general meeting. The company publishes on its website a date by which shareholders must submit their requests to have a specific matter addressed by the annual general meeting and an email address to which the requests should be sent.

The company publishes the minutes of the general meetings on its website no later than two (2) weeks after the meeting.

As a rule, the Chair of the Board and other Board members, Fingrid's President & CEO, together with the auditor, are present at the general meeting. Also, a person proposed for the first time as a Board member shall participate in the general meeting that decides on his or her election unless there are well-founded reasons for the absence.

Fingrid's annual general meeting was held on 20 March 2020. The minutes of the annual general meeting have been published on the company's website.

## 3.1 Shareholders' Nomination Board

The Nomination Board's tasks are defined in the Nomination Board's rules of procedure approved by the general meeting (28 March 2018) and they are in line with the Corporate Governance Code's recommendation 19. The Nomination Board's task is to prepare proposals concerning the appointment and remuneration of the members of the Board of Directors for the annual general meeting and to evaluate the activities of the Board of Directors. The Nomination Board was established to operate until further notice.

The Nomination Board shall include three (3) representatives of the Company's shareholders and the Chairman of the Board of Directors, who shall serve as an expert member in the Nomination Board. The three (3) shareholders with the largest share of the votes have the right to appoint one (1) member each to the Nomination Board. If a shareholder does not wish to use their right to appoint a member, the right shall be transferred to the next largest shareholder who would otherwise not be entitled to appoint a member.

The Nomination Board must make its proposal to the annual general meeting annually, and no later than the 31st of January preceding the next annual general meeting.

The members of the Shareholders' Nomination Board as of 20 March 2020 are Juha Majanen, Permanent Secretary, Ministry of Finance, nominated by the State of Finland; Jukka Reijonen, Head of Private Equity, Debt and Infrastructure, Ilmarinen, nominated by Mutual Pension Insurance Company Ilmarinen; and Erkko Rynnänen, Director, OP, nominated by Aino Holdingyhtiö Ky. The term of office of the Nomination Board's members ends at the termination of the annual general meeting following the appointment of the member.

In 2020, the Nomination Board convened two (2) times and the meeting attendance percentage was 100. The Nomination Board prepared a proposal on the number of members, the composition, and the remuneration of the Board of Directors to the annual general meeting and evaluated the activities of the Board of Directors.

## 4 Board of Directors

Fingrid's annual general meeting elects a Board of Directors once per year. In accordance with the articles of association, the Board of Directors consists of five (5) members. Shareholders who hold Series B shares in the company are entitled to elect one (1) member of the Board through a simple majority decision in accordance with the quantity of Series B shares held. Individuals who are Board members in a company which practices the sale or production of electricity or natural gas, or in a body which represents such a company, may not be elected as a member of the Board. The general meeting elects one (1) Board member to serve as the Chair of the Board and one (1) member to serve as the Deputy Chair of the Board. The Board is convened by the Chair or Deputy Chair of the Board.

The Board constitutes a quorum when more than half of its members are present, and one (1) of these is the Chair or the Deputy Chair. The decisions of the Board of Directors are made through a simple majority on the basis of the Board members present in the meeting. New Board members are familiarised with the company's operations. A Board member's period of office expires at the closing of the next annual general meeting following his or her election.

## 4.1 Duties of the Board of Directors

The tasks and responsibilities of Fingrid's Board are set out by the Limited Liability Companies Act and other applicable legislation, as well as the articles of association. The Board of Directors is responsible for the administration and appropriate organisation of the operations of the company. The Board of Directors makes sure that the company adheres to the relevant rules and regulations, articles of association of the company, and guidelines provided by the annual general meeting. The primary duties and principles of the Board of Directors are also specified in the Board's working order, according to which the Board:

