

An aerial photograph of a power line tower in a green field at dusk. The tower is a blue metal lattice structure with several power lines extending from it. The background shows a dense forest of trees with some autumn-colored foliage, and a small building with a blue roof is visible in the distance. The sky is dark, and the overall scene is illuminated by the soft light of the setting sun.

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CORPORATE RESPONSIBILITY
Main goal: Climate change mitigation

OPERATING ENVIRONMENT
Renewable energy plays an increasing role

IN 2020
Our transmission reliability rate was 99.99995%

As a power system and main grid developer, Fingrid plays a key role in ensuring Finland reaches its climate goals.



Review by the President & CEO

Operating environment and business model

Strategy

Fingrid's reputation, customers and other stakeholders

Finance and treasury

Business operations

Personnel

Internal control and risk management

Research and development

Glossary

Financial result and financing

Operations

Corporate responsibility

Internal control and risk management

Board of Directors and corporate management

Share capital

Other events during the financial year

Legal proceedings and proceedings by authorities

Events after the review period and estimate of future outlook

Board of Directors' proposal for the distribution of profit

Annual General Meeting 2021

Consolidated key figures

Consolidated financial statements (IFRS)

Benchmark for tso operations (IFRS)

Long-term investor (IFRS)

Strong financial position (IFRS)

Other information (IFRS)

Parent company financial statements (FAS)

Signatures for the annual review and for the financial statements

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Managing director and the deputy managing director

Company management

Advisory committee

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Good governance

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”Fingrid is responsible for the functioning of Finland’s power system, which makes it fundamentally a risk management company.”

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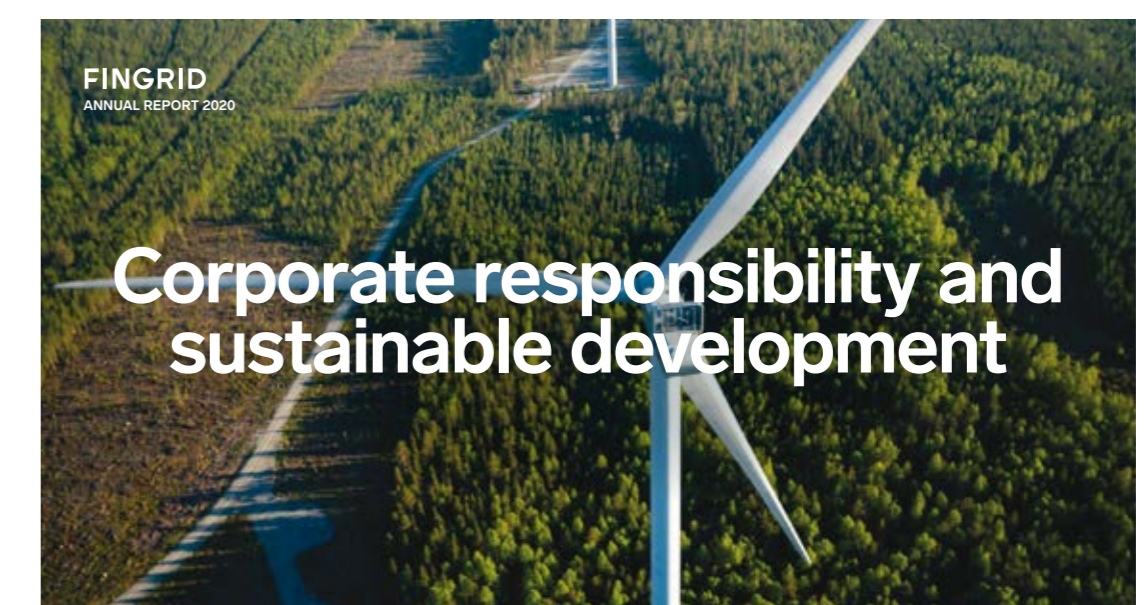
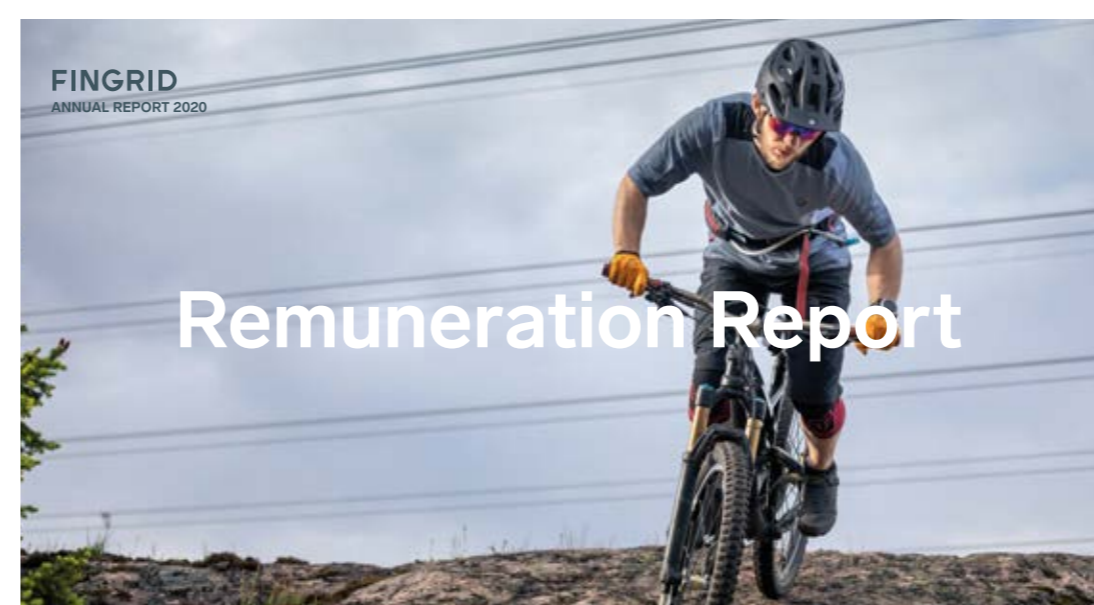
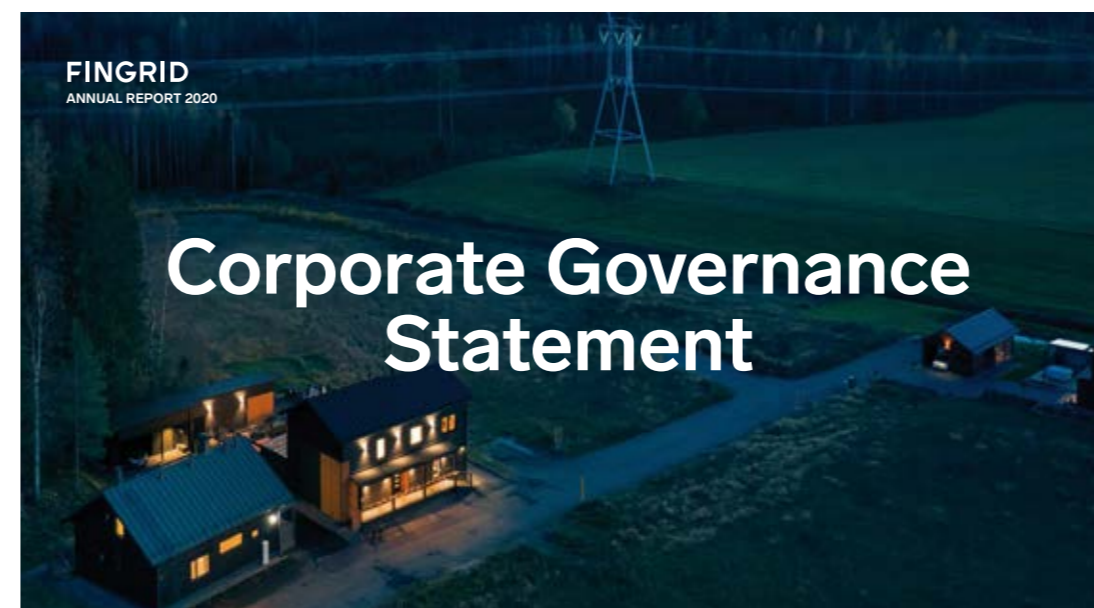
1. FINGRID 2020

Fingrid's Annual Report for 2020 consists of six sub-reports: the Business Review, Report of the Board of Directors, Consolidated Group and parent company's Financial Statements and key figures, Corporate Governance Statement, Remuneration Statement, and Corporate Responsibility Report. For the first time, the Financial Statements are published in accordance with the European Single Electronic Format (ESEF) reporting requirements. The format is Extensible Hypertext Markup Language (XHTML), and the document is available on www.fingrid.fi/en

Fingrid draws up the Consolidated Financial Statements and the half-year report in accordance with the international IFRS reporting standards accepted by the European Union and in accordance with the Finnish Securities Market Act. The Consolidated Financial Statements include the parent company Fingrid Oyj and its wholly owned subsidiaries Finextra Oy and Fingrid Datahub Oy. The Group additionally has a 25.0% holding in one associated company, eSett Oy. The Report of the Board of Directors and the financial statements of the Group's parent company and its subsidiaries are prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board.

See all annual report publications online

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2. REVIEW BY THE PRESIDENT & CEO

Finland and the entire world are experiencing a genuine boom in the construction of a clean power system. In addition to the connection of the Olkiluoto 3 nuclear power plant, we are currently processing enquiries related to additional wind power construction amounting to tens of thousands of megawatts. Clean electricity requires well-functioning transmission connections. We built transmission lines and substations at dozens of worksites in 2020; in terms of number of investment projects, it was a record year. The high tempo of investments will continue at least throughout this decade.

Despite the exceptional situation caused by the coronavirus pandemic, the investments progressed as planned. Even in these unusual circumstances, Finland's main grid operated reliably, with excellent transmission reliability. As a company critical for the security of supply, we are well prepared for a wide range of exceptional circumstances and we actively participate in Finland's National Emergency Supply Organisation.

Weather played the leading role in the Nordic electricity market. An exceptionally mild winter and the resulting substantial decrease in electricity consumption, heavy rains and the consequent good availability of hydropower, as well as hard

winds and high production of wind power, led to very low electricity market prices in the Nordic countries and large regional price disparities. Finland imported electricity from Sweden, using the full transmission capacity between the countries, but the existing transmission capacity did not meet the actual market needs. Our cross-border transmission connections functioned well, however, and we succeeded in making all the existing capacity available to the markets.

Due to the decrease in electricity consumption, our grid service revenue fell year-on-year. The market conditions also resulted in a decrease in the cross-border transmission income for the capacity imported from Russia. The exceptionally intensive spring floods increased the prices for the reserves required for balancing consumption and production for several weeks, resulting in increased costs for us. Due to the weather conditions, our result was significantly lower than planned. Through cost-effective operations, we have managed to keep our transmission tariffs at an affordable level regardless of the intensive investment tempo. We have been able to lower our grid service fees by more than 10 per cent since 2017, and they will remain unchanged also in 2021.

Focus on the future: Fingrid faces its biggest challenge ever

We recognise our central role in the implementation of the national 'Climate-neutral Finland 2035' vision. We will do everything in our power to enable the ambitious objectives of the government programme through our operations, which provide society with highly impactful electricity market and grid services. Along with our grid investments, we continue developing an electricity market that balances out the supply and demand of electricity at each moment in time and creates flexibility in the power system on market terms. Managing the power system will in the future require shorter and shorter reaction times and the capability to manage vast amounts of data. Our response to these challenges is to increase the degree of automation in the processes linked with operating the power system.

We fully understand that we cannot accomplish our crucial mission without support from society and our stakeholders. The support we can expect from our stakeholders is directly dependent on our reputation. On the other hand, the higher the trust in us, the better we are equipped to serve Finnish society. We have continued our efforts to build and maintain a good reputation. At the end of



the day, our actions always speaks louder than words. Along with maintaining our reputation, we have developed our corporate responsibility management and reporting. Achieving excellence in our mission of key societal importance requires a high level of quality in all areas of corporate responsibility and the ability to evolve along with the changing operating environment.

Jukka Ruusunen
the President & CEO

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3. OPERATING ENVIRONMENT AND BUSINESS MODEL

CLIMATE CHANGE

Finland's goal is to be a climate-neutral society in 2035. A key path to this goal is to eliminate emissions from industry, heating and traffic by electrifying these activities. In the clean power system of the future, electricity will be produced without CO2 emissions.

Renewable energy will play an increasing role in power generation. The share of emission-free, non-adjustable and decentralised production is growing. The European internal market in electricity will increase the efficiency and security of supply, while also contributing to increasing weather-dependent, renewable electricity generation.

The structure of electricity production is changing: while the share of renewable energy is increasing, the production of adjustable condensing power relying on fossil fuels is on the decline. The capability for supply-side flexibility in response to changes in the demand will decrease as the share of wind and solar power increases. Fluctuations in electricity prices will increase and create business opportunities for flexible production and consumption as well as energy storage technologies.

Fingrid plays an active role in this energy transition by helping shape a clean power

system on market terms. We closely collaborate with the market parties, our customers, the authorities, and policy-makers. We do our part in mitigating climate change by building and maintaining the main grid, thus creating the platform for a clean power system.

Fingrid's task is to connect the energy produced in a new way to the main grid and prepare for the decrease of flexible production capacity. We develop the electricity market also for the needs of an emission-free power system.

SECURITY OF SUPPLY AND ELECTRICITY DEPENDENCY

Electricity consumption is increasing and society demands a secure, uninterrupted supply of electricity. Security of supply must be guaranteed in a changing power system with a lot of weather-dependent production of renewables.

Severe disturbances in the power supply are among the most serious security threats to a modern society. Electricity sector risks are being prepared for as part of the European Commission's clean energy Winter Package. The aim is to improve the security of electricity supply at the EU level and reinforce regional cooperation. Measures related to crises must be compatible with the rules for the EU's internal electricity market.

Renewable energy will play an increasing role in power generation.

Fingrid's investments in the electricity network, grid maintenance, promoting the markets and developing grid operations improve the reliability of power supply and our preparedness in the face of crisis situations. In risk and continuity management, continuous preparations are made for serious disturbances to the power system in different threat scenarios. We are actively involved in international cooperation to develop European network codes, and we prepare for power system disturbances in cooperation with the Baltic Sea region's TSOs.

GLOBALISATION AND RESPONSIBILITY

Globalisation brings opportunities for service and equipment procurements, the labour markets and financing. Responsibility and increasing regulation will be highlighted in a global economy. Companies are expected to offer solutions to society's common challenges. Longer procurement chains and increasingly international activities mean challenges for responsible business operations.

Increased workforce mobility is making energy companies more international. The global financial market offers well-managed companies with a high credit rating a flexible and affordable way of procuring financing. Corporate responsibility is a key component of Fingrid's operations. The importance of openness is growing even further.

For Fingrid, globalisation means new opportunities in the shape of international suppliers and cooperation partners. We have for a long time made use of international financing markets and were the first Finnish company to have issued a Green Bond. Fingrid's task as a responsible buyer of goods and services is to promote sustainable development and responsible practices worldwide.

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DIGITALISATION

Digitalisation promotes new practices and operational procedures in the power system and electricity market. It also enables advanced power system operations, grid maintenance management, and automation. Digitalisation increases the importance of data, information technology and telecommunications while enabling new business opportunities. The increasing rate of automation will also change ways of working. Effective management of intellectual capital and cybersecurity are more important than ever.

From Fingrid's perspective, digitalisation enables even more productive operational processes, better customer service, and more efficient sharing of market information. It also provides new tools for managing a changing and increasingly complex power system. Smart grid technology opens up new business opportunities for both current and new operators and, in turn, shapes Fingrid's customer field.



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4. STRATEGY

Fingrid is Finland's transmission system operator. Our owners are the State of Finland, and Finnish pension and insurance companies. Our mission is to secure a cost-effective and reliable supply of electricity in our society in all situations and to promote a clean, market-based power system of the future.

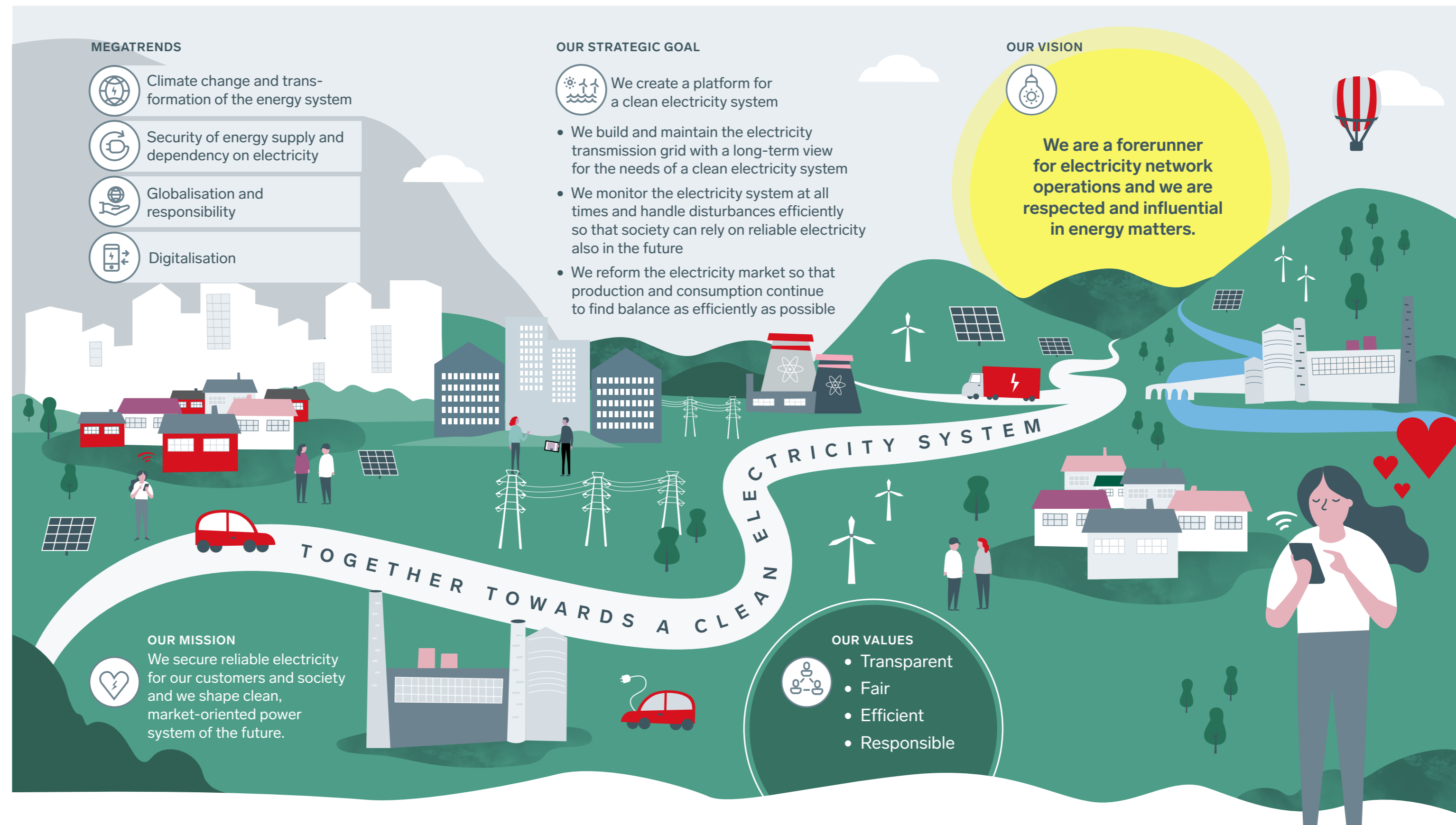


Image. Fingrid's role in society and our strategic targets.

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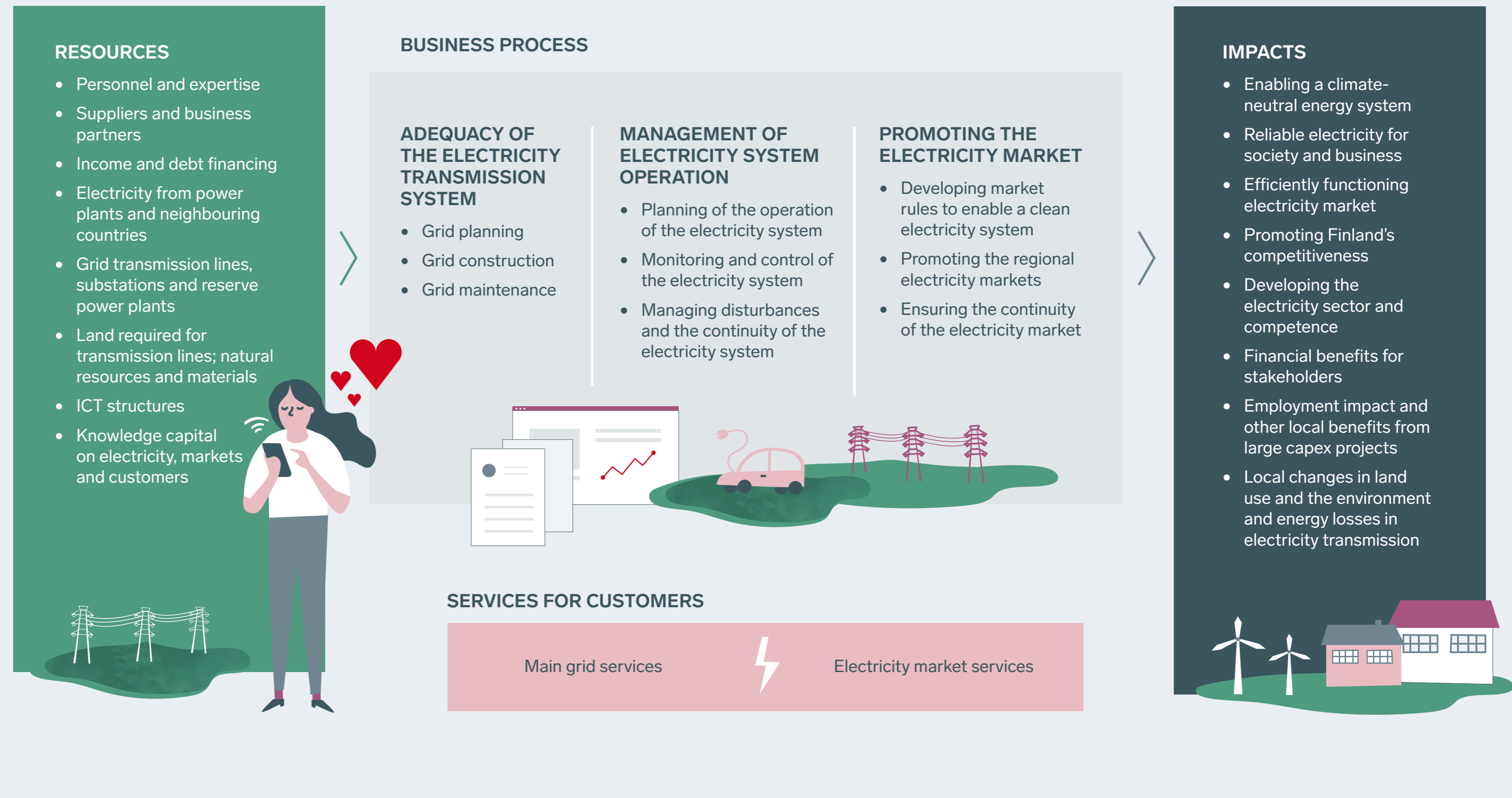
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Fingrid's business model



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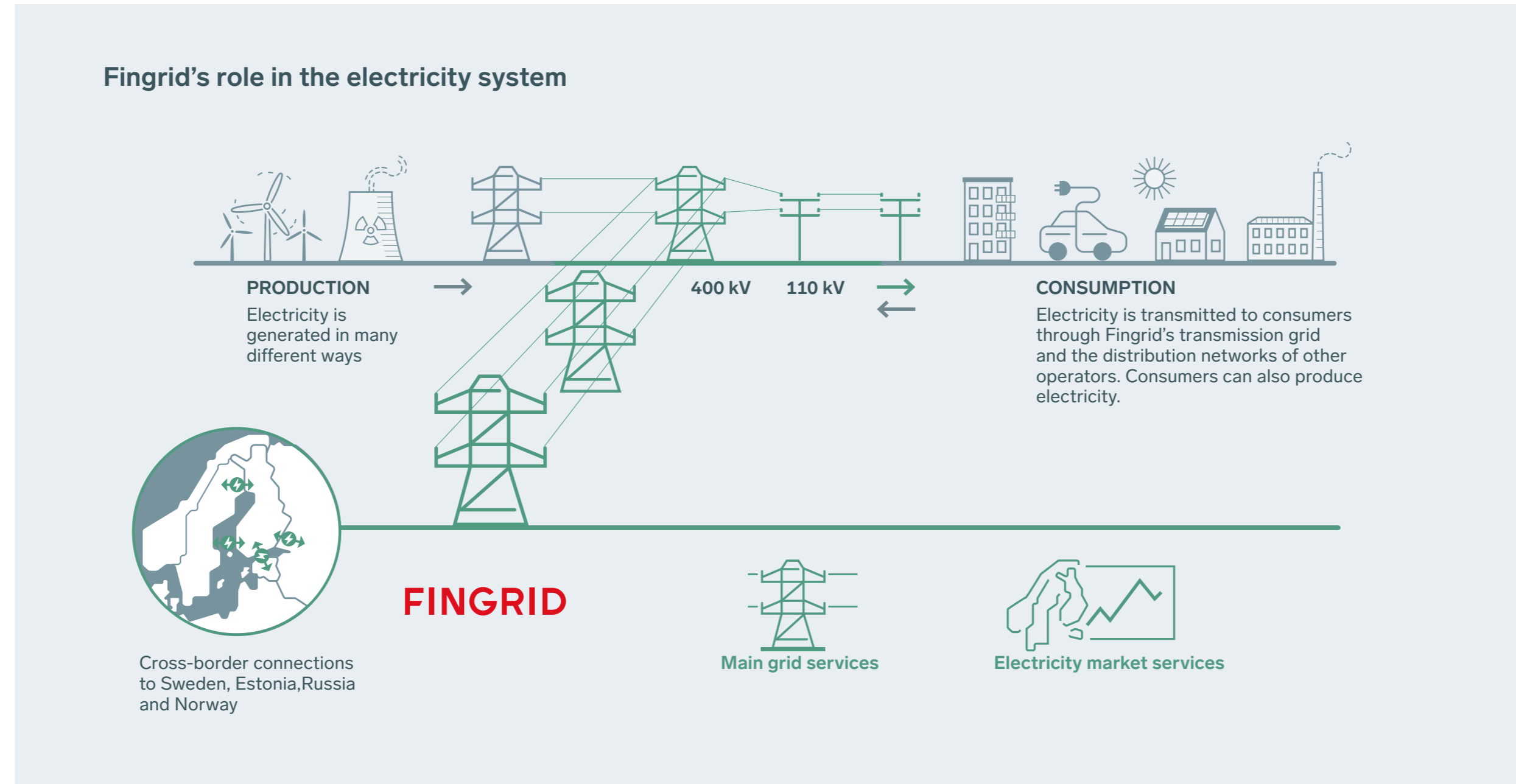
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BUSINESS MODEL

Our operations are based on Finnish and EU legislation. In accordance with the Finnish Electricity Market Act, we develop the main grid, maintain a balance between electricity consumption and generation, and promote the preconditions for a well-functioning electricity market. The EU Regulation on the internal market for electricity obligates us to cooperate within ENTSO-E, the European Network of

Transmission System Operators of Electricity, and also regionally within the Baltic region, to improve the functioning of the internal market in electricity. Our task is to participate in the drawing up and implementation of the market, operating and connection codes and the proposals prescribed in them. Fingrid's operations are supervised and regulated by the Energy Authority, which has granted the company a licence for the main grid operations.

The business model describes the most important material and immaterial resources at Fingrid's disposal that are necessary for our business processes. The impact of Fingrid's operations and the significant added value they generate show in various ways throughout Finnish society.

OUR VISION

Fingrid's vision is to be an exemplary transmission system operator and a

highly esteemed energy influencer.

OUR VALUES

Our values guide the work of our professional community and lay a solid foundation for our corporate culture. Fingrid is open, fair, efficient and responsible in all our operations.

OUR WAY OF WORKING

Our corporate culture is open, collaborative and renewing, and complies with good governance practices. We are known for our expertise.

We develop our operations for the long term and in cooperation with our customers and other stakeholders. We treat everyone impartially and with respect. We achieve the bold and ambitious goals set for our operations.

We provide high quality and efficiency by combining our core expertise with that of the best players in the world.

We always work responsibly, effectively, and through open interaction. This is how we earn the trust of our customers and stakeholders.

IMPLEMENTATION OF THE STRATEGY

Fingrid's strategy is implemented through four perspectives: Personnel & Expertise, Customers & Society, Finance, and Inter-

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nal Processes. According to the approach chosen by Fingrid for implementing its strategy, all four perspectives are equal and are implemented and developed in a mutually balanced way in accordance with the strategy framework described above. In the strategy house, everything moves from the foundation all the way to the top: when personnel's well-being and competence are in order, the internal processes can function optimally and efficiently produce services and financial benefits for the shareholders, customers and the whole of society. The strategic perspectives play a key role in the day-to-day management of the company.

Fingrid is a specialist organisation in which the objective of the Personnel & Expertise perspective is to maintain and develop an open, social, renewing and high-performing work community.

The Internal Processes perspective consists of the company's three basic functions:

- Ensuring transmission capacity: We carry out investments and maintenance safely and efficiently at the right time.
- System security management: We operate the main grid proactively and reliably.

- Promoting the electricity market: We actively maintain and develop the electricity market.

The objective of the Finance perspective is to operate cost-effectively and create value for shareholders.

The top of Fingrid's strategy house is made up of the Customers & Society perspective, which aims at securing reliable supply of electricity and a well-functioning electricity market for the society, as well as meeting the customers' needs with our services at affordable prices.

The preparation of the goals and operations of each strategic perspective are steered by a steering group appointed by the company's Executive Management Group, which ensures that matters are prepared comprehensively and executed efficiently using the best expertise. Fingrid's primary approach is to serve the best interests of both society and the company's customers.

The key choices in the company's strategy work are approached through each of the perspectives to establish the kind of measures that are required of each of them for the implementation of the strategy.

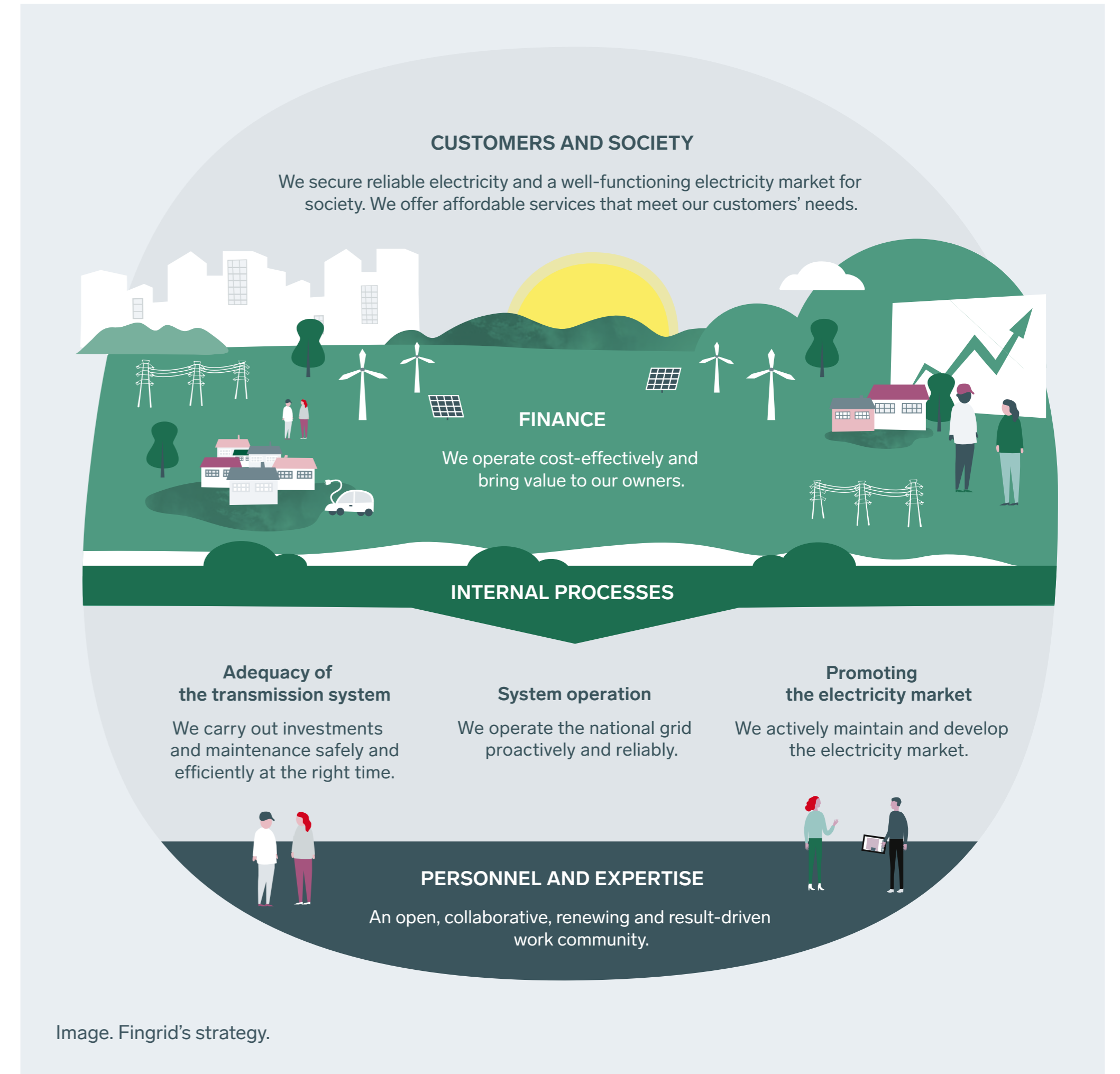


Image. Fingrid's strategy.

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Our strategic choices are as follows: Focusing on our core mission

- We excel in accomplishing our core mission in a changing operating environment. We do not aim to expand into new businesses or to participate in competitive business.

Customer focus

- We develop our business operations and operating models with our customers in mind and for the benefit of the entire country.

World-class efficiency

- We innovatively utilise the best technologies and opportunities enabled by digitalisation. We maintain the necessary core competence in-house. We cooperate with the best partners.

Market focus

- We apply a market-oriented approach in all areas because we believe that well-functioning markets will produce the best and most innovative solutions.

Openness to integration

- We actively promote the integration of the electricity markets in Europe and the Baltic Sea region while also taking into account Finland's best interests.

Security and responsibility

- During the energy sector transformation, we will maintain the current good level of system security. Corporate responsibility and safety are highlighted in everything we do.

Fingrid operates according to a matrix model that pairs the strategy and the organisation. The model pushes collective efforts and shared goals to the forefront. A matrix organisation is challenging, but we have shaped the company into an agile and flexible player with a flat hierarchy. The strategy is implemented as a matrix organisation through the defined four perspectives.

The personnel resources are allocated according to the functions such that managers are in charge of the annual planning and budgeting of the tasks in their respective areas of responsibility and of implementing the action plans according to the business targets set forth in the strategy.

The company's management model assigns a dual role to the managers as heads of both operations and perspectives. The management system is described in more detail in the 'Management principles' document.

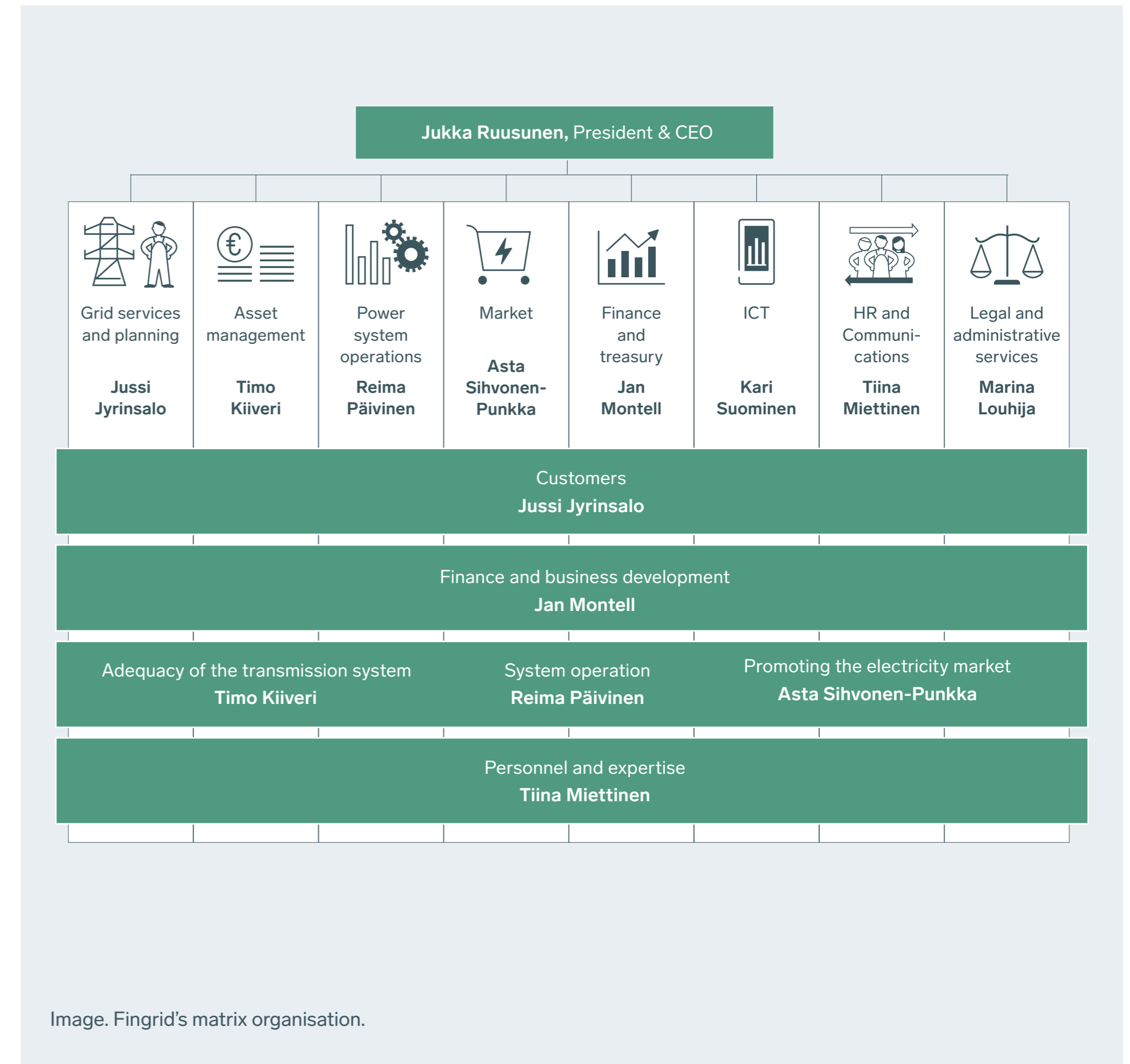


Image. Fingrid's matrix organisation.

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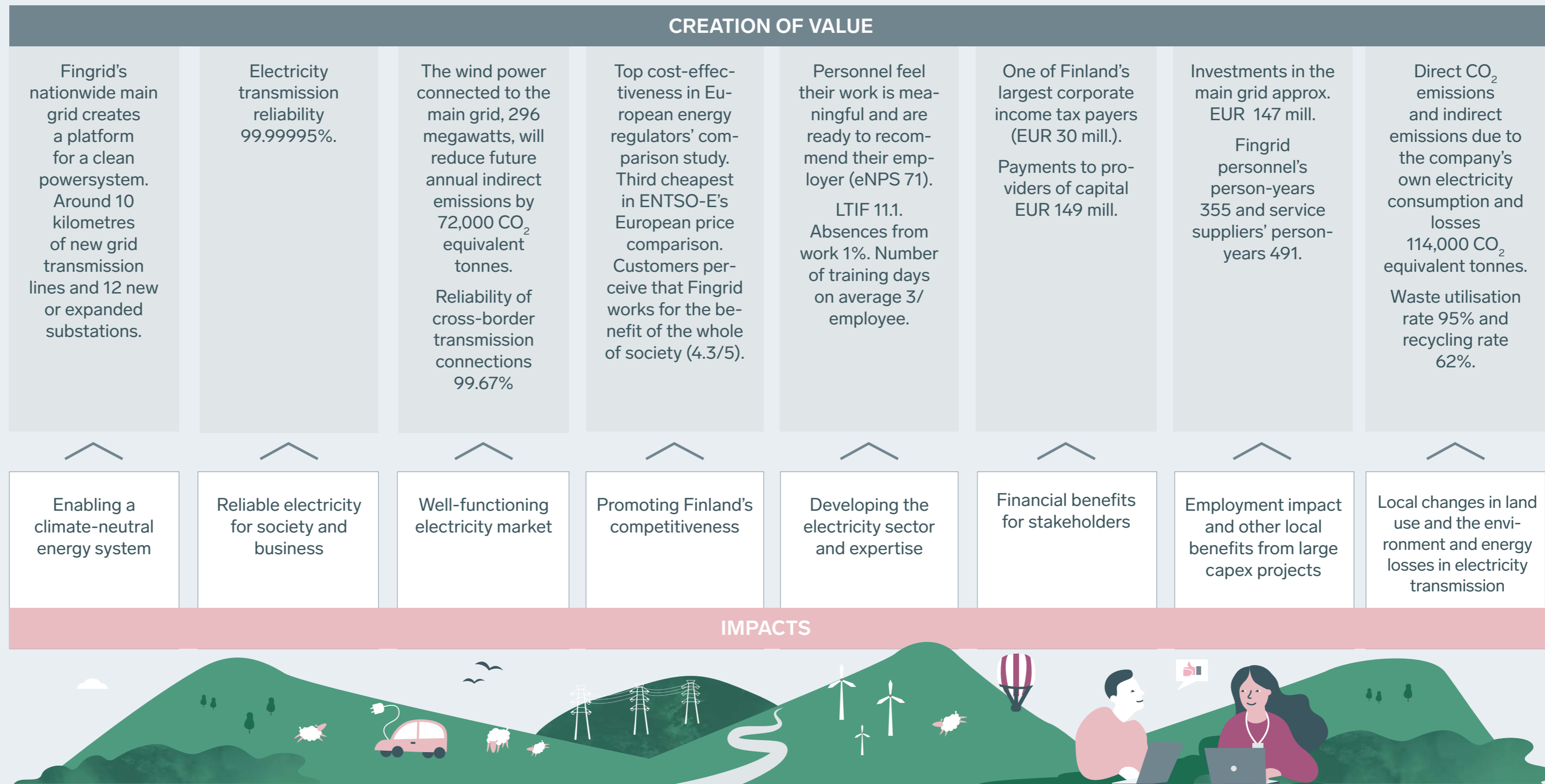
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VALUE CREATION

Through its business, Fingrid creates significant shared value for its customers, employees, shareholders and the whole of Finnish society.