- Decides the company strategy;
- Approves the annual action plan and budget on the basis of the strategy and supervises its implementation and the financial status of the company;
- Approves Fingrid's management system and other business principles to be determined on the Board level as well as the insider guideline and the principles governing the monitoring of related party transactions;
- Confirms the values to be followed in Fingrid's operations;
- Approves the total amount of purchases and capital investments and their distribution on the various sectors, and decides separately on budgeted purchases, capital investments and sales in excess of EUR 10 million, and on purchases, capital investments and sales outside the budget in excess of EUR 2 million;
- Reviews and approves the audit plan, financial statements, the half-year report and the related stock exchange releases, as well as the annual review;
- Addresses and decides on the proposals to be presented to the annual general meeting in accordance with the regulations of the Limited Liability Companies Act and the recommendations in the Corporate Governance Code;
- Annually reviews the risks relating to the company's operations and the management of such risks;
- Decides on the operating model and annual plan of the internal audit and reviews the internal audit reports;
- Approves the Corporate Governance Statement;
- Addresses the company's corporate social responsibility report at least once a year;
- Appoints and dismisses the President & CEO of the company and the deputy managing director;
- Approves the basic organisation and composition of the executive management group of the company;
- Decides on appointments to the boards of the company's subsidiaries and associated companies and addresses the nominations for the managing directors of subsidiaries and associated companies;
- Decides on the remuneration policy and remuneration report of the company's governing bodies, and on the remuneration and other benefits of the President & CEO and the Board members;
- Holds part of the meeting at least once a year without the presence of executive management;
- Holds part of the meeting at least once a year with the auditor without the presence of executive management;
- Assesses its own activities, work methods and efficiency once a year;
- Appoints from amongst its own members the audit committee and remuneration committee, including the chairs of these committees;
- Appoints an advisory committee whose task is to act as a link between the Board and the company management and customers. The advisory committee has 10–14 members who represent electricity producers, transmitters, sellers, users and other electricity market actors. The term of office is three (3) calendar years. The Board confirms the advisory committee's regulations; and

- Addresses other business which the Chair of the Board, a Board member or the President & CEO has proposed for inclusion in the agenda.

## 4.2 Board of Directors in 2020

The Board of Directors in 2020 was represented by Juhani Järvi (Chair), Päivi Nerg (Deputy Chair), Anu Hämäläinen (until 20 March 2020), Hannu Linna (starting from 20 March 2020), Sanna Syri, and Esko Torsti.

Of the Board's members, Juhani Järvi, Anu Hämäläinen, Hannu Linna and Sanna Syri are independent from the company and its significant shareholders. Päivi Nerg and Esko Torsti are independent from the company, but not from its significant shareholders, because they both are in a service relationship with a significant shareholder. The company's President & CEO, CFO and General Counsel, who is the Board's secretary, participate in Board meetings. Board members do not own shares in the company.

The Board convened eleven times over the course of the year and approved the financial statements and annual review for 2019, and decided on Fingrid's strategy, the budget and annual action plan for 2021, the internal audit plan for 2020, the company's internal auditor for 2021 and 2022, the grid service pricing for 2021, new investments in the main grid and ICT, the Code of Conduct, management principles, corporate finance principles, related party principles and crisis communication guidelines, on the remuneration of executives and all significant principles affecting the company. In addition, the Board of Directors addressed in its meeting significant investments, such as the third AC connection between Finland and Sweden and the 'Forest Line', the progress made in the Datahub project and the impact of the transformation of the power system on the company's operations. Several customers of the company participated in the Board meetings and expressed their views on Fingrid's operations from the points of view of different types of customers.

## Fingrid's Board of Directors 2020

Name	Year of birth	Education	Main position and independence	Attendance at Board meetings	Attendance at committee meetings
Chair Juhani Järvi	1952	M.Sc. (Finance)	Board work, independent from the company and significant shareholders	11/11	Audit committee 4/4  Remuneration committee 3/3
Deputy Chair Päivi Nerg	1958	M.Sc. (Agriculture & Forestry)	The Ministry of Finance, Permanent Under- Secretary  independent of the company, non- independent of significant shareholders	11/11	Audit committee 3/4 (as of 20 March 2020)  Remuneration committee 1/3 (until 20 March 2020)
Anu Hämäläinen	1965	M.Sc. (Finance)	Wärtsilä Corporation, Vice President, Group Treasury and Financial Services & Support, independent from the company and significant shareholders	1/11  (until 20 March 2020)	Audit committee 1/4  (until 20 March 2020)
Hannu Linna	1955	M.Sc. (Technology), eMBA	Board work, independent from the company and significant shareholders	10/11  (as of 20 March 2020)	Remuneration committee  2/3 (as of 20 March 2020)
Sanna Syri	1970	D.Sc. (Technology)	Aalto University, Professor,  independent from the company, independent from significant shareholders	11/11	Audit committee 4/4
Esko Torsti	1964	Lic. Pol.	Ilmarinen Mutual Pension Insurance Company, Vice President, independent from the company and non-independent from significant shareholders	11/11	Remuneration committee 3/3