Value created by Fingrid in 2020



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5. FINGRID'S REPUTATION, CUSTOMERS AND OTHER STAKEHOLDERS

REPUTATION

Transmission system operators play a special role in society, both in Finland and elsewhere. They are entrusted with a responsibility for the functioning of a vital service for society, the power system. TSOs hold the role of closely regulated natural monopolies.

In Fingrid's point of view, the trust and support of stakeholders is a vital issue. A company with a good reputation can attract better employees, has more satisfied customers, can get more affordable financing and enjoys the support of society. Furthermore, society can intervene in the operations of a TSO by changing regulation, if the company does not accomplish the duties assigned to it. Reputation management is a part of our strategic management. We regularly gauge our reputation among our key stakeholders and develop our operations according to the feedback we receive.

In 2019 and 2020, T-Media studied Fingrid's reputation and the respondents' awareness of Fingrid's activities among decision-makers, media, technology students and professionals, and the general public. According to the survey, the more aware the respondent was of Fingrid, the more satisfied they were with the company. However, as a company, Fingrid is not well known.

Fingrid's achievements have received international recognition: in 2018, we were awarded as the world's Best Transmission Brand in the international CHARGE energy branding competition. During the period under review, Fingrid hosted a TSO reputation webinar in the global CHARGE conference.

CUSTOMERS

Fingrid provides grid services and electricity market services to its customers: utility companies, electricity-consuming industry and electricity market operators. Fingrid's operations are largely based on performing statutory duties. We conduct our duties with a maximum customer focus, impartially and on equal terms.

We develop our services in cooperation with our customers. We take into account our customers' needs and their business challenges. The foundation for our customer work is listening and clear communication. Our aim is to be impartial and have due consideration for the varying needs of different industry players. We aim to maintain our grid service fees among the most affordable in Europe. We have been able to lower our grid service fees by more than 10 per cent since 2017, and they will remain at the previous year's level in 2021.



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In addition to being able to offer services that meet customer needs, we value openness, trust and active interaction with our customers. We engage our customers in developing our operations through, for example, the Advisory Committee, customer committees, and reference groups. Furthermore, we make our plans public for customers' comments and meet our customers one-on-one for feedback dialogue. We carry out extensive annual customer surveys to measure customers' satisfaction with Fingrid and to collect feedback for developing our operations. According to the 2020 customer satisfaction survey, our customers' trust in Fingrid remains strong and our work for the benefit of society at large is considered a particular strength. Our customers gave us a Net Promoter Score of 45, a good result for a monopoly company in a business-to-business industry.

Digitalisation will empower us to offer even better customer service. We launched My Fingrid service portal for our customers in 2019. In My Fingrid, customers can view various metrics such as transmission metering, invoicing and reactive power, as well as disturbance and unavailability data. The service was developed further in 2020, and new functionalities have been added continuously based on customers' needs and wishes.

The key functionalities launched in 2020 include power quality metrics, a documentation library, and support for the English language. The user interface was additionally modified to meet the requirements of the EU Accessibility Directive. A My Fingrid development team composed of customers also started its activities in 2020. In the future, the development team will participate in the steering and brainstorming of My Fingrid system development.

During the year, we organised two major customer events and several info sessions and webinars targeted at smaller audiences, concerning topics such as the datahub project and the 15-minute imbalance settlement project. The Fingrid Current event in March focused on the Baltic Sea region as a forerunner in the European electricity market. Exceptionally, the autumn event took place online and focused on the major changes in the electricity market, ranging from the go-live of the centralised information exchange system for the retail market, i.e. datahub, to the major changes faced by the wholesale electricity market. The event attracted as many as 400 participants interested in the electricity market.

Our grid services secure reliable transmission, capable of meeting the needs of

> We value openness, trust and active interaction with our customers.

utility companies and energy intensive industry. Our value proposition is to offer reliable and affordable electricity transmission. Our grid services consist of connection into the main grid and developing, operating and maintaining the grid according to the customer's transmission needs. We implement the grid connections the customer needs, we ensure compatibility between the main grid and the customer's networks and guarantee the transmission capability and quality of electricity at the connection points. We make sure that Finland's power system operates reliably 24/7 and also prepare for any unusual contingencies. We carefully plan our maintenance activities and transmission outages in advance to minimise any disturbance they may cause to our customers.

In 2020, we were successful in accomplishing our value proposition of reliable and affordable electricity transmission. The reliability of electricity transmission hit an all-time record and our grid service fees were among the most affordable in Europe. Significant amounts of wind power capacity are currently being planned and under construction. We received around 160 inquiries about main grid connections, totalling tens of thousands megawatts in capacity. The connection agreements signed during the year enable the grid connection of roughly 1,800 MW of new wind power capacity. We also received enquiries about the grid connection of new types of consumption.

Our electricity market services offer all industry players a unified price area for electricity trade in Finland and the benefits of open European electricity markets. According to Fingrid's value proposition, we are the most market favourable transmission company. By maintaining a strong main grid, we make sure that Finland forms a unified price area for electricity. By means of our cross-border transmission connections, we offer access to the European electricity markets. We provide the market with the highest possible transmission capacity at all times. We develop the market rules and publish electricity market data openly and free

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of charge. In addition, we maintain and develop the marketplaces for reserve and balancing power. We take care of balance settlement and deliver imbalance power to the balance responsible parties. Fingrid Datahub Oy, our subsidiary, will offer an effective information exchange platform for retail market parties in the near future. Finextra Oy issues guarantee-of-origin certificates for renewable energy.

In 2020, the full cross-border transmission capacity was utilised for Finland's electricity imports from Sweden. Our transmission capacity did not meet the needs of the market, but our cross-border transmission connections functioned very well nevertheless and we succeeded in making the existing transmission capacity available to the market. More transmission capacity will become available between the countries in 2025. We have also made preparations to significantly increase the transmission capacity between northern and southern Finland in order to keep Finland as a single price area. Another area of the electricity market services visible to the customers are the various power market development projects we have carried forward in cooperation with other TSOs and customers. Along with international projects, a more concrete national initiative was the datahub, which has required significant inputs

also from our customers, in their own IT systems.

FINGRID'S STAKEHOLDERS

Fingrid's operations have a major impact on the surrounding society. In addition to the customers, the company also has several other key stakeholders that we identify using a materiality analysis, for example. The starting point for identifying key stakeholders is to describe the expectations of stakeholders and Fingrid's activities that respond to the expectations. Being open to the stakeholders' expectations is an essential part of our reputation management and sustainable business. We offer our stakeholders information about corporate responsibility work in more detail in the [Corporate Responsibility and Sustainable Development Report](#) included in our Annual Report.

Advisory Committee

The Advisory Committee and the two other customer committees (Grid Committee and Market Committee) play an important role in ensuring interaction and that the customer's voice is heard. The Advisory Committee deals with the company's entire field of operations and its success in its duties. The information addressed by the Advisory Committee is openly available to all stakeholders. The Advisory Committee convened four times during the year. The topics addressed in

Fingrid's key stakeholders and channels of engagement



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the 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.

Members

Timo Jokinen, Inergia Oy
 Elina Kivioja, Vattenfall Oy (chair)
 Jarkko Kohtala, Elenia Oy
 Mika Lehtimäki, Boliden Kokkola Oy
 Markus Lehtonen,
 Helen Sähköverkko Oy
 Mikko Lepistö, SSAB Europe Oy
 Simon-Erik Ollus, Fortum Oyj
 Jouni Pylvänäinen,
 Kymenlaakson Sähköverkko Oy
 Jukka Toivonen, Vantaan Energia Oy
 Ilkka Tykkyläinen, Pohjolan Voima Oyj
 Antti Vilkuna, Suomen Voima Oy
 Mikko Vuori, UPM Communication
 Papers Oy

Members from Fingrid

Jukka Ruusunen
 Jussi Jyrinsalo
 Rami Saajoranta (secretary)

Service-specific committees

The customer committees deal with matters in their respective sectors. The cus-

tomers' committees were renewed starting from 2020, to correspond with the renewed services. The committees are advisory bodies that offer insights into Fingrid's operations and the services offered to customers.

Grid Committee:

The purpose of the Grid Committee is to participate in developing the service to ensure we can offer reliable transmission of electricity in the main grid according to the needs of utility companies and energy intensive industry.

During 2020, the Grid Committee's meetings focused on the various subareas in grid services. The participants prepared their own statements on the topics to be addressed in the meetings. The meetings additionally included industry-specific presentations by customers.

Members:

Tuomas Candelin-Palmqvist,
 Tuuliwatti Oy
 Hannu Halminen,
 Sallila Sähkönsiirto Oy
 Mikael Heikkilä, Fortum Oyj
 Sakari Kauppinen,
 Alva Sähköverkko Oy
 Petri Kopi, Kemira Chemicals Oy
 Anne Kärki, Outokumpu Stainless Oy
 Heikki Paananen, Elenia Oy

Hannu Parkkonen, Kuopion Energia Oy
 Jyri Tiuraniemi, Rovakaira Oy
 Mikko Rintamäki, Kokkolan Energia Oy
 Timo Torvela, Tuike Finland Oy
 Katja Virkkunen, Oulun Energia Siirto
 ja Jakelu Oy (chair)
 Jarno Virtanen, Nivos Energia Oy

Members from Fingrid:

Jussi Jyrinsalo
 Jonne Jäppinen
 Timo Kiiveri
 Petri Parviainen
 Reima Päivinen
 Katariina Saarinen (secretary)

Market Committee

The Market Committee brings together Fingrid and the electricity market parties active in Finland. The committee is an advisory discussion forum, which helps Fingrid to develop the Nordic and European electricity markets. Fingrid informs the committee on the development in the electricity market and on European cooperation, and in return receives feedback on any development plans topical at the time from the committee.

The meetings held in 2020 addressed topics such as the development of open data services, comparisons between Nordic transmission tariffs, the Nordic Balancing Model, calculation of transmis-

sion capacity, and supervision of reserve markets. The customers additionally took turns in presenting their operations and their views on the development of the electricity market.

Members

Peter Fabritius, Valio Oy
 Hannu Jokinen, Hansen Technologies
 Finland Oy
 Marja Kaitaniemi, Neoen Renewables
 Finland Oy
 Tero Karhumäki, Kuoreveden Sähkö Oy
 Juha Keski-Karhu, Väre Energia Oy
 Elina Lehtomäki, Caruna
 Tomi Pesonen, Metsä Group
 Ville Pesonen, Gasum Oy
 Ilkka Tykkyläinen, Pohjolan Voima Oyj
 Jan Segerstam, Enerim Oy
 Sebastian Sundberg, Fortum Oyj (chair)
 Kimmo Tyni, AXPO Oy
 Ville Väre, Liikennevirta Oy/Virta

Members from Fingrid

Asta Sihvonen-Punkka
 Maria Joki-Pesola (secretary)

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6. FINANCE AND TREASURY

Fingrid's business activities and the regulation of transmission system operations

Fingrid constitutes a natural monopoly as referred to in the Finnish Electricity Market Act (588/2013), with duties defined in legislation. The company's operations, reasonableness in pricing and financial result are regulated and overseen by the Energy Authority. The Energy Authority determines Fingrid's allowable financial income over four-year regulatory periods (2020–2023). Transmission system operations, in other words the transmission of electricity in the nationwide grid owned by the company, constitutes the bulk of Fingrid's turnover, profit and balance sheet. The allowed financial result

- The company's transmission system operations are third most affordably priced in Europe.
- In 2019, we were Finland's 17th largest corporate income tax payer.
- In 2020, Fingrid paid its owners, the State of Finland and Finnish pension and insurance companies, a total of EUR 148 million in dividends.

from transmission system operations is calculated by multiplying the total adjusted capital invested in the transmission network operations (transmission network assets valued at the regulatory value in use) with the reasonable rate of return defined by the Energy Authority. The reasonable financial result allowed by the regulation forms the basis of Fingrid's financial planning and pricing. The required amount of turnover can be calculated by adding up the operating expenses and the result.

Fingrid's turnover mainly constitutes from the pricing of the transmitted electricity, based on both the production and consumption by Fingrid's customers. Fingrid additionally charges fees for output from and input into the main grid, consumption fees, and power-based tariff. Most of the overall invoicing is linked to the consumption of electricity. The company determines in advance for the next year the unit prices for the transmission of electricity necessary to recover the required turnover. Fingrid's total costs consist of the operating expenses and finance costs and taxes, which are excluded from the regulatory calculations.

The so-called adjusted profit, realised in compliance with the regulation, is

Cost-effective operations ensure affordable grid service fees.

calculated by adjusting the parent company's operating profit according to the Energy Authority's regulation methods and by adding the impact, either positive or negative, of the incentives. The incentives include capex, quality, efficiency improvement and innovations incentives (R&D).

Any realised regulatory profit over a regulatory period that exceeds the allowed return constitutes a surplus that must be returned to the customers in the form of lower future prices. If the realised regulatory profit over a regulatory period is below the allowed return, this leads to a deficit which Fingrid may recover from the customers in the form of higher future prices. No regulatory surplus or deficit income is recorded in the financial statements. The aim of Fingrid's business operations is to achieve the allowable financial income over the regulatory period.

Goals for financial steering

The key long-term goals for Fingrid's financial steering are as follows:

- Good cost-effectiveness, responsible operations, and continuous improvement of productivity in order to maintain service pricing on a moderate level. The company's goal is to be among the most cost-effective TSOs in Europe

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and maintain its grid pricing among the three most affordable in its peer group (companies with a similar grid).

- High credit rating to ensure the long-term availability of diversified funding and affordable funding costs. The company aims to maintain a credit rating of at least 'A-'.
- Creating shareholder value and high debt service capacity, which is achieved by maintaining the company's adjusted income on the level allowed by regulation and paying dividends that correspond to shareholders' profit targets and ensure continuing operations.

Cost-effective operational activities

Our cost-effectiveness is based on an operating model where we focus on our basic mission and merge our core competence with the best players in the industry. We actively plan our operations in cooperation with our customers and invite external parties to participate in our innovation processes. This produces better and more efficient solutions in areas such as grid investments and development.

Fingrid has outsourced operations such as grid construction and maintenance to help optimise the use of financial and

production resources in a scalable manner. The monitoring and control of the main grid takes place in a centralised system. More and more, we make use of the possibilities created by digitalisation in areas such as grid maintenance and optimising the power system. Good examples include the [Load Frequency Control](#) to support the implementation of the new balancing model and the progress made in the [digital maintenance management project](#). Fingrid's management system is based on a matrix organisation and specialists' mandates to participate in the company's activities across organisational boundaries. [This increases the efficiency of operational activities.](#)

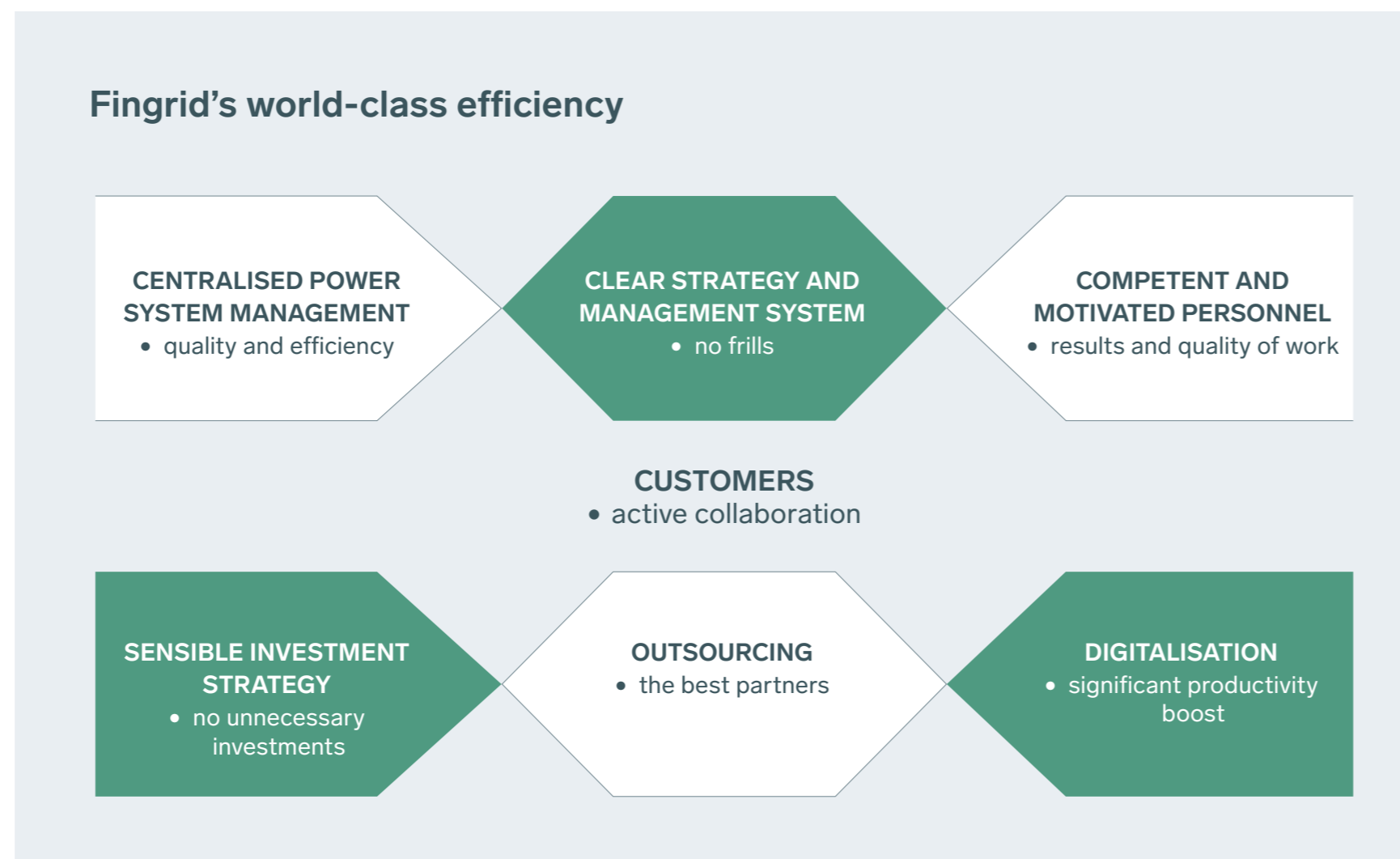
Grid pricing

Fingrid aims to guarantee the stable pricing development of its services. Neither investment decisions nor any other decisions are dictated by our short-term financial targets. Our transmission fees have an impact particularly on the competitiveness of electricity-intensive industries. While Fingrid does not sell electricity directly to consumers, the small size of the grid service fee portion in an electricity bill makes our cost-effectiveness evident also to consumers. Sales, transmission and taxes each make up a third of consumer electricity prices. In 2020, the transmission tariff accounted

for an average of 2.4 per cent of the total bill (in a calculation where the household consumer's consumption is approximately 5,000 kWh/year).

Fingrid's grid service prices generally apply one year at a time. The aim of the pricing is to secure as stable development as possible, despite market-term uncertainties. However, major volatility on the market may necessitate upward or downward price adjustments even within a single year. The pricing of imbalance settlement and cross-border transmission services is more dynamic, generally on a quarterly basis, reflecting the nature of these services and the need to respond to changes more quickly.

The company's consistently high rankings in the annual international comparison studies on the cost-effectiveness and quality of TSOs (ITOMS and ITAMS), and the international certification for the management of physical assets (ISO 55001) granted to Fingrid are indications of the cost-effectiveness of the company's operations and of its effective management of cost and other risks related to grid assets. The Council of European Energy Regulators' (CEER) benchmarking study placed Fingrid among the most cost-effective TSOs in Europe in 2019.



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Capital management

Equity and liabilities as shown in the balance sheet are managed by Fingrid as capital. The balance sheet according to the company's accounting is smaller than the balance sheet under the Energy Authority's regulations, in which grid assets have been measured at the regulatory present value in use. The company's borrowings are presented at their carrying amount also on the regulatory balance sheet. Equity on the accounting balance sheet is, of course, smaller than equity on the regulatory balance sheet, which balances out the difference in the grid asset carrying amount and the actual present value in use.

The company has not set specific key figure targets for accounting balance sheet or regulatory balance sheet capital management, but instead monitors and controls the overall situation, for which credit ratings and their underlying risk analyses and other parameters create a foundation. The company must have a solid capital structure to support consistently strong credit ratings and to secure reasonable cost of capital and adequate dividend pay-out capability. The principal aim of Fingrid's capital management and grid asset management is to ensure uninterrupted operations and value retention as well as rapid recovery from any exceptional circumstances.

Financing

The company takes advantage of the opportunities offered by credit ratings at any given time on the international and domestic financial markets. Market-based and diversified financing is sought from several sources. Fingrid's existing loan agreements as well as debt and commercial paper programmes are unsecured and do not include any financial covenants based on financial ratios.

The company is exposed to various financing risks such as market risks, liquidity risks, counterparty risks and credit risks. The aim of financing risk management is to protect shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financial costs within the risk limits.

Fingrid operates in the debt capital, commercial paper and loan markets as follows:

- For long-term financing (more than 12 months), the company has an international Medium Term Note Programme (EMTN Programme), totalling EUR 1.5 billion.
- For short-term financing (less than 12 months), the company has an international Euro Commercial Paper

Programme (ECP Programme) totalling EUR 600 million.

- Fingrid additionally has a domestic commercial paper programme totalling EUR 150 million.

Furthermore, Fingrid has bilateral loan agreements with commercial banks and both the European Investment Bank (EIB) and the Nordic Investment Bank (NIB). To secure liquidity, the company has a revolving credit facility and overdraft facilities at its disposal.

Green financing

Green financing is an important part of Fingrid's financing strategy and responsible operating model. Fingrid was the first Finnish company to issue a [Green Bond](#) in 2017. More detailed information on green financing is available in the [Corporate Responsibility and Sustainable Development Report](#) contained in our Annual Report.

FINANCIAL RESULT FOR 2020

Fingrid's financial result for 2020 was weaker than planned, mainly due to exceptionally warm weather. We lowered our transmission tariffs by an average of eight per cent starting from 1 January 2019, and we are keeping them unchanged for 2020 and 2021. Fingrid's own calculations indicate a roughly EUR

- > Green financing is an important part of Fingrid's financing strategy and responsible operating model.



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30 million deficit for 2020 compared to the result allowed by the regulation. Our credit ratings remained high, reflecting our strong overall financial situation and debt service capacity.

Fingrid is still one of the TSOs with lowest prices in Europe, while the company's transmission reliability is among the best in the world. The company's long- and short-term debt management and hedging against financing risks in the international capital markets continued according to plan. The effective use of capital employed

is a key success factor for uninterrupted and continuously developing grid operations, and that will remain in our focus. Overall, the company's finances and financing are on a stable footing, which enables a controlled transition to a clean power system.

The Group's turnover was EUR 682.5 (789.4) million. Grid service income decreased to EUR 373.6 (385.0) million, due to the low energy consumption during the unseasonably warm winter months. Finland's electricity consumption

totalled 80.9 (86.1) terawatt hours in 2020. Imbalance power sales also decreased year-on-year, to EUR 260.8 (346.7) million, due to the low electricity prices. Cross-border transmission income from the connection between Finland and Russia decreased, to EUR 6.9 (11.6) million, due to a lower transmission volume, affected by Finland's low area price compared with north-western Russia. As a result of the transmission situation in the Baltic Sea region, ITC income increased to EUR 171 (14.4) million. Other operating income declined to EUR 2.4 (4.2) million. The Group's total costs amounted to EUR 569.3 (651.6) million. Imbalance power costs decreased, due to low electricity prices, and totalled EUR 234.4 (323.5) million. Loss power costs amounted to EUR 52.6 (53.9) million. The volume of loss power grew slightly, while the price of loss power procurement decreased. The realised average price of loss power procurement was EUR 38.03 (39.57) per megawatt hour. The cost of reserves to safeguard the transmission system security increased to EUR 63.5 (55.9) million, mainly due to the increased hours procured for frequency restoration reserves (FRR). Depreciation amounted to EUR 98.5 (97.8) million and grid maintenance costs to EUR 23.6 (21.6) million. Personnel costs increased to EUR 31.2 (26.4) million because of

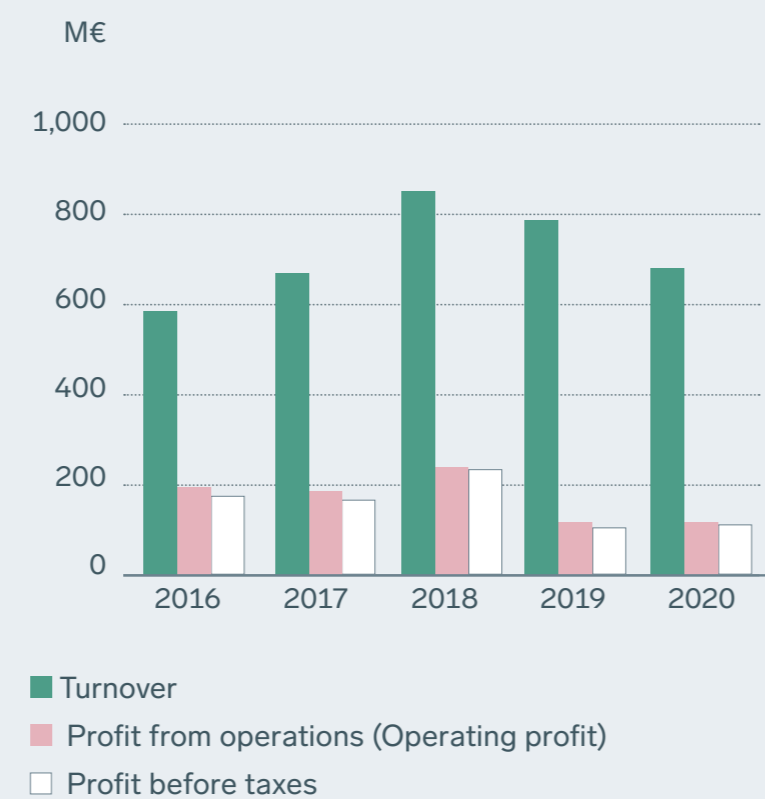
Data is a critically important form of capital, the foundation of digitalisation and a prerequisite for high-quality expert work. The energy revolution calls for investments to be made in data centralisation, refinement and dissemination. Cost-efficiency and time-savings can be realised by automating processes with the help of data.

[Watch Fingrid's Data management video](#)

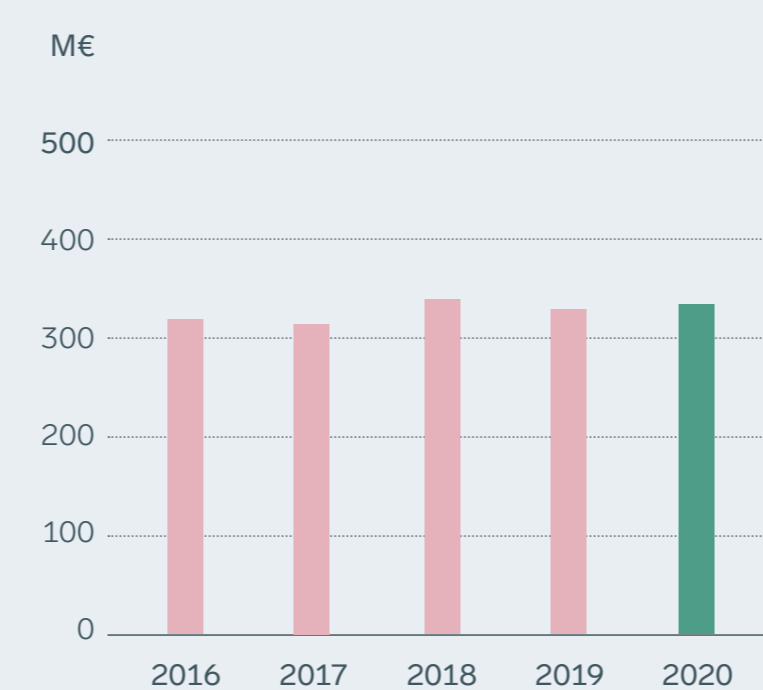
the higher headcount in response to a growing workload, both domestically and in international cooperation.

The Group's net financial costs were EUR 4.0 (10.1) million, including EUR 0.7 million in interest expenses on the lease liabilities booked into the balance sheet. Fingrid's financial capital consists of equity and liabilities, in other words debt financing. In 2020, equity amounted to 27.4% and liabilities amounted to 72.6% of the consolidated balance sheet total. Equity according to the regulatory balance sheet as required by the Energy Authority was 60.2% and the corresponding liabilities 39.8% in 2020.

Turnover and profit from operations 2016–2020, MEUR



Total costs (without imbalance power) 2016–2020, MEUR



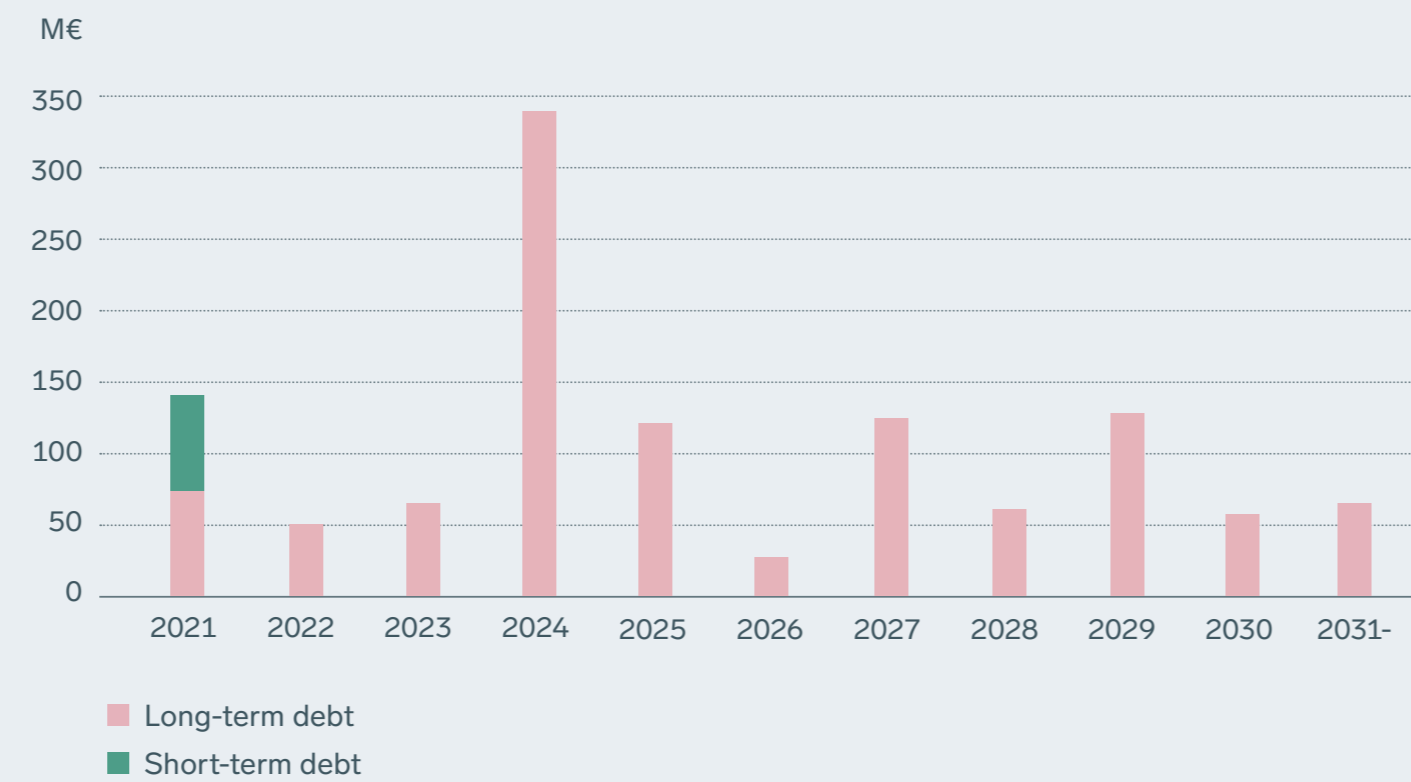
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Debt maturity profile, MEUR



Interest-bearing borrowings totalled EUR 1,174.9 (1,120.0) million, of which non-current borrowings accounted for EUR 1,032.8 (884.7) million and current borrowings for EUR 142.1 (235.3) million.

The company's liquidity remained good. Cash and other financial assets totalled EUR 125.9 (82.8) million on 31 December 2020. The company additionally has an undrawn committed revolving credit facility of EUR 300 million to secure liquidity (until 11 December 2022)

and a total of EUR 225 million in committed and uncommitted bilateral facility arrangements with banks. The counterparty risk arising from derivative contracts relating to financing was EUR 26.2 (22.4) million. Fingrid's foreign exchange and commodity price risks were hedged.

We provide more information on our tax obligations and tax footprint in our [Corporate Responsibility and Sustainable Development Report](#).

CASE

STANDARDISED SUBSTATIONS INCREASE COST-EFFECTIVENESS

Fingrid improves the cost-effectiveness of the substations in its transmission system through standardisation, meaning that the long-term construction solutions of the stations always follow the same proven design types. This shortens the lead times of construction projects and makes maintenance easier, which in turn leads to better quality and cost savings. The earlier standard solutions in Fingrid facilities include using slab foundations for reactors, which leaves more degrees of freedom for reactor suppliers in the external dimensions of reactors and enables more efficient and safer maintenance work. A standardisation process is currently underway in the secondary systems, with the related system tests having gone on intensively for around two years. Due to the coronavirus pandemic, some tests originally planned to be carried out onsite in the UK had to be done online.



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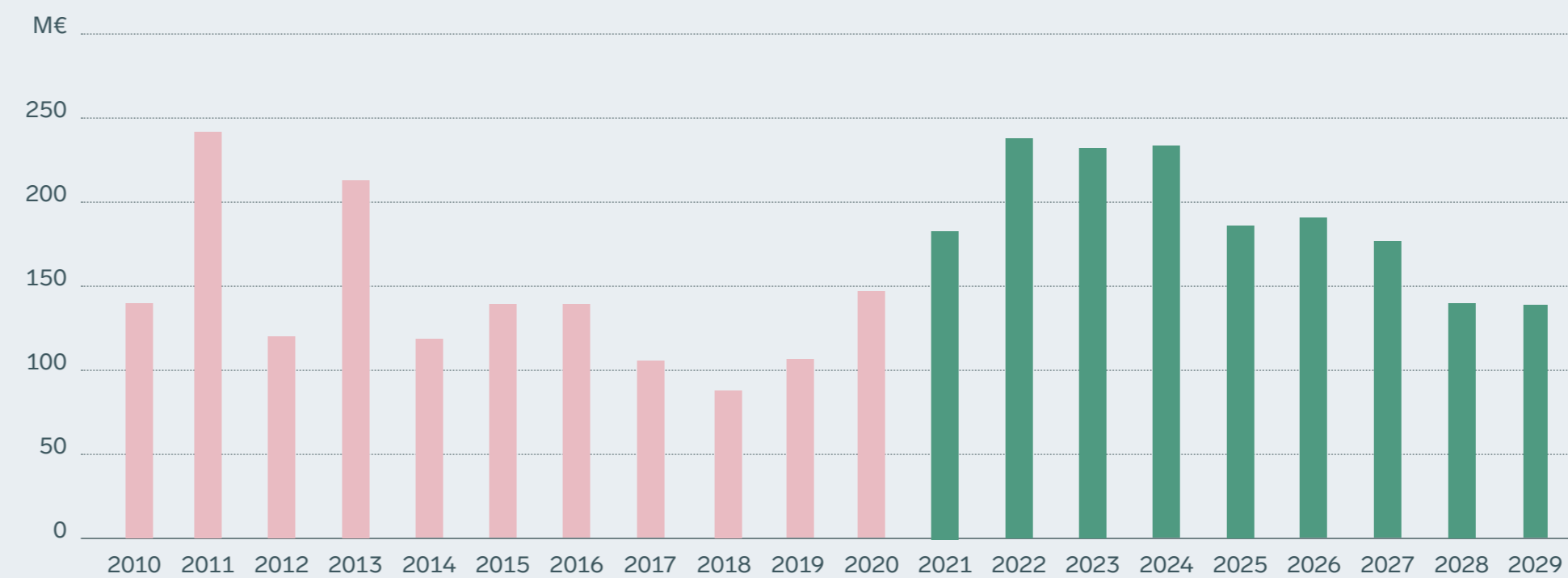
7. BUSINESS OPERATIONS

MAIN GRID

The starting points for Fingrid's capital expenditure include the needs of society and the customers, developments on the European internal market in electricity, securing the preconditions for the company's business operations, and the financial and business targets set by the owners. The investments must be cost-effective and financially profitable. The long-term planning of the main grid and the related investment programme support the implementation of the national climate and energy strategy, maintain system security, increase transmission capacity, and promote the electricity market.

In this decade, Fingrid will make record investments of two billion euros in Finnish electricity networks and substations. The main grid will be substantially reinforced, as the goal of a climate-neutral Finland by 2035 means that the generation and consumption of emission-free electricity will increase significantly. The foundation for investments is laid by long-term planning, cost-effectiveness, and by meeting the needs of society and the customers. Investments will be required especially due to the stronger than forecasted growth of wind energy production. Grid planning takes place in close cooperation with the customers and the other TSOs in Europe and the Baltic Sea region.

Fingrid's capital expenditure in the main grid



We are now experiencing the second wave of wind power construction, which can be seen in the larger sizes of the projects. In 2020, we built transmission lines and substations extensively throughout Finland. Roughly ten kilometers of new transmission lines and 12 substations were completed. Around 570 kilometres of transmission line and 22 substation are under construction. Fingrid currently has around 250 kilometres of new transmission lines in the general planning phase. For Fingrid, the expansion of construction activities increases the risk of not being able to meet the higher expectations at an adequate speed. Delays may occur in the

customers' grid connections, or the transmission capacity may be inadequate. The sufficiency of north–south transmission capacity (so-called Cross-section Central Finland) has been bolstered with extensive investments, such as by building the Forest Line, a roughly 300-kilometre-long transmission connection consisting of several subsystems. Individual local grid reinforcement needs have been taken into account by starting a record number of investment projects throughout Finland. Also earlier capex plans have been brought forward. The challenges involved include securing the adequacy of resources, and maintenance and outage man-

agement going on simultaneously with grid construction projects; new operating models have been developed to address them. In the local control measures of capex projects, increasing use is made of remote control techniques and cooperation with external supervision consultants. We have also successfully met challenges related to the grid maintenance backlog throughout this process. Investment projects have been streamlined by eliminating work that can be classified as maintenance. In our new improvement maintenance model, this type of work is compiled into sensible maintenance packages.

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During a busy stage of construction work, we make sure that all the related parties are equally aware of all the necessary connections. We design and build the grid as flexibly as we can and using solutions that match several different future scenarios. It is also our duty to communicate actively and to influence the development needs of our operating environment. Any required changes must be initiated quickly, which means Fingrid must have the capability to adapt, be flexible and to prioritise as needed. The work related to construction and maintenance is procured by making use of both the company's in-house and outsourced resources in a flexible combination.

Increasing wind power production requires capability to connect decentralised generation capacity into the main grid. We proactively build so-called power collection substations and implement any necessary upgrades in the surrounding network.

In 2020, we started up work on a grid vision aiming to create an understanding of the development needs in the main transmission grid (400 kV and 220 kV) and proposed solutions for the long term. The selected review years of the grid vision are 2035 and 2045 to enable a sufficiently long-term approach in terms of the grid planning. In particular 2035 will be an interesting review year as it coin-

cides with the deadline set for Finland's carbon-neutrality goal.

Construction projects all across Finland. Fingrid's ongoing major electricity transmission projects during the period under review include the construction of a transmission line from Oulu to Petäjavesi, the so-called 'Forest Line'. The construction of a third AC connection to Sweden is under preparation, to boost the functioning of the international electricity markets. Another project currently in the planning phase is the upgrading of the Oulu–Lappeenranta connection, or 'Lake Line'. These projects constitute a part of the electricity infrastructure necessary for a climate-neutral Finland.

Forest Line – an enabler of many benefits. The Forest Line will substantially increase the north–south transmission capacity necessary for the Finnish electricity system. The roughly 300 kilometres long, 400-kilovolt transmission link is being built in place of or next to the current power lines, running from Petäjavesi through Haapavesi and to Muhos. The project progressed well, despite the exceptional circumstances, and is due for completion in 2022. We additionally carried out modifications related to the Forest Line at the Petäjavesi and Toivila substations. [Watch the video on Metsälinja.](#)

CASE



HISTORIC GRID SYSTEMS UNDER MODERNISATION

The first substation of Finland's main grid, the [Imatra substation](#) completed in 1929, continues to be an important component of the transmission grid in South Karelia. Due to the extensive industrial activity still present in South Karelia, Lappeenranta ranks third in the volume of electricity consumed in Finland's municipalities, behind Helsinki and Tornio.

The original switching substation, which had reached the end of its life-cycle, was replaced with a new station completed in the summer of 2020. The substation has been designed in cooperation with the Finnish Heritage Agency, the regional Centre for Economic Development, Transport and

the Environment, and the City of Imatra, honouring the historic Imatra rapids landscape, including its protected sites. Modernisation and foundation work also started on the Imatra–Huutokoski transmission line, originally built in the 1930s, during the summer. The project is due for completion in the autumn of 2022 and will consist of modernising 130 kilometres of transmission line and replacing the wooden towers with steel ones.

Read more: [Renovation of Imatra substation completed](#)

[See a drone video to enjoy an aerial view of the new substation](#)

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New transfer connection to Sweden will de-bottleneck the power system. We are preparing, in cooperation with the Swedish TSO Svenska kraftnät, a new transmission connection from Pyhänselkä at Muhos via Keminmaa to Messaure in Sweden. Due for completion in 2025, the transmission line will even out the price differences between the countries and improve the availability of electricity in Finland. Fingrid's and Svenska kraftnät's joint project has been included in the European Commission's list of Projects of Common Interest (PCI). In March, the Finnish and Swedish energy authorities decided on the cost-sharing

principles to be applied to this capex project. The estimated capital expenditure is EUR 250 to 300 million.

Grid upgrade in North Karelia to increase system security. The transmission line being built in the municipality of Kontiolahti and the city of Joensuu to reinforce the grid in North Karelia is proceeding as planned. The project will be completed in the spring of 2022.

Lake Line to reinforce north-south transmission capacity. The planning for Lake Line from Oulu to Lappeenranta, a

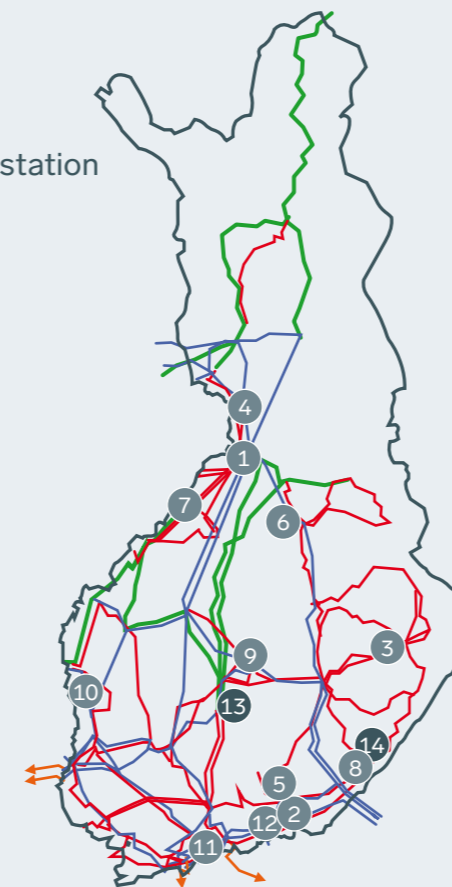
Substation projects, completed

- 1 Refurbishment of the 110-kV Pikkarala switching station
- 2 The new 110-kV Tehtaanmäki substation
- 3 Expansion and refurbishment of the 110-kV Kontiolahti switching station
- 4 Expansion of the 110-kV Isokangas switching station
- 5 Expansion of the 110-kV Kymi switching station
- 6 Expansion of the 110-kV Vuolijoki switching station
- 7 The new 110-kV Raahe substation and the expansion of the 110-kV Siikajoki station
- 8 Modernisation of the 110-kV Imatra substation
- 9 Expansion of the 110-kV Koivisto switching station
- 10 Connection of the Kristiina reserve power plant
- 11 Modernisation of the 110-kV Ruotsinkylä switching station
- 12 Refurbishment of the 110-kV Pernoonkoski switching station

Transmission line projects, completed

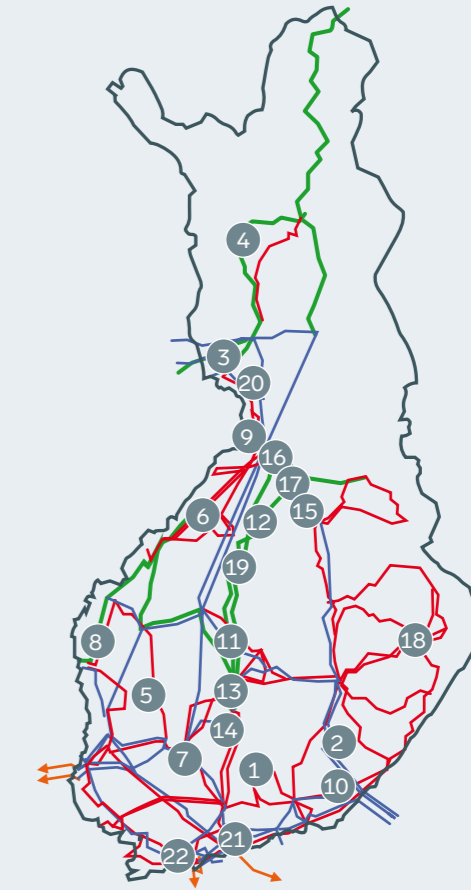
- 13 Lentola-Lahdesjärvi 110 kV (10 km)
- 14 Modifications to the transmission lines at Imatra

- 440 kV transmission line
- 220 kV transmission line
- 110 kV transmission line



Substation projects, ongoing

- 1 Modernisation of the 110-kV Heinola switching station
- 2 Switched busbar circuit-breaker at Puumala
- 3 Modernisation of the 110-kV Isohaara switching station
- 4 Expansion of the 220/110/20-kV Isoniemi substation
- 5 The 110-kV Julmala substation
- 6 Third transformer at Jylkkä
- 7 Refurbishment of the 400/110-kV Kangasala switching station
- 8 The new 400/110-kV Kärppiö transformer substation
- 9 Modernisation of the 110-kV Leväsuo switching station
- 10 Modernisation of the 110-kV Luukkala switching station
- 11 Hoikansalmi series capacitor station
- 12 Pihlajaranta series capacitor station
- 13 400/110-kV transformer at Petäjavesi
- 14 Relocation of a 110-kV transmission line at Toivila
- 15 The new 110-kV Nuojuankangas switching station
- 16 Expansion of the 400/220/110/20-kV Pyhänselkä substation
- 17 The new 110-kV Utanen switching station
- 18 The new 110-kV Palojärvi substation
- 19 The new 400/110-kV Pysäysperä transformer substation
- 20 The new 110-kV Simojoki switching station
- 21 Modernisation of the 110-kV Tammisto switching station
- 22 Expansion of the 110-kV Virkkala switching station



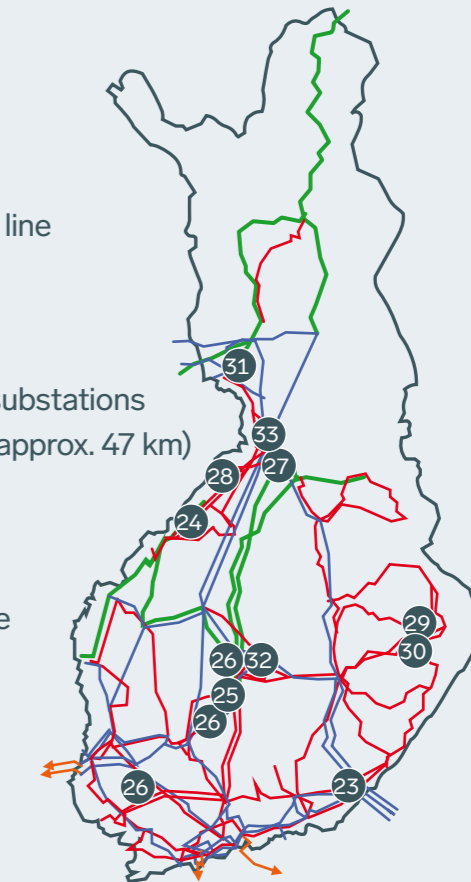
Transmission line projects, ongoing

(in total approx. 570 km under construction)

- 23 Modernisation of the 110-kV Imatra-Juva-Huutokoski transmission line (approx. 130 km)
- 24 Transmission line modifications at Jylkkä (approx. 1.6 km)
- 25 400-kV Petäjavesi-Pyhänselkä transmission line (approx. 296 km)
- 26 Transmission line modifications at the Petäjavesi, Jämsä and Toivila substations
- 27 The new 400+110-kV Pyhänselkä-Nuojuankangas transmission line (approx. 47 km)
- 28 Transmission line modifications between Pyhäkoski and Pyhänselkä
- 29 Modernisation of the 110-kV Kontiolahti-Pamilo transmission line (approx. 40 km)
- 30 Modernisation of the 110-kV Kontiolahti-Uimaharju transmission line (approx. 53 km)
- 31 Relocation of the 110-kV Isohaara-Raasakka transmission line to the Simojoki substation (approx. 1.6 km)

Under general planning (approx. 252 km)

- 32 Hämeenlahti-Hännilä (98 km)
- 33 Aurora Line (154 km)



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transmission connection almost equal in length to the Forest Line, consisted of environmental assessments during the period under review. The targeted start of construction is in 2024 and the transmission line is due for completion in 2026.

Record number of substation projects.

In 2020, we had more than 30 substation projects in the implementation phase. Twelve of them were completed during the year, Nine more will be completed in 2021 and twenty in 2022. Several investment decisions were made during the period. Wind power interconnections have in particular increased the capex needs.

- New wind power stations with a total capacity of roughly 4,000 megawatts are planned in the area between Kristinestad, Vaasa and Seinäjoki. Haapajärvi and the neighbouring municipalities, in central Finland, are planning new wind power projects totalling more than 1,000 megawatts. We made investment decisions to build a substation at Pysäysperä in the municipality of Haapajärvi and another substation at Kärppiö in the municipality of Teuva. The total capital expenditure will be roughly EUR 55 million. The investments include the substations as well as the modifications to the surrounding transmission lines necessary for linking the transmission lines with the new substations. The

planned commissioning dates for the substations are in the summer of 2022.

- A 400/110-kilovolt substation will be modernised at Tammisto in Vantaa. The investment will improve the system security of electricity supply in the Helsinki region. The Tammisto substation is one of the stations supplying electricity to the capital region and a key node of the main grid. The construction work on this project will start in June 2021. The new substation will be commissioned in late 2022.
- The 110-kilovolt Luukkala substation in Lappeenranta, which plays an important role for electricity transmission in the South Karelia and Lappeenranta area, will be modernised. The station is the starting point of several grid ring connections and also supplies the city of Lappeenranta as well as local industries with electricity. The project will be completed in the autumn of 2023.
- The Jylkkä substation, located in Kalajoki, will be expanded and fitted out with a third transformer, making the substation Finland's most important connection point for wind power. The project will be completed during 2022.
- During the period under review, investment decisions were made concerning

CASE

NEW LIGHTWEIGHT CONNECTION STATIONS IMPROVE THE QUALITY OF ELECTRICITY

There is some variation in the transmission reliability in Finland's main grid, depending on the connection method. The system security is at its weakest when customers are connected to long transmission lines on the main grid by branch lines. These customers can be affected by downtimes if any faults or maintenance outages occur on the trunk line and the lines connecting to it.

North Karelia is one area with these types of connection lines vulnerable to outages, and Fingrid decided to improve the situation by building new connection stations in cooperation with the local companies Outokummun Energia and PKS Sähkönsiirto. Fingrid will build 110-kV connection stations on the Kontiolahti–Alapitkä and Kontiolahti–Varkaus grid sections, to divide the long transmission lines into shorter sections. The stations are expected to be completed in 2022.

A connection station is a reliable, simplified switching substation with around 50% lower operating costs compared with a regular power system substation. The goal for the new stations is to substantially improve the quality of electricity and the security of supply.

Read more

[New lightweight connection stations](#)



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the refurbishments of the substation located in Kangasala and the Isohaara substation located in Keminmaa.

- A 400/110-kilovolt substation system will be expanded and modernised in Alajärvi. New wind power capacity amounting to roughly 2,000 megawatts is currently under construction or planning in the vicinity of Alajärvi. The connections for the new capacity require upgrades in the main grid. The project is due for completion in 2023.
- The 220/110-kilovolt Kellarijänkä substation is under construction in Kemijärvi to prepare for future wind power connections. The new substation will also promote the development of distribution networks and improve system security in the area. It will also enable the connection of a new biorefinery project under planning in the area. The project will be completed during 2023.

Life cycle management backed up by careful maintenance and systematic operations

The main grid represents a totality of assets amounting to several billion euros. In addition to new grid extensions, it is also very important to service and maintain the grid properly. Digitalisation has made this easier. Furthermore, the data linked with

grid operations also represents a type of asset for Fingrid. We have digitalised our asset management one step at a time:

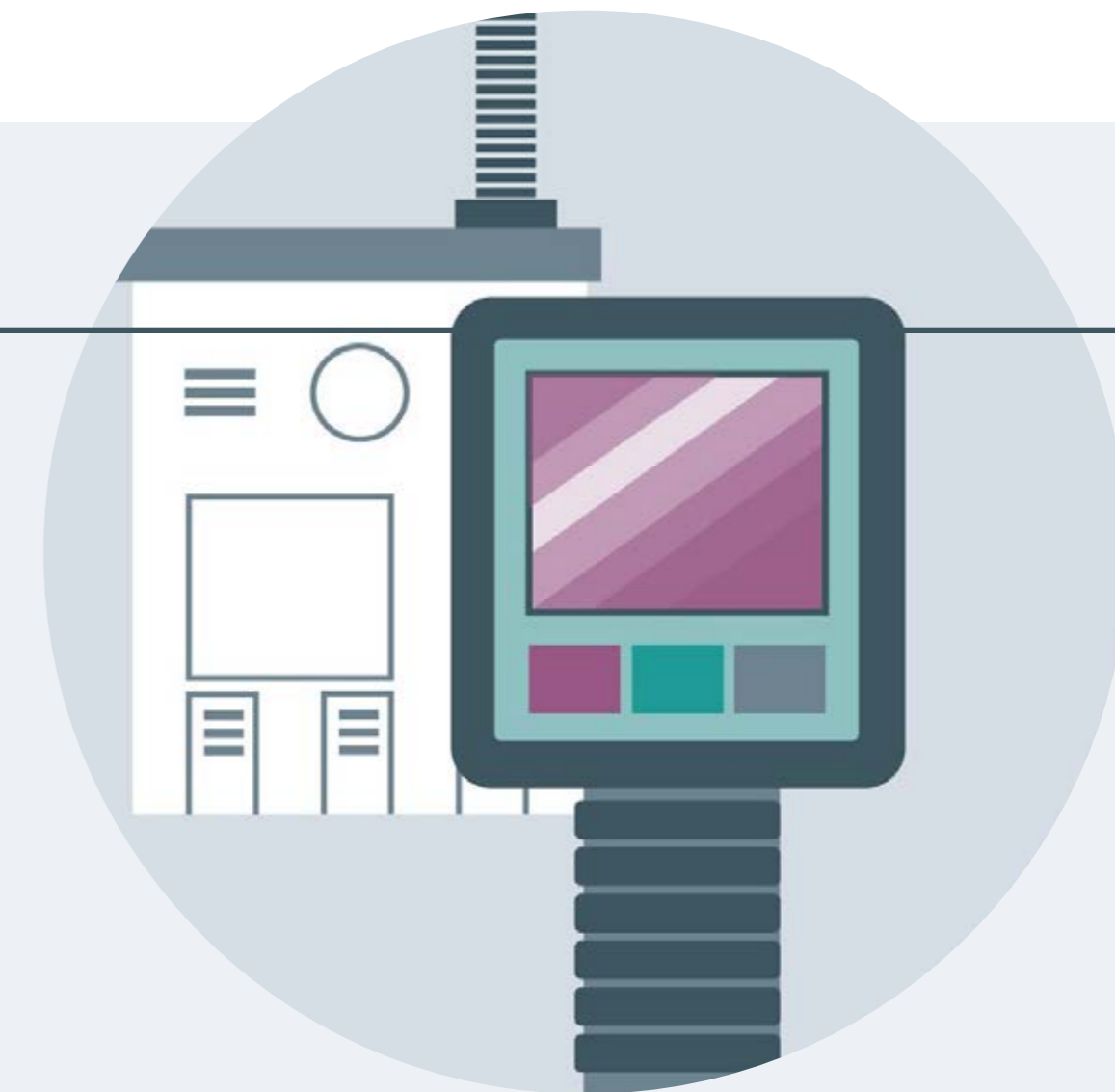
- 2017: company-level data archives
- 2018: information quality up to par
- 2019: IoT concept – sensors and the platform
- 2020: value creation with IoT data
- 2021 and onward: AI, new maintenance concepts, autonomous decision making

Our goal is to have an autonomous maintenance system in use in 2025 to communicate to our staff, with the help of artificial intelligence (AI), what types of preventive maintenance the transmission system needs.

With this proactive approach, we will save in maintenance costs and improve the system security. A token of our successful maintenance management, we scored top results in ITOMS (The International Transmission Operations & Maintenance Study) and were the only TSO to achieve a Top Performer nomination both in the transmission line and substation maintenance categories in March. ITOMS looks into the effectiveness of maintenance based on criteria such as maintenance costs and disturbance statistics.

Fingrid's consistent success in this survey over several years has attracted a lot of

CASE



DIGITAL MAINTENANCE MANAGEMENT FOR IMPROVED SYSTEM SECURITY

The goal of digital maintenance management is to improve the system security of the grid through more effective condition monitoring of the substation equipment. Digital condition monitoring in its turn modernises maintenance activities, based on actual needs, and makes them more efficient. Control measures have been developed, for example, through innovation competitions arranged in cooperation with new supplier partners. In 2020, all automation systems in substation control room buildings were integrated into Fingrid's digital condition monitoring systems. Various systems developed for the verification of mechanical and electrical defects in grid equipment were additionally adopted at substations. New monitoring solutions will be launched at a rapid pace starting from early 2021.

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international attention. We have received particular praise for our proficient organisation focused on our core competences as well as for our optimised order-supply chain management. Additional success factors include our investments in IT systems, digitalisation and other new ways of working.

By participating in ITOMS, we want to promote best practices throughout our operations. Furthermore, the study supports systematic efficiency and continuous improvement of transmission system

operations and provides an opportunity to compare our operations with peer TSOs.

A total of 29 TSOs participated in the comparative study worldwide, including companies from Central Europe and Asia.

Reserve power provides security in disturbances

We own ten reserve power plants that help to secure a reliable supply of electricity for our customers and society. The reserve power plants are rarely used but we maintain readiness at all times. When

the need arises, Fingrid has roughly a 1,000-megawatt capacity reserve ready to be started up instantaneously.

The reserve power plants are only used in major disturbances of the power system, such as a large power station being temporarily incapable of feeding electricity to the main grid. The reserve power plants are not used for commercial electricity production. Another reason for maintaining and developing the reserve power plants is the unlikely, but nevertheless possible event of a major disturbance, or

a blackout. Furthermore, we develop the reserve power plants to compensate for the reactive power generated in the power system.

We maintain up-to-date security standards at our reserve power plants. In 2020, we completed a refurbishment project at the Vanaja reserve power plant, which included replacing the fuel oil and extinguishing systems, among other things. The main objective of the upgrade was improving environmental and fire safety.

Weighted overall score in ITOMS

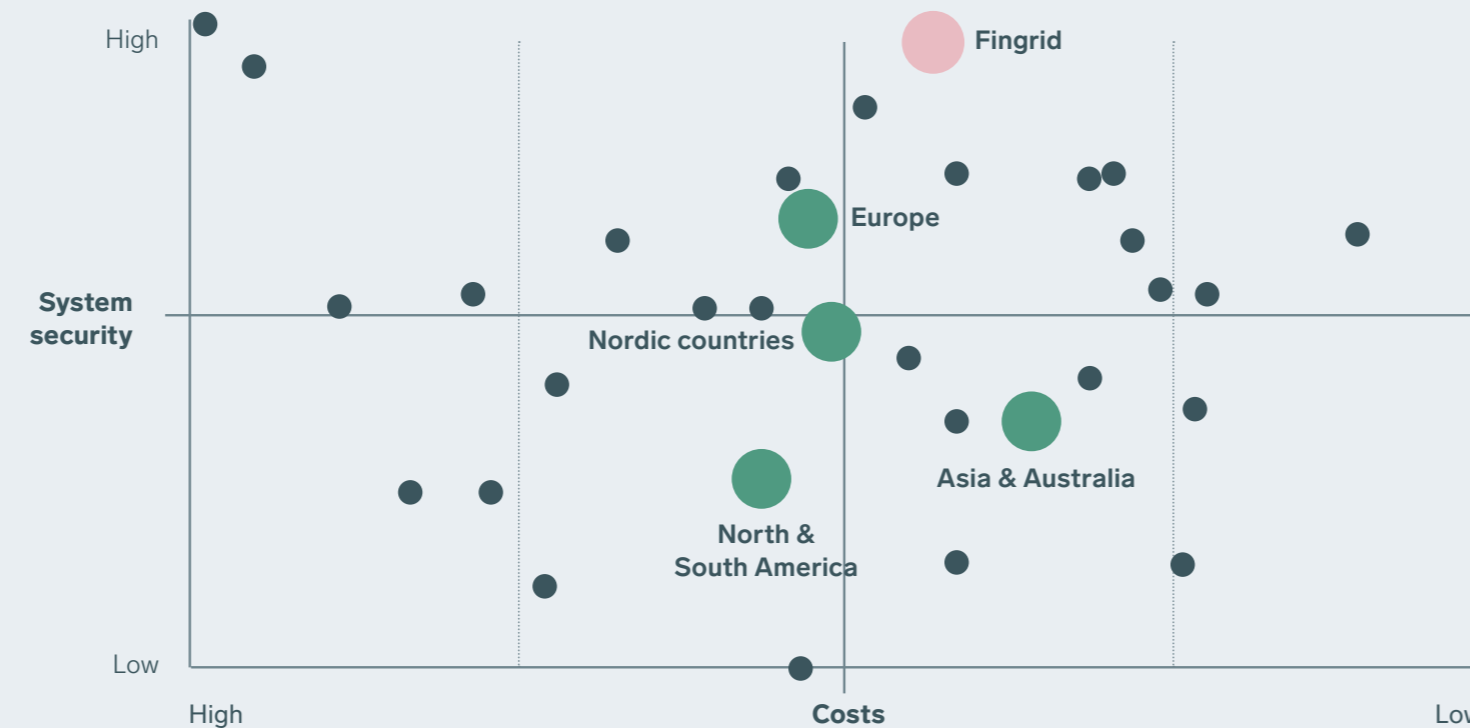


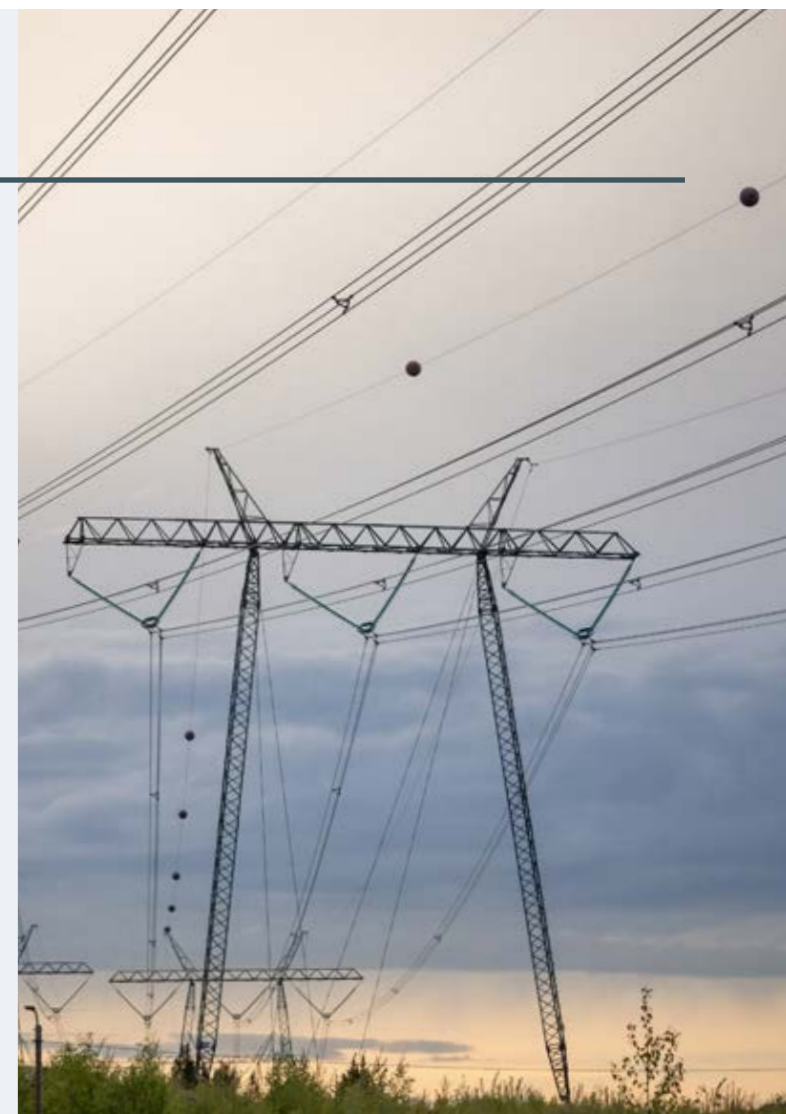
Image: Fingrid scored top results in ITOMS.

CASE

ALL MAIN GRID LINES PHOTOGRAPHED FROM THE AIR

Fingrid carried out aerial photography of all the transmission lines during the summer of 2020. Amounting to roughly 12,000 kilometres of transmission line, it was the most extensive imaging project of Finland's grid system ever completed. The previously created images covered 2,000 kilometres of grid lines. The aerial photography will bring the documentation of the main grid up to date, while also helping to assess the condition of the grid and enable planning of future maintenance work.

[Watch the video](#)



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POWER SYSTEM

It is crucial for society that the power system operates reliably and that electricity is available at all times for the needs of industry and consumers alike. Previously, production was adjusted according to the consumption, by means of hydro-power as well as thermal power stations. Now thermal, mostly coal-powered energy is not available anymore for adjusting the production of electricity, as it has been replaced with the harder-to-control solar and wind power. The development of technology and new innovations have introduced new possibilities and ways of managing the power system.

The shift in the energy mix has also changed grid design. It has become necessary to expand electrical networks and build more substations. Due to the increased production of renewable energy, the management of various operational conditions of the power system has become more demanding and requires new approaches.

There is a need for technological development. Vital societal functions are increasingly reliant on electricity. This consequently increases the significance of a disturbance-free power system. Advancing technology will support the change, however. Artificial intelligence, automation

as well as real-time data and situational awareness enable new ways of operating and their introduction at Fingrid. On the other hand, an increasingly electricity-dependent society needs a secure and robust power system that must be carefully protected against various threats, including cyber threats. European network codes, a clean energy package, forms of Nordic cooperation and data protection requirements guide our grid operations, which we develop together with our customers. Security of supply and preparedness for various exceptional circumstances are also factors affecting our operations.

Clean energy will require a higher demand response. The energy transformation will increasingly the call for demand-side flexibility. The volume of renewable production is increasing and the capacity generated by renewables varies according to weather conditions. The change is enormous and in particular challenges the operational capability of our power system, where generation and demand must be in balance at all times. The possibilities for demand response are under development, but the capacities available through demand-side measures do not yet meet the adjustment needs. Fingrid's mission is to enable the utilisation of demand response, which has attained an important role in society.

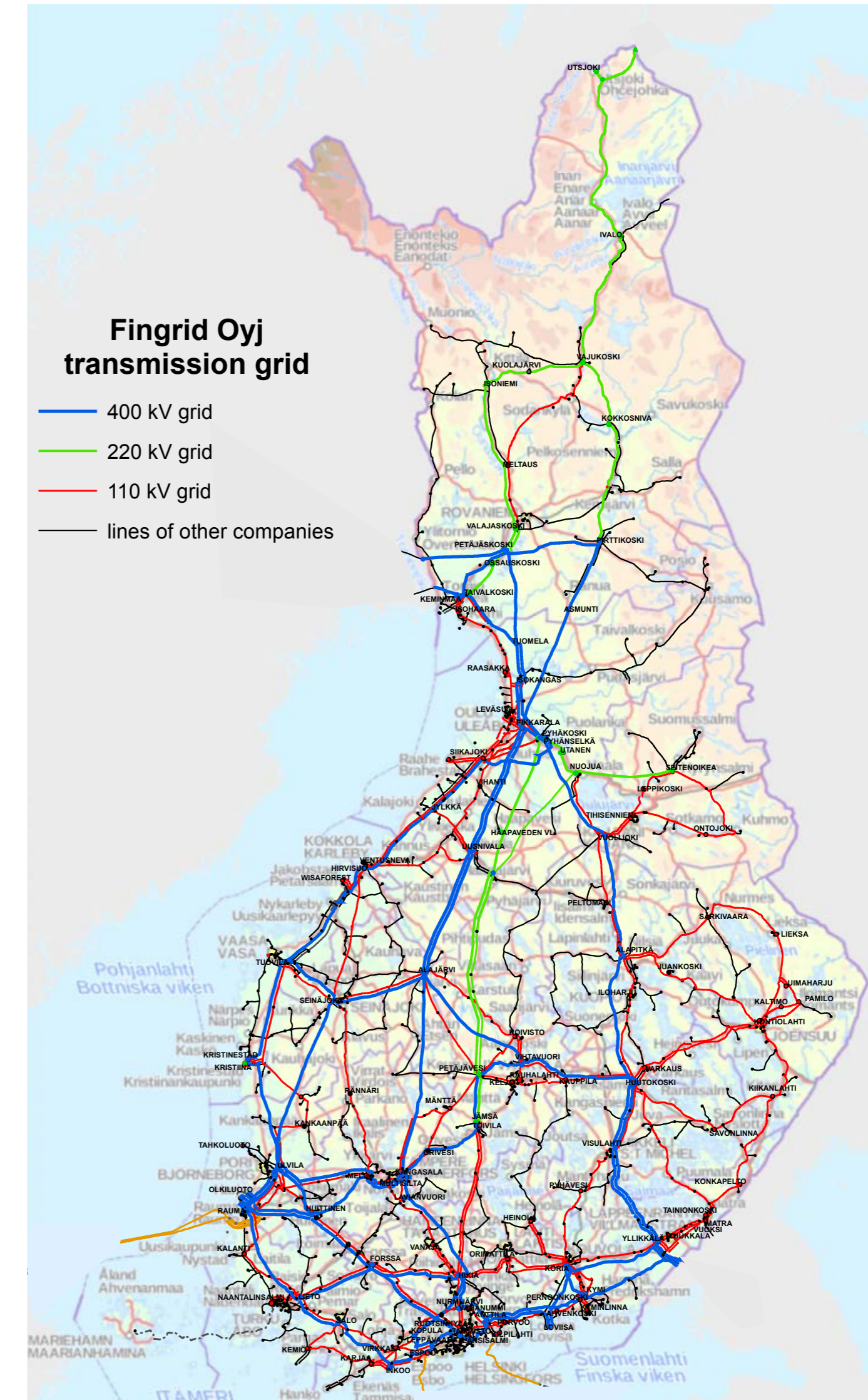


Image. Finland's transmission grid.

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Network Code for Emergency and Restoration: a more unified operational framework for the power system

The purpose of the Network Code for Emergency and Restoration (NC ER) is to prevent major disturbances and, on a more general level, to prevent the escalation of all disturbances and deterioration of the system. Should a blackout nevertheless occur, the goal must be a rapid and effective restoration. The network code became effective at the end of 2017 and the measures it requires are currently being implemented. The 24-hour capability of continued operations and an automatic under-frequency control scheme must be implemented in December 2022 at the latest. A testing plan related to the measures of the system defence plan and the restoration plan was drawn up during the period under review.

Commissioning of joint operational planning services progresses

The operational planning office (Regional Security Coordinator, RSC) of the four Nordic transmission system operators started its operations in Copenhagen in 2016. The operational planning office will in the future be in charge of joint Nordic operational planning. RSC has received five tasks: the calculation of cross-border transmission capacity, system security analyses and risk identification, coordination of cross-border transmission out-

ages, maintenance and development of joint grid models, and regional short-term electricity sufficiency reviews.

In 2020, the coordinator agency particularly focused on the continued development of software for the new methodology of transmission capacity calculation, which is one component in the adoption of the agency's services. In 2022, RSC will be incorporated and renamed Regional Coordination Centre (RCC).

The consumption of electricity decreased in 2020, level of system security remained high

In 2020, the consumption of electricity decreased in Finland by approximately six per cent compared with the previous year. The factors underlying the decline in consumption include the mild winter and the lower year-on-year consumption slightly of electricity by the industry and service sector, due to the COVID-19 pandemic. The total consumption was 80.3 (86.1) terawatt hours. We transmitted a total of 68.4 (68.7) terawatt hours of electricity in Fingrid's grid, representing 77.9 (76.0) per cent of the transmission volume in Finland (consumption and inter-TSO).

The imported and domestic production capacity was high enough to meet the peak demand of the year. The electricity consumption peaked at 12,388 (14,542)

Our transmission reliability rate was 99.99995%

MWh/h on Friday 28 February between 8 and 9 a.m., with Finland's electricity production contributing 9,849 MWh/h and the remaining 2,539 MWh/h being imported. The area price of electricity on the day-ahead market in Finland was €46.98/MWh during the peak consumption hour.

The main grid operated reliably in 2020, at an excellent transmission reliability rate. The importance of electricity transmission reliability is illustrated by the fact that the cost of a nationwide major disturbance to customers and society at large would be in the region of EUR 100 million for each hour of outage.

Two occasions called for raised disturbance-clearing readiness in 2020. We proactively raise our readiness when factors such as difficult weather are expected to pose challenges to grid maintenance to enable as rapid clearing and communication of disturbances as possible.

Our transmission reliability rate was 99.99995 (99.9998) per cent. Transmission disturbances mainly occurred in eastern Finland, where the several on-going investment projects caused power system abnormalities. The biggest frequency deviation in the Nordics occurred during a test of the NordLink transmission line between Norway and Germany in September. The failure was evident in Finland's main grid as brief voltage and frequency variations. At least one Finnish power station disconnected from the grid.

An outage in a connection point in the grid caused by a disturbance in Fingrid's transmission system lasted an average of 0.5 (4.3) minutes. The cost of the disturbances (regulatory outage costs) was EUR 0.9 (2.7) million, and including the quick reclosures, EUR 3.2 million.

The availability and reliability of Fingrid's high-voltage DC transmission links remained very high and better than during the previous year. Disturbance-clearing and fault elimination measures were highly successful, and the connections were quickly restored and made available to the market.

Countertrade costs amounted to EUR 0.7 (0.9) million. The number of disturbances resulting in countertrade costs remained low and at the same level as in 2019.

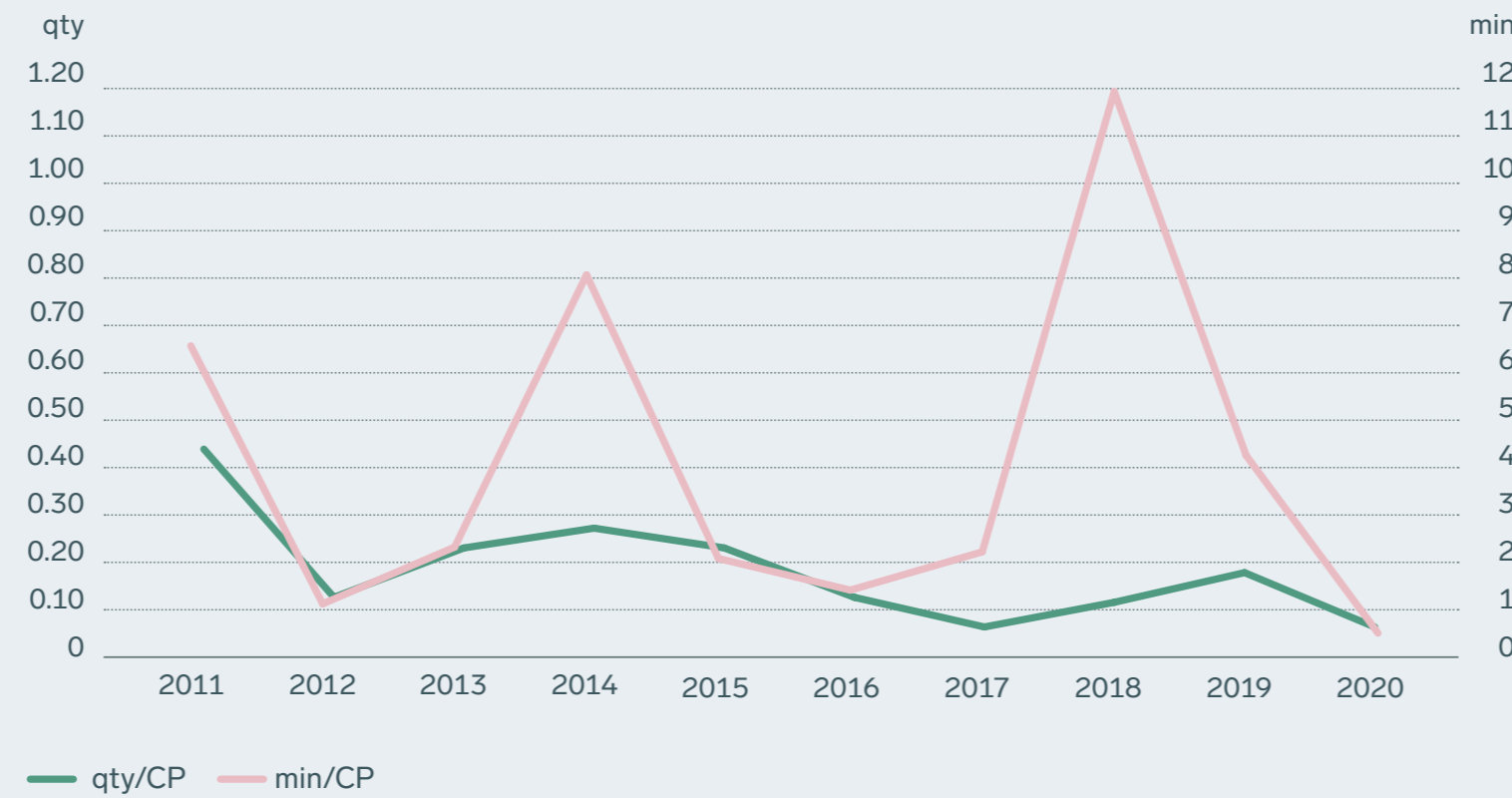
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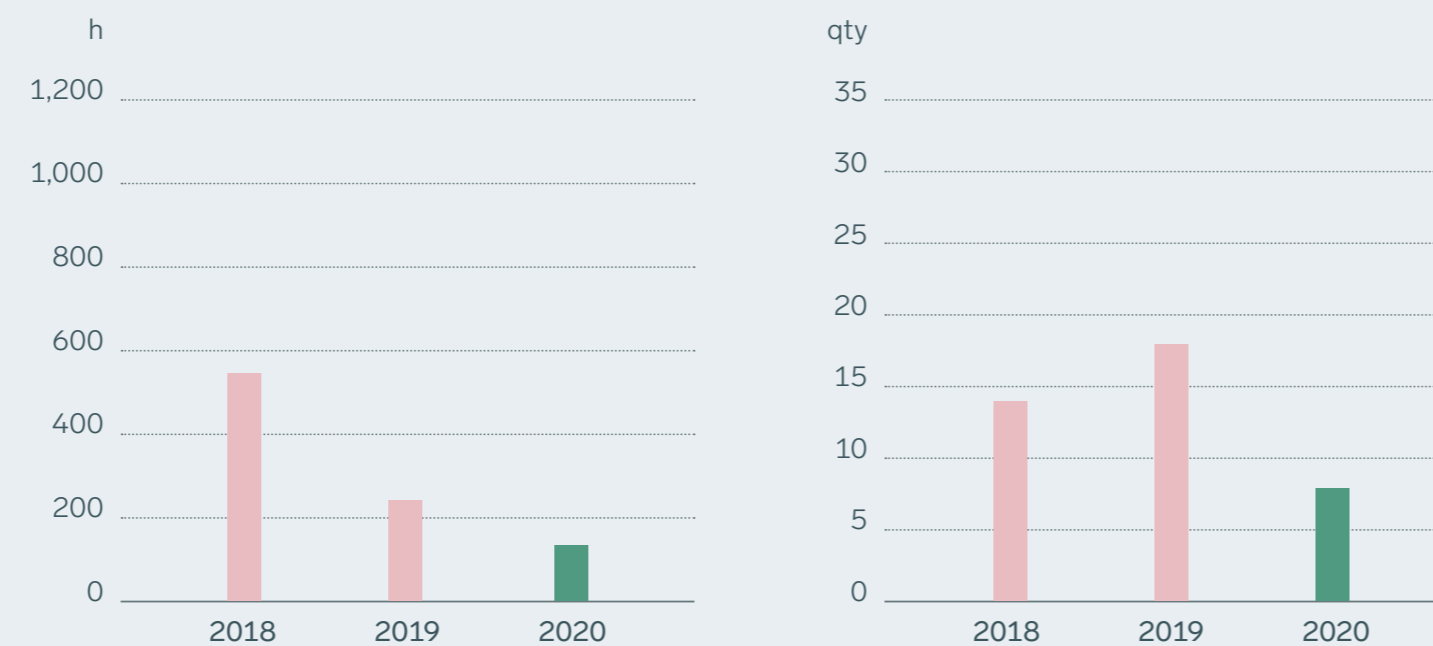
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Interruptions at connection points due to grid disturbances



HVDC disturbances, total duration and quantity



Countertrade refers to special regulations for transmission management purposes which are used to eliminate short-term grid bottlenecks, i.e. areas where electricity transmission is congested. Fingrid additionally guarantees the cross-border transmission it has confirmed by carrying out countertrades, i.e. purchasing and selling electricity, up until the end of the 24-hour usage period. The causes of countertrade include outages and disruptions in power plants or in the grid.