## Board members 31 Dec 2020

### **Juhani Järvi, Chair**

Master of Science (Finance), born in 1952  
Board member as of 6 June 2014

Main position:  
Board work

Previous experience:

Rautakesko Oy, Director, International Projects, 2013–2015  
Rautakesko Oy, VP, Finance & Risk Management, 2010–2013; Vice President, Business Development 2007–2010  
Kesko Oyj, Deputy Managing Director, deputy to the President and CEO, 2005–2007; CFO 1998–2005  
Patria Industries Oyj, EVP, CFO 1997–1998  
Wärtsilä Group, Wartsila Diesel North America, Inc., CFO 1994–1997  
Wärtsilä Group, Sanitec Oy, CFO 1991–1993  
Wärtsilä Oyj, CFO 1989–1991, 1985–1987, Various duties 1980–1985  
Wärtsilä Corporation, Cimcorp Inc., Factory Director 1988–1989, CFO 1987–1988

Previous positions of trust:

MetsäTissue Oyj, Board member 2009–2017  
A. Ahlström Kiinteistöt Oy, Board member 2014–2016  
Finnish-Estonian Trade Association SEKY, Chairman of the Board 2013–2016  
Luottokunta, Board member 2005–2007  
SATO Oyj, Board member 2004–2007, Chairman of the audit committee 2006–2007  
Rimi Baltic AB, Board member 2005–2006, Chairman of the audit committee 2006  
Citycon Oyj, Board member 2001–2004

Independent of the company and significant shareholders.

Holds no shares in the company or in a company that belongs to the same group as Fingrid.

### **Päivi Nerg, Deputy Chair**

Master of Science (Agriculture & Forestry), born in 1958  
Board Member as of 28 March 2018

Main position:  
Permanent Under Secretary, Ministry of Finance, 2018–

Main positions of trust:

Gasgrid Finland Oy, Board member, 2020–  
The Finnish Innovation Fund Sitra, Chair of the Board of Directors, 2020–  
Fire Protection Fund, Chair of the Board of Directors, 2020–  
Mint of Finland Ltd, Board member, 2018–

Previous experience:

Ministry of the Interior, Permanent Secretary, Oct 2012–Dec 2017  
Ministry of Finance, Director of Administration and Development, Director General state-level corporate governance, direction and guidance for the administrative branch, ministry's central administration, Head of Preparedness, Aug 2009–Sep 2012  
University of Eastern Finland, Project Director, Jun 2007–Aug 2009  
University of Kuopio, Director of Administration, Jun 2002–Aug 2009  
University of Kuopio Training and Development Centre, Director, Aug 1996–May 2002  
Atria Plc, Director of HR and Quality, member of the management group, 1994–Jul 1996

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Itikka-Lihapolar Oy, Quality Manager, Sep 1990–Dec 1993  
Lihapolar Oy/Lihakunta, Laboratory Manager, Sep 1988–Aug 1990  
Lihapolar Oy/Lihakunta, Quality Assurance Supervisor, May 1986–Aug 1988

Independent of the company, non-independent of significant shareholders.  
Holds no shares in the company or in a company that belongs to the same group as Fingrid.

## **Hannu Linna**

Master of Science (Technology), eMBA, born in 1955  
Board Member as of 20 March 2020

Main position:  
Board work

Previous experience:  
Vaasan Sähkö Oy, Managing Director 2001–2018  
Korpelan Voima, Managing Director of the municipal partnership 1994–2001  
Mellano Oy, Managing Director 1992–1994  
and various other positions

Previous positions of trust:

EPV Energia Oy, Board member 2001–2019  
Voimapiha Oy (Indalsälven), Board member 2013–2018  
Vapo Oy/VapoTimber Oy, Board member 2009–2017  
Finnish Energy Industries, Board member 2008–2009 and 2015–2017  
Power-Deriva Oy, Board member 2006–2018  
and various other positions of trust

Independent from the company and significant shareholders.  
Holds no shares in the company or in a company that belongs to the same group as Fingrid.