Some transmission outages in connection with capex projects took place throughout Finland. The focus has been on eastern Finland, where a large number of projects is currently underway. Demanding outages require careful advance planning and close cooperation with customers.

Reserves required to maintain the power balance of the power system were procured from Finland, other Nordic countries, Estonia and Russia. The availability of reserves was good, with the exception

of the intense spring flooding season. The floods affected all the Nordic countries at the same time, which restricted the availability of hydropower plants for maintaining the reserves. Electricity consumption is increasingly active in various reserve resources, particularly in the frequency-controlled disturbance reserve. Sales of frequency-controlled reserves to Sweden grew compared to the previous year. In accordance with the agreement between the Nordic TSOs, the hours required for maintenance of the automatic Frequency Restoration Reserve were increased, and the procurement costs for the reserve type correspondingly increased compared to the previous year.

The volume of transmission losses in the main grid remained at the level of the previous year, 1.5 (1.3) terawatt hours. This was 1.8 (1.5) per cent of the total volume of transmitted electricity. The losses are affected by the quantity of the electricity consumed and transferred.

Countertrade	1-12/20	1-12/19	10-12/20	10-12/19
Countertrade between Finland and Sweden €M	0.1	0.1	0.0	0.0
Countertrade between Finland and Estonia €M	0.2	0.5	0.0	0.1
Countertrade between Finland's internal connections €M	0.4	0.3	0.3	0.0
Total countertrade €M	0.7	0.9	0.3	0.1

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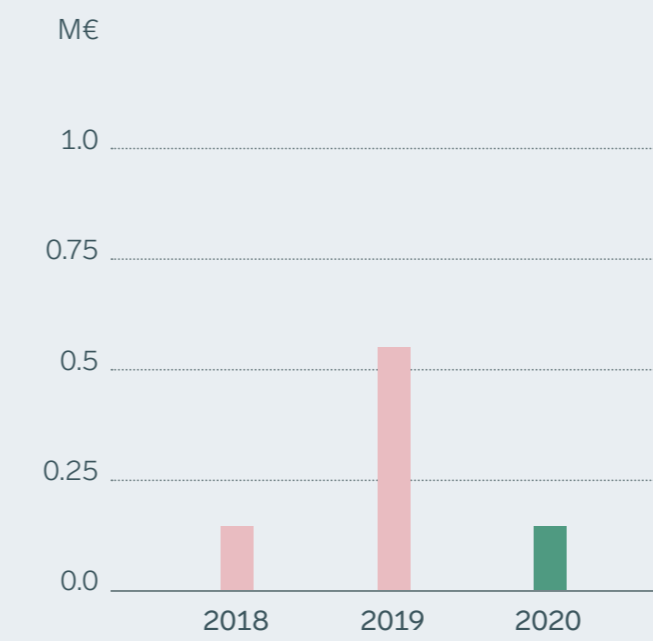
Development of demand response

- **Industrial use:** The industry has for a long time decreased its production if the wholesale price of electricity peaks.
- **Heating and cooling systems in real estate:** Shopping centres, for example, automatically adjust their systems according to the price of electricity.
- **Consumer use:** Individual consumers can allocate their use of electricity according to the price.
- **Electric vehicles:** The charging of electric vehicles can be allocated to hours of low demand, and in the future, they may even discharge their batteries during short demand peaks, by means of an intelligent charging system.

Effective demand response requires three things:

- **There must be rules in place.** Legislation should enable easy demand response. This has largely been accomplished in Finland, where both possibilities and preconditions have been created for demand-side management.
- **There must be functional technological solutions in place.** The infrastructure must support demand-side management. Without hourly readable electricity meters, for example, consumers are not able to manage their demand. Technology is a key enabler also for process automation, which in turn enables financial profitability.
- **There is a need for companies that develop and offer new business models.** Electricity retailers offer add-on services to consumers and the industry. New players aggregate sources of demand response, in other words they build up larger entities of response measures that can profitably be offered to the markets.

Countertrade costs caused by HVDC disturbances



Transmission and distribution losses (%)

Power system operation	2020	2019	2018
Electricity consumption in Finland, TWh	80.3	86.1	87.4
Fingrids transmission volume, TWh	68.4	68.7	68.6
Fingrids's loss power volume, TWh	1.470	1.335	1.2
Electricity transmission Finland-Sweden			
Exports to Sweden, TWh	0.3	0.5	1
Import from Sweden, TWh	18.8	16.3	14.5
Electricity transmission Finland-Estonia			
Exports to Estonia, TWh	6.6	3.8	2.4
Import from Estonia, TWh	0.04	0.3	0.9
Electricity transmission Finland-Russia			
Exports to Russia, TWh	0.02	0	0
Import from Russia, TWh	3	7.5	7.9
Electricity transmission Finland-Norway			
Exports to Norway, TWh	0.04	0.1	0.1
Import from Norway, TWh	0.3	0.2	0.2

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CASE

COMPETITIVE SOLAR ENERGY

To reach the agreed emission control targets, it is necessary to make use of all available electricity from renewable sources. In addition to reducing their own emissions, the interest of companies in renewable energy production may also be based on financial benefits and a desire to improve their public image.

A private individual can use solar panels to produce affordable electricity when energy consumption is low. Solar power is indeed a relevant source of energy at holiday homes, for example. Anyone acquiring a solar power system also becomes more aware of their consumption of energy, as the system needs to be selected according to the required capacity.

By combining weather data with assessments of the total production capacity of solar panels installed in Finland and their locations, it is possible to create a solar power generation forecast. Fingrid's solar power generation forecast is updated once an hour and is valid for the next 36 hours.



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ELECTRICITY MARKET

Fingrid maintains and develops the electricity market. By maintaining a strong main grid, we make sure that Finland forms a unified price area for electricity. With our cross-border transmission connections, we offer the market parties access to the European electricity markets. We plan transmission outages so that they cause minimal harm to the functioning of the markets. We make the highest possible transmission capacity available for the markets at all times. We develop the market rules and publish electricity market data openly and free of charge. We maintain and develop the market-places for reserve and balancing power. We take care of balance settlement and deliver imbalance power to the balance responsible parties. Fingrid Datahub Oy will in the near future offer an effective information exchange platform for retail market parties.

Electricity market outlook

The wholesale area prices on the Nordic and European electricity markets were the lowest in market history in 2020. The price differences between areas were significant, both among the Nordic price areas and on the Central European markets. The price decrease in the Nordic market area was primarily caused by extremely high hydropower production and

warm weather. A new phenomenon in the Nordic countries was the several occasions when the electricity prices on day-ahead markets sank to negative figures. The impact of the coronavirus pandemic on the production and consumption of electricity and on the electricity markets was fairly insignificant in the Nordic market area. The prices of emission rights remained on a par with the level they rose to in 2018 and 2019. An exception was the drop in the price of emission rights during the first wave of the coronavirus pandemic in the spring of 2020.

The electricity transmitted between Finland and Sweden mostly consisted of large imports from Sweden to Finland. The transmission of electricity between Finland and Estonia was dominated by exports from Finland to Estonia. A clearly smaller quantity of electricity was transmitted from Russia to Finland than in 2019. This was a result of the affordable price of electricity in the Nordics. In contrast to the previous year, electricity was also exported from Finland to Russia on a few occasions.

Electricity trading takes place per hour, and the direction of transmission can change from one hour to another. The price of electricity in the Nordic markets was often lower than in Finland. Large

⊙ By maintaining a strong main grid, we make sure that Finland forms a unified price area for electricity.

quantities of electricity were imported to Finland, based on market incentives, throughout the year under review. Finland has been dependent on imported electricity, as the domestic production capacity does not meet the demand. The price differences between the Nordic countries in 2020, which were large at times, resulted mainly from a different production mix and limitations of the transmission capacity. The Norwegian production is mainly hydropower, while Sweden has hydropower as well as wind and nuclear power. The price differences became particularly high when Finland's neighbours offered a large supply of hydro and

wind power compared with the demand. The area prices in Finland and Sweden diverged in situations where the transmission capacity between the countries was insufficient to meet the demand. Our cross-border transmission connections functioned very well, however, and we succeeded in making all the existing capacity available to the markets.

The situation in Finland was also affected by the decrease of imports from Russia, due to the more affordable electricity prices in the Nordics. There were substantial intraday variations in the quantities of electricity imported from Russia. The maximum transmission capacity was available almost throughout the year, with the exception of the annual maintenance work carried out at the Vyborg DC station and on the Russian grid in July, August and September. Maintenance-, capex- and fault-related transmission outages were implemented both on the cross-border connections between Sweden and Finland and on connections within the countries. The numbers and durations of the outages were at the normal level. The connections to Estonia and Russia were only subject to normal annual maintenance. Maintenance work was scheduled on weekends and similar periods to limit the impact on the market and electricity prices.

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Sufficient transmission capacity is a necessary prerequisite for the markets to function effectively. To increase the cross-border transmission capacity between Finland and Sweden, we are currently preparing, in cooperation with the Swedish TSO, a third AC connection to Sweden. The increased transmission capacity will help to decrease the price disparities between the countries. The transmission link is due for completion in 2025. The Forest Line connection will significantly increase the north–south transmission capacity necessary for the Finnish power system and help to keep Finland as a single price area in electricity trading. The project will be completed in 2022, a record achievement. Once the Forest Line is finished, we will upgrade the north–south transmission capaci-

ty by building the Lake Line connection, for which environmental impact assessments (EIA) were prepared during 2020. The targeted construction start for the Lake Line is in 2024 and the transmission line is due for completion in 2026.

Developing the electricity market

Fingrid's mission is to develop the electricity market. In order for the power system to operate as much on market terms as possible, it is important that the electricity market and the technical system characteristics are optimally in synch. The arrival of a wide range of flexible resources on the market and enabling of a broad scope of market options close to the consumption hour and to the customers lowers the threshold for various players to participate in the electricity market.

Electricity market	2020	2019	2018
Day-ahead system price, €/MWh	10.93	38.94	43.99
Area price Finland, average €/MWh	28.02	44.04	46.8
Congestion income between Finland and central Sweden (SE3), €M	70.6	53.9	22.9
Congestion hours between Finland and central Sweden (SE3), %	44.5	37.0	20.7
Congestion income between Finland and northern Sweden (SE1), €M	174.8	77.1	33.6
Congestion hours between Finland and northern Sweden (SE1), %	62.8	40.1	23.6
Congestions income between Finland and Estonia M€	48.1	14.97	2.79
Congestions hours between Finland and Estonia, %	32.9	11.8	5.4

CASE



NORTHERNMOST VIRTUAL POWER PLANT

The Hullu Poro resort in Kittilä, Lapland connected its 11 glass-roofed suites, named 'Aurora pyramids', to a virtual power plant in the spring of 2020, as a result of which Aurora pyramids became a Fingrid Reserve Unit. With the help of the service run by Vibeco, a subsidiary of Siemens Oy, the hotel can adjust its electricity consumption up or down for grid balancing purposes.

The area has a smart micro-network, which was complemented with a solar energy system and 1.3-megawatt battery storage to enable local production and storing of electricity. The micro-network is in other words capable of independent operation, which secures a reliable supply of electricity for the resort even in various emergencies.

The calculated annual energy output of 114 megawatt-hours makes the solar panel field one of the largest in Finland.

Read more:

[Aurora pyramids – the world's northernmost virtual power plant](#)

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The growing share of variable renewable capacity is a welcome addition to the power system, but at the same time, it is a challenge to the functioning of the system. In order to successfully connect all renewable capacity, such as wind power, to the electricity system, making it increasingly cleaner, the market environment and its rules must be developed.

Fingrid has several ongoing projects for developing the electricity market, including the Nordic Balancing Model, the centralised information exchange system i.e. datahub, flexibility market solutions for the transmission grid, and transmission capacity calculation and its development. The projects link together the development of both the electricity market and of the power system operations. The said projects, as well as many other electricity market projects, continued to progress during 2020 and will be a major focus also going forward.

NBM progressed on a broad front in 2020. A key mission of TSOs is the real-time settlement of imbalance between electricity production and consumption, in other words balance management. The Nordic Balancing Model (NBM) modifies and automates the way in which the power system is balanced in the Nordic synchronous area, which consists of Fin-

land, Sweden, Norway, and eastern Denmark. The NBM develops new Nordic marketplaces for automatic and manual Frequency Restoration Reserves to enable the TSOs to procure reserve energy necessary for balance management. The NBM also helps the Nordic TSOs to prepare for joining the pan-European reserve marketplaces currently under development. In addition to the development of reserve energy marketplaces, other significant updates to the electricity market include the adoption of a shorter imbalance settlement period enabling 15-minute trading, and a new balancing model. An updated NBM roadmap was published in November 2019, and the work on the model has since then progressed on several fronts and the Nordic stakeholder reference group, consisting of the key stakeholders, convened several times during the period under review. A joint Nordic plan on the new balancing model and a new target timeline were published in 2020. The new balancing model will replace separate production and consumption balances and transfer from the corresponding pricing to a single balance model in early November 2021.

A derogation request process for the implementation of a 15-minute imbalance settlement period (ISP) was started in early 2020. A public consultation was

CASE

DIGITAL TECHNOLOGY TO HELP IN GRID MAINTENANCE

Fingrid will invest two billion euros in the main grid over the next ten years. In addition to building new systems, the servicing and maintenance of the grid are also important activities. Digital condition monitoring helps to allocate resources and forecast maintenance needs as efficiently as possible, which will save costs and improve the system security.

Furthermore, the data linked with grid operations represents a type of asset for Fingrid, and the control of which has become increasingly digitalised over the years. The installation of sensors necessary for data acquisition at substations started in 2016 and have continued ever since. The data collected with sensors is transferred into cloud platforms for analyses. Additionally, the data can also be processed as needed, as close to the source as possible.

Our vision for 2025 is an autonomous maintenance system that can communicate, with the help of artificial intelligence, when any preventive maintenance should be started.



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carried out concerning the request for derogation on the 15-minute ISP, and the regulator's decision on the request is expected during the first quarter of 2021. The new target timeline for the 15-min ISP will be confirmed once the decision has arrived.

The adoption of a 15-min ISP will be significantly affected by the new Nordic marketplace for a manual Frequency Restoration Reserve, which has involved extensive development activities both on a national and Nordic level. Until now, the Swedish and Norwegian TSOs, Svenska kraftnät and Statnett, have taken care of balancing in the Nordic synchronous area, using balancing power, whereas the new energy marketplace currently under development will enable specific power system balancing for each price area. Furthermore, the marketplace will be based on the 15-minute trading period, so, overall, the changes have made it necessary for the Nordic TSOs to significantly modify their IT systems and to upgrade their process automation.

The regulatory process on the new Nordic capacity market for automatic Frequency Restoration Reserve (aFRR) has been very active in 2020. The Nordic national regulatory authorities (NRAs) referred the decision on the market rules to

the European Union Agency for the Cooperation of Energy Regulators (ACER) in February 2020. Now, having received the regulatory authorities' views and the ACER decision, there is better clarity on the preconditions for launching the marketplace, and the earliest possible launch date has been postponed. The Nordic TSOs also arranged a public consultation on the exact gate closure time of the Nordic aFRR capacity market.

Datahub version 1.0 functionalities implemented in 2020. A centralised information exchange platform for the retail market of electricity, datahub, is scheduled to go live on 21 February 2022. The datahub will contain data from about 3.7 million accounting points in Finland. The datahub go-live readiness of the energy sector is monitored according to the milestones determined jointly with the Energy Authority. A precondition for a successful launch, the close cooperation with the entire sector was continued in 2020.

Starting from June 2020, the datahub was gradually made available to the entire sector for test operation. A total of 53 electricity retailers and 75 distribution system operators successfully completed the first milestone in the certification process within the set deadline, in December. The complete set of the data-

CASE



COMPETITIVE TRADING BETWEEN POWER EXCHANGES

Competitive trading between the Nordic power exchanges started in June 2020. The competition between electricity exchanges will increase the number of alternative trading services available to electricity market operators. The competition makes it possible for more than one Nominated Electricity Market Operator to connect with the European market coupling on the day-ahead market in the Nordic price areas. Despite competitive trading between the exchanges, the general principles of capacity calculation and allocation between the price areas will remain unchanged.

The Nordic countries became the second area in Europe to implement competition between power exchanges. The start of competition between power exchanges marks a new development step towards pan-European energy markets.

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hub service agreements was submitted to the Energy Authority for approval in late November.

Flexibility markets approaching pilot stage. As the energy transformation accelerates, new solutions are needed on market terms to maintain the power system. Flexible response is necessary both for balancing the consumption and production and to support efficient use of the grid infrastructure. Yet another driver of demand response solutions is the EU legislation, which was prepared for adoption in Finland's national legislation in 2020. The significant issues in the legislative package, in terms of demand response markets, are the requirement for network operators, in addition to investments, to implement demand side response and to coordinate the procurement of DSR services.

Fingrid's development of flexibility market solutions has progressed within the INTERRFACE and OneNet projects funded from the EU's Horizon2020 research programme. In the INTERRFACE project, which started in 2019, Fingrid has focused on the cooperation between TSOs and DSOs as well as on the development needs in the transmission and frequency management of the power system. Read more in [Research and development](#)

Major progress in the reserve markets. The Nordic TSOs adopted a new Fast Frequency Reserve (FFR) for managing minor inertia incidents in the spring of 2020. Inertia refers to the ability to resist changes in the frequency thanks to the kinetic energy stored in the rotating masses of the power system. The new Fast Frequency Reserve (FFR) responds to any changes in the electricity production by cutting back consumption or by increasing production within roughly a second.

In the Nordic countries, the required FFR capacity range, depending on the situation, is roughly between 0 and 300 megawatts, of which Finland accounts for 20 per cent. As a part of the implementation of the Nordic FFR system, Fingrid has opened a marketplace for FFR capacity. A pilot project for independent aggregation in the balancing power market was started in July 2020. The purpose of the pilot is to test the scalability of previously tested solutions and to increase the participation of aggregated flexibilities in the balancing power market and in power balancing.

The pilot for a one megawatt minimum bid size on the balancing power market was also extended until the end of 2020. Each Balancing Service Provider had a

> The accelerating energy transformation calls for flexibility in power system management.

chance to submit one bid of less than five megawatts for each hour of operation. Decreasing the minimum bid size will lower the threshold of participation in the balancing power market. The smaller bid size will enable more efficient utilisation of distributed decentralised resources for balancing the power system and will be the future standard practice on European balancing power markets as well.

Flow based capacity calculation methodology to improve capacity allocation. A transmission-based capacity calculation methodology will be adopted in the Nordic countries to improve the allocation of capacity available to the markets. In 2020, the Nordic energy regulators approved the updated capacity calculation methodology for day-ahead and intraday markets, which will be used to calculate the transmission capacity bids offered to the market. RSC, the Nordic TSOs' joint operational planning office in Copenhagen, will acquire the necessary new calculation software. The new methodology will be adopted as soon as it has matured enough to enable effective functioning of the markets, yet no sooner than April 2022.

Sector integration refers to the integration of the energy sectors and the energy vectors, both on the system level and on

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the end-user level. The energy sectors consist of traffic, built-up environment and the industry, while the energy vectors consist of electricity, heat and gas. Sector integration can help to achieve a clean energy system both resource- and cost-effectively through the capability to process energy in the most optimal form in each stage of production, transfers and consumption, such as as electricity, heat, gas or liquid.

From Fingrid's point of view, sector integration brings to the table both challenges and opportunities. The integration of various energy sectors and their electrification will increase the consumption of electricity and cause new types of variations in consumption. The increasing demand must be met with a sufficient transmission grid capacity while at the same time taking into account the geographical locations of new generation capacity. New consumption and energy storage systems in their various forms will also provide more opportunities for demand-side management, which will in the future help both in system balancing and in the management of grid congestions. Other key factors in the operation of the power system will also include the forecasting of new types of demand variation on the power system level and the

insights into the demand-side flexibility potential at a specific moment of time. Both preparing for the challenges and taking advantage of the opportunities will require development work with other energy sector players on the national, Nordic as well as the European level.

In 2020, Fingrid participated in a working group directed by the Ministry of Economic Affairs and Employment, tasked to promote sector integration in Finland and to produce insights for the national energy and climate strategy to be completed at a later date. Fingrid additionally coordinated strategy work to create a joint vision for the Nordic TSOs and a roadmap on the development of sector integration on the Nordic level.

Roadmap for open data. A roadmap was drawn up jointly with in-house experts and customers for the Open data service maintained by Fingrid. The roadmap was created by surveying the current situation of the service and its development needs with interviews, after which the vision for the service and the development themes were defined in separate workshops. While some improvements were implemented already in the autumn, the development work will start in earnest in 2021.

CASE



NEW POWER TRANSFORMERS BOOST CAPACITY

Fingrid procured two new 400-MVA power transformers for the Pyhäselkä and Petäjävesi transformer substations from the Slovenian KOLEKTOR ETRA company. The nearly [300-tonne transformer](#) arrived at the Pyhäselkä substation on 18 October.

The revamp of the Pyhäselkä transformer substation is a part of the modernisation of the Oulujoki network, planned to be completed in stages by 2022. In addition to updating the ageing transmission network, the region is expecting new wind energy capacity worth several

hundred megawatts. The transformer substation modernisation in Petäjävesi is connected with the Forest Line project, where the intention is to upgrade the transmission links between northern and southern Finland.

The contract includes an option for five additional transformers linked with several planned wind power projects throughout Finland.

Read more: [Fingrid is acquiring new 400 MVA power transformers](#)

8. PERSONNEL

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Our operations are based on an open, collaborative, renewing and high-performing work community. Our personnel is strongly committed to the company's vision and mission. The meaning of our work – responsibility for the functioning of the power system – has always been an integral part of our daily work. In addition, we work to achieve the clean power system of the future. The meaningfulness of the work inspires and creates a sense of belonging, as does the opportunity to carry out autonomous specialist work. In our HR strategy, we highlight four goals: being the CEO of one's own work, bold supervisory work, continuous development and learning, and securing expertise.

CEO of one's own work

Fingrid's specialists enjoy the opportunity to do their work autonomously, taking independent responsibility for it, while at the same time supporting the team and the common goals. At Fingrid, specialist positions come with an inherent responsibility for the work and for developing it and one's own skills.

In this sense, all of our employees are the CEOs of their own work. This model of specialist work faced a tough challenge in the exceptional year under review, as the coronavirus pandemic forced most of our specialists to work almost exclusively

from home. Working remotely increased the significance of individual responsibility even more.

Being the CEO of one's own work involves power and freedom, but also helping others and working as a team. The team aspect suffered from increased remote work. Working remotely offers many benefits, such as flexible working hours, less commuting and better work-life balance. The feeling of togetherness at work suffers from physical distancing, however. Creating new ideas and cooperative development becomes inevitably more difficult when working remotely.

We tried to ensure the best possible connectedness, engagement and support for our personnel during the most difficult times of the pandemic. Webinars on ergonomics and efficiency when working remotely and on ways of staying in touch with colleagues online, as well as a presentation on the coronavirus by an occupational health physician, were arranged shortly after going over to remote work in March. Our President & CEO gave weekly online briefings to the personnel throughout the spring. Our teams had coffee breaks online. The entire personnel was invited to the traditional Fingrid Coaching Day in May, this time online, to discuss and comment on our value dialogue.

Bold supervisory work

Our operations are characterised by openness and a flat hierarchy. Supervisors hold a key role in managing the work community culture and communication. This is why the company has invested in training and guidance for supervisors. The daily management and leadership skills of supervisors play a key role in ensuring our work community's job satisfaction and ability to cope at work.

In 2020, it was not possible to arrange the traditional Supervisor Days, but our supervisors came together for five online events. Training was offered to supervisors on topics such as labour law, communication, and performance management.

Fingrid supervisors received clear instructions to 'prioritise and facilitate' in early 2020. The need to focus on the execution of primary tasks and to make everyday work as smooth as possible were clearly highlighted in the feedback from personnel. Our investment rate and major changes in our operating environment have caused a sense of urgency and scheduling pressure in recent years. The theme of making everyday work run more smoothly was perfect in the context of the coronavirus pandemic, when developing anything new would be difficult in any case. Smooth work was supported by Virta projects, where teams were asked to come up with ideas for streamlining their tasks.

Number of employees	2020			2019			2018		
	Men	Women	%	Men	Women	%	Men	Women	%
Permanent	363	82	23%	338	77	23%	327	251	76
	89%	77%	23%	89%	77%	23%	86%	77%	23%
Temporary	45	13	29%	42	14	33%	53	40	13
	11%	71%	29%	11%	67%	33%	14%	75%	25%
Full-time	376	84	22%	359	82	23%	349	268	81
	92%	78%	22%	94%	77%	23%	92%	77%	23%
Part-time	32	11	34%	21	9	43%	31	23	8
	8%	66%	34%	6%	57%	43%	8%	74%	26%
Total	408	95		380	91		380	291	89
Average	400			384			376		

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Skills development

Fingrid is essentially a specialist organisation where the most important resource is the knowledge and skills of the personnel. It is extremely important for the company to ensure that no critical skills are lost. Measures such as work rotation and swapping tasks within a team are employed to ensure the important knowhow is retained. All employees must also have deputies as needed. The significance of substitute planning and securing knowhow became very evident during the coronavirus pandemic. As a preventive measures against the virus, teams were split into smaller groups.

As technology and the entire operational environment evolve, working life changes continuously. Fingrid responds to changes by offering its employees opportunities to develop and grow their competence. The approach of securing expertise as a strategic choice improves the quality of personnel planning and helps the company to better prepare for future needs.

Skill development needs are agreed on in the My strategy discussions, which are held twice a year with each permanent Fingrid employee. Each employee and his/her supervisor is responsible for the implementation of the measures agreed on in the development plan.

In 2020, Fingrid Academy offered coaching for supervisors, project management coaching, the Loikka training programme for increasing specialists' communication and engagement skills, language training, and unit-specific coaching mainly related to change, work community and emotional skills. We invest more than a million euros annually to develop both the work community and each employee's personal development. In addition to shared training provided by the company, personnel can take the initiative by proposing specific training to boost their knowhow. In 2020, each Fingrid employee received an average of 3 (5) days of training, and the training costs amounted to EUR 1.1 million.

Education level of permanent personnel	2020	2019	2018
Basic and secondary education	20	18	20
Lowest level of tertiary education	31	31	32
Bachelor's degree	126	118	116
Master's degree	176	159	150
Post-graduate degree	10	8	9

Training hours by employee group and gender	2020	2019	2018
Training hours, women	31	48	40
Training hours, men	23	31	39
Training hours, total	9 832		
Training hours per person	25		
Training days per person	3	5	5

CASE



LOIKKA – A LEAP IN EFFECTIVE CRISIS COMMUNICATION

Over the course of three years, Fingrid has invested in several training programmes called Loikka (i.e. 'Leap'), aimed at developing the communication, interaction and engagement skills of the personnel. Substance specialists with a training and experience background in technology are coached to become proactive 'CEOs of their own work'. We made bold progress by listening both to the specialist and the coaches and by modifying the coaching topics in ways appropriate to the specific context. Work was continued online on the Zoom platform, when meeting face to face was not possible due to the coronavirus pandemic. Everyone's screens gave off a warm and genuine feeling of influence during the final Loikka session when everyone opened their gift packages to mark the final coaching session and found woollen socks in Fingrid red, target dashboards and diplomas, finishing off with a sparring session. Making an impact – person to person.

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RISK MANAGEMENT AT FINGRID

Fingrid's risks are managed according to the internal control and risk management principles approved by the Board of Directors. The risk management development project started in 2019 was finished in 2020. The assessment of key risks was revised, the process was made more efficient and risk management measures were specified in more detail.

RISK MANAGEMENT GOVERNANCE

The nature and crucial importance of Fingrid's operations to society are strongly reflected in the company's risk management culture and its development. Fingrid is responsible for the functioning of Finland's power system, which makes it fundamentally a risk management company. Risk management is planned and governed holistically. The objective is to comprehensively identify, assess and monitor various threats and risks that the company's operations, environment, personnel and property are subjected to and which also have societal implications, and to be protected against them. Ensuring systematic corporate safety & security is a part of risk management.

Continuity management is included in comprehensive risk management, and its objective is to improve the organisation's readiness and to prepare, in the

Fingrid's societal responsibility as the foundation for risk management



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best possible way, for the realisation of various risks and ensure the continuity of operations in such situations.

The planning of comprehensive risk management during normal times contributes to the contingency planning during societal state of emergency as required of a company with duties critical to the national security of supply.

PROACTIVE RISK MANAGEMENT

The company's risks are divided based on significance into strategic and major business risks to be reported to the company's Board of Directors, and operational risks.

Risks are identified and assessed in a consistent manner as part of the company's strategy process and in connection with significant changes affecting operations. Risk management measures are planned, recorded and followed up on regularly in the risk management system. The system and the management process was overhauled in 2019 and the go-live date of the entire system in commercial use was in 2020.

Risks identified in the risk assessment are classified in relation to the risk management measures into one of three groups:

- risk factors that are deemed significant in terms of their impacts and which are to be transferred, if possible, by con-



tracts, insurance, derivatives or similar means,

- risk factors that are deemed moderate in terms of their impacts and which are under the company's control through clear controls and other practical measures, and
- risk factors deemed minor in terms of their impacts but which require monitoring.

The company's risk management is continuous and aims to engage the entire

personnel to identify the risks associated with the company's operations and implement risk management measures as part of their day-to-day work. An overall risk assessment is carried out annually based on an assessment of the operating environment. The planning of risk management measures is part of strategy implementation planning. In order to manage the risks with significant impacts, risk management projects are launched as needed on the company level in order to arrange supplementary measures and monitoring.

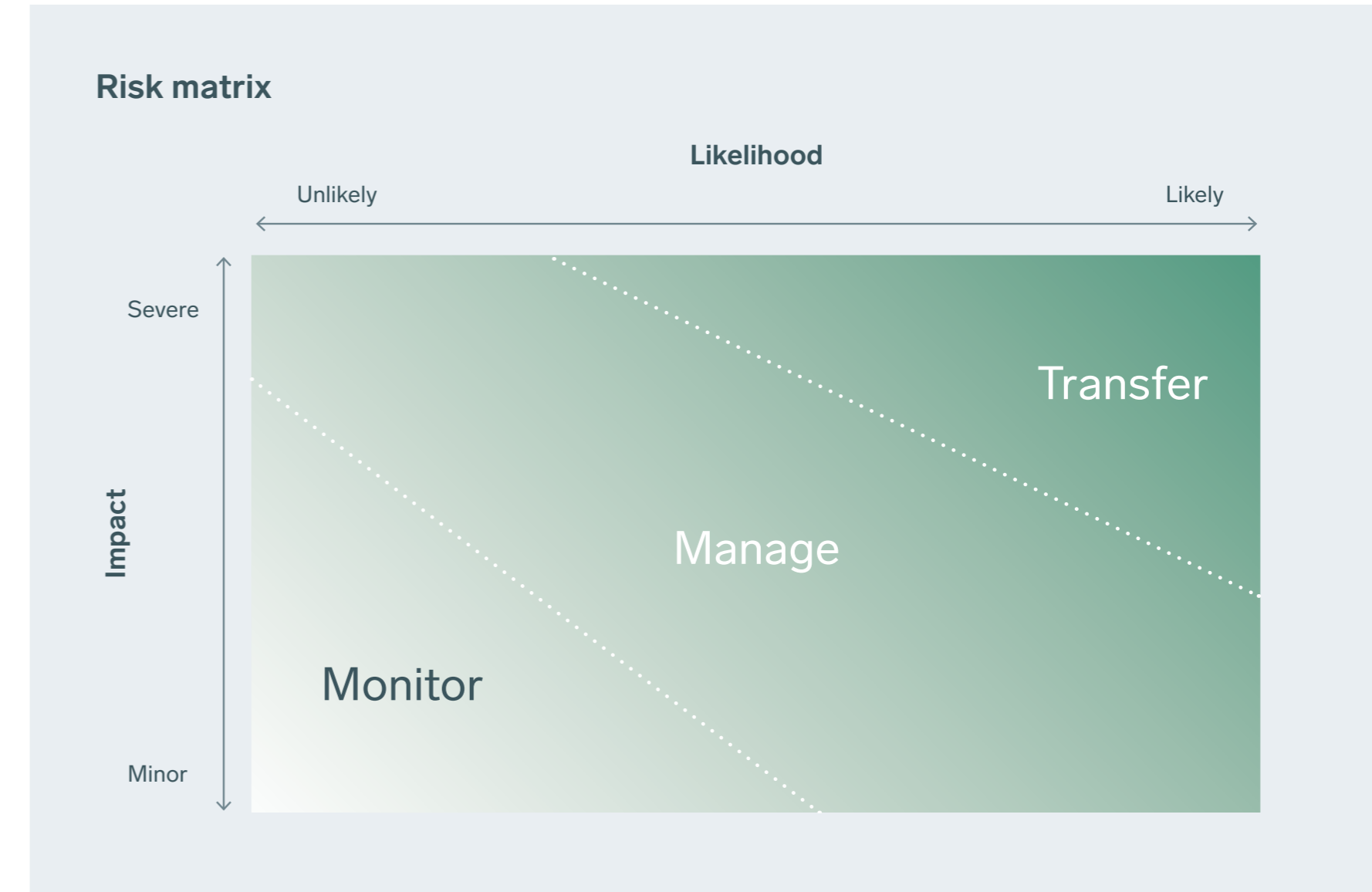
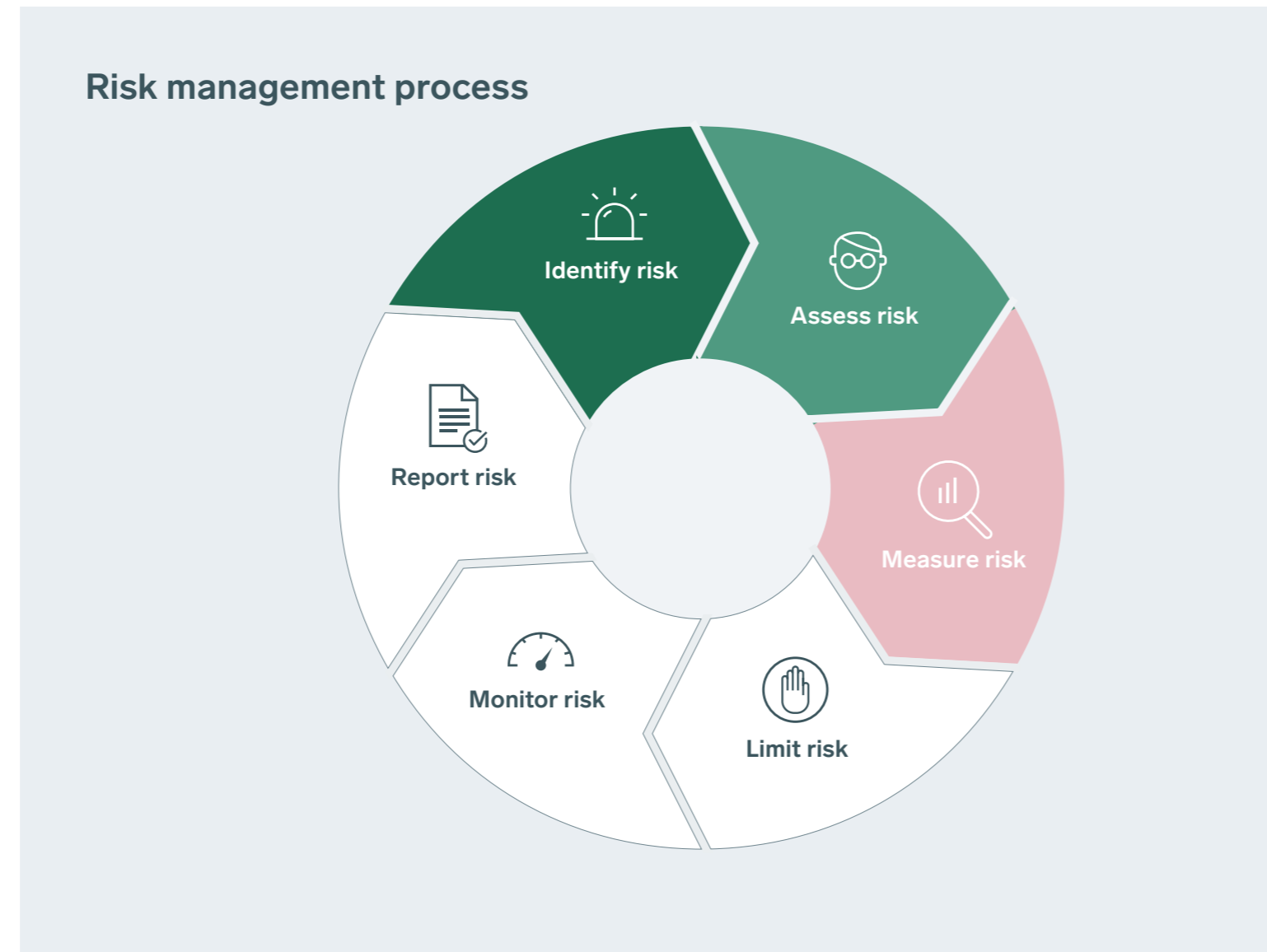
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Both strategic and financially significant business risks are reported to the company's Board of Directors annually. Risk reporting is supplemented in connection with significant business projects and changes in the operating environment.

As a general rule, risks are protected against if the costs that the protection entails are justified in relation to the magnitude of the risk. Risks related to major personal injury and environmental damage are always protected against.

Risk protection takes place by reducing the likelihood of an adverse event and/or its impacts on Fingrid and society. The most important protection measures are:

- supporting Fingrid's risk management culture and improving employees' risk awareness,
- comprehensive strategy work and operational planning,
- influencing the regulation of operations,
- limiting risk through contractual arrangements,

- developing technical solutions and operations, and modifying procedures,
- auditing operations and reporting on and monitoring the implementation of measures, and
- derivatives and insurance policies.

CONTINUITY MANAGEMENT

Continuity management, included in comprehensive risk management, is used to reduce the direct impacts of a realised risk and to accelerate recovery from an

adverse event. The planning of continuity management is based on threat scenarios that are created based on a risk and operating environment analysis. The scenarios are used to assess the company's ability to maintain the functionality of critical processes and systems during emergencies when proactive risk management has failed. Among the scenarios that must be analysed are the loss of business premises or IT systems, a prolonged blackout or extreme weather conditions.

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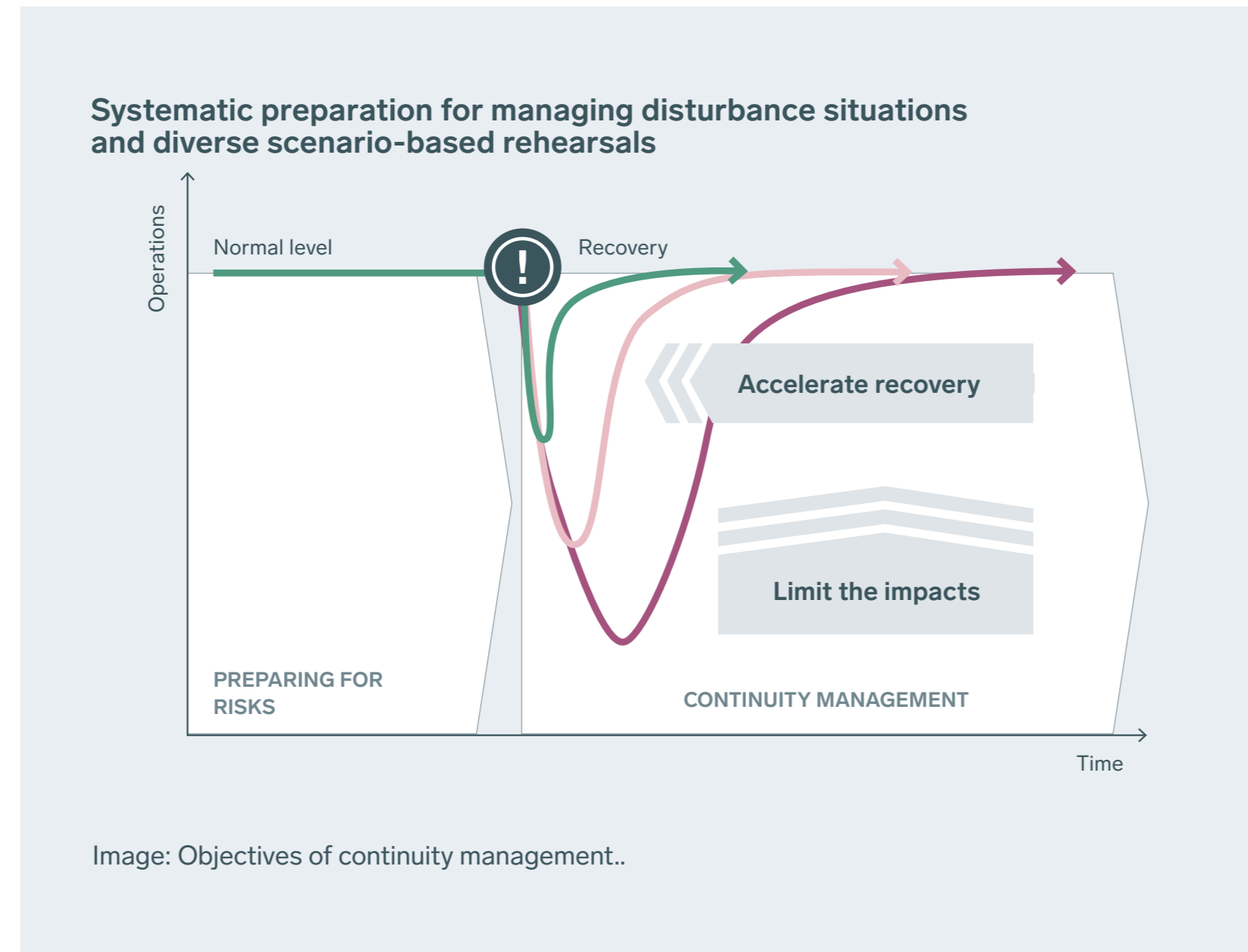
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The technical and administrative preparedness required by proactive risk management and, in particular, continuity management is guided on the company level by the preparedness policy, and by the system defence plan that the company maintains in accordance with the Finnish Electricity Market Act.

The threat scenarios are decided on as part of the company's strategy, and the necessary recovery plans are drawn up and the implementation of the plans are rehearsed for the most significant continuity threats. The rehearsals are planned together with the company's preparedness unit.



CASE

LESSONS LEARNED FROM THREAT SCENARIO REHEARSALS

Risk management in the energy sector always includes preparedness for various threat scenarios. Fingrid was able to successfully prepare for the exceptional circumstances caused by the coronavirus pandemic and the power system continued to function normally throughout the spring, despite the pandemic.

Challenges were mainly encountered in the early stages of the lockdown, when our employees had problems in entering Finland from abroad. All worksites remained operational and any delays were insignificant, however. The challenges and operational changes at the worksites caused by the coronavirus were reviewed jointly with suppliers, for example in the suppliers' occupational safety group.

Measures were taken early on to protect the operations and the personnel of Fingrid's control centre, due to its critical role. Controlled decentralisation meant that all visits and contacts were cut back and that the control centre functions were distributed to several locations.

Read more:

[Coronavirus prevention procedures are well embedded on worksites – contingency measures proved their usefulness](#)

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CONTINGENCY PLANNING

Fingrid is a company with duties critical to the national security of supply and must be able to continue its operations even when emergency legislation is in force. Fingrid maintains a contingency plan as part of the system defence plan referred to in the Finnish Electricity Market Act. Fingrid is an active participant in the collaboration to develop the energy sector's preparedness activities and, together with the National Emergency Supply Agency, governs the authorities' and Finnish industries' joint Power and District Heat Pool, which co-ordinates emergency preparedness. In recent years, the Pool has invested in extensive preparedness rehearsals, called 'Jäätyvä', for municipal, rescue and law enforcement authorities, the Finnish defence forces, and energy companies.

CORPORATE SAFETY & SECURITY

At Fingrid, corporate safety & security and the related preparedness and cooperation with authorities are planned and managed as part of the company's overall risk management. Essential elements of corporate safety & security planning and operations guidance are electrical safety and occupational safety, the safety of properties and premises, information security, personal and travel safety, emergency rescue operations and internal and

external protection against crime related to the company's business.

RISK CONTROLS

Risk management controls that are significant in terms of the company's operations and finances are described and implemented by each process and function to support good governance, overall efficiency, the quality of internal control and operational audits.

The preparation and description of decision-making controls take into account the segregation of duties, as well as existing approval authorisations and other factors that ensure appropriate decision-making. The effectiveness of the existing controls is assessed regularly.

The company complies with the Board-approved insider guidelines and related party principles, as well as separately maintained guidelines concerning conflicts of interest and judicial disqualification.

Risk management at Fingrid is described in more detail on the company's [website](#).



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10. RESEARCH AND DEVELOPMENT

Fingrid's research and development activities respond to the challenges of the energy transformation, improve the cost-effectiveness of the operations and increase competence. In 2020, a total of EUR 4.5 (3.4) million was used for Fingrid's own research and development. The projects are often carried out in cooperation with industry players and top experts to enable the industry to utilise synergy benefits and improve their impact.

R&D activities was tied even more closely with the business operations by merging the focal points of R&D with Fingrid's strategic development themes. The project portfolio is steered both by the strategic development themes and the business needs.

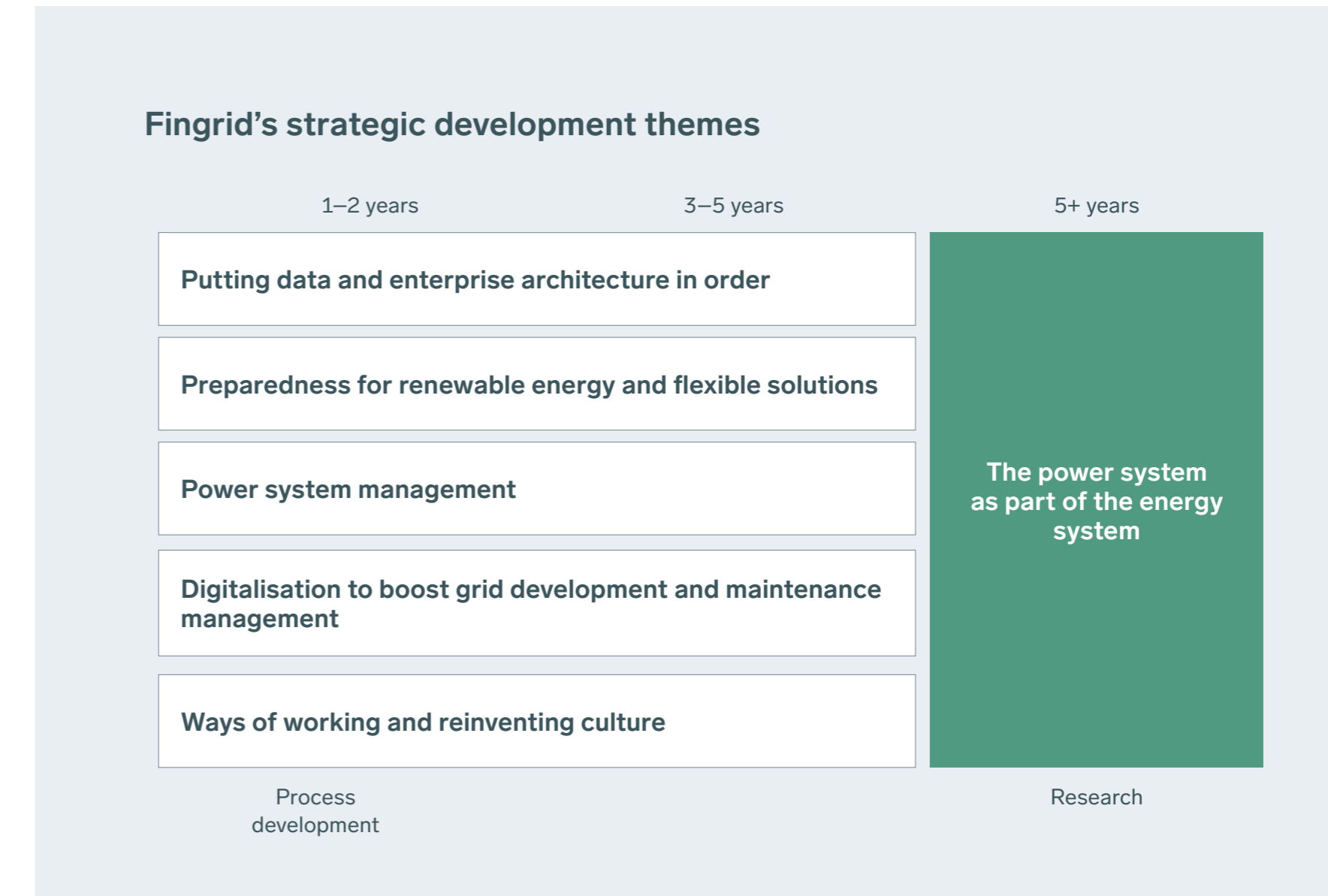
The number of ongoing R&D projects in 2020 was more than x. Nearly y per cent of the projects were carried out using external resources. Most of the the R&D projects approved for the Energy Authority's innovation incentives in 2020 were linked with one of the three development themes presented above: 1) Preparedness for renewable energy and flexible solutions, 2) Power system management, and 3) Digitalisation to boost the efficiency of grid development and maintenance management. The key project of the third development theme is the digitalisation

of substation maintenance management by means of IoT technology. [Read more about this project here](#). As regards the fourth topic, 'The power system as part of the energy ecosystem', the preparations for sector integration were started in late 2020. [Read more in the 'Electricity market' section](#)

In the following section we have some examples of the projects included in the first two strategic development themes.

Preparedness for renewable energy and flexible solutions

The load capacity of transmission lines varies depending on the weather conditions. The aim of Fingrid's **Dynamic Line Rating (DLR)** project is to measure the load capacity and to take all of the available thermal transmission capacity in the existing grid into use. Three different Dynamic Line Rating systems based on different technologies have been tested. The measurement equipment has been installed on the 400-kV Isokangas–Pyhänselkä transmission line. According to the measurement data and calculations obtained to date, the capacity available for utilisation is much higher than the standard transmission capacity normally in use, particularly in windy weather, which improves the cooling of the conductors. Based on the obtained results,



the DLR systems will be adopted for more extensive use as wind power production increases.

Fingrid continued its work to develop flexible markets in 2020 in the [INTERRFACE flexibility market pilot project](#) under the EU's Horizon 2020 programme, where Fingrid has primarily focused on the development needs linked with the hour of electricity delivery, particular-

ly from the standpoints of transmission management and balance management. Fingrid additionally participates in the **OneNet flexibility market** project started in October 2020, also principally funded by Horizon2020. The three-year project further developing the methodologies created in the INTERRFACE and conducts pilot testing of various flexibility market solutions, which help to solve the challenges posed by the energy trans-

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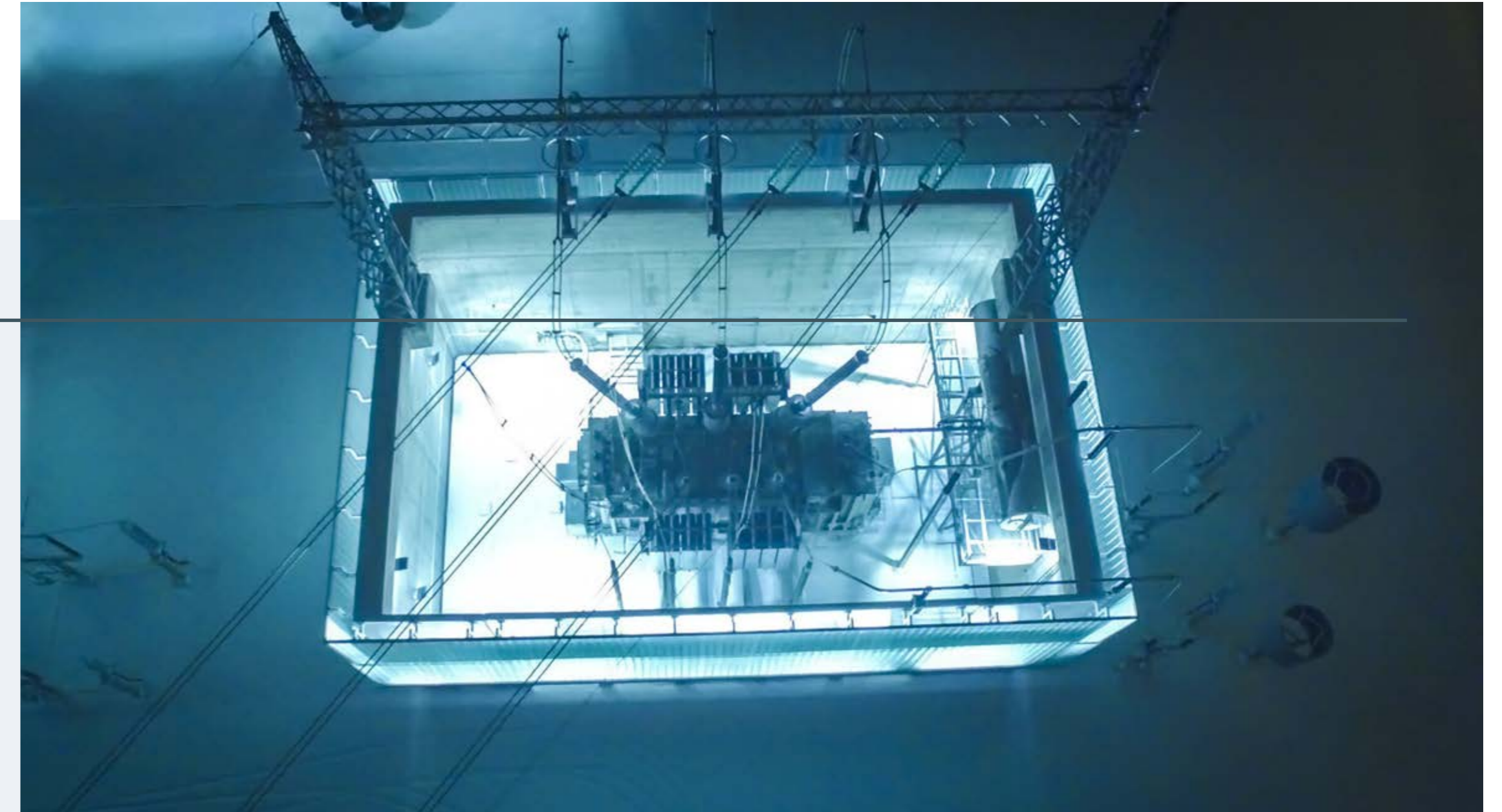
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formation to the power system. The test environments used in the projects enable the joint development and testing of flexible solutions with partners, both for Fingrid's own purposes and for the needs of our customers. Thanks to these projects, Fingrid R&D costs can be recovered with subsidized funding and we get to be one of the first to test the new European flexibility solutions. We will also start new studies aimed at more extensive utilisation of demand-side management.

The purpose of the extended **independent aggregator pilot** is to test the scalability of previously tested solutions and to increase the participation of aggregated flexibilities in the balancing power market and in power balancing. The balancing power market pilot was started in July 2020.

The smaller bid-size pilot on the balancing power market continued until the end of 2020. The goal of the pilot was to ease entry to the balancing power market and make the transition towards the European markets smoother. During the pilot phase, each Balancing Service Provider can submit one balancing bid of less than 5 MW for each hour of operation on the balancing power market. The minimum bid size during the pilot is 1 MW.

CASE



HOW TO CREATE INNOVATIONS THAT ARE USEFUL FOR SOCIETY AT LARGE?

A key prerequisite for innovation at Fingrid is the working culture based on trust, which emboldens everyone to try new solutions and even to fail at times.

The company encourages everyone to participate and to develop their own tasks and also larger processes. One example of every-day innovation was one the brainstorming challenges in

2020, where we asked our personnel to think about how workplace camaraderie could be increased during the coronavirus pandemic and how new employees can be included in the work community.

Examples of more conventional innovations include new technology and digital tools for streamlining opera-

tions and improving the management of the power system.

Our innovative approach benefits both our customers and society at large. System security stays at a high level, and the power system is capable of connecting more and more emissions-free energy.

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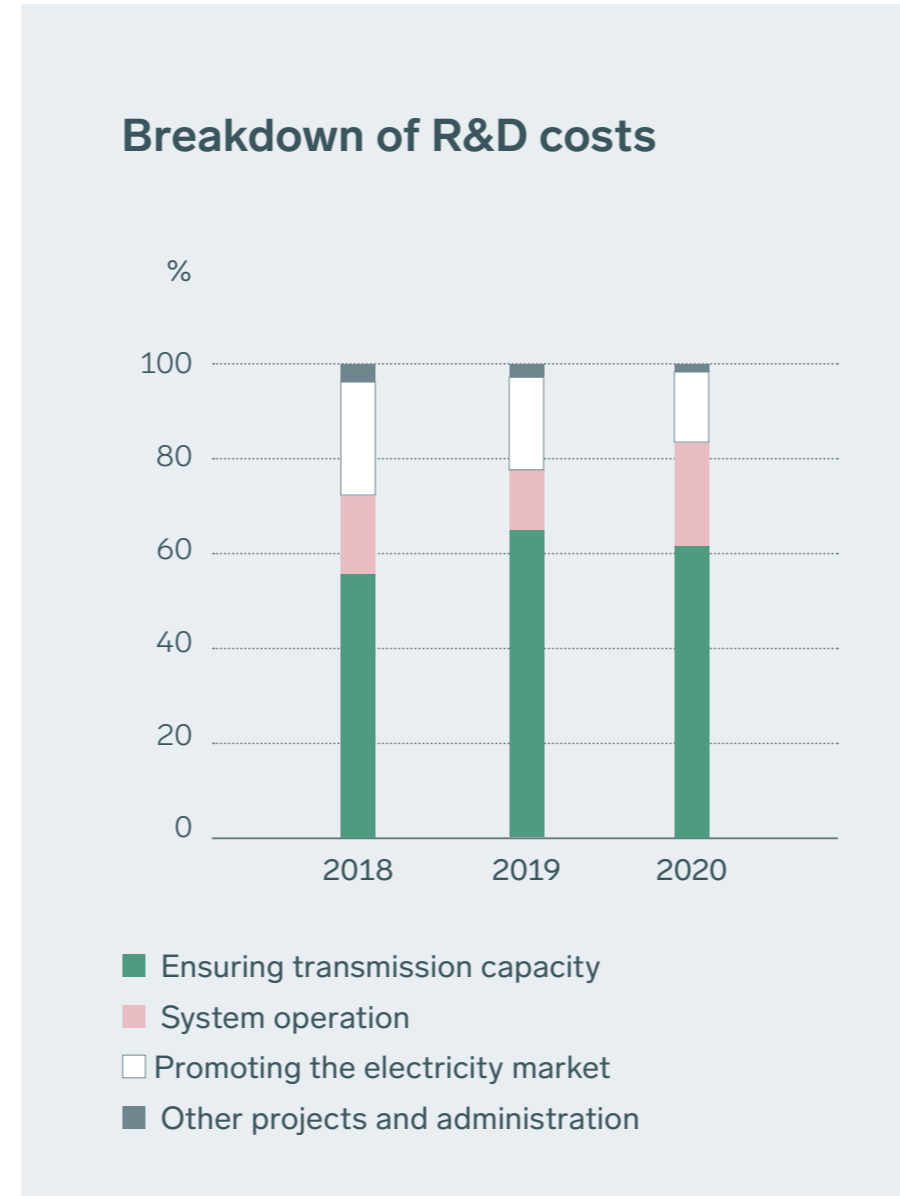
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New lightweight connection stations improve the quality of electricity. Fingrid, Outokummun Energia and PKS Sähkönsiirto are together realising a solution for reducing the number of outages caused to customers on long grid lines by more than half, by as much as just over half. The connection station is a streamlined version of a standard grid substation. It is a reliable, minimalist switching station with no room for expansion. In addition to shorter disturbance outages, the new solution also reduces the geographical extent of planned maintenance outages. It is also possible to use the stations for connecting new power plants, such as future wind turbines.

POWER SYSTEM MANAGEMENT

Fingrid developed, jointly with the Nordic TSOs, a new type of reserve product, **Fast Frequency Reserve** (FFR) to handle conditions of low **inertia**. In low-inertia conditions, the FFR prevents the frequency of the power system from sinking excessively during a major disturbance in electricity production. The FFR was adopted taken into use in the spring of 2020, and Fingrid acquires these reserves on a market which it maintains.

We tested jointly with the Leppäkosken Sähkö utility company, a **fuel cell solution** that can charge the batteries of a



substation when needed and this way secure its critical functions, even during a disturbance. The fuel cell produces energy from a water-methanol mixture. The pilot test was successful. The methanol fuel cell turned out to be an adequate, though costly, way to secure the operation of a substation. The solution is most suitable for loads less than 4 kW and run times of more than 24 hours.



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11. GLOSSARY

Aggregation: Aggregation means combining regulation-capable, smaller electricity production, consumption and storage sites into larger entities that enable electricity trade in different electricity marketplaces.

Network Code for Emergency and Restoration: Network code concerning the emergency and restoration of the electricity network.

ENTSO-E: (European Network of Transmission System Operators - Electricity) is a cooperation organisation of European transmission system operators (TSO). Its task is to develop the European Union's electricity markets and to improve cooperation between TSOs. The organisation is headquartered in Brussels, Belgium.

eSett: A company that carries out the imbalance settlement of the Nordic electricity market parties' actual electricity consumption and production. The company, eSett Oy, is owned equally by the Nordic TSOs Energinet, Fingrid, Svenska Kraftnät, and Statnett.

GRI (Global Reporting Initiative): Corporate sustainability reporting standards in wide use throughout the world.

Horizon2020: An international project financed by the EU Commission. The

project aims at developing a new kind of platform for electricity market flexibility services and related processes.

Inertia: In physics, inertia means an object's resistance to change in its velocity. Electricity grid inertia refers to the kinetic energy in the electricity grid. The energy is contained in machines at power plants and factories which rotate at the same frequency as the electricity grid. The rotating machines' mass produces inertia for the electricity grid.

INTERFACE project: The European INTERFACE flexibility market platform project is one of the research projects financed under the EU's extensive Horizon 2020 programme. Fingrid and Elering are involved in the project, which seeks solutions for flexibility market platforms that enable the utilisation of distributed decentralised resources for both maintaining power system balance and the needs of distribution system operators and balance responsible parties.

IoT solutions in grid operations: In future, the Internet of Things (IoT) and digitalisation will help monitor the condition and lifecycle of substation equipment, making the substation condition management more effective and reducing transmission outages for customers.

ITAMS: International Transmission Asset Management Study. ITAMS evaluates the efficiency of TSOs' asset management. The study has been carried out five times, and Fingrid has placed at the top each time. Fingrid focusses especially on making use of digitalisation, which is one factor behind the good success in the study.

ITOMS: International Transmission Operations & Maintenance Study. This study looks into the efficiency of maintenance based on criteria such as maintenance costs and disturbance statistics. The goal is to save costs and improve the system security. Fingrid has often placed close to the top and has received Top Performer nominations both for the maintenance of transmission lines and substations.

Cross-section Central Finland: Also referred to as Cut P1. The Cross-section Central Finland refers to a trans-section across the transmission lines between northern and southern Finland defined on electrotechnical grounds. The exact future location of the cross-section is affected by factors such as the new production and consumption connecting on the north-south transmission lines.

Demand-side management/demand response: Demand-side management means reducing the consumption of electricity or transferring it to another point in

time based on price. Electricity consumption is reduced when the price in the electricity market is high.

Net Promoter Score (NPS): The percentage of promoters, i.e. those willing to recommend the company, minus that of detractors. Example: if 45% are promoters and 6% are detractors, NPS is 45% - 6% = 38%. The maximum score is 100%.

Materiality analysis: The materiality analysis is used to identify topics that are the most important for Fingrid's primary operations and corporate responsibility. It includes an assessment of the substantial financial, social and environmental impacts of Fingrid's operations, as well as of the impacts on stakeholders' decision-making based on, among other things, operating environment and stakeholder analyses and a strategy update.

PCI (Project of Common Interest) status: Such status can be granted to projects that are essential to the EU's internal energy market and to achieving the targets of the EU's energy policies. Projects with PCI status can benefit from, among other things, faster permit processing, and they are entitled to later apply for financial support from the EU.

Clean power system (also low-carbon power system): A power system where

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electricity generation is based on carbon-free production, such as wind, solar, biomass, hydro or nuclear power.

Reserve markets: The amount of electricity generated and the amount consumed must be equal at any given moment. The electricity market parties draw up an advance plan for balancing their consumption and production, but the balancing of deviations during each hour of operation requires reserves, which Fingrid acquires from the markets it maintains.

SDG (Sustainable Development Goals): In 2015, the UN member states agreed on the Agenda 2030 for sustainable development. It includes 17 global sustainable development goals to be achieved by 2030.

Electricity market operators: Electricity producers, retailers and consumers – including households that participate in the electricity market.

Power exchange: A public marketplace for selling and purchasing electricity.

Balancing power markets: The balancing power markets help maintain a balance in real time between electricity pro-

duction and consumption. Fingrid orders up- or down-regulating power according to the needs of the power system. Up-regulation refers to an increase in generation or reduction in consumption. Down-regulation refers to a decrease in generation or increase in consumption.

Imbalance power: For the electricity consumer, imbalance power is the difference between the electricity purchased and actual electricity consumption. For the electricity producer, it refers to the difference between the electricity sold and the actual electricity produced.

Load Frequency Control: Load Frequency Control is an integral part of the implementation of the new Nordic Balancing Model based on Area Control Error (ACE). It calculates ACE, i.e. the difference between electricity transmission measured at Finland's borders and electricity transmission according to market results, in real time.

Security of supply: Security of supply refers to how reliable the electricity supply is.

Lost time injury frequency (LTIF): Number of occupational accidents that led to at least one day of inability to work per million completed work hours.

Network codes: The goals of the EU's third energy package adopted in July 2009 for an internal electricity market in the European Union. The main players preparing the network codes are the European Commission, energy regulators through their cooperation agency ACER, and European transmission system operators through their cooperation organisation ENTSO-E.

Day-ahead market: The day-ahead market refers to an electricity marketplace where electricity is sold and purchased for different hours of the following day. Smart grid: The smart grid, i.e. intelligent electricity system, is an electricity network that makes broad use of digitalisation and which is connected to electricity generation and consumption, and in future, increasingly to grid energy storages. Smart grids provide customers with more possibilities to actively participate in the electricity market.

Fingrid's stock exchange releases

[FINGRID.FI/EN/PAGES/NEWS](https://www.fingrid.fi/en/pages/news)



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Report of the board of directors



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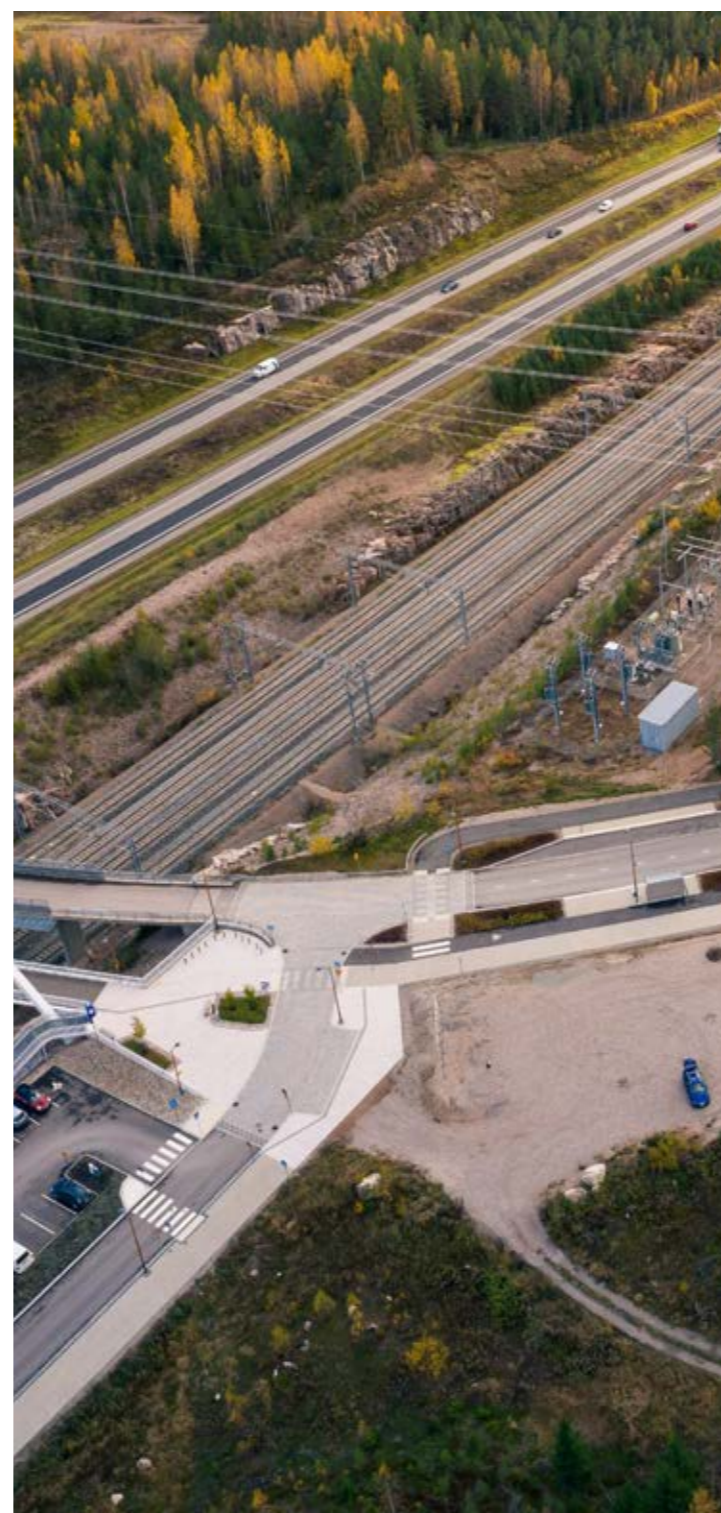
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Best-ever transmission reliability rate of the main grid.

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1. FINANCIAL RESULT AND FINANCING

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Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS). Unless otherwise indicated, the figures in parentheses refer to the same period of the previous year.

Fingrid's consolidated financial statements have been drawn up in accordance with the same accounting principles as in 2019.

The Group's turnover was EUR 682.5 (789.4) million. Grid service income decreased to EUR 373.6 (385.0) million, due to the low energy consumption during the unseasonably warm winter months. Electricity consumption in Finland totalled 80.9 (86.1) terawatt hours during the year. Imbalance power sales also decreased year-on-year, to EUR 260.8 (346.7) million, due to the low electricity prices. Cross-border transmission income from the connection between Finland and Russia decreased, to EUR 6.9 (11.6) million, due to a lower transmission volume, affected by the low area price compared with north-western Russia. As a result of the transmission situation in the Baltic Sea region, ITC income increased to EUR 17.1 (14.4) million. Other operating income declined to EUR 2.4 (4.2) million.

The Group's total costs amounted to EUR 569.3 (651.6) million. Imbalance power costs decreased, due to low electricity prices, and totalled EUR 234.4 (323.5) million. Loss power costs amounted to EUR 52.6 (53.9) million. The volume of loss power grew slightly, while the price of loss power procurement decreased. The realised average price of loss power procurement was EUR 38.03 (39.57) per megawatt hour. The cost of reserves to safeguard the transmission system security increased to EUR 63.5 (55.9) million, mainly due to the increased hours procured for frequency restoration reserves (FRR). Depreciation amounted to EUR 98.5 (97.8) million and grid maintenance costs to EUR 23.6 (21.6) million. Personnel costs increased to EUR 31.2 (26.4) million because of the higher headcount in response to a growing workload, both domestically and in international cooperation.

The Group's operating profit was EUR 118.4 (115.5) million. To recognise changes in the fair value of electricity derivatives and the currency derivatives related to capital expenditure and other operating expenses, EUR 3.0 (-26.6) million was recorded in operating profit. The Group's profit before taxes was EUR 113.3 (105.8)

Turnover and other operating income, € million

	Jan-Dec/20	Jan-Dec/19	July-Dec/20	July-Dec/19
Grid service revenue	373.6	385.0	173.7	175.7
Sales of imbalance power	260.8	346.7	139.9	171.6
Cross-border transmission income	6.9	11.6	5.4	6.2
Peak load capacity income*	12.9	14.1	3.6	4.8
ITC income	17.1	14.4	9.0	7.6
Other turnover	11.1	17.4	7.5	8.3
Other operating income	2.4	4.2	1.9	3.6
Turnover and other income total	684.8	793.6	341.0	377.7

Costs, € million

	Jan-Dec/20	Jan-Dec/19	July-Dec/20	July-Dec/19
Purchase of imbalance power	234.4	323.5	128.2	160.9
Loss power costs	52.6	53.9	28.1	28.2
Depreciation	98.5	97.8	49.4	49.1
Cost of reserves	63.5	55.9	30.1	29.3
Personnel costs	31.2	26.4	14.9	10.4
Grid maintenance costs	23.6	21.6	12.9	13.8
Cost of peak load capacity*	12.6	13.7	3.5	4.4
ITC charges	10.8	15.0	6.1	7.3
Other costs	42.1	43.8	23.2	21.4
Costs total	569.3	651.6	296.3	324.7
Operating profit excluding the change in the fair value of commodity derivatives	115.4	142.1	44.5	53.1
Operating profit of Group, IFRS	118.4	115.5	63.2	48.7

* Peak load capacity income and costs are related to the securing of sufficient electricity supply during peak consumption hours in compliance with the Finnish Peak Load Capacity Act.

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million. Profit for the financial year was EUR 94.0 (84.6) million. The equity ratio was 27.4 (32.0) per cent at the end of the year.

Fingrid's total capital expenditure in 2020 amounted to EUR169.7 (126.9) million. This included a total of EUR 137.3 (103.4) million invested in the transmission grid and EUR 9.6 (5.5) million for reserve power. ICT investments amounted to EUR 21.1 (17.0) million. The costliest single ICT investment was the centralised information exchange system for electricity retail markets, datahub, which the company is currently building. A total of EUR 4.5 (3.4) million was used for R&D projects during the year under review.

The parent company's turnover was EUR 679.8 (786.2) million, profit for the financial year EUR 136.0 (148.1) million and distributable funds EUR 186.8 million.

Based on the company's own calculations, the return according to the regulatory model that governs grid operations amounts to a deficit of around EUR 30 million for 2020. The size of the deficit was also positively affected by cost efficiency and quality incentives. The Energy Authority has confirmed a cumulative deficit of EUR 28.4 million for the previ-

ous regulatory period, 2016–2019.

Fingrid's credit rating remained high, reflecting the company's strong overall financial situation and debt service capacity. The Group's net financial costs were EUR 4.0 (10.1) million, including EUR 0.7 million in interest expenses on the lease liabilities booked into the balance sheet. The Group's net interest expenses on loans during the year totalled EUR 13.3 (14.7) million. The change in the fair value of financial derivatives was EUR 3.8 million positive (EUR 8.1 million positive). The Group's finance income was increased during the review period by an EUR 8.4 million dividend attributable to the sale of the Nord Pool shares.

Interest-bearing borrowings totalled EUR 1,174.9 (1,120.0) million, of which non-current borrowings accounted for EUR 1,032.8 (884.7) million and current borrowings for EUR 142.1 (235.3) million. At the end of the year, the company's interest-bearing borrowings included a total of EUR 31.2 million in lease liabilities, consisting of EUR 2.3 million in short-term liabilities, to be paid within a year.

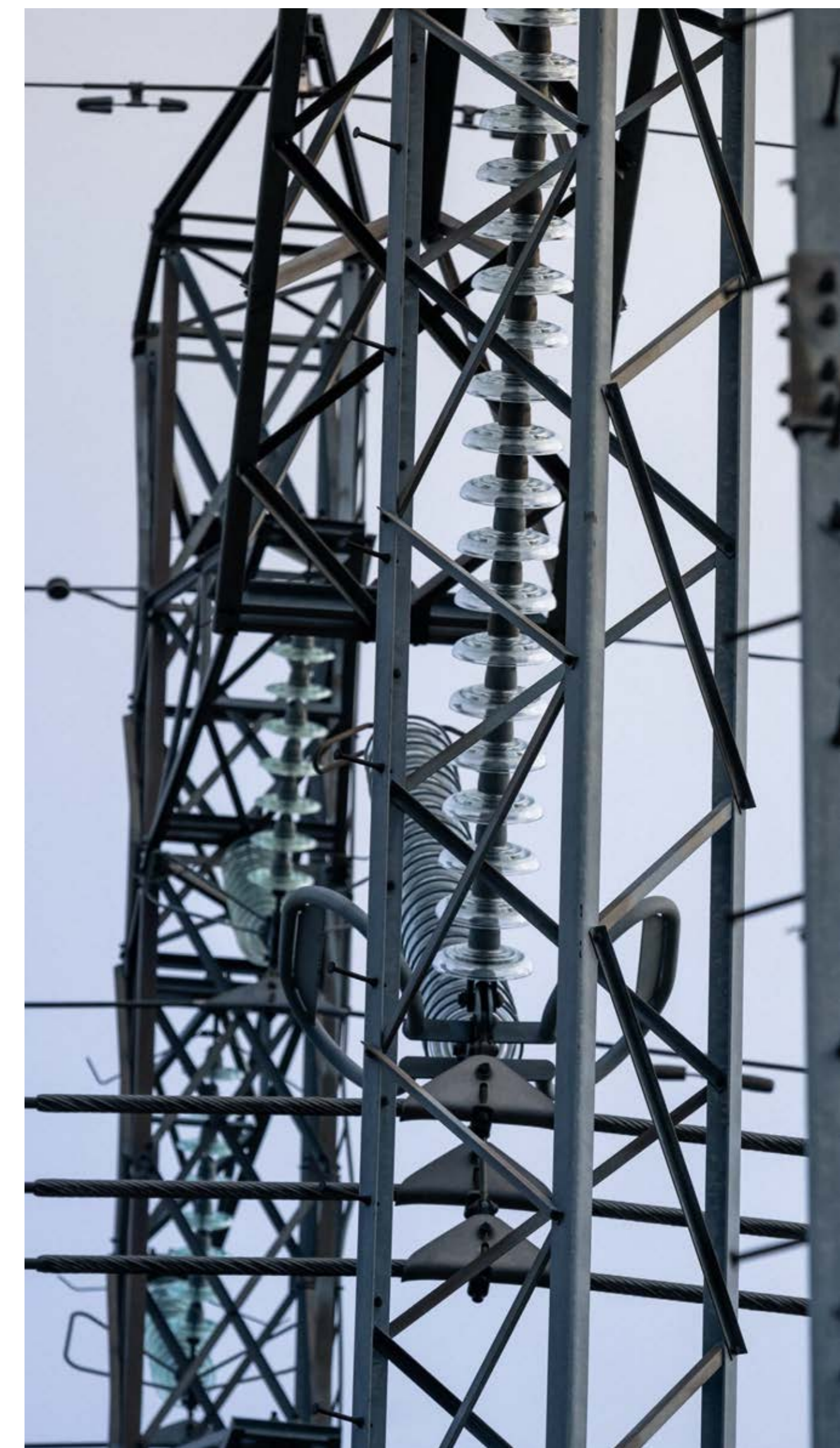
The company's liquidity remained good. Cash and cash equivalents and other financial assets totalled EUR 125.9 (82.8) million. The company additionally has

an undrawn committed revolving credit facility of EUR 300 million to secure liquidity (until 11 December 2022) and a total of EUR 225 million in committed and uncommitted bilateral facility arrangements with banks.

The counterparty risk arising from derivative contracts relating to financing was EUR 26.2 (22.4) million. Fingrid's foreign exchange and commodity price risks were hedged.

Fingrid has credit rating service agreements with S&P Global Ratings (S&P) and Fitch Ratings (Fitch). The credit ratings valid on 31 December 2020 remained high and were as follows:

- S&P's rating for Fingrid's unsecured senior debt and long-term company rating at 'AA-' and the short-term company rating at 'A-1+', with a stable outlook.
- Fitch's rating for Fingrid's unsecured senior debt at 'A+', the long-term company rating at 'A', and 'F1' for the short-term company rating, with a stable outlook.



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2. OPERATIONS

STRATEGY

Fingrid Oyj is Finland's transmission system operator, owned by the State of Finland and Finnish pension and insurance companies. Fingrid's mission is to secure a reliable supply of electricity for our customers and entire society cost effectively in all circumstances, and to help shape the clean, market-oriented power system of the future.

Fingrid's operations are based on Finnish and EU legislation. The Finnish Electricity Market Act requires us to develop the main grid, maintain a balance between electricity consumption and generation, and improve the preconditions for a well-functioning electricity market. The EU Electricity Regulation obligates cooperation within ENTSO-E, the European Network of Transmission System Operators of Electricity, and also regionally within the Baltic Sea region, to promote the functioning of the internal market in electricity. Fingrid participates in the drawing up and implementation of the market, operating and connection codes and the proposals prescribed in them. Fingrid's operations are supervised and regulated by the Energy Authority, which has granted the company a licence for transmission grid operations.

The business model describes the most important material and immaterial re-

sources at the company's disposal that are necessary for operational processes. The impact of Fingrid's operations and the significant added value they generate show in various ways throughout Finnish society. The operational model is described in the business review and on Fingrid website.

Vision:

Fingrid's vision is to be an exemplary transmission system operator and a highly esteemed energy influencer.

Values:

Our values guide the work of our professional community and lay a solid foundation for our corporate culture. Fingrid is open, fair, efficient and responsible in all our operations.

Way of working:

Fingrid's corporate culture is open, collaborative and renewing, and complies with good governance practices. The company is well known for expertise. Operations are developed for the long term and in cooperation with our customers and other stakeholders. Everyone is treated impartially and with respect. Fingrid achieves the bold and ambitious goals set for our operations. High quality and efficiency are achieved by combining our core expertise with that of the best players in the world. Fingrid operates re-

sponsibly, effectively and openly, and in this way earns the trust of customers and stakeholders.

Fingrid's strategy is implemented through four perspectives: Customers & Society, Finance, Internal Processes, and Personnel & Expertise. According to the approach chosen by Fingrid for implementing its strategy, all four perspectives are equal and are implemented and developed in a mutually balanced way. The strategic perspectives play a key role in the day-to-day management of the company.

Fingrid is a specialist organisation in which the objective of the Personnel & Expertise perspective is to maintain and develop an open, social, renewing and high-performing work community.

- > Our mission: to ensure reliable supply of electricity in all circumstances and to shape a clean power system.



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The perspective of Internal Processes consists of the company's three operational processes:

- Ensuring transmission capacity: investments and maintenance tasks are carried out safely and efficiently at the right time.
- System security management: the main grid is operated proactively and reliably such that the power system maintains its balance at all times.
- Promoting the electricity market: the electricity market is maintained and developed actively.

The objective of the Finance perspective is to operate cost-effectively, to enable affordable service pricing, and create value for shareholders.