## **Sanna Syri**

Doctor of Science (Technology), born in 1970  
Board Member as of 14 April 2015

Main position:  
Aalto University, Professor, Energy Technology and Energy Economics, School of Engineering, Department of Mechanical Engineering 2010–  
Aalto University, School of Engineering, Deputy Director, Department of Mechanical Engineering 2016–

Main positions of trust:  
Several Aalto University internal committee memberships and administrative positions of trust

Previous experience:  
VTT Technical Research Centre of Finland, Senior Scientist, Technology Manager 2002–2010  
Finnish Environmental Institute, Senior Research Scientist and Research Scientist 1994–2002  
IIASA (Laxenburg, Austria), Research Scholar, Transboundary Air Pollution research program 1998–1999  
IIASA, Visiting Scholar, Transboundary Air Pollution research program Jun–Aug 1997  
IVO International Oy, master's thesis project (University of California, Santa Barbara, USA)

Independent from the company, independent from significant shareholders.

Holds no shares in the company or in a company that belongs to the same group as Fingrid.

## **Esko Torsti**

Licentiate of Political Sciences, born in 1964  
Member from 22 March 2012

### Main position:

Mutual Pension Insurance Company Ilmarinen, Allocation Director 2006–

### Main positions of trust:

M-Brain, Board member 2017–

William and Ester Otsakorpi Foundation, Board member 2014–

Finnish Red Cross, member of investment committee 2012–

### Previous experience:

Pohjola, SVP, Investments, 2005–2006, 2001–2003

Pohjola Asset Management, CEO, 2003–2005

Ilmarinen, SVP, Head of Fixed Income 1998–2001

SEB Helsinki, Chief Economist 1996–1998

Independent of the company, non-independent of significant shareholders.

No holdings in the company or in a company that belongs to the same group as Fingrid.

## 4.3 Diversity of the Board of Directors

The Board of Directors' diverse composition supports the accomplishment and development of the goals and targets set by the company for its operations. An aim of the company is for all Board members to have adequate and mutually complementary experience and expertise in the areas essential for both the operations and societal role of the company. Fingrid additionally strives to assess the composition of the Board in terms of age and gender, taking into account the gender equality targets recommended by the state ownership policy and the other owners. The proposal for the composition of the Board of Directors is prepared by the Nomination Board, which includes three (3) representatives of the Company's shareholders and the Chairman of the Board of Directors, who shall serve as an expert member in the Nomination Board.

Fingrid Board members possess wide-ranging business and management expertise, also outside of Finland. The sectors and areas of expertise represented in the Board include industry, the energy sector, financing and accounting, as well as state administration. Forty per cent of the Board members are female and sixty per cent male. The ages of the Board members range between 50 and 68 years.

## 5 Board committees

The Board has two (2) committees: the audit committee and the remuneration committee. The Board approves the committees' working orders, which are regularly updated. The Board appoints members of the committees from amongst its own members. Each committee has at least three (3) members. The requirements of the Corporate Governance Code are complied with when appointing members of the committees.

The committees appointed by the Board assess their operations once a year.

## 5.1 Audit committee

The audit committee is appointed by the Board of Directors to assist the Board. The Board has specified the duties of the audit committee in its working order in accordance with recommendation 16 of the Corporate Governance Code. According to the working order, the audit committee should additionally assess the audit plans and reports of the internal auditor, review compliance processes with legislation (incl. requirements set in the EU's Audit Regulation) and regulations, oversee the financial reporting process, prepare the process for the selection of the internal auditor, address any other matters within the scope of the committee's duties as it sees fit, and carry out other tasks specifically assigned to it by the Board.

The audit committee consisted of Sanna Syri (Chair as of 20 March 2020), Anu Hämäläinen (Chair until 20 March 2020), Juhani Järvi and Päivi Nerg (as of 20 March 2020). The committee convened four (4) times in 2020. The President & CEO, the CFO and General Counsel participated in the committee's meetings. In its meetings, the audit committee addressed issues such as the half-year report, the auditor's reports, the internal audit's reports on the procurement and management of reserve power services, investment management, merit pay system and financing activities, corporate finance principles, and the corporate governance statement. The committee additionally prepared matters up for decision by the Board concerning the selection of the internal auditor, and the company's financial reporting and bond programmes.