In terms of customers and society, the company aims to provide a secure supply of electricity and a well-functioning electricity market from society's point of view, and meets the customers' needs with adequate services and affordable prices.

Fingrid has made the following strategic choices:

Focusing on the core mission

- Fingrid excels in accomplishing its core mission in a changing operating environment. The company does not aim to

expand into new businesses or to participate in competitive business.

Customer focus

- Fingrid develops its business operations and operating models actively, focusing on customers, and mindful of society's interests as a whole.

World-class efficiency

- Fingrid innovatively utilises the best technologies and opportunities enabled by digitalisation. The necessary core competencies are maintained in-house. Fingrid cooperates with the best partners.

Market focus

- Fingrid applies a market-oriented approach in all areas because we believe that well-functioning markets will produce the best and most innovative solutions.

Openness to integration

- Fingrid actively fosters the integration of the electricity markets in Europe and the Baltic Sea region, while always being mindful of Finland's national interests.

Security and responsibility

- Fingrid secures the existing good level of system security in a power system under transformation. Corporate responsibility and safety are highlighted in all activities.

CUSTOMERS

Fingrid provides grid services and electricity market services to its customers: utility companies, electricity-consuming industry and electricity market operators. Fingrid's operations are largely based on fulfilling statutory duties, and they are conducted with a maximum customer focus, impartially and on equal terms.

Grid services secure reliable transmission of electricity in the main grid in accordance with the needs of utility companies and energy intensive industry. The transmission reliability rate broke the all-time record in 2020. Significant quantities of wind power capacity are currently under planning and construction. We received around 160 enquiries about connecting to the main grid, totalling tens of thousands of megawatts in capacity. The connection agreements signed during the year enable the grid connection of roughly 1,800 MW of new wind power capacity. We also received inquiries about the grid connection of new types of consumption.

Fingrid's electricity market services provide the electricity market operators with a unified price area for wholesale electricity trading in Finland as well as the benefits of the open European electricity markets. In 2020, the full cross-border transmission capacity was utilised for Finland's electricity imports from Sweden. The transmis-

sion capacity did not meet the needs of the market, but our cross-border connections functioned very well.

According to a study carried out by the European Network of Transmission System Operators for Electricity (ENTSO-E) in 2019, the transmission tariffs for electricity in the Finnish transmission system are the third lowest in Europe, when compared with transmission grids of a similar size. The comparison included 36 countries. In 2021, the grid service fees will be maintained at the previous year's level.

According to the customer satisfaction survey conducted in autumn 2020, the customers' trust in Fingrid remains strong and our work for the benefit of society at large is considered a particular strength. More than half of the customers felt that the company's operations had improved during the past year. According to the survey, customers perceive Fingrid as an open and cooperative player who works for the benefit of the whole of society and treats its customers impartially. Our customers gave us a Net Promoter Score (NPS) of 45, a good result for a natural monopoly in a business-to-business industry.

Work on the online service portal, "My Fingrid", continued as a part of overall customer service development. In the

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portal, customers can view various metrics such as transmission metering, invoicing, reactive power, and disturbance and unavailability data.

Two major Fingrid Current customer events and several info sessions and webinars targeted at smaller audiences were arranged in 2020.

MAIN GRID

In this decade, Fingrid will invest two billion euros in Finnish grid networks and substations. The main grid must be reinforced because achieving the goal of a climate neutral Finland by 2035 requires a significant increase in emission-free electricity production and consumption. Wind power connections have in particular increased the need for investments.

We are working on a grid vision, aimed to create an understanding of the development needs in the main transmission grid (400 kV and 220 kV) and proposed solutions for the long term.

Roughly 10 kilometres of new transmission lines were completed and 570 kilometres were under construction. 250 kilometres of transmission lines were under general planning. Fingrid's ongoing major electricity transmission projects included the construction of a transmission line from Oulu to Petäjävesi, the so-called 'Forest Line'.

The construction of a third AC connection to Sweden is under preparation to boost the functioning of international electricity markets. Another project currently in the planning phase is the upgrading of the Oulu–Lappeenranta connection, or 'Lake Line'.

Twelve new or expanded substations were completed and 22 were under construction:

- New wind power generation with a total capacity of roughly 4,000 megawatts are planned in the area between Kristinestad, Vaasa and Seinäjoki. Haapajärvi and the neighbouring municipalities, in central Finland, are planning new wind power projects totalling more than 1,000 megawatts. Fingrid made investment decisions to build a substation at Pysäysperä in the municipality of Haapajärvi and another substation at Kärppiö in the municipality of Teuva. The total capital expenditure will be roughly EUR 55 million. The planned commissioning dates for the substations are in the summer of 2022.
- A 400/110-kilovolt substation will be modernised at Tammisto in Vantaa. The investment will improve the system security of electricity supply in the Helsinki region. The Tammisto substation is one of the stations supplying electricity to the capital region and a key node of the main grid. The new substa-



- tion will be commissioned in late 2022.
- The 110-kilovolt Luukkala substation in Lappeenranta, which plays an important role for electricity transmission in the South Karelia and Lappeenranta area, will be modernised. The station is the starting point of several grid ring connections and also supplies the city of Lappeenranta as well as local industries with electricity. The project will be completed in the autumn of 2023.
- The Jylkkä substation, located in Kalajoki, will be expanded and fitted out with a third transformer, making the substation Finland's most important connection point for wind energy. The project will be completed during 2022.

- During the period under review, investment decisions were made concerning the refurbishments of the substation located in Kangasala and the Isohaara substation located in Keminmaa.
- A 400/110-kilovolt substation system will be expanded and modernised in Alajärvi. New wind power projects amounting to roughly 2000 megawatts is currently under construction or planning in the vicinity of Alajärvi. The interconnections for the new capacity require upgrades in the main grid. The project is due for completion in 2023.
- The 220/110-kilovolt Kellarijänkä substation is under construction in Kemi-järvi to prepare for future wind power

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interconnections. The new substation will also promote the development of distribution networks and improve system security in the area. It will also enable the interconnection of a new biorefinery project under planning in the area. The project will be completed during 2023.

Fingrid owns ten reserve power plants with a constant start-up readiness of 15 minutes. In 2020, we completed a refurbishment project at the Vanaja reserve power plant, which included replacing components such as the fuel oil and extinguishing systems. The main objective of the upgrade was improving environmental and fire safety.

Fingrid carried out aerial photography of all the transmission lines during the summer of 2020. This means approximately 12,000 kilometres of power lines, making it the most extensive imaging project of Finland's grid system ever completed. The aerial photography will bring the documentation of the grid up to date, while also helping to assess the condition of the grid and enable planning of future maintenance work.

Despite the coronavirus pandemic, Fingrid's investments and maintenance work proceeded according to planned schedules and budgets.

Fingrid scored top results in ITOMS (The International Transmission Operations & Maintenance Study) and was the only TSO to achieve a Top Performer nomination both in the transmission line and substation maintenance categories. ITOMS looks into the effectiveness of maintenance based on criteria such as maintenance costs and disturbance statistics.

POWER SYSTEM

Electricity consumption in Finland amounted to 80.9 (86.1) terawatt hours in 2020. Fingrid transmitted a total of 68.4 (68.7) terawatt hours of electricity in its grid, representing 77.9 (76.0) per cent of the total electricity transmission in Finland (consumption and inter-TSO).

The imported and domestic production capacity was sufficient to meet the peak demand of the year. The electricity consumption peaked at 12,388 (14,542) MWh/h on Friday 28 February between 8 and 9 a.m., with Finland's electricity production contributing 9,849 MWh/h and the remaining 2,539 MWh/h being imported. The area price of electricity on the day-ahead market in Finland was €46.98/MWh during the peak consumption hour.

The water resources in the Nordic countries were at a good level, which led to lower year-on-year wholesale electrici-

ty prices. The electricity transmitted between Finland and Sweden mostly consisted of large imports from Sweden to Finland. In 2020, 18.8 (16.3) terawatt hours of electricity was imported from Sweden to Finland, and 0.3 (0.5) terawatt hours was exported from Finland to Sweden. The electricity transmissions between Finland and Estonia were dominated by exports from Finland to Estonia, totalling 6.6 (3.8) terawatt hours. Electricity transmission from Russia to Finland amounted to 3.0 (7.6) terawatt hours. In contrast to the previous year, electricity was also exported from Finland to Russia on a few occasions. In 2020, 0.3 (0.2) terawatt hours of electricity was imported from Norway to Finland.

The transmission reliability rate of the main grid was the best ever in 2020, at 99.99995% (99.9998%). An outage in a connection point in the grid caused by a disturbance in Fingrid's electricity network lasted an average of 0.5 (4.3) minutes. The calculated cost of the disturbances (regulatory outage costs) to consumer cus-

tomers was EUR 0.9 (2.7) million. If rapid reclosures are included, the cost of disturbances amounts to EUR 3.2 million.

The availability and reliability of Fingrid's HVDC transmission links remained very high. Disturbance-clearing and fault elimination measures were highly successful, and the connections were quickly restored and made available to the market.

The volume of transmission losses in the main grid increased somewhat from the level of the previous year, amounting to 1.5 (1.3) terawatt hours. This was 1.8 (1.5) per cent of the total volume of transmitted electricity. The annual variation of losses is affected by the Nordic electricity production situation, such as the volume of hydropower. Losses have been minimised by keeping the voltage of the transmission grid as high as possible and by making grid investments and equipment procurements that promote energy efficiency.

Counter trade	Jan-Dec/20	Jan-Dec/19	July-Dec/20	July-Dec/19
Counter-trade between Finland and Sweden, €M	0.1	0.1	0.0	0.0
Counter-trade between Finland and Estonia, €M	0.2	0.5	0.1	0.1
Counter-trade between Finland's internal connections, €M	0.4	0.3	0.3	0.2
Total counter-trade, €M	0.7	0.9	0.4	0.4

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Power system operation	Jan-Dec/20	Jan-Dec/19	July-Dec/20	July-Dec/19
Electricity consumption in Finland TWh	80.9	86.1	39.2	41.5
Inter TSO transmission in Finland, TWh	7.0	4.4	3.5	2.3
Transmission within Finland, TWh	87.8	90.5	42.7	43.7
Fingrid's transmission volume TWh	68.4	68.7	34.2	34.0
Fingrid's electricity transmission to customers, TWh	61.3	64.2	30.6	31.7
Fingrid's loss power volume TWh	1.5	1.3	0.8	0.7
Electricity transmission Finland - Sweden				
Exports to Sweden TWh	0.3	0.5	0.2	0.1
Imports from Sweden TWh	18.8	16.3	9.5	9.2
Electricity transmission Finland - Estonia				
Exports to Estonia TWh	6.6	3.8	3.3	2.1
Imports from Estonia TWh	0.0	0.3	0.0	0.1
Electricity transmission Finland-Norway				
Exports to Norway TWh	0.0	0.1	0.0	0.0
Imports from Norway TWh	0.3	0.2	0.2	0.2
Electricity transmission Finland - Russia				
Imports from Russia TWh	3.0	7.6	1.8	3.4

ELECTRICITY MARKET

The average market price of spot electricity on the power exchange (Nordic system price) was EUR10.93 (38.94) per megawatt hour. The wholesale area prices on the Nordic and European electricity markets were the lowest in market history. The price differences between price areas were significant, both among the Nordic price areas and on the Central European markets. The price decrease in the Nordic market area was primarily caused by extremely high hydropower production volumes and warm weather. The day-ahead market prices fell to negative figures several times in the Nordic countries. The impact of the coronavirus pandemic on the production and con-

sumption of electricity and on the electricity market was fairly insignificant in the Nordic market area.

Large quantities of electricity were imported to Finland, based on market incentives, throughout the year under review. Finland has been dependent on imported electricity, as the domestic production capacity does not meet the demand. The area prices in Finland and Sweden diverged in situations where the transmission capacity between the countries was insufficient to meet the demand. Our cross-border connections functioned very well, however, and we succeeded in making all the existing capacity available to the markets.

Electricity market	Jan-Dec/20	Jan-Dec/19	July-Dec/20	July-Dec/19
Nordic system price, average €/MWh	10.93	38.94	11.32	36.70
Area price Finland, average €/MWh	28.02	44.04	32.76	45.63
Congestion income between Finland and Sweden, € million*	245.4	131.0	141.4	101.0
Congestion hours between Finland and Sweden %**	62.8	40.1	63.8	54.4
Congestion income between Finland and Estonia, € million*	48.1	15.0	27.4	4.0
Congestion hours between Finland and Estonia %	32.9	11.8	32.0	10.4

* The congestion income between Finland and Sweden and between Finland and Estonia is divided equally between the relevant TSOs. The income and costs of the transmission connections are presented in the tables under 'Financial result'. Congestion income is used for investments aimed at eliminating the cause of congestion.

** The calculation of a congestion hour between Finland and Sweden refers to an hour during which Finland's day-ahead area price differs from Sweden's SE1 or SE3 area price.

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Fingrid's congestion income from cross-border transmission lines totalled EUR 146.7 (73.0) million, of which the cross-border transmission lines between Finland and Sweden accounted for EUR 122.7 (65.5) million. The links between Finland and Estonia generated EUR 24.0 (7.5) million in congestion income. A total of EUR 219.1 million in congestion income remained unused at the end of 2020 and will be used, in accordance with the regulatory guidance, for the Forest Line connection currently under construction and other grid investments that will improve the functioning of the electricity market.

To increase the cross-border transmission capacity between Finland and Sweden, a third AC connection to Sweden is currently being prepared, in cooperation with the Swedish TSO. The increased transmission capacity will help to decrease the price disparities between the countries. The transmission link is due for completion in 2025. The Forest Line connection currently under construction will substantially increase the North–South transmission capacity necessary for the Finnish power system and help to keep Finland as a single price area in electricity trading. The project is due for completion in 2022.

Competitive trading between the Nordic power exchanges started in June 2020. The competition between power exchanges will increase the number of alternative trading services available to electricity market operators. The competition makes it possible for more than one Nominated Electricity Market Operator to connect with the European market coupling on the day-ahead market in the Nordic price areas.

Fingrid has several ongoing projects for developing the electricity market:

- The Nordic Balancing Model and the related project to implement a 15-minute imbalance settlement period (ISP) will revamp the Nordic balancing power and reserve power marketplaces, modify the balancing model and adopt the 15-min ISP.
- A new methodology of transmission capacity calculation will be adopted in the Nordic countries to improve the capacity allocation for the market. RSC, the Nordic TSOs' joint operational planning office in Copenhagen, will procure the necessary new calculation software.
- A centralised information exchange platform for the retail market of elec-

tricity, datahub, is scheduled to go live in February 2022. The datahub will contain data from about 3.7 million accounting points in Finland. Close cooperation with the entire sector continued in 2020, and the datahub was gradually made available to the entire sector for testing in June 2020.

- Fingrid's development of flexibility market solutions has progressed within the INTERRFACE and OneNet projects funded from the EU's Horizon2020 research programme. Fingrid participated in the preparations for a follow-up INTERRFACE project, and the work resulted in the OneNet project, which started in the autumn, also under Horizon2020 funding. In the next few years, the OneNet partners and Fingrid will jointly develop methodologies related to the utilisation of flexibilities, in order to better account for the flexibility needs of the power system also in the longer term.



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3. CORPORATE RESPONSIBILITY

Fingrid Oyj employed 408 (380) persons, including temporary employees, at the end of the year. The number of permanent personnel was 363 (338).

At the end of the year, 23 (24) per cent of the personnel were women and 77 (76) per cent were men. The average age of the personnel was 44 (44).

Fingrid is an expert organisation where the most important resource is the knowledge and skills of the personnel. In an expert organisation, work can be organised autonomously and independently, while also supporting the team and common goals. This concept of specialists focusing on their area of expertise was also successful in 2020, in the exceptional circumstances, when most of the experts were forced to transfer to remote work almost full-time due to the COVID-19 pandemic.

The necessary know-how was secured in 'Fingrid Academy', which offered coaching for supervisors, project management coaching, the Loikka training programme for increasing specialists' communication and engagement skills, language training and unit-specific coaching mainly related to change, work community and emotional skills.

Fingrid is charged with a mission of high responsibility and great societal significance: to ensure the entire population of Finland has electricity available to them and to carry out the grid investments necessary for a clean power system. We support particularly the UN's global Sustainable Development Goals (SDGs) related to climate actions, energy and infrastructure. Fingrid's corporate responsibility performance is reported according to the Global Reporting Initiative framework and the data is verified by an independent external party. In 2020, the topics important to Fingrid's business activities and corporate responsibility, in addition to successfully fulfilling the company's core mission, included areas such as safety and security, procurement practices, stakeholder trust, financial result, Code of Conduct, and taking care of the work community. The implementation of corporate responsibility was steered by goals focused on these essential topics, which was also reflected in the President & CEO's and senior management's remuneration. The importance of Fingrid executives' corporate responsibility goals was particularly highlighted. Compliance and corporate responsibility management is integrated with Fingrid's management system and risk management practices, using the corporate strategy as a starting point. Fingrid's Board of Directors updat-

ed and approved the company's Code of Conduct, monitored the responsibility of operations, and ensured that corporate responsibility management is properly organised and integrated into business operations. The President & CEO and the heads of functions were each responsible for compliance management and corporate responsibility issues within their areas of responsibility.

Fingrid is committed to the United Nations' Global Compact initiative, and its Code of Conduct is in line with the initiative's principles on human rights, labour, the environment and anti-corruption. The Code of Conduct was updated in 2020 to match with the company's updated values, and the requirement to promote diversity was included in the Code of Conduct. Fingrid guarantees equal opportunities, rights and treatment to all employees and complies with the principles of non-discrimination, equality and diversity in its personnel policy. Despite the coronavirus pandemic, the personnel's well-being was good and work proceeded as planned. A coronavirus group consisting of personnel representatives kept track of official coronavirus guidelines and instructed the work community on safe work. The company scored an eNPS of 71 and overall satisfaction of 87/100 in the Siqni employee survey.

The grade for responsible operations in the personnel survey was 4.6 out of 5. The company's customers gave us a net promoter score (cNPS) of 45. Fingrid has made a pledge to support human rights and included it in the Code of Conduct. To ensure that we correctly understand our human rights impacts, Fingrid has carried out an overall assessment in compliance with the due diligence process recommended in the UN's Guiding Principles on Business and Human Rights. Human rights are included in the corporate responsibility commitment Fingrid expects from its suppliers and their realisation is monitored using a risk-based approach. Contract terms are additionally applied to the use of subcontractors and workforce, and to occupational safety and environmental matters. In 2020, ten Fingrid worksites were audited to verify compliance with contractor obligations, occupational safety and environmental management. In international goods sourcing, third-party supplier audits were carried out at 15 production plants, and six follow-up audits were carried out in order to rectify any non-compliances observed during these or earlier audits.

Fingrid seeks to improve its occupational safety culture and achieve its zero accidents goal. In 2020, the Executive Management Group approved Fingrid's

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policy and goals for occupational safety and health management. The scope of the OHS management system based on the ISO 45001 standard consists of the functions and units working with grid construction and maintenance. Fingrid's own personnel had 2 (0) lost-time accidents and suppliers' personnel 14 (7). 5 (2) of the lost-time accidents resulted in an absence from work of more than 30 days or in a permanent handicap/bodily injury and were classified as serious. The suppliers' and Fingrid's combined lost time injury frequency (LTIF) increased from the previous year to 11.1 (5.3) per million worked hours.

The transmission grid under Fingrid's responsibility must have sufficient geographical coverage and transmission capacity to enable Finland to reach its climate goals. The other significant environmental impacts caused by the company's operations are related to landscape changes and land use restrictions, impacts on natural habitats, the climate impact of power losses during electricity transmission, possible contingencies at substations and reserve power plants, and the consumption of natural resources and the climate impact during grid construction and maintenance. From a climate risk viewpoint, Fingrid prepares for the physical risks of extreme weather phenomena, which are becoming more

common and more powerful, in the construction and use of the grid. The transition risk, i.e. the transfer to a clean power system, is being prepared for by building the main grid rapidly enough to achieve the climate targets, which means proactive environmental impact assessment, successful stakeholder engagement, fast project permit processes and effective project management. Fingrid's carbon dioxide emissions in 2020 totalled approximately 118,000 carbon dioxide equivalent tonnes. In 2020, the total wind power capacity connected to Fingrid's main grid amounted to roughly 296 megawatts, which will indirectly cut emissions worth around 72,000 carbon dioxide equivalent tonnes in the coming years. In addition, Fingrid concluded during the year agreements on connecting a total of approximately 1,800 megawatts of wind power production to the electricity grid. Once realised, this will lead to a substantial positive climate impact, indirectly avoiding emissions worth around 450,000 million carbon dioxide equivalent tonnes. A real-time factor for electricity consumed (year 2020 average: 72 g CO₂/kWh) was adopted in the emissions reporting; the data is published on Fingrid's website as a part of the open electricity market data.

Landowners and other stakeholders were taken into account when building and maintaining the grid, and environmental

impacts were mitigated at all life-cycle stages in accordance with Fingrid's land use and environmental policy. Similarly to occupational safety standards, outsourced contractors and service providers were required to commit to environmentally responsible operating practices through contract terms, training and audits. The environmental impact assessment (EIA) procedure was applied to the transmission line projects with the most significant impacts, with on-going assessments in four projects during 2020. Fingrid received an expropriation permit decision for one transmission line construction project. The service providers who carry out maintenance work and trim vegetation along power line right-of-ways were also instructed to take landowners and natural sites into account and to take proper care of waste and chemicals. Safe utilisation of transmission line right-of-ways was promoted by offering landowners information and initial funding for managing right-of-way areas as heritage environments with high biodiversity value. Materials from work sites were recycled as efficiently as possible when building new grid sections and substations or dismantling old structures. No significant environmental deviations occurred in grid building and maintenance in 2020. The total volume of waste was approximately 10,800 (13,920) tonnes, of which 95 (98) per cent was repurposed and 62 (89) per cent was recycled.

The ISO 14001 environmental management systems of Fingrid's reserve power plants were recertified in 2020. The reserve power plants are necessary in serious power system disturbances, subject to an environmental permit and covered by the EU's emissions trading scheme. A total of 5,020 (5,142) units (tCO₂) of emission allowances were returned, 100 per cent of which consisted of purchased emission right units. Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020. A total of 4,000 units of emission allowances were purchased in 2020. Emissions trading had minor financial significance for Fingrid.

> The main grid must have sufficient transmission capacity to enable Finland to achieve its climate goals.

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Fingrid reports on its tax footprint and refrains from any special arrangements to minimise taxes. Fingrid does not provide any direct or indirect support to political activities. Fingrid's Code of Conduct includes a prohibition on money laundering and corruption, such as blackmail and bribery. In addition, Fingrid has several operating models in place to prevent corruption, bribery and other financial irregularities, related to, among other things, the use of funds, accepting gifts and hospitality, verification of commitments, counterparty verification and sanctions screening. In 2020, the personnel and external stakeholders had a confidential and independent whistle-blower channel available to them, and two reports of suspected misconduct were received through it. One of these did not lead to follow-up measures and in the other case, corrective actions were decided on. No breaches of anti-competition laws, complaints related to the privacy of private individuals, incidents of bribery or other corruption, human rights violations or discrimination incidents occurred in Fingrid's operations.

More information on corporate responsibility work is available in the corporate responsibility and sustainable development report to be published on 31 March 2021.



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4. INTERNAL CONTROL AND RISK MANAGEMENT

ORGANISATION OF INTERNAL CONTROL

Fingrid's internal control is an integral part 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, and
- a high standard of risk management.

Risk management is planned holistically, 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 and to react in the best possible way should risks occur, 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.

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 required. 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.

Line management and other organisation

Assisted by the Executive Management Group, the President & CEO is responsible for implementing 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 Chief Financial Officer 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.

Financial audit

An authorised public accounting company selected by the Annual General Meeting 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 AGM 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 management.

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 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

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5. BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

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.

SIGNIFICANT RISKS

Since Fingrid plays a significant role in Finnish society, the impact of risks is assessed from both the company's and society's perspective. Strategic risks are considered to be events that may lead to a material deterioration in the company's ability to operate or in its corporate image or, in the worst-case scenario, events that may lead to the company's operations being called into question by society.

The most significant of the company's three identified strategic risks is a severe disturbance related to the functioning of the power system, leading to a regional or nationwide blackout. Extensive disturbances to the power system can be caused by a technical malfunction, an extreme weather event, human error, an accident or vandalism. A major disturbance can paralyse society's functions and cause major damage to Finnish business and industry.

Financial regulation directly impacts shareholder value, financing and credit ratings. A significant negative change in

regulation constitutes a material strategic risk for the company's operations.

The third strategic risk for the company's operations is the possibility of a distortion in the corporate culture under the monopoly's protection, which can surface in the form of disregard for sustainability requirements or other unprofessional behaviour.

In addition to strategic risks, business risks identified as substantial, such as accident, asset, information security, procurement, regulatory interest rate and counterparty and refinancing risks, are reported to the company's Board of Directors.

Fingrid's risk management and foremost risks are explored in greater detail in the company's annual report and on its website. Fingrid's financing risks are described in more detail in sections 6.2 and 6.3 of the consolidated financial statements. No substantial risks were realised in 2020.

Fingrid Oyj's Annual General Meeting was held in Helsinki on 20 March 2020. The members of the Board of Directors in 2020 were Juhani Järvi (Chair), Päivi Nerg (Deputy Chair), Anu Hämäläinen (until 20 March 2020), Sanna Syri, Esko Torsti, and Hannu Linna as a new member (as of 20 March 2020).

PricewaterhouseCoopers Oy was elected as the auditor of the company, with Heikki Lassila, APA, serving as the responsible auditor.

The Board of Directors has two committees: the Audit Committee and the Remuneration Committee.

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 Remuneration Committee consisted of Juhani Järvi (Chair), Päivi Nerg (until 20 March 2020), Hannu Linna (as of 20 March 2020) and Esko Torsti.

Jukka Ruusunen serves as President & CEO of the company. Fingrid has an Executive Management Group which supports the President & CEO in the company's management and decision-making.

Fingrid was well prepared for the exceptional circumstances during the coronavirus pandemic. The company's management and decision-making was not endangered, and the core operations were successfully continued in a nearly normal manner, despite the exceptional circumstances, by resorting heavily to remote work.

A corporate governance statement, required by the Finnish Corporate Governance Code, has been provided separately. The statement and other information required by the Code are also available on the company's website at www.fingrid.fi.

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6. SHARE CAPITAL

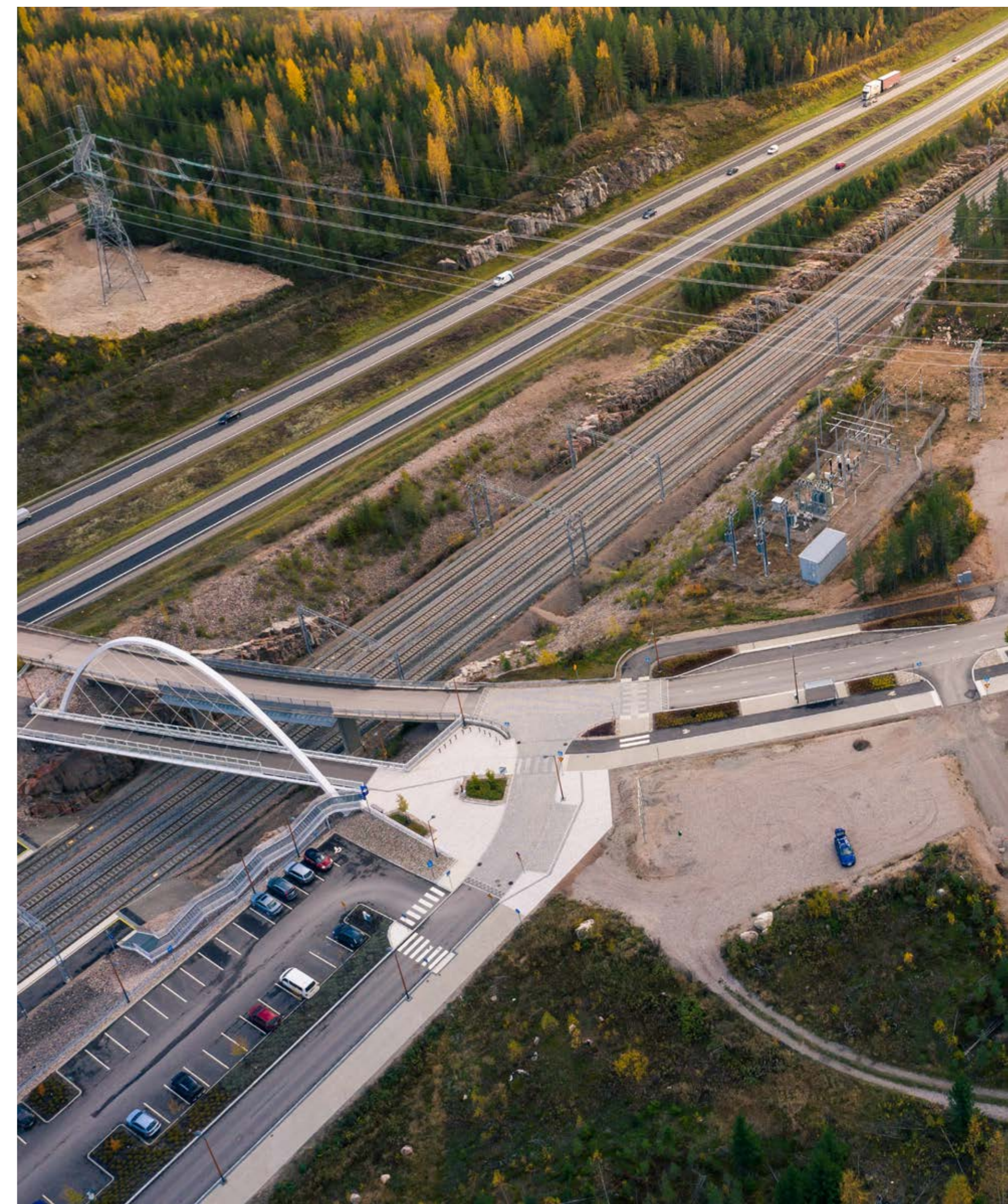
The company's share capital is EUR 55,922,485.55. Fingrid shares are divided into Series A shares and Series B shares. The number of Series A shares is 2,078 and the number of Series B shares is

1,247. The voting and dividend rights related to the shares are described in more detail in the notes to the financial statements and in the articles of association available on the company's website.

7. OTHER EVENTS DURING THE FINANCIAL YEAR

Fingrid Oyj carried out, together with the other shareholders, a share trade transaction in which 66% of the shares in Nord Pool Holding AS were sold to Euronext Nordics Holding AS, a Norwegian company wholly owned by Euronext N.V. Fingrid's indirect ownership in Nord Pool is

now 6.4%, which is managed through TSO Holding AS, a holding company jointly owned by the transmission system operators and of which Fingrid owns 18.8%. Fingrid Oyj's holding in TSO Holding AS is accounted for in the 'Other long-term investments' section in the balance sheet.



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8. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

An accident took place on a worksite in Laukaa, Finland, on 25 August 2017, where an employee of Revilla y Garcia S.L. died after having fallen from a transmission line tower. A civil court case, as well as proceedings concerning social-security-based damages, have been initiated in Spain for damages against Fingrid (the client linked with the accident), the main contractor, Technolines S.R.L. filial i Finland, and its subcontractor, Revilla y Garcia S.L. Fingrid does not believe the claim against it is likely to succeed and, in Fingrid's view, the legal proceedings or their

outcome are not likely to have a substantial impact on the company's earnings or financial position.

On 30 June 2020, the Market Court received an appeal on the company's decision to exclude a bidder from a competitive tender for 400-MVA transformers to be acquired in 2022–2025. The company decided to discontinue the tendering process on 14 July 2020. After the decision to discontinue the tendering process, the appeal to the Market Court was withdrawn on 28 July 2020.

9. EVENTS AFTER THE REVIEW PERIOD AND ESTIMATE OF FUTURE OUTLOOK

Fingrid Group's profit for the 2021 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to improve somewhat compared to 2020.

Results forecasts for the financial year are complicated especially by the uncertainty related to grid service revenue, ITC income and cross-border transmission

income, and to reserve and loss power costs. These are dependent on the variations in outside temperature, precipitation, windiness, and hydrological conditions in the Nordic countries, which affect electricity consumption and electricity prices in Finland and neighbouring areas and thus also grid transmission volumes. The company's debt service capacity is expected to remain stable.



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10. BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividends. When making the decision, however, the economic conditions, the company's near-term capital expenditure and development needs as well as any prevailing financial targets of the company are always taken into account.

Fingrid Oyj's parent company's profit for the financial year was EUR 136,014,363.58 and distributable funds in the financial statements total EUR 186,751,302.32. Since the close of the financial year, there have been no material changes in the company's financial position and, in the Board of Directors' view, the proposed dividend distribution does not compromise the company's solvency.

Since the closing date, the Board of Directors has proposed to the Annual General Meeting of shareholders that, on the basis of the balance sheet adopted for the financial period that ended on 31 December 2020, a dividend of EUR 53,500.00 at maximum per share be paid for Series A shares and EUR 19,600.00 at

maximum for Series B shares, for a total of EUR 135,614,200.00 at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 35,500.00 for each Series A share and EUR 13,000.00 for each Series B share, totalling EUR 89,980,000.00, shall be paid on 12 April 2021. The second instalment of EUR 18,000.00 at maximum per share for each Series A share and EUR 6,600.00 at maximum per share for each Series B share, totalling EUR 45,634,200.00 at maximum in dividends, shall be paid subject to the Board's decision after the half-year report has been confirmed, based on the authorisation given to the Board in the Annual General Meeting. The Board has the right to decide, based on the authorisation granted to it, on the payment of the second dividend instalment after the half-year report has been confirmed and it has assessed the company's solvency, financial position and financial development. The dividends that have been decided on with the authorisation given to the Board shall be paid on the third banking day after the decision. It will be proposed that the authorisation remain valid until the next Annual General Meeting.

11. ANNUAL GENERAL MEETING 2021

Fingrid Oyj's Annual General Meeting is scheduled to be held on 7 April 2021 in Helsinki.

In Helsinki, on 5 March 2021
Fingrid Oyj
Board of Directors

- ⊙ Fingrid's owners are the State of Finland, and Finnish pension and insurance companies.

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Fingrid Oyj's Financial Statements for 2020: weather had a major impact on earnings.”

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1. CONSOLIDATED KEY FIGURES

Consolidated Key figures

		2020 IFRS	2019 IFRS	2018 IFRS	2017 IFRS	2016 IFRS
Extent of operations						
Turnover	MEUR	682.5	789.4	852.8	672.0	586.1
Capital expenditure, gross	MEUR	169.7	126.9	92.7	111.1	146.7
- % of turnover	%	24.9	16.1	10.9	16.5	25.0
Research and development expenses	MEUR	4.5	3.4	3.6	2.6	2.4
- % of turnover	%	0.7	0.4	0.4	0.4	0.4
Personnel, average		400	384	376	352	336
Personnel at the end of period		408	380	380	355	334
Salaries and remunerations total	MEUR	26.7	22.3	26.5	24.2	22.7
Profitability						
Operating profit	MEUR	118.4	115.5	241.6	184.8	192.0
- % of turnover	%	17.3	14.6	28.3	27.5	32.8
Profit before taxes	MEUR	113.3	105.8	229.0	163.7	173.9
- % of turnover	%	16.6	13.4	26.9	24.4	29.7
Return on investments (ROI)	%	7.0	6.4	13.2	10.0	10.4
Return on equity (ROE)	%	14.3	11.6	23.3	16.7	18.8
Financing and financial position						
Equity ratio	%	27.4	32.0	36.6	37.8	36.4
Interest-bearing net borrowings	MEUR	1,049.0	1,037.2	974.3	998.9	1,028.0
Net gearing		1.7	1.5	1.3	1.3	1.3

		2020 IFRS	2019 IFRS	2018 IFRS	2017 IFRS	2016 IFRS
Share-specific key figures						
Profit/share	€	28,269.6	25,452.5	55,106.3	39,350.8	41,706.1
Dividend/A shares	€	53,500.00*	58,500.00	67,650.00	68,470.00	37,536.09
Dividend/B shares	€	19,600.00*	21,400.00	24,750.00	25,050.00	16,038.49
Dividend payout ratio A shares	%	189.2	234.9	122.8	174.0	90.0
Dividend payout ratio B shares	%	69.3	86.0	44.9	63.7	38.5
Equity/share	€	190,210	206,213	232,310	240,017	230,301
Number of shares at 31 Dec						
- Series A shares	shares	2,078	2,078	2,078	2,078	2,078
- Series B shares	shares	1,247	1,247	1,247	1,247	1,247
Total	shares	3,325	3,325	3,325	3,325	3,325

* The Board of Directors' proposal to the Annual General Meeting on the maximum dividend to be distributed

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CALCULATION OF KEY FIGURES

$$\text{Return on investment, \%} = \frac{\text{Profit before taxes + interest and other finance costs}}{\text{Balance sheet total - non-interest-bearing liabilities (average for the year)}} \times 100$$

$$\text{Return on equity, \%} = \frac{\text{Profit for the financial year}}{\text{Equity (average for the year)}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$$

$$\text{Earnings per share, €} = \frac{\text{Profit for the financial year}}{\text{Average number of shares}}$$

$$\text{Dividends per share, €} = \frac{\text{Dividends for the financial year}}{\text{Average number of shares}}$$

$$\text{Dividend payout ratio, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{Equity per share, €} = \frac{\text{Equity}}{\text{Number of shares at closing date}}$$

$$\text{Interest-bearing net borrowings, €} = \text{Interest-bearing borrowings - cash and cash equivalents and financial assets}$$

$$\text{Net gearing} = \frac{\text{Interest-bearing borrowings - cash and cash equivalents and financial assets}}{\text{Equity}}$$

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INTRODUCTION

How to read Fingrid's financial statements and get the most out of it?

- Notes are compiled under specific themes to provide the best representation of Fingrid.
 - Chapters 3-6 consist of notes to the consolidated financial statements.
 - Accounting principles are linked with the note most relevant for each specific principle.
 - Accounting principles are shown at the end of each note, in a separate box and recognizable by the use of symbol
 - Interesting facts about Fingrid's operating environment are highlighted in infoboxes throughout the notes to the financial statements. The infoboxes can be recognized by the use of symbol



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Fingrid's business model and the regulation of transmission system operations

Fingrid constitutes a natural monopoly as referred to in the Finnish Electricity Market Act (588/2013), with duties defined in legislation. The company's operations, reasonableness in pricing and financial result are regulated and overseen by the Energy Market Authority. The Energy Authority determines Fingrid's allowed financial result over four-year regulatory periods (2020–2023).

Transmission system operations, in other words the transmission of electricity in the nationwide grid owned by the company, constitutes the bulk of Fingrid's turnover, profit and balance sheet.

The allowed financial result from transmission network operations is calculated by multiplying the total adjusted capital invested in the transmission network operations (transmission network assets valued at the regulatory present value) with the reasonable rate of return defined by the Energy Market Authority.

The reasonable financial result allowed by the regulation forms the basis of Fingrid's

financial planning and pricing. One can calculate the required amount of turnover by adding operating expenses in the result. Fingrid's turnover mainly constitutes from the pricing of the transmitted electricity, in other words the consumption of Fingrid's customers. Fingrid additionally charges fees for output from and input into the grid, and power generation capacity fees. The company determines in advance for the next year the unit prices for the transmission of electricity to recover required turnover. The company's total costs consist of the operating expenses and financial costs and taxes, which are excluded from regulatory calculations.

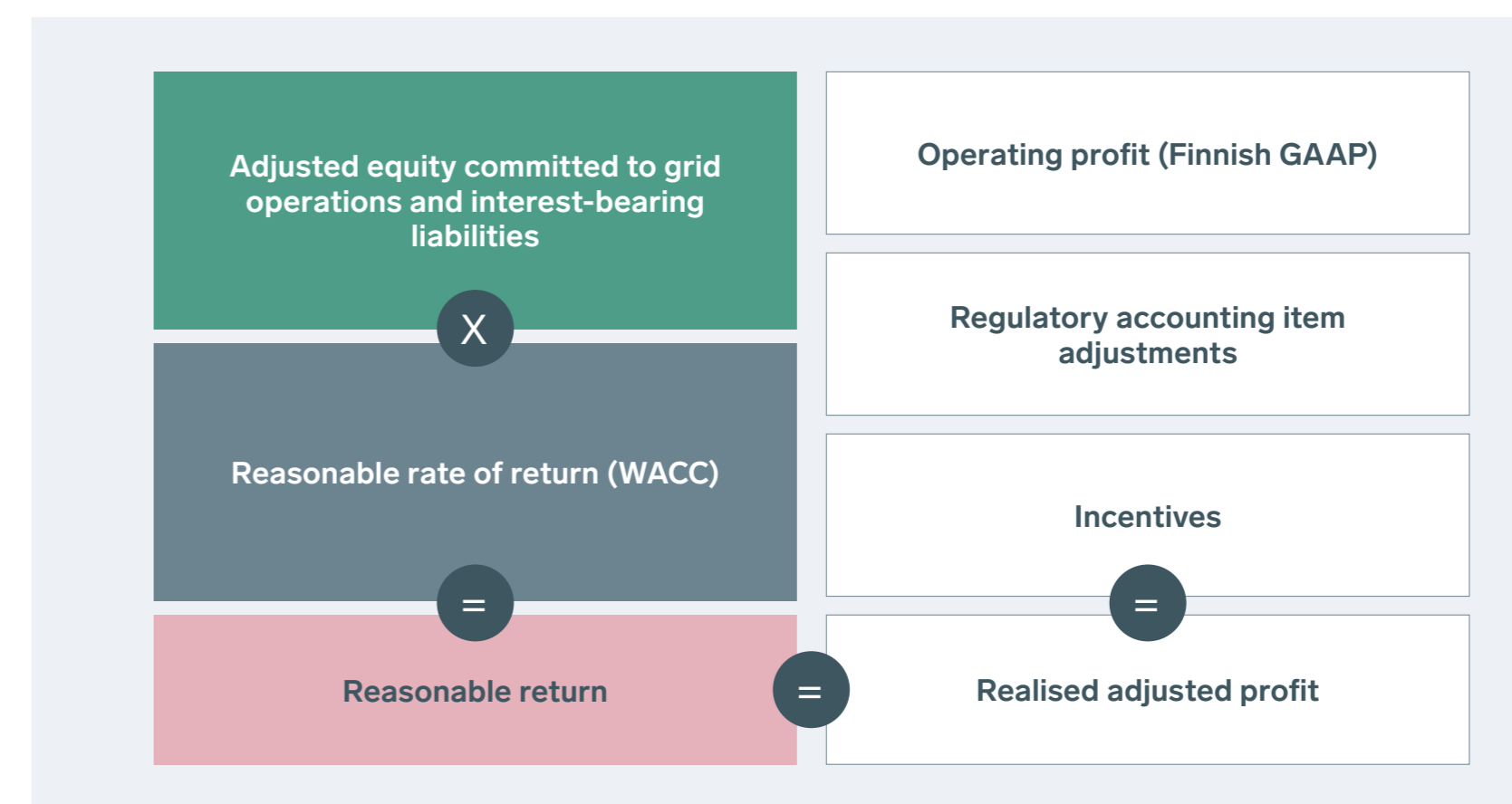
The so-called adjusted profit, realised in compliance with the regulation, is calculated by adjusting the parent company's operating profit according to the Energy Market Authority's regulation methods and by adding the impact of the incentives.

The regulation incentives are as follows: Investment incentive – intended to promote reasonable and cost-effective investments as well as a justified overhaul of components. The incentive impact is created by the fact that the methods allow the TSO straight-line

depreciations based on the replacement value of the transmission network assets. Quality incentive – intended to encourage the TSO to improve the quality of electricity transmission. In practical terms this means minimising the calculated negative impact caused by non-transmitted energy. Efficiency improvement incentive – intended to encourage the TSO to operate cost-effectively. The efficiency improvement incentive is based on Fingrid's controllable operating costs. Innovation incentive – intended to encourage the TSO to develop and use innovative technical and operational solutions in its network

operations. In practice, this means adequate R&D resources.

Any realised regulatory profit over a regulatory period that exceeds the allowed return is a surplus that must be returned to the customers in the form of lower future prices. If the realised regulatory profit over a regulatory period is below the allowed return, the result is a deficit which the company may recover from the customers in the form of higher future prices. No regulatory surplus or deficit income is recorded in the financial statements. Fingrid's aim is to achieve the allowed financial result in the regulatory period.



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The Energy Authority determines Fingrid's highest allowed financial result over four-year regulatory periods. The Energy Authority has confirmed a cumulative deficit of EUR 28.4 million for the previous regulatory period, 2016–2019. The table below shows Fingrid's own rough approximation for the deficit in 2020. Fingrid's aim is to achieve the allowed return during the regulatory period 2020–2023.

WACC (pre-tax) 2020 (2019)	Adjusted capital 2020 (2019)	Allowed financial result 2020 (2019)	Deficit(-)/ Surplus(+) 2020 (2019)	Cumulative Deficit (-)/Surplus(+) 2020-2023
4.89% (5.36%)	Approx. EUR 3,000 (2,900) million	Approx. EUR 145 (155) million	Approx. EUR -30 (-15) million	EUR -30 million

The company also engages in other regulated business operations, but the impact of these on the company's financial result and balance sheet is negligible.



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2.1 INCOME STATEMENT

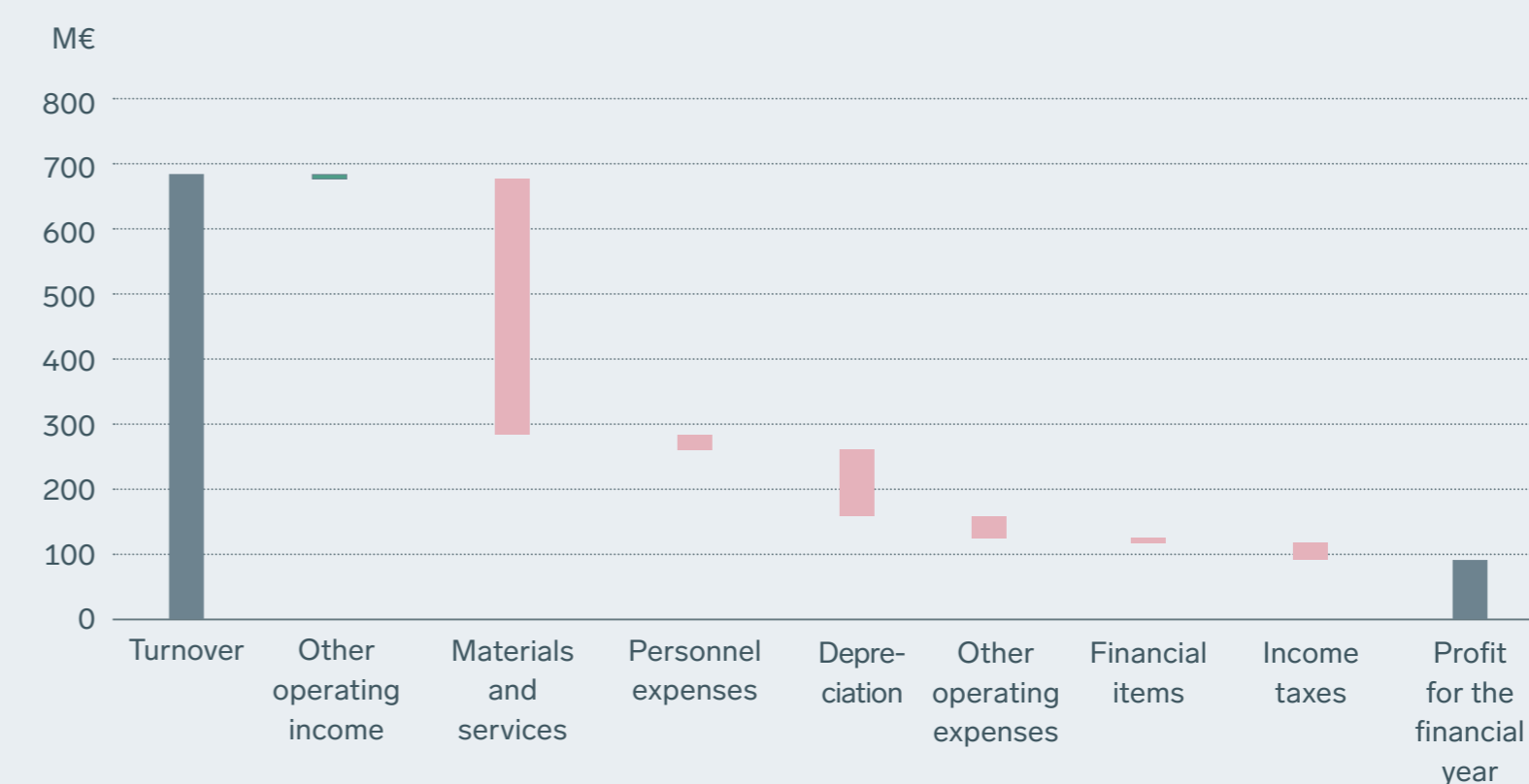
Consolidated statement of comprehensive income

€ 1,000	Notes	1 JAN - 31 DEC, 2020	1 JAN - 31 DEC, 2019
TURNOVER	1	682,456	789,356
Other operating income	2	2,390	4,221
Materials and services	5	-404,330	-490,861
Personnel expenses	9	-31,207	-26,409
Depreciation	11,12	-98,459	-97,826
Other operating expenses	6,13	-32,474	-63,007
OPERATING PROFIT		118,376	115,475
Finance income	17	9,812	468
Finance costs	17	-13,848	-10,562
Finance income and costs		-4,036	-10,093
Share of profit of associated companies		-1,058	384
PROFIT BEFORE TAXES		113,283	105,766
Income taxes		-19,287	-21,136
PROFIT FOR THE FINANCIAL YEAR		93,996	84,630
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be transferred to profit or loss			
Translation reserve		1,040	40
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		95,036	84,670
Profit attributable to:			
Equity holders of parent company		93,996	84,630
Total comprehensive income attributable to:			
Equity holders of parent company		95,036	84,670

€ 1,000	Notes	1 JAN - 31 DEC, 2020	1 JAN - 31 DEC, 2019
Earnings per share for profit attributable to the equity holders of the parent company:			
Undiluted and diluted earnings per share, €		28,270	25,453
Weighted average number of shares, quantity		3,325	3,325

Notes are an integral part of the financial statements.

Profit for the financial year 2020, MEUR



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2.2 CONSOLIDATED BALANCE SHEET

Assets

€ 1,000	Note	31 DEC 2020	31 DEC 2019
NON-CURRENT ASSETS			
Intangible assets:	12		
Goodwill		87,920	87,920
Land use rights		100,771	100,301
Other intangible assets		35,954	23,469
		224,645	211,690
Property, plant and equipment:	11		
Land and water areas		19,873	19,640
Buildings and structures		250,279	243,068
Machinery and equipment		544,887	560,973
Transmission lines		727,577	757,210
Other property, plant and equipment		118	118
Prepayments and purchases in progress		159,986	62,592
		1,702,721	1,643,599
Right-of-use-assets	13	30,673	32,574
Investments in associated companies	24	2,369	12,137
Other long-term investments		9,652	
Derivative instruments	23	44,383	28,625
Deferred tax assets	10	27,504	22,915
TOTAL NON-CURRENT ASSETS		2,041,946	1,951,541

€ 1,000	Note	31 DEC 2020	31 DEC 2019
CURRENT ASSETS			
Inventories	8	13,684	12,067
Derivative instruments	23	15,523	3,835
Trade receivables and other receivables	3,24	109,803	94,858
Other financial assets	20	80,243	67,188
Cash in hand and cash equivalents	19	45,645	15,626
TOTAL CURRENT ASSETS		264,899	193,575
TOTAL ASSETS		2,306,845	2,145,116

Notes are an integral part of the financial statements.

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Equity and liabilities

€ 1,000	Notes	31 DEC 2020	31 DEC 2019
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	21	55,922	55,922
Share premium account	21	55,922	55,922
Translation reserve	21		-1,040
Retained earnings	21	520,602	574,854
TOTAL EQUITY		632,447	685,659
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	102,938	108,784
Borrowings	14	1,003,855	854,138
Provisions	25	1,368	1,393
Derivative instruments	23	17,689	6,514
Lease liabilities	13,14	28,913	30,515
		1,154,762	1,001,343
CURRENT LIABILITIES			
Borrowings	14	139,817	232,978
Derivative instruments	23	3,640	372
Lease liabilities	13,14	2,328	2,371
Trade payables and other liabilities	7	373,851	222,393
		519,636	458,114
TOTAL LIABILITIES		1,674,398	1,459,457
TOTAL EQUITY AND LIABILITIES		2,306,845	2,145,116

Notes are an integral part of the financial statements.

2.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent company

€ 1,000	Share capital	Share premium account	Translation reserve	Retained earnings	Total equity
Balance on 1 Jan 2019	55,922	55,922	-1,080	661,665	772,429
Comprehensive income					
Profit or loss				84,630	84,630
Other comprehensive income					
Translation reserve			40		40
Total other comprehensive income adjusted by tax effects			40		40
Total comprehensive income			40	84,630	84,670
Transactions with owners					
Dividend relating to 2018				-171,440	-171,440
Balance on 31 December 2019	55,922	55,922	-1,040	574,854	685,659
Balance on 1 Jan 2020	55,922	55,922	-1,040	574,854	685,659
Comprehensive income					
Profit or loss				93,996	93,996
Other comprehensive income					
Translation reserve			1,040		1,040
Total other comprehensive income adjusted by tax effects			1,040		1,040
Total comprehensive income			1,040	93,996	95,036
Transactions with owners					
Dividend relating to 2019				-148,249	-148,249
Balance on 31 Dec 2020	55,922	55,922	0	520,602	632,447

Notes are an integral part of the financial statements.

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2.4 CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement

€ 1,000	Note	1 JAN - 31 DEC, 2020	1 JAN - 31 DEC, 2019
Cash flow from operating activities:			
Profit before taxes		113,283	105,766
Adjustments:			
Business transactions not involving a payment transaction:			
Depreciation		98,459	97,826
Capital gains/losses (-/+) on tangible and intangible assets		498	-2,713
Other adjustments			-2,217
Share of profit of associated companies		1,058	-384
Gains/losses from the assets and liabilities recognised in the income statement at fair value		-10,248	21,831
Other business transactions not involving a payment transaction		9,161	9,826
Finance income and costs		4,036	10,093
Impact from changes in the fair value of the investment		47	299
Changes in working capital:			
Change in trade receivables and other receivables		-14,377	3,934
Change in inventories		-1,617	324
Change in trade payables and other liabilities		-4,589	1,246
Congestion income		146,748	73,001
Change in provisions	25	-26	-31
Interests paid		-21,981	-21,005
Interests received		9,349	6,397
Taxes paid		-40,716	-39,188
Net cash flow from operating activities		289,085	265,005

€ 1,000	Note	1 JAN - 31 DEC, 2020	1 JAN - 31 DEC, 2019
Cash flow from investing activities:			
Purchase of property, plant and equipment	11	-134,512	-104,762
Purchase of intangible assets	12	-23,455	-17,739
Proceeds from sale of other assets			684
Proceeds from sale of property, plant and equipment		840	3,057
Repayment of loan receivables		375	938
Dividends received		9,204	881
Contributions received			610
Capitalised interest paid	17	-1,629	-1,016
Net cash flow from investing activities		-149,177	-117,347
Cash flow from financing activities:			
Proceeds from non-current financing (liabilities)		164,667	150,000
Payments of non-current financing (liabilities)		-67,662	-46,325
Proceeds from current financing (liabilities)		50,000	
Payments from current financing (liabilities)		-93,161	-80,071
Dividends paid	21	-148,249	-171,440
Principal elements of lease payments		-2,429	-2,309
Net cash flow from financing activities		-96,834	-150,145
Change in cash as per the cash flow statement		43,074	-2,487
Opening cash as per the cash flow statement		82,815	85,301
Closing cash as per the cash flow statement	19,20	125,889	82,815

Notes are an integral part of the financial statements.

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Cash flow for the period 2020, MEUR



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3. BENCHMARK FOR TSO OPERATIONS (IFRS)

- This chapter contains first general information about the Group and the general accounting principles applied to the consolidated financial statements.
- The chapter focuses on describing how Fingrid's turnover and result are formed and how they relate to the regulatory revenue level. The impact of the regulation is reflected in Fingrid's day-to-day operations and revenue collection.
- The chapter also describes Fingrid's operating receivables and liabilities, as well as the risk management they entail.
- People are Fingrid's most important resource, which is why information related to personnel has been included here, in the first note.
- Fingrid is a substantial tax payer, and Fingrid does not use tax planning. The note on taxes is at the end of this chapter.

3.1 GENERAL INFORMATION ABOUT THE GROUP AND GENERAL ACCOUNTING PRINCIPLES

Fingrid Oyj is a Finnish public limited liability company responsible for electricity transmission in the high-voltage transmission system in Finland (the main grid). Fingrid's nationwide grid is an integral part of the power system in Finland. The transmission grid is the high-voltage trunk network which covers all of Finland. Major power plants, industrial plants and electricity distribution networks are connected to the grid.

Finland's main grid is part of the Nordic power system, which is connected to the system in Central Europe via high-voltage direct current transmission links. Finland also has DC links with Russia and Estonia.

The main grid encompasses more than 14,000 kilometres of 400, 220 and 110 kilovolt transmission lines, plus more than 100 substations.

Fingrid is in charge of planning and monitoring the operation of the main grid and for maintaining and developing the system. An additional task is to participate in work carried out by ENTSO-E, the European Network of Transmission System

Operators for Electricity, and in preparing European market and operational codes as well as network planning.

Fingrid offers grid, cross-border transmission and balance services to its contract customers: electricity producers, network operators and the industry. Fingrid serves the electricity market by maintaining adequate electricity transmission capacity, by removing bottlenecks from cross-border transmission links and by providing market data.

The consolidated financial statements include the parent company Fingrid Oyj and its wholly owned subsidiaries Finextra Oy and Datahub Oy. The consolidated associated company is eSett Oy (ownership 25.0%). The Group has no joint ventures.

Fingrid issues bonds under the Euro Medium Term Note (EMTN) programme. Fingrid Oyj's issuances under the EMTN programme are generally listed on the London and Irish stock exchanges. Fingrid shares are not listed.

Critical accounting estimates and judgements

When the consolidated financial statements are drawn up in accordance

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with the IFRS, the company management needs to make estimates and assumptions which have an impact on the amounts of assets, liabilities, income and expenses recorded and conditional items presented. These estimates and assumptions are based on historical experience and other justified assumptions which are believed to be reasonable under the conditions which constitute the foundation for the estimates of the items rec-

ognised in the financial statements. The actual amounts may differ from these estimates. In the financial statements, estimates have been used for example, when specifying the economic lives of tangible and intangible asset items, and in conjunction with deferred taxes and provisions. Critical estimates and judgements by management are described by topic in the notes, and the judgement or estimates related to which are in accordance with the following table.

Estimate of the purchase and sale of imbalance power	Chapter 3.3
Inter-Transmission System Operator Compensation (ITC)	Chapter 3.3
Deferred tax assets and liabilities	Chapter 3.9
Determination of the fair value measurement of grid assets	Chapter 4.1
Determination of the depreciation periods of property, plant and equipment, and intangible assets	Chapter 4.2



Accounting principles

The preparation of the consolidated financial statements followed the same standards as in 2019.

Segment reporting

The entire business of the Fingrid Group is deemed to comprise grid operations in Finland with system responsibility, only constituting a single segment. There are no essential differences in the risks and profitability of individual products and services. For that reason, segment reporting in accordance with the IFRS 8 standard is not presented. The operating segment is reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker is the company's Board of Directors. Fingrid operates only in Finland, which is also why geographical data is not presented.

Foreign currency transactions

The consolidated financial statements are presented in euros, which is the functional currency of the parent company. Transactions and

financial items denominated in foreign currencies are recognised at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. Receivables and liabilities denominated in foreign currencies are valued in the financial statements at the mid-rate quoted by the ECB at the closing date. Foreign exchange gains and losses from business are included in the corresponding items above operating profit. Foreign exchange gains and losses from financial instruments are recognised at net amounts in finance income and costs.

Earnings per share

The Group has calculated undiluted earnings per share in accordance with standard IAS 33. Undiluted earnings per share are calculated using the weighted average number of shares outstanding during the financial year. Since Fingrid has no share option schemes or benefits bound to shareholders' equity or other equity financial instruments, there is no dilutive effect.

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3.2 THE COMPANY'S GENERAL RISK MANAGEMENT PROCESSES AND POLICIES

In the risk management process, the risk factors linked with operative activities, assets and financing are estimated systematically according to unified criteria. The risks are divided into strategic risks and major business risks to be reported to the Board of Directors, and into operational risks. Hedging a risk will be implemented when the cost of the hedge is in reasonable relation to the size of the risk. A general objective is to transfer significant risks by contracts, insurances or derivatives. The risks deemed to be moderate in terms of their impacts are managed by Fingrid independently, through clear controls and other practical measures.

Risk management is planned holistically with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks. Due to the nature of the company's basic mission, risks are also assessed from a societal perspective.

The Board approves the key principles of internal control and risk management and any amendments to them. The Board of Directors approves the primary actions for risk management as part of the corporate strategy, indicators, action plan, and budget. The Board of Directors (Audit Committee) receives a situation report on the major risks

relating to the operations of the company and on the management of such risks.

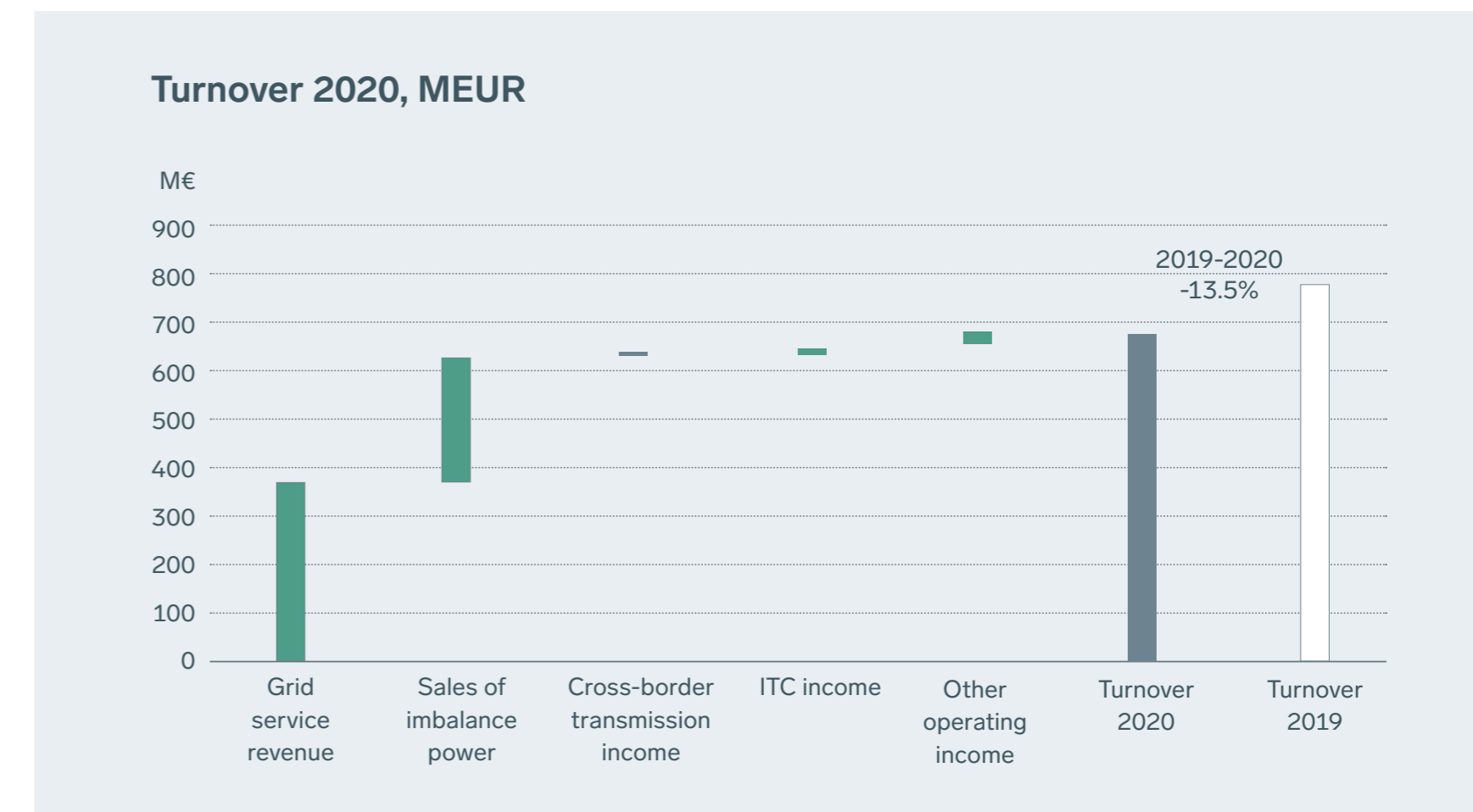
3.3 FORMATION OF TURNOVER AND FINANCIAL RESULT

Turnover consists of the following:

1. Turnover

€ 1,000	2020	2019
Grid service revenue	373,569	385,031
Sales of imbalance power	260,823	346,749
Cross-border transmission income	6,918	11,608
ITC income	17,147	14,429
Peak load capacity	12,923	14,111
Other operating income	11,075	17,427
Total	682,456	789,356

Grid service income mainly consists of the unit price for electricity transmission multiplied by the volume. The Energy Market Authority approves the pricing structure for grid services, on the basis of which Fingrid sets the unit prices for electricity transmission during the winter period and for consumption during other times. The winter period begins on 1 December and ends on the last day of February. Fingrid additionally charges fees for output from and input into the grid, and power generation capacity fees. Fingrid seeks to set the unit prices for electricity transmission each autumn for the next year, for one year at a time. Within the framework of grid services,



a customer obtains the right to transmit electricity to and from the main grid through its connection point. Grid service is agreed by means of a grid service contract signed between a customer connected to the main grid and Fingrid.

Each electricity market party must ensure its electricity balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to stabilise the hourly power balance of an electricity market party (balance responsible party). Imbalance power trade and pricing are based on a balance service agreement with equal and public terms and conditions.

Fingrid is responsible for the continuous power balance in Finland at all times by buying and selling balancing power in Finland. The balance responsible parties can participate in the Nordic balancing power market by submitting bids on their available capacity. The terms and conditions of participation in the balancing power market and the pricing of balancing power are based on the balance service agreement.

Transmission services on the cross-border connections to the other Nordic countries enable participation in the European day-ahead and intraday markets. Fingrid offers electricity transmission service from Russia through its 400 kV cross-border connections. The trans-

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mission service is intended for fixed electricity imports and it is based on Fingrid's agreements with the Russian TSO and system operator. The technical terms of the cross-border power lines are defined in the Intersystem Agreement, the operational terms in the Operation Agreement, measurement terms in the Agreement of Electricity Metering and Accounting and the commercial terms are specified in the Agreement of Capacity Allocation. The Customer and Fingrid agree on the terms of the electricity transmission in a transmission service agreement, which is based on the agreements mentioned above. The contractual terms are equal and public. ITC compensation is, for Fingrid, income and/or costs which the transmission system operator receives for the use of its grid by other European transmission system operators and/or pays to other transmission system operators when using their grid to serve its own customers.

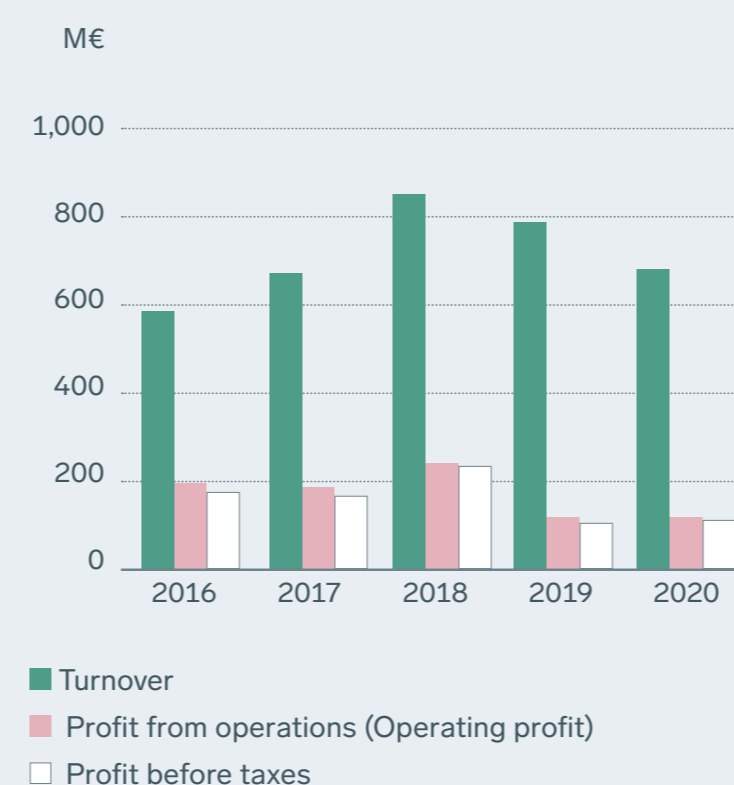
The peak load capacity secures the supply security of electricity in situations of the Finnish power system where the planned electricity procurement is not sufficient to cover the anticipated electricity consumption. The peak load capacity system is a special task assigned to Fingrid by the Finnish Energy Authority, based on the Peak Load Capacity Act (117/2011, Act on peak load capacity which secures a balance between elec-

tricity production and consumption). The Energy Authority submits the peak load capacity plants for competitive tendering, and Fingrid manages the peak load capacity service as required by the Act. The peak load capacity can consist of both power plants and facilities capable of adjusting their electricity consumption.

2. Other operating income

1,000€	2020	2019
Rental income	528	650
Capital gains on fixed	577	2,713
Contributions received	547	290
Other income	738	568
Total	2,390	4,221

Turnover and profit from operations 2016–2020, MEUR



Accounting principles

Revenue recognition

Sales recognition takes place on the basis of the delivery of the service. Electricity transmission is recognised once the transmission has taken place, and balance power services are recognised on the basis of the delivery of the service. Indirect taxes and discounts, etc., are deducted from the sales income when calculating turnover.

IFRS 15 Revenue from Contracts with Customers

The fundamental principle of the IFRS 15 standard is that sales revenue should be recognised when control over the goods or the service is transferred to the customer.

A five-step process should be applied when recognising sales revenue:

1. Identify the customer contract(s)
2. Identify the individual performance obligations
3. Determine the transaction price according to the contract
4. Allocate the transaction price to individual performance obligations, and

- Recognise revenue when each performance obligation is met.

Sales recognition takes place on the basis of the supply of the service. Electricity transmission is recognised once the transmission has taken place. Balance power services are recognised on the basis of the delivery of the service. Fingrid has defined the performance obligations related to each agreement, and revenue recognition has been examined separately for each performance obligation. When determining the extent to which a performance obligation is met, a single method should be applied for all performance obligations to be met over time. Connection agreements are long term and can be terminated, at the earliest, 15 years from the date when they entered into force. If a customer does not receive an individual item of goods or a service against the connection fee, this must be recognised as revenue in the same way as the other revenue according to the contract, generally over the contract term.

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Judgements and estimates

Estimate of the purchase and sale of imbalance power

The income and expenses of imbalance power are ascertained through a nationwide imbalance settlement procedure, which is based on the Ministry of Employment and Economy's 9 December 2008 decree on the disclosure obligation related to the settlement of electricity delivery. The final imbalance settlement is completed no later than 13 days from the delivery month, which is why the income and expenses of imbalance power in the financial statements are partly based on preliminary imbalance settlement. The estimate is based on the preliminary imbalance settlement information provided by the imbalance settlement. For foreign balances, the calculations have been verified with the foreign counterparties.

Inter-Transmission System Operator Compensation (ITC)

Compensation for the transit transmissions of electricity has been agreed upon through an ITC (Inter-Transmission System Operator Compensation) agreement. The cen-

tralised calculations are carried out by ENTSO-E (the European Network of Transmission System Operators of Electricity). ITC compensation is determined on the basis of the compensation paid for use of the grid and transmission losses. The ITC calculations take into account the electricity transmissions between the various ITC agreement countries. ITC compensation can represent both an income and a cost for a transmission system operator. Fingrid's share of the ITC compensation is determined on the basis of the cross-border electricity transmissions and imputed grid losses. ITC compensation is invoiced retroactively after all parties to the ITC agreement have approved the invoiced sums. Control is carried out monthly. This is why the uninvoiced ITC compensations for 2020 have been estimated in the financial statements. The estimate has been made using actual energy border transmissions in Finland and unit compensations, which have been estimated by analysing the actual figures from previous months and data on grid transmissions during these months.

3.4 REVENUE-RELATED RECEIVABLES AND CREDIT RISK MANAGEMENT

3. Trade receivables and other receivables

€ 1,000	2020	2019
Trade receivables	80,940	74,355
Receivables from associated companies	5,720	3,881
Prepayments and accrued income	19,060	6,887
Other receivables	4,083	9,736
Total	109,803	94,858

Essential items included in prepayments and accrued income	2020	2019
Accruals of sales	14,086	3,145
Accruals of purchases/prepayments	1,370	1,115
Interest receivables	3,573	2,609
Tax assets	29	17
Amortized personnel costs	1	
Total	19,060	6,887

Credit risk management – customers

According to The Electricity Market Act, the company is obliged to accept distribution network operators joining the grid as well as electricity producers and consumers as its customers. Accordingly, the company cannot choose its customers based on a credit risk analysis or collect different fees from them. In general, collateral are not required from the company's customers to secure sales payments, but in the event of an over-

due payment, this is possible. The unit in charge of the customer relationships is responsible for verifying their creditworthiness. The procedure following a customer payment default is defined in the terms and conditions of the Main Grid Contract. At the turn of the year, the company had minor outstanding receivables, of which the credit risk was considered to be low, and the company estimates it will receive these payments. The company has no impairments related to receivables.

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Netting of sales receivables and trade accounts payables

The sales receivables and trade accounts payables are netted in the balance sheet as presented in the table below. The netted items are associated with purchases and sales of imbalance power. The company has a legally enforceable right of set-off to these items in any circumstance and will use this right.

4. Netting of trade receivables and trade payables

€ 1,000	2020			2019		
	Gross amount of trade receivables/ trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet	Gross amount of trade receivables/ trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet
Trade receivables	101,169	-20,229	80,940	90,365	-16,010	74,355
Trade payables	56,293	-20,229	36,064	40,518	-16,010	24,508



Accounting principles

Trade and other receivables

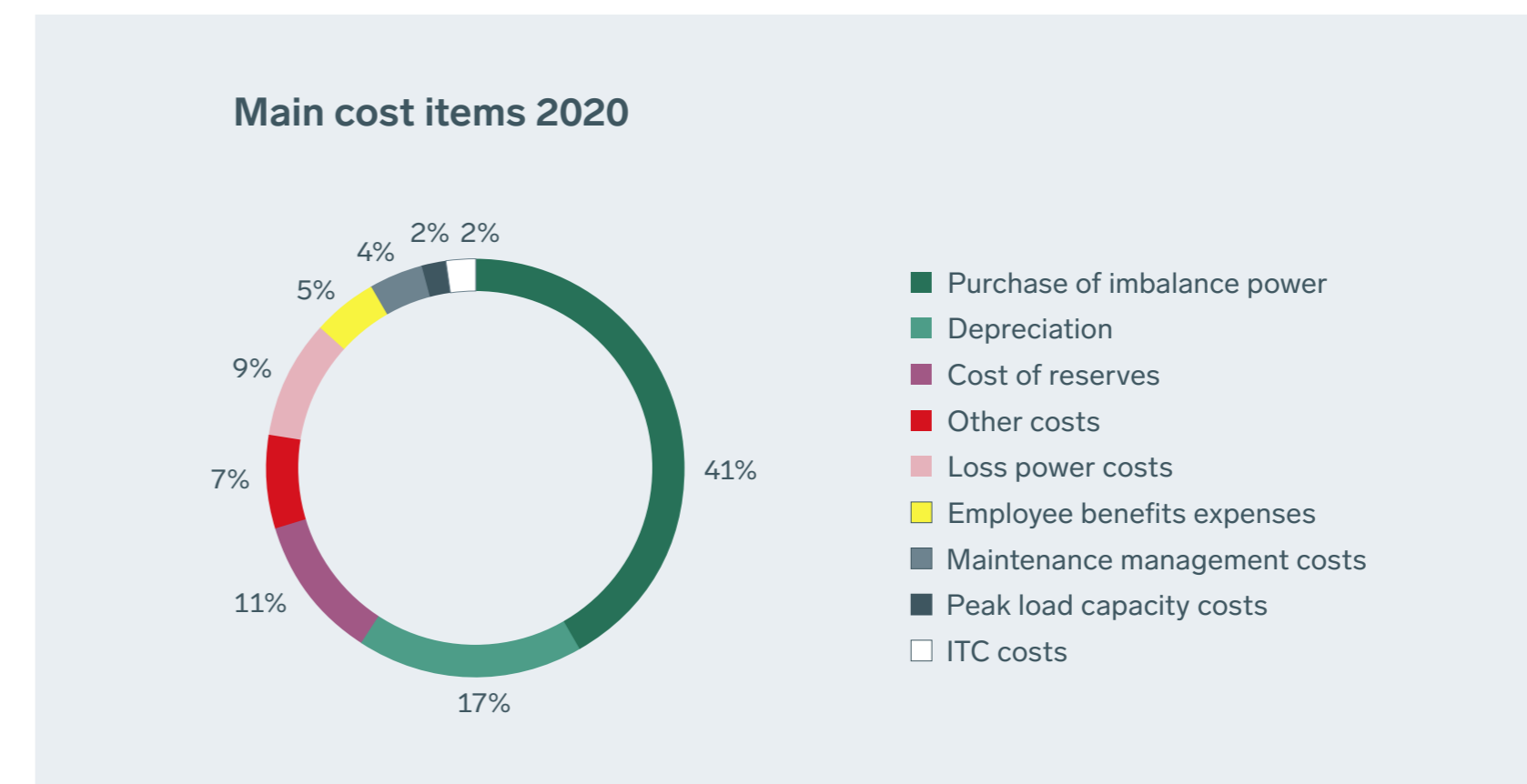
Loans and other receivables are recognised initially at fair value; subsequently they are measured at amortised cost using the effective interest rate method. The expected credit losses are assessed based on historical amounts of credit losses, taking into account forward-looking information on economical developments and receivable-specific assessments. Impairment losses are recognised directly, under other operating expenses, to reduce the carrying amount of

the receivables. Fingrid did not have any impairment losses during the periods presented here.

In addition to trade receivables and other receivables, the company has a small amount of loan receivables from associated companies. These are long- and short-term and described in Chapter 6. The receivables from associated companies are recognised according to these same accounting principles.

3.5 OPERATING EXPENSES, LIABILITIES AND CREDIT RISK MANAGEMENT FOR PURCHASES

Fingrid's operating expenses consist of and have developed as follows:



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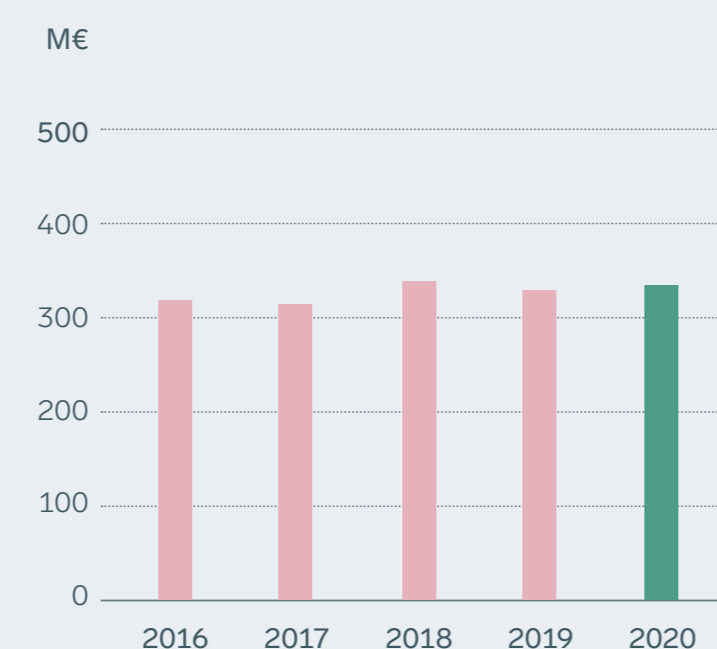
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Cost increases due in particular to new tasks and unexpected external changes affecting operations has been a special characteristic of grid operations in recent years. The new tasks include, among other things, the changes required by the European network codes and the costs for developing these tasks, and developing the Nordic imbalance settlement and the related markets. Some of the new tasks and responsibilities are assigned to

Fingrid by law, which means the company must increasingly develop and back up its operations. The cost factors also include society's increasing dependency on the power system, as well as needs related to data security. Fingrid nevertheless continues to be one of the most cost-effective TSOs in the world in international benchmark studies. The Group's R&D costs in 2020 amounted to EUR 4.5 (3.4) million.

Total costs (without imbalance power) 2016-2020, MEUR



5. Materials and services

€ 1,000	2020	2019
Loss power costs	52,590	53,856
Purchase of imbalance power	234,412	322,226
Cost of reserves	63,536	55,716
Peak load capacity costs	12,618	13,719
ITC costs	10,846	14,982
Maintenance management costs	21,958	19,871
Other materials and services	8,371	10,491
Total	404,330	490,861

6. Other operating expenses

€ 1,000	2020	2019
Contracts, assignments etc. undertaken externally	27,121	26,385
Gains/losses from measuring derivatives at fair value	-3,004	26,585
Other rental expenses	739	1,023
Other expenses	7,619	9,013
Total	32,474	63,007
Auditors' fees		
PricewaterhouseCoopers Oy		
Auditing fee	120	114
Other fees	33	39
Total	153	153

Auditors' fees are included in other operating expenses.

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The company's operating model is largely based on outsourcing, including areas such as grid investments, maintenance management and ICT purchases. The company will apply competitive tendering as described in the procurement policy. All purchasing activities are based on impartiality, equality and transparency.

Procurement decisions will be made according to previously published financial and qualitative criteria that are verifiable also after the fact. Fingrid aims to ensure that all suppliers and their subcontractors operate in a sustainable manner. A commitment to Fingrid's Supplier Code of Conduct is required from all suppliers.

7. Trade payables and other liabilities

€ 1,000	2020	2019
Trade payables	36,064	24,508
Trade payables to associated companies	1,961	3,920
Interest payable	12,576	11,056
Value added tax	9,780	17,896
Collaterals received	923	923
Electricity tax	4,251	4,107
Accruals	307,486	159,240
Other debt	810	741
Total	373,851	222,393
Essential items included in accruals		
Personnel expenses	7,536	6,978
Accruals of sales and purchases	80,116	68,203
Tax liabilities	708	11,681
Congestion income	219,126	72,378
Total	307,486	159,240

Credit risk in purchasing

The heads of functions are in charge of counterparty risks related to suppliers. The procurement policy and guidelines, and separate instructions set out the financial criteria required for Fingrid's suppliers and their monitoring.