## 5.2 Remuneration committee

The remuneration committee is appointed by the Board of Directors to assist the Board. The Board has specified the duties of the remuneration committee in its working order in accordance with recommendation 17 of the Corporate Governance Code. Accordingly, the duties of the remuneration committee include, among other things, preparing the company's remuneration policy and the remuneration report. The committee also prepares for the Board, on the basis of accepted principles, a proposal concerning the salaries and other benefits to be paid to the President & CEO and other members of the executive management group. The committee's duties furthermore include preparing matters concerning the election of the President & CEO and other members of the executive management group and successor planning, as well as the planning remuneration for the rest of the personnel and organisational development.

The remuneration committee consisted of Juhani Järvi (Chair), Päivi Nerg (until 20 March 2020), Hannu Linna (as of 20 March 2020) and Esko Torsti. In 2020, the remuneration committee convened three (3) times. The President & CEO and the Senior Vice President, HR and Communications participated in the committee's meetings. Topics discussed in the meetings included the remuneration systems for the personnel, the executive management group and the President & CEO as well as management successor planning and deputising arrangements.

## 6 Managing director and the deputy managing director

Managing director, hereinafter referred to as President and CEO, is a corporate body, as defined in the Limited Liability Companies Act, and attends to the ongoing management of the company in accordance with guidelines laid down by the Board of Directors. In accordance with the Limited Liability Companies Act, managing director is responsible for ensuring that the company's bookkeeping complies with legislation and that financial management is reliably organised. Assisted by the executive management group, the President and CEO is furthermore responsible for the operations of the company and the implementation of the Board of Directors' decisions and serves as the Chair of the Board of the subsidiaries. The President & CEO is not a member of the company's Board of Directors.

Jukka Ruusunen (D.Sc. Tech., born 1958) has acted as Fingrid's President & CEO since 2007.

The deputy managing director is in charge of the Company's managing director's duties when acting in the capacity of deputy managing director. Executive Vice President Asta Sihvonon-Punkka, Licentiate in Economics, M.For. (born 1962) has acted as deputy managing director since 2019. She is also the head of Fingrid's Markets function and the Managing Director of Fingrid Datahub Oy.

The President & CEO and Executive Vice President do not own Fingrid shares nor do they have share-based rights in Fingrid or in a company that belongs to the same group as Fingrid.

## 7 Company management

Fingrid holds key responsibility for the transmission of electricity in Finland's main grid and thereby for the entire society's ability to function. In its operations, Fingrid complies with the applicable legislation and international conventions as well as the principles approved by the Board of Directors and the policies approved by the President & CEO and addressed by the executive management group. Fingrid's Code of Conduct is published on the company's website.

The primary duty of Fingrid's executives is to ensure that the company's basic tasks are managed efficiently. The operations are based on meeting the needs of customers and society, taking into account the obligations laid down in the articles of association, shareholder agreements, electricity system license and Electricity Market Act.

Fingrid's operations are managed in a matrix of four perspectives. These are: customers and society, finance, internal processes (adequacy of the transmission system, system operation and promoting the electricity market), and personnel and expertise.

The operational organisation has been organised into functions. The heads of the functions make up the executive management group of the company. The Board of Directors approves the basic organisation of the company on the level of functions.

Significant special tasks are separated and organised as necessary in a separate company. Such tasks include e.g. special electricity market services, such as the management of peak load capacity and taking care of the guarantees of origin for electricity, which are carried out by Finextra Oy, a wholly owned subsidiary of the parent company Fingrid. Another subsidiary wholly owned by the parent company Fingrid, Fingrid Datahub Oy, is in charge of providing the electricity markets' centralised data exchange service and related services to electricity market parties and is responsible for the management of the registered information required by the electricity market and the development of these functions.

### 7.1 Executive management group

The executive management group supports the President & CEO. Its tasks are:

- to prepare the strategy and to communicate and implement it to ensure efficient and effective operations, and to monitor the implementation of the strategy,
- to draw up an action plan and budget,
- to implement financial control and risk management,
- to implement resource planning, procurement and control,
- to implement external communications and stakeholder dialogue,
- to prepare matters for the Board of Directors, and
- to develop the work of the executive management group.

Each member of the executive management group is responsible for the day-to-day business operations of the organisation in his or her area of responsibility and for implementing operative decisions.

In addition to Jukka Ruusunen, President & CEO, the executive management group in 2020 consisted of:

- Asta Sihvonen-Punkka, Lic. Econ., M.For (born 1962), Executive Vice President, Markets
- Jussi Jyrinsalo, Lic. Tech. (born 1964), SVP, Transmission System Services and Grid Planning
- Timo Kiiveri, M.Sc., MBA (born 1967), SVP, Asset Management
- Marina Louhija, LL.M., eMBA (born 1968), General Counsel, Legal and Office Services, Compliance and Sustainability
- Tiina Miettinen, M.Sc. (Politics), M.Sc. (Knowledge Management) (born 1963), SVP, HR and Communications
- Jan Montell, M.Sc. (Finance) (born 1968), CFO
- Reima Päivinen, M.Sc. (Tech.) (born 1958), SVP, Power System Operations
- Kari Suominen, M.Sc. (Tech.), MBA (born 1964), CIO

The members of the executive management group do not own Fingrid shares nor do they have share-based rights in Fingrid or in a company that belongs to the same group as Fingrid.

The executive management group convened 16 times in 2020.

## **8 Advisory committee**

Fingrid's Board of Directors appoints an advisory committee with 10 to 14 members to serve as a link between the company and its customers. The advisory committee is an advisory body which provides perspectives on the company's business operations and customer services from a customer point of view. The advisory committee widely represents electricity producers, transmitters, sellers, users, and other electricity market actors.

The advisory committee is set out in Fingrid's articles of association. The Board annually confirms the regulations concerning the work of the advisory committee. The term of office of the members of the advisory committee is three years. The President & CEO and the Vice President responsible for the company's customer relationships participate in the advisory committee's meetings.

The composition of the advisory committee is set out on the company's website.

The advisory committee convened four times during the year. The topics addressed by the advisory committee in its meetings included the management of system security in Finland and other Nordic countries, the continuously increasing need for more transmission capacity due to renewable energy, and the development of electricity markets. Customers' presentations on current topics were also on the agenda in each meeting.

## **9 Internal control and risk management**

### **9.1 Internal control and risk management principles**

Fingrid's internal control is a permanent component of the company's operations and addresses all those operating methods and procedures whose objective it is to ensure:

- effective and profitable operations in line with the company's strategy,
- the reliability and integrity of the company's financial and management information,
- protection of the company's assets,
- compliance with the applicable legislation, guidelines, regulations, agreements and the company's own governance and operating guidelines as well as the quality thereof, and
- a high standard of risk management.

Risk management is planned as a whole, with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks.

Continuity management is a part of risk management. Its objective is to improve the organisation's capacity to prepare for and to react to the materialisation of different risks in the best way possible, and to ensure the continuity of operations in such situations.

Further information on internal control, risk management and the foremost risks and factors of uncertainty is available on the company's website and in the Board of Directors' annual review.

## 9.2 Arrangement of internal control and risk management and distribution of responsibility

### 9.2.1 Board of Directors

The company's Board of Directors is responsible for organising internal control and risk management, and it approves the principles of internal control and risk management every two years or more often, if necessary. The Board defines the company's strategic risks and related management procedures as part of the company's strategy and action plan and monitors their implementation. The Board decides on the operating model for the company's internal audit. The Board regularly receives internal audit and financial audit reports as well as a status update at least once a year on the strategic risks, major business risks and continuity threats relating to the company's operations, and their management and realisation.

### 9.2.2 Line management and other organisation

Assisted by the Executive Management Group, the President & CEO is responsible for executing and steering the company's governance, decision-making procedures, control and risk management, and for the assessment of strategic risks, major business risks and continuity threats at the company level, and their related risk management.

The heads of functions are responsible for the practical implementation of the governance, decision-making procedures, controls and risk management for their areas of responsibility, as well as for the reporting of deviations, and the sufficiency of detailed guidelines. The directors appointed to be in charge of threats to continuity management are responsible for drawing up and maintaining continuity management plans and guidelines, and for arranging sufficient training and practice.

The CFO is responsible for arranging procedures, controls and monitoring at the company level as required by the harmonised operating methods of internal control and risk management. The company's General Counsel is responsible at the company level for assuring the legality and regulation compliance of essential contracts and internal guidelines, taking into account the company's interests, as well as for the procedures these require. Each Fingrid employee is obligated to identify and report

any risks or control deficiencies she or he observes and to carry out the agreed risk management procedures.

## 9.3 Arrangement of internal control and risk management related to the financial reporting process

The internal control systems relating to the financial reporting process are part of a more extensive overall system of Fingrid's internal control.

### 9.3.1 Control environment of the financial reporting process

The Group comprises the parent company Fingrid Oyj and its wholly owned subsidiaries Finextra Oy and Fingrid Datahub Oy. Additionally, Fingrid Oyj has an associated company, eSett Oy (holding 25%). The Group has no joint ventures.

The financial administration of the company is responsible for the Group's centralised financial reporting and for the internal control and risk management of financial reporting. The executive management group and those with budget responsibility as well as the heads of units and functions receive a monthly report of the financial situation. These reports include information on the proceeds, costs and capital investments in the relevant area of responsibility. In addition to financial accounting reports, the reporting covers comprehensive reports which contain business information. These are produced by means of cost accounting and the financial control system.

The interpretation and application of the standards governing financial statements are centralised at the Group's financial administration, which monitors the accounting standards (IFRS, FAS), maintains an account scheme, draws up internal guidelines for the financial statements, and is responsible for the financial reporting process. The process is documented and it specifies how, when and on what schedule the month-end accounts are drawn up.

Fingrid draws up the consolidated financial statements and the half-year report in accordance with IFRS reporting standards accepted by the EU and in accordance with the Finnish Securities Market Act. The annual review and the financial statements of the Finnish companies included in the Group are prepared in accordance with the Finnish Accounting Act as well as the guidelines and statements of the Finnish Accounting Standards Board.

The internal control and risk management systems and procedures related to the financial reporting processes, described in more detail below, have been devised so as to make sure that financial reporting by the company is reliable, coherent and timely, and that the financial reports published provide an essentially true and fair view of Fingrid's finances.

### 9.3.2 Roles and responsibilities of the financial reporting process

Fingrid's Board of Directors is primarily responsible for defining the principles of internal control and risk management related to financial reporting, and the Board makes sure that these principles are followed in the company. The Board reviews and approves the half-year report, the annual review and the financial statements. The audit committee assists the Board in this by monitoring the efficiency of the company's internal control, internal audit and risk management systems.

The finance function of the Group is responsible for developing the financial reporting process through means such as monitoring the development needs of controls related to financial reporting, by supervising the sufficiency and efficiency of these controls, and by making sure that external reporting is correct and up to date and that the regulations pertaining to reporting are followed.



The company's financial auditor and internal auditor carry out inspections relating to financial reporting in accordance with the plan approved by the Board.

### 9.3.3 Risk management, control procedures and monitoring of the financial reporting process

Controls pertaining to risk management are set throughout the Group, at all levels and all units of the Group. Examples of the controls include internal guidelines, acceptance procedures and authorisations, cross-checking with cost accounting, matching, verifications, assessment of operative efficiency, securing of assets, and differentiation of tasks. The financial administration of the Group is responsible for the control structures relating to the financial reporting process.

The control of the budgeting process is based on the budgeting guidelines, with the financial administration of the Group being responsible for their specification, centralised maintenance, and for monitoring compliance with them. The principles are applied uniformly throughout the Group, and there is a common reporting system in use.

The monthly financial reporting to the executive management group together with the related analyses constitute the primary control and monitoring process in securing the efficiency and purposefulness of the functions and the accuracy of financial reporting. The analyses compare the realised proceed and cost components with the budget and to the previous year, and the budget is compared to the quarterly forecast. The monitoring of cash flow and capital investments is part of this process.

Verification of the accuracy of monthly reporting employs the company's financial control system, which the controllers and heads of units of the company can use to find essential errors and deviations. The accuracy of financial reporting is also ensured through good data security and data protection. Risky work combinations are avoided wherever possible. User rights are checked regularly and determined by the position of a person in the organisation. The databases used in the financial control system and accounting system are backed up regularly. The company has a data security manager who is responsible for the management and development of data networks and data security, as well as for providing personnel with guidance concerning data security matters.

Controls for the financial reporting processes are developed as part of internal control. Personnel is given training in how to monitor the correctness of the information produced by the financial reporting process of the company, concerning cost allocation, posting, acceptance procedures for invoices and receipts, as well as for budgeting and actual result follow-up.

The company's auditor and internal audit carry out regular inspections on the functionality of controls concerning the financial reporting process and on the accuracy of information.

## **10 Financial audit and internal audit**

### 10.1 Financial audit

An authorised public accounting company selected by the Annual General Meeting and approved by the Finland Chamber of Commerce acts as auditor for the company. The company's financial auditor inspects the accounting, financial statements and financial administration for each financial period and provides the AGMg with reports required by accounting legislation or otherwise stipulated in legislation. The financial auditor reports on his or her work, observations and recommendations for the Board of Directors and may also carry out other verification-related tasks commissioned by the Board or by the management.

The annual general meeting of 2020 elected authorised public accountants PricewaterhouseCoopers Oy as the auditor of the company. Authorised public accountant Heikki Lassila serves as the

company's responsible auditor. The general meeting decided that the auditor's fee and expenses are paid on the basis of a reasonable invoice accepted by the company.

Auditor's fees, EUR 1,000	2020	2019
Auditing fees	106	114
Other fees	33	39
TOTAL	139	153

## 10.2 Internal audit

The Board of Directors decides on the operating model for the company's internal audit. The internal audit acts on the basis of plans processed by the audit committee and approved by the Board. Audit results are reported to the object of inspection, the President & CEO, the audit committee and the Board. Upon decision of the Board, an internal audit outsourced to an authorised public accounting company approved by the Finland Chamber of Commerce acts within the company. From an administrative perspective, the internal audit is subordinate to the President & CEO. The internal audit provides a systematic approach to the assessment and development of the efficacy of the company's risk management, monitoring, management and administrative processes, and ensures their sufficiency and functionality as an independent party. The internal audit has the authority to carry out reviews and to access all information that is essential to the audit. Fingrid's internal audit carries out risk-based auditing on the company's various processes.

In 2020, Deloitte & Touche Oy served as Fingrid's internal auditor and carried out a total of four (4) audits. The audits focused on the procurement and management of reserve power services, investment management, the merit pay system and financing function. The total fees paid to Deloitte & Touche Oy for auditing tasks amounted in total to EUR 133,920.

## 11 Related party transactions

The Group's related parties include, in addition to the parent company Fingrid Oyj, subsidiaries Finextra Oy and Fingrid Datahub Oy, and the associated company eSett Oy, the shareholder entities listed in section 6.5 of the company's financial statements, and senior management and their related parties. The senior management is composed of the Board of Directors, the President & CEO, and the executive management group. Other related party transactions include transactions concluded with entities in which the State of Finland has a holding in excess of 50 per cent. Fingrid's related party transactions are accounted for in section 7.1 of the financial statements.

In the decision making concerning related party transactions, Fingrid sees to it that any conflicts of interest are taken into account, and no one included in the related parties or a representative of a related party participates in deciding on a related party transaction. Business with related parties is conducted at market prices. Fingrid maintains a list of its related parties.

Fingrid complies with the related party principles approved by the Board of Directors.

## 12 Main procedures relating to insider administration

Fingrid complies with the Market Abuse Regulation (MAR), Nasdaq Helsinki Oy's insider guidelines, the Central Bank of Ireland's (CBI), the UK's Financial Conduct Authority's (FCA) and the Financial Supervisory Authority's (FIN-FSA) up-to-date guidelines on the governance and management of insider information. Fingrid additionally has insider guidelines approved by the Board of Directors, which describe the key principles for insider issues to be applied within the company. The company's General Counsel, Marina Louhija, is in charge of insider administration.

Fingrid's permanent insiders consist of the Board of Directors, President & CEO, members of the executive management group as well as any person considered to regularly have access, due to their duties, to insider information concerning Fingrid. Project-specific lists of insiders are drawn up as necessary; such lists include any persons in charge of preparations for the project who have access to insider information related to the project. Fingrid additionally applies a so-called extended closed window to the persons who participate in the preparation of the half-year report, management reviews and/or financial statements, including any external consultants and experts.

The lists related to Fingrid's insider administration are not public; only the person in charge of insider administration and her assistants have access to them.

According to Fingrid's insider guidelines, permanent or project-specific insiders and the persons under the extended closed window rules may not, on their own account or on the account of a third party, trade in Fingrid's financial instruments within thirty (30) days prior to the publication of Fingrid's financial statements release and the regularly published half-year report release and management reviews.