General procurement principles

The Group follows three alternative procurement methods when purchasing goods or services. When the value of the purchase is less than 60,000 euros and the benefits of a competitive tender are smaller than the costs of the purchase, the purchase can be executed without a competitive tender or it can be executed through an oral request. A written order or purchasing agreement is always drawn up. When the estimated value of the procurement exceeds 60,000 euros but is below the threshold values applied to public procurements, the procurement is subject to competitive bidding by requesting written bids from the supplier candidates. When the public procurement threshold values that apply to Fingrid (in 2020: EUR 428,000 for goods and services, EUR 5,350,000 for construction

projects, EUR 428,000 for design competitions and EUR 5,350,000 for right-of-use agreements) are exceeded, the company follows the public procurement legislation applied to special sectors.

3.6 INVENTORIES

Fingrid prepares for outages by owning and maintaining reserve power plants. The inventories contain fuel for reserve power plants, spare parts for submarine cables, back-up equipment and parts for substations, and repair equipment for transmission lines. The aim of stockpiling is to achieve sufficient preparedness at the substations and on the transmission lines owned by Fingrid in case of faults and events possibly occurring during times of crisis.

8. Inventories

€ 1,000	2020	2019
Materials and consumables		
Material stocks	8,636	7,063
Fuel stocks	5,047	5,004
Total	13,684	12,067

The use of inventories was entered as an expense of EUR 3.0 (1.6) million.

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Accounting principles

Inventories

Inventories are measured at the lower of acquisition cost or net realisable value. The acquisition cost is determined using the FIFO principle. The net realisable value is the estimated

market price in normal business reduced by the estimated future costs of completing and estimated costs required by sale. Inventories consist of material and fuel inventories.

3.7 MANAGEMENT OF COMMODITY RISKS

The company is exposed to electricity price and volume risk through transmission losses so that the company must acquire so-called loss power in an amount corresponding to the electricity transmission losses. However, the electricity price and volume risks are not significant to the company's turnover and financial result over time. If the volume of transmitted electricity deviates from the forecasted volume, the result may be a deviation in the company's turnover and financial result. This can lead to a surplus or deficit compared with the allowed reasonable return for the year in question, which the company will aim to offset during the regulatory period.

Loss power purchases and the price hedging thereof are based on the Corporate Finance Principles approved by the

Board of Directors. Moreover, the company has a loss power policy, approved by the Executive Management Group, for loss power hedging and purchases, as well as operative instructions, instructions for price hedging and control room instructions. The allowed hedging instruments are defined in the loss power policy. The purpose of price hedging is to reduce the impact of market price volatility and enable sufficient predictability in order to keep the annual pressures on grid pricing of loss energy at a moderate level. The hedging service is procured from an external portfolio manager who decides on the implementation and timing of the hedges according to the specifications of the loss power policy and the given instructions. The purchase price of loss power is hedged using derivatives such that the price hedging of electricity is started three years before the year of delivery, i.e. the hedge horizon is four years

at maximum. The goal is that the portfolio manager times the execution of her/his hedging plan, which is based on the loss power forecast, so that the delivery year is fully hedged by the end of September of the preceding year. OTC futures are used for price hedging, the pricing of which is based on NASDAQ OMX Commodities' quotes. The nominal values, fair values and exposures of electricity derivatives are disclosed in table 23.

Commodity risks other than those related to loss energy purchases arise if the company enters into purchasing agreements in which the price of the underlying commodity influences the final price of the investment commodity (commodity price risk). As a rule, commodity price risks and exchange rate risks are fully hedged. A risk that amounts to less than EUR 5 million when realised can be left unhedged for reasons of cost-effectiveness.

3.8 PERSONNEL - THE CORNERSTONE OF OUR OPERATIONS

Fingrid Oyj employed 408 (380) persons, including temporary employees, at the end of the year. The number of permanent personnel was 363 (338). Of the personnel employed by the company, 23 (24) per cent were women and 77 (76) per cent were men. The average age of the personnel was 44 (44).

9. Personnel expenses

€ 1,000	2020	2019
Salaries and bonuses	26,669	22,308
Pension expenses - contribution-based schemes	3,635	3,454
Other additional personnel expenses	902	648
Total	31,207	26,409
Salaries and bonuses of top management	2,023	2,224

Personnel costs amounted to EUR 34.1 (31.1) million, of which EUR 2.9 (4.7) million was capitalised to investment projects.

In 2020, the Group applied a remuneration system for senior management; the general principles of the system were accepted by the Board of Directors of Fingrid Oyj on 18 December 2019. The total remuneration of the President & CEO and the members of the Executive Management Group consists of a fixed total salary, a one-year bonus scheme, and a three-year long-term incentive scheme. The maximum amount of the one-year bonus scheme payable to the CEO was 40 per cent of the annual salary and to the other members of the executive management group 25 per cent of the annual salary. The maximum amount of the annual long-term incentive scheme payable

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to the CEO was 40 per cent and to the other members of the executive management group 25 per cent.

The Group currently has contribution-based pension schemes only. The pension security of the Group's personnel is arranged by an external pension insurance company. Pension premiums paid for contribution-based schemes are recognised as an expense in the income statement in the year to which they re-

late. In contribution-based schemes, the Group has no legal or factual obligation to pay additional premiums if the party receiving the premiums is unable to pay the pension benefits

Number of salaried employees in the company during the financial year:	2020	2019
Personnel, average	400	384
Personnel, 31 Dec	408	380



Accounting principles

EMPLOYEE BENEFITS

Pension obligations

The company has only defined contribution-based pension schemes. A defined contribution-based pension arrangement refers to a pension scheme according to which fixed contributions are paid into a separate entity, and the Group bears no legal or actual obligation to make additional contributions if the fund does not contain sufficient funds to pay out benefits based on work performed during current and previous

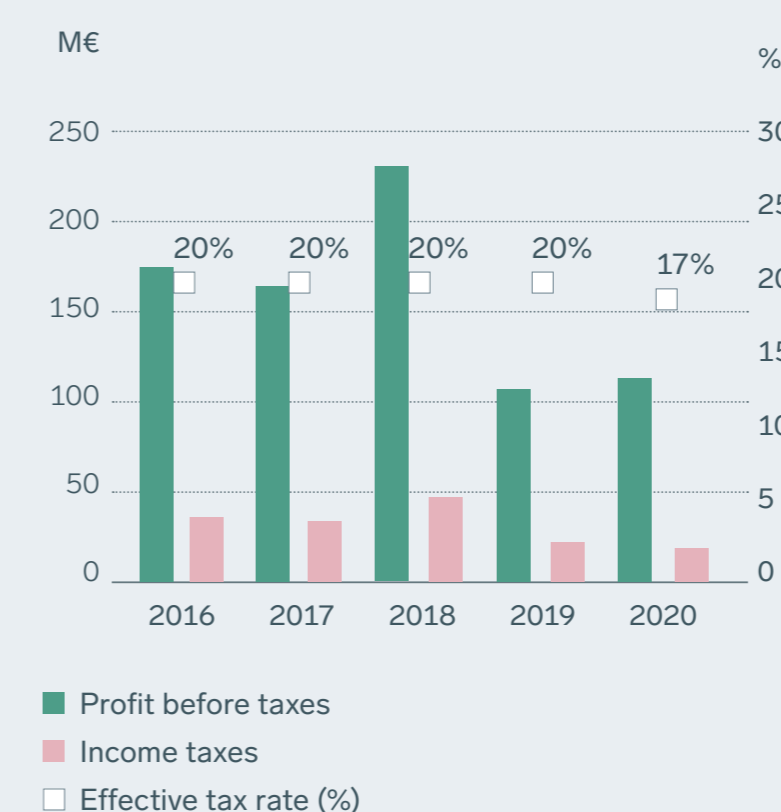
financial periods to all employees. Under defined contribution-based pension schemes, the Group pays mandatory, contractual or voluntary contributions into publicly or privately managed pension insurance policies. The Group has no other contribution obligations in addition to those payments. The payments are entered as personnel costs when they fall due. Advance payments are entered in the balance sheet as assets insofar as they are recoverable as refunds or deductions from future payments.

3.9 TAXES

The company will pay its income taxes in accordance with the underlying tax rate, without special tax arrangements. Income taxes consist of direct taxes and the change in deferred tax: EUR -29.8 (-34.5) million and EUR 10.4 (13.8) million respectively. Fingrid's effective tax rate is essentially comparable to Finland's corporate tax rate of 20%. In 2020, the differences between the Finnish corporate tax rate and Fingrid's effective tax rate, EUR -8.3 (-0.1) million in total, were caused by a small quantity of non-de-

ductible items, a tax-free dividend income from the sale of Nord Pool shares, and the deferred tax assets recognised from Fingrid Datahub's cumulative losses. In 2020, the differences between the Finnish corporate tax rate and Fingrid's effective tax rate, EUR -8,3 (-0,1) million in total, were caused by a small quantity of non-deductible items, a tax-free dividend income from the sale of Nord Pool shares, and the deferred tax assets recognised from Fingrid Datahub's cumulative losses. The table below describes the development of Fingrid's effective tax rate.

Taxes 2016–2020, MEUR



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10. Deferred tax assets and liabilities

Changes in deferred taxes in 2020:

€ 1,000	31 Dec 2019	Recorded in income statement at profit or loss	31 Dec 2020
Deferred tax assets			
Provisions	279		279
Trade payables and other liabilities	2,059	-43	2,016
Losses confirmed in taxation		1,784	
Derivative instruments	1,519	2,908	4,427
Congestion income	9,003	-1,943	7,059
Connection fees (IFRS 15)	9,993	1,832	11,825
Lease liabilities (IFRS 16)	62	51	114
Total	22,915	4,589	25,721
Deferred tax liabilities			
Accumulated depreciations difference	-69,779	10,000	-59,779
Property, plant and equipment, tangible and intangible assets	-30,206	-859	-31,065
Other receivables	-1,086	2,162	1,076
Other financial assets	-210	-9	-220
Borrowings	-1,744	43	-1,702
Derivative instruments	-5,758	-5,489	-11,248
Total	-108,784	5,846	-102,938

Changes in deferred taxes in 2019:

€ 1,000	31 Dec 2018	Recorded in income statement at profit or loss	31 Dec 2019
Deferred tax assets			
Provisions	285	-6	279
Trade payables and other liabilities	1,913	146	2,059
Derivative instruments	2,281	-762	1,519
Congestion income	10,788	-1,786	9,003
Connection fees (IFRS 15)	8,028	1,965	9,993
Lease liabilities (IFRS 16)		62	62
Total	23,296	-381	22,915
Deferred tax liabilities			
Accumulated depreciations difference	-79,779	10,000	-69,779
Property, plant and equipment, tangible and intangible assets	-29,407	-799	-30,206
Other receivables	-556	-530	-1,086
Other financial assets	-71	-140	-210
Borrowings	-1,501	-243	-1,744
Derivative instruments	-11,673	5,914	-5,758
Total	-122,986	14,202	-108,784

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Accounting principles

Income taxes

Taxes presented in the consolidated income statement include the Group companies' accrual taxes for the profit of the financial year, tax adjustments from previous financial years and changes in deferred taxes. Deferred taxes are recorded in accordance with Finland's statutory corporate tax rate of 20%. Taxes are recognised in the income statement unless they are linked with other comprehensive income, in which case the tax is also recognised in other comprehensive income. Such items in the Group consist solely of available-for-sale investments.

Deferred tax assets and liabilities are recognised on all temporary differences between the tax values of asset and liability items and their carrying amounts using the liability method. Deferred tax is recognised using tax rates valid up until the closing date. The deferred tax liabilities arising from the original recognition of goodwill will not be recognised,

however. Deferred tax liabilities will also not be recognised if they are caused by the original recognition of the asset or liability and the item is not related to a merger and the transaction will not affect the accounting totals or the taxable revenue during its implementation. The deferred tax assets are shown as non-current receivables and deferred tax liabilities correspondingly as non-current liabilities.

The largest temporary differences result from the depreciation of property, plant and equipment, from financial instruments, and from the use of congestion income for capital expenditures. No deferred tax is recognised on the undistributed profits of the foreign associated company, because receiving the dividend does not cause a tax impact by virtue of a Nordic tax agreement. The deferred tax asset from temporary differences is recognised up to an amount which can likely be utilised against future taxable income.



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- This chapter focusses on Fingrid’s assets, and above the most important ones: Grid assets and the indicators related to them.
- The chapter also takes a look at the company’s goodwill and provides a description of other property, plant and equipment, and intangible assets.

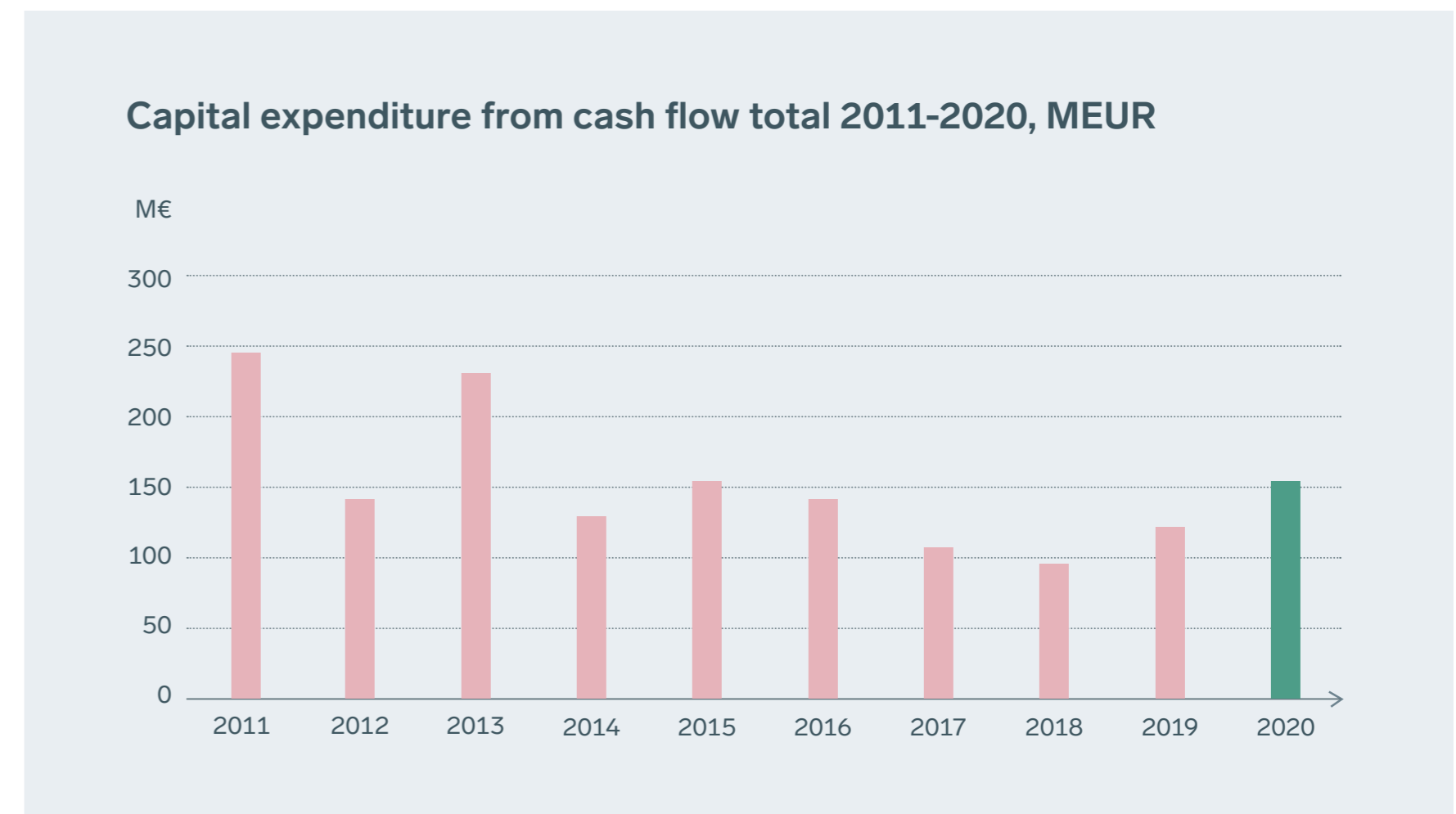
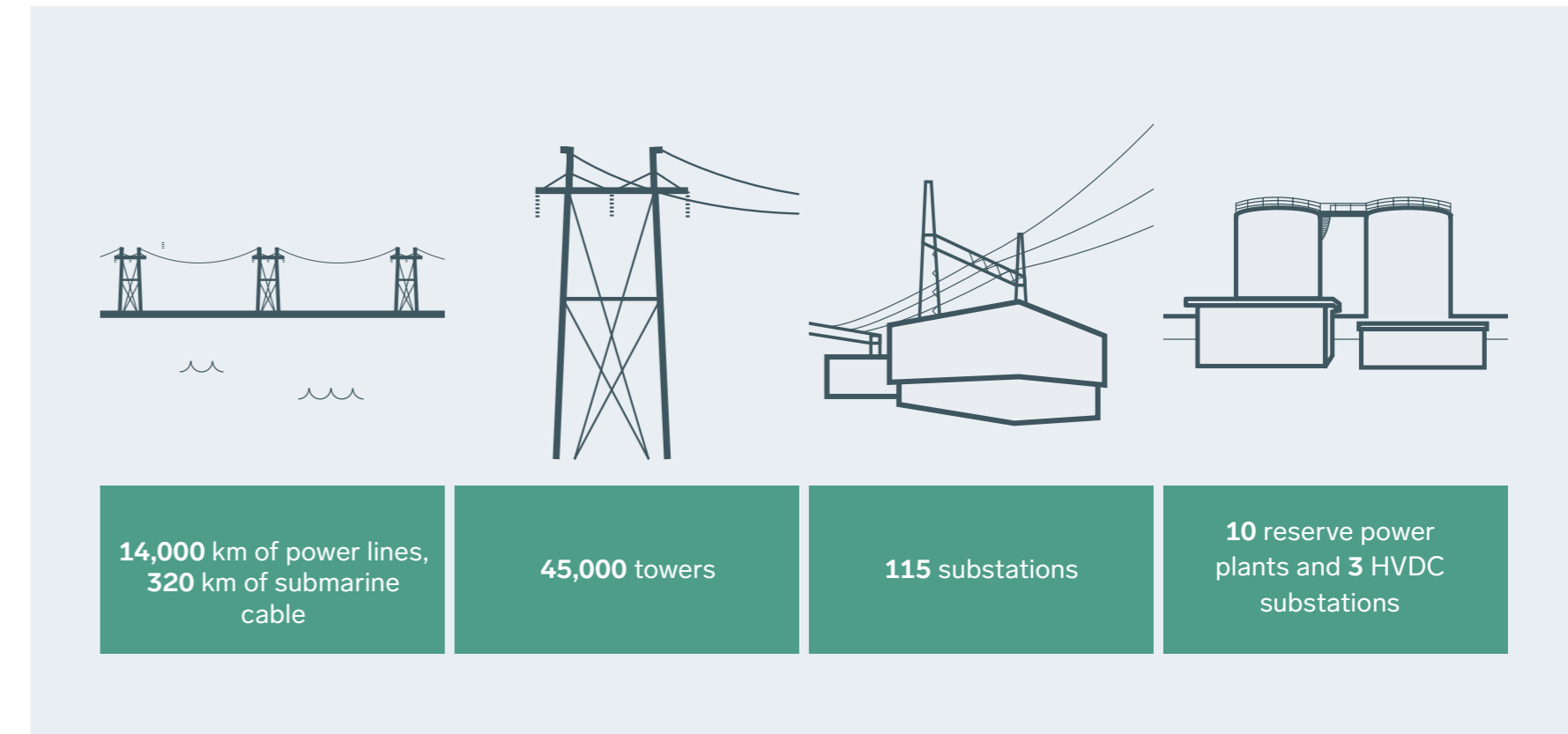
4.1 GRID ASSETS

Fingrid’s grid investment programme promotes the national climate and energy strategy, improves system security, increases transmission capacity and promotes the electricity markets. The annual capital expenditure in the grid has remained extensive.

The company’s total capital expenditure in 2020 amounted to EUR 169.7 (126.9) million. This included a total of EUR 137.3 (103.4) million invested in the transmission grid and EUR 9.6 (5.5) million for reserve power. ICT investments amounted to EUR 21.1 (17.0) million. A total of EUR 4.5 (3.4) million was used for R&D projects during the year under review. Roughly ten kilometres of new transmission lines were completed and 570 kilometres were under construction. Fingrid’s ongoing major electricity transmission

projects included the construction of a transmission line from Oulu to Petäjävesi, the so-called ‘Forest Line’. The construction of a third AC connection to Sweden is under preparation to boost the functioning of international electricity markets.

Grid assets are recognised at fair value for the purposes of the company’s regulatory balance sheet, as described earlier. The regulatory fair value of the transmission network assets (adjusted replacement cost) is calculated by adding up the adjusted replacement costs for each grid component; these are calculated by multiplying the unit price specified by the Energy Authority with the number of grid components. The adjusted present value in use for a grid component is calculated based on the adjusted replacement cost, using the useful life and mean lifetime data of the grid component.



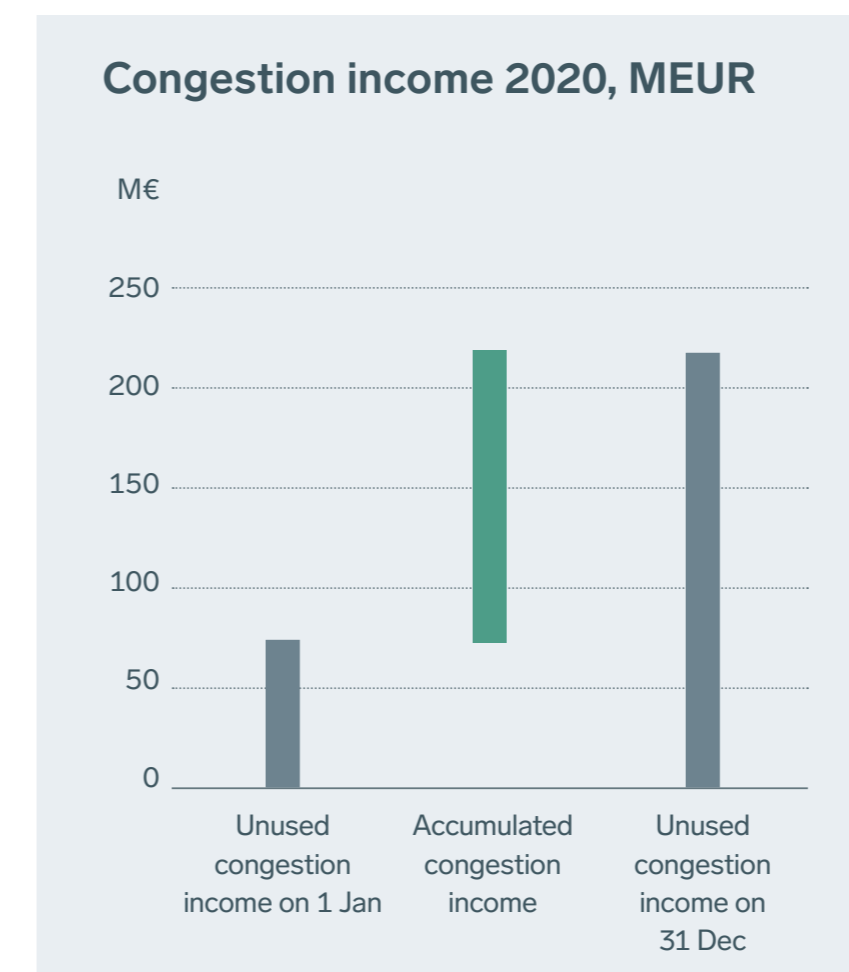
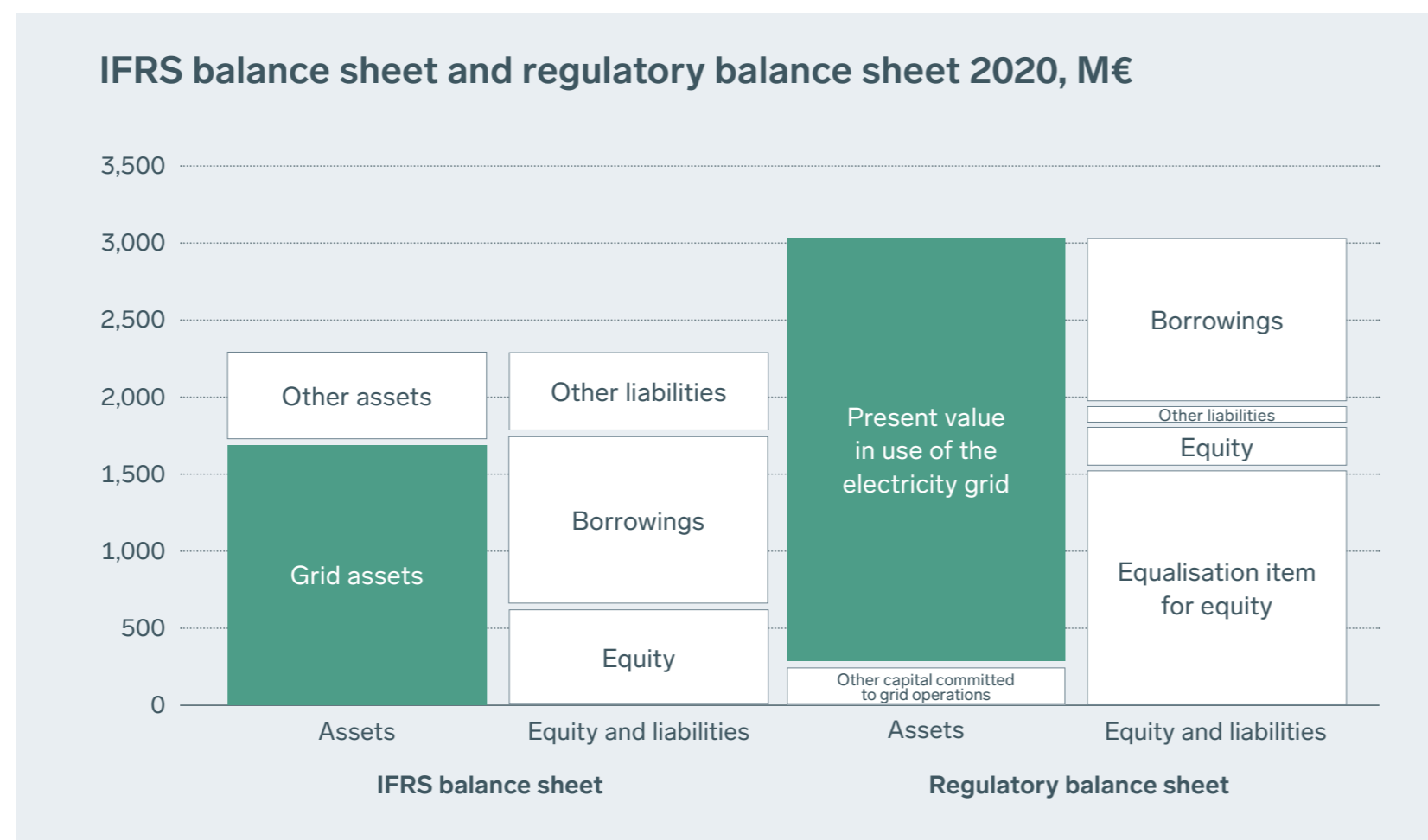
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Fingrid's congestion income from cross-border transmission lines totalled EUR 146.7 (73.0) million. EUR 219.1 million in congestion income was left unused and will be used for future investments to improve the functioning of the electricity market.



Congestion income

Congestion income is generated because of an insufficient transmission capacity between the bidding zones of an electricity exchange. In such cases, the bidding zones become separate price areas, and the transmission link joining them generates congestion income in the electricity exchange as follows: congestion income [€/h] = transmission volume in the day-ahead markets [MW] * area price difference [€/MWh].

The basis for this is that a seller operating in a lower priced area receives less for their power than what a buyer pays for it in a higher priced area. The additional income caused by this price difference, i.e. congestion income, remains in the electricity exchange, which then pays the income to the TSOs as per the contractual terms. The congestion income received by a grid owner must be used

for the purposes stated in EU Regulation 2019/943, Article 19: guaranteeing the actual availability of the allocated capacity, and maintaining or increasing interconnection capacities through network investments. As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 in the balance sheet.



Accounting principles

Congestion income

As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 as accruals in the item other liabilities in the balance sheet. Of the accruals, congestion income will be recognised in the income statement as other operating income when their corresponding costs, as defined in the regulation, accrue as annual expenses in the income statement. Alternatively, they are entered in the balance sheet against investments, as defined by regulation, to lower the acquisition cost of property, plant and equipment, which lowers the depreciation of the property, plant and equipment in question. The congestion income received before 1 January 2016 was recognised in turnover.

Public contributions

Public contributions received from the EU or other parties related to property, plant and equipment are deducted from the acquisition cost of the item, and the contributions consequently reduce the depreciation made on the item. Other contributions are distributed as income over those periods when costs linked with the contributions arise. Other contributions received are presented in other operating income.

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4.2 TANGIBLE AND INTANGIBLE ASSETS

11. Property, plant and equipment

€ 1,000	2020	2019
Land and water areas		
Cost at 1 Jan	19,640	19,116
Increases 1 Jan - 31 Dec	234	524
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	19,873	19,640
Carrying amount 31 Dec	19,873	19,640
Buildings and structures		
Cost at 1 Jan	332,015	305,190
Increases 1 Jan - 31 Dec	18,111	26,825
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	350,125	332,015
Accumulated depreciation 1 Jan	-88,947	-78,861
Decreases, depreciation 1 Jan - 31 Dec		
Depreciation 1 Jan - 31 Dec	-10,900	-10,086
Carrying amount 31 Dec	250,279	243,068
Machinery and equipment		
Cost at 1 Jan	1,234,697	1,183,907
Increases 1 Jan - 31 Dec	28,154	50,791
Decreases 1 Jan - 31 Dec	-2,439	
Cost at 31 Dec	1,260,413	1,234,697
Accumulated depreciation 1 Jan	-673,724	-630,596
Decreases, depreciation 1 Jan - 31 Dec	1,364	
Depreciation 1 Jan - 31 Dec	-43,165	-43,128
Carrying amount 31 Dec	544,887	560,973

€ 1,000	2020	2019
Transmission lines		
Cost at 1 Jan	1,345,479	1,313,640
Increases 1 Jan - 31 Dec	8,682	36,650
Decreases 1 Jan - 31 Dec	-831	-4,810
Cost at 31 Dec	1,353,330	1,345,479
Accumulated depreciation 1 Jan	-588,270	-555,155
Decreases, depreciation 1 Jan - 31 Dec	586	4,404
Depreciation 1 Jan - 31 Dec	-38,070	-37,518
Carrying amount 31 Dec	727,577	757,210
Other property, plant and equipment		
Cost at 1 Jan	118	118
Cost at 31 Dec	118	118
Carrying amount 31 Dec	118	118
Prepayments and purchases in progress		
Cost at 1 Jan	50,294	59,596
Increases 1 Jan - 31 Dec	152,961	106,599
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-56,650	-115,901
Cost at 31 Dec	146,606	50,294
Carrying amount 31 Dec	146,606	50,294
Capitalised interest		
Cost at 1 Jan	14,721	13,705
Increases 1 Jan - 31 Dec	1,629	1,016
Cost at 31 Dec	16,350	14,721
Accumulated depreciation 1 Jan	-2,423	-1,910
Depreciation on capitalised interest 1 Jan - 31 Dec	-546	-513
Carrying amount 31 Dec	13,381	12,297
Carrying amount 31 Dec	159,986	62,592
Property, plant and equipment	1,702,721	1,643,599

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12. Intangible assets

€ 1,000	2020	2019
Land use rights		
Cost at 1 Jan	100,301	97,509
Increases 1 Jan - 31 Dec	489	2,811
Decreases 1 Jan - 31 Dec	-82	-19
Cost at 31 Dec	100,707	100,301
Carrying amount 31 Dec	100,707	100,301
Other intangible assets		
Cost at 1 Jan	70,016	52,930
Increases 1 Jan - 31 Dec	15,829	17,086
Decreases 1 Jan - 31 Dec	-251	
Cost at 31 Dec	85,594	70,016
Accumulated depreciation 1 Jan	-46,547	-42,588
Depreciation 1 Jan - 31 Dec	-3,093	-3,960
Carrying amount 31 Dec	35,954	23,469
Carrying amount 31 Dec	136,661	123,770

Land use rights are not depreciated but tested annually for impairment in connection with the testing of goodwill.

The entire business of the Fingrid Group is grid operations in Finland with system responsibility, which the full goodwill of the Group in the balance sheet is fully allocated to. The goodwill included in the balance sheet amounts to EUR 87.9 million and has not changed during the periods under review. Since, per the regulation, the fair value of the net assets included in the company's grid assets is

approximately EUR 2,800.0 million compared to the carrying amount of EUR 1,927.4 million in net assets, which includes land use rights and goodwill, the book value of the asset items has not decreased.



Accounting principles

Property, plant and equipment

Grid assets form most of the property, plant and equipment. Grid assets include, among other things, 400 kV, 220 kV, 110 kV transmission lines, direct current lines, transmission line right-of-ways, substations and the areas they encompass (buildings, structures, machinery and equipment, substation access roads), gas turbine power plants, fuel tanks, generators and turbines.

Property, plant and equipment are valued in the balance sheet at the original acquisition cost less accumulated depreciation and potential impairment. If an asset is made up of several parts with useful lives of different lengths, the parts are treated as separate items and are depreciated over their separate useful lives.

When a part of property, plant and equipment that is treated as a separate item is replaced, the costs relating to the new part are capitalised. Other subsequent costs are capitalised only if it is likely that the future economic benefit relating to the asset benefits the Group and the acquisition cost of the asset can be determined reliably. Repair and maintenance costs are rec-

ognised in the income statement when they are incurred.

Borrowing costs, such as interest costs and arrangement fees, directly linked with the acquisition, construction or manufacture of a qualifying asset form part of the acquisition cost of the asset item in question. A qualifying asset is one that necessarily requires a considerably long time to be made ready for its intended purpose. Other borrowing costs are recognised as an expense. Borrowing costs included in the acquisition cost are calculated on the basis of the average borrowing cost of the Group.

Property, plant and equipment is depreciated over the useful life of the item using the straight-line method. Depreciation on property, plant and equipment taken into use during the financial year is calculated on an item-by-item basis from the month of introduction. Land and water areas are not depreciated. The expected economic lives are verified at each closing date, and if they differ significantly from the earlier estimates, the depreciation periods are amended accordingly.

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The depreciation periods of property, plant and equipment are as follows:

Buildings and structure

- Substation buildings and separate buildings **40 years**
- Substation structures **30 years**
- Buildings and structures at gas turbine power plants **20-40 years**
- Separate structures **15 years**

Transmission lines

- Transmission lines 400 kV **40 years**
- Direct current lines **40 years**
- Transmission lines 110-220 kV **30 years**
- Creosote-impregnated towers and related disposal costs **30 years**
- Aluminium towers of transmission lines (400 kV) **10 years**
- Optical ground wires **10-20 years**

Machinery and equipment

- Substation machinery **10-30 years**
- Gas turbine power plants **20 years**
- Other machinery and equipment **3-5 years**

Gains or losses from the sale or disposition of property, plant and equipment are recognised in the income statement under either other operating income or expenses. Property, plant and equipment are derecognised in the balance sheet when their economic useful life has expired, the asset has been sold, scrapped or otherwise disposed of to an outsider.

Goodwill and other intangible assets

Goodwill created as a result of the acquisition of enterprises and businesses is composed of the difference between the acquisition cost and the net identifiable assets of the acquired business valued at fair value. Goodwill is allocated to cash-generating units and is tested annually for impairment. With associated companies, goodwill is included in the value of the investment in the associated company.

Other intangible assets consist of computer software and land use and emission rights. Computer software is valued at its original acquisition cost and depreciated on a straight line basis during its estimated useful

life. Land use rights, which have an indefinite useful life, are not depreciated but are tested annually for impairment.

More on emission rights in chapter 6.

Subsequent expenses relating to intangible assets are only capitalised if their economic benefits to the company increase beyond the former performance level. In other cases, expenses are recognised in the income statement when they are incurred.

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4.3 LEASE AGREEMENTS

The Group's leases mainly relate to office premises. The durations of the leases vary, and they may include options for extension and termination.

A right-of-use asset and a corresponding liability are recognised for leases at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

13. Leases

1,000€	2020	2019
Right-of-use-assets:		
Right-of-use-assets, buildings and structures		
Cost at 1 Jan	32,574	34,974
Increases 1 Jan - 31 Dec	783,62	220
Deprecation 1 Jan - 31 Dec	-2,685	-2,620
Cost at 31 Dec	30,673	32,574
Carrying amount 31 Dec	30,673	32,574
Lease liabilities:		
Non-current	28,913	30,515
Current	2,328	2,371
Total	31,241	32,886
Amounts recognised in the income statement		
Depreciation of right-of-use assets – buildings	2,685	2,620
Interest costs	653	683
Costs related to low value asset leases	806	964

The outgoing cash flow from leases in 2020 totalled EUR 3.1 million.



Accounting principles

Lease agreements

Fingrid Oyj mainly acts as a lessee, and most of the leases are for office premises. The right-of-use assets and lease liabilities in the balance sheet, except for items of short duration (lease terms of less than 12 months) and of insignificant value. A right-of-use asset and a corresponding liability are recognised in the balance sheet at the date at which the leased asset is available for use by the Group. The right-of-use asset is depreciated as straight-line depreciations, over the shorter of lease term and useful life of the underlying asset. The interest cost of lease liabilities is recorded in finance costs. Lease liability payments are stated in the cash flow of financing activities and the related interest in interest expenses.

The lease term corresponds to the non-cancellable period of the lease

and leases where, according to management's assessment, the options to extend the lease will be exercised with a high probability. The real-estate leases do not clearly define the interest rate implicit in the lease, which is why Fingrid uses as the interest rate an estimate of the company's incremental borrowing rate for real estate leases. The incremental borrowing rate is determined for the entire real-estate lease portfolio, whereby all real-estate leases are discounted using the same interest rate. The discount rates applied in discounting leases under IFRS 16 are based on the market yield on the company's publicly quoted bonds.

Short-term leases or leases of low-value assets, which are expensed in equal instalments, consist of vehicle lease payments, lease payments for land and water areas and lease payments for small machinery and equipment.

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5. STRONG FINANCIAL POSITION (IFRS)

- This chapter focuses on describing how Fingrid's financing is formed and how the related risks are managed, and at the same time, how short-term financial assets that secure liquidity are formed.
- The chapter describes the company's principles of capital management, ownership structure and dividend distribution policy.
- The end of the chapter contains a summary of all the financial assets and financing liabilities, as well as derivatives, that the company uses solely for risk management purposes. The risks relate to various market risks: the electricity price risk and the interest rate and exchange rate risk. Management of the price and volume risk of electricity is described in chapter 3.

5.1 CAPITAL MANAGEMENT

Equity and liabilities as shown in the balance sheet are managed by Fingrid as capital. The balance sheet according to the company's accounting is smaller than the balance sheet under the Finnish Energy Authority's regulations, in which grid assets have been measured at the regulatory present value in use. The company's borrowings are presented at their carrying amount also on the regulatory balance sheet. Equity on the accounting balance sheet is naturally smaller than equity on the regulatory balance sheet, which balances out the difference in the grid asset carrying amount and the actual present value in use.

The company must have a solid capital structure to support consistently strong

credit ratings, reasonable cost of capital and adequate dividend pay-out capability. The principal aim of Fingrid's capital management and grid asset management is to ensure uninterrupted operations and value retention as well as rapid recovery from any exceptional circumstances.

The company aims to maintain a credit rating of at least 'A-'. The company has not set specific key figure targets for accounting balance sheet or regulatory balance sheet capital management, but instead monitors and controls the overall situation, for which credit ratings and their underlying risk analyses and other parameters create a foundation.

The company's credit rating remained high in 2020. This reflects the company's

strong overall financial situation and debt service capacity. Fingrid has credit rating service agreements with S&P Global Ratings (S&P) and Fitch Ratings (Fitch). The credit ratings valid on 31 December 2020 remained high and were as follows

- S&P's rating for Fingrid's unsecured senior debt and long-term company rating at 'AA-' and the short-term company rating at 'A-1+', with a stable outlook.
- Fitch's rating for Fingrid's unsecured senior debt at 'A+', the long-term company rating at 'A', and 'F1' for the short-term company rating, with a stable outlook. The rating is the highest assigned by Fitch to any regulated TSO in Europe.

5.2 THE AIMS AND ORGANISATION OF FINANCING ACTIVITIES AND THE PRINCIPLES FOR FINANCIAL RISK MANAGEMENT

The company has a holistic approach to the management of financing activities, encompassing external financing, as well as managing liquidity, counterparty and financial risks, and supporting business operations in matters related to financing in general.

Core aims for financing activities:

- Protecting shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financial costs within the risk limits;

- Maintaining adequate liquidity even in unexpected situations;
- Long-term financing from diverse sources, taking into account the company's investment plan and cash flow from operating activities as well as credit rating and its criteria;
- Overall optimisation of the interest rate risk, including the interest rate risk of business operations via the Energy Authority's regulatory model (risk-free interest in the so called WACC model) and the company's interest rate risk of net debt;
- Forward-looking financial planning to ensure that the overall impact from the cash flow from operating activities, future investments, maturing loans and future dividends is taken into account when raising funds and optimising the loan portfolio structure.

The Treasury maintains active and consistent dialogue with the credit rating agencies and monitors the key ratios used by the agencies, as well as other generally accepted financial ratios.

Fingrid's financial capital consists of equity and debt financing. The share of equity from the balance sheet total was 27.4% and that of liabilities 72.6% in 2020. The IFRS 16 standard reduced the share of equity by 0.4% points. Regulatory equity was 60.2% and liabilities were 39.8% of the regulatory balance sheet in 2020.

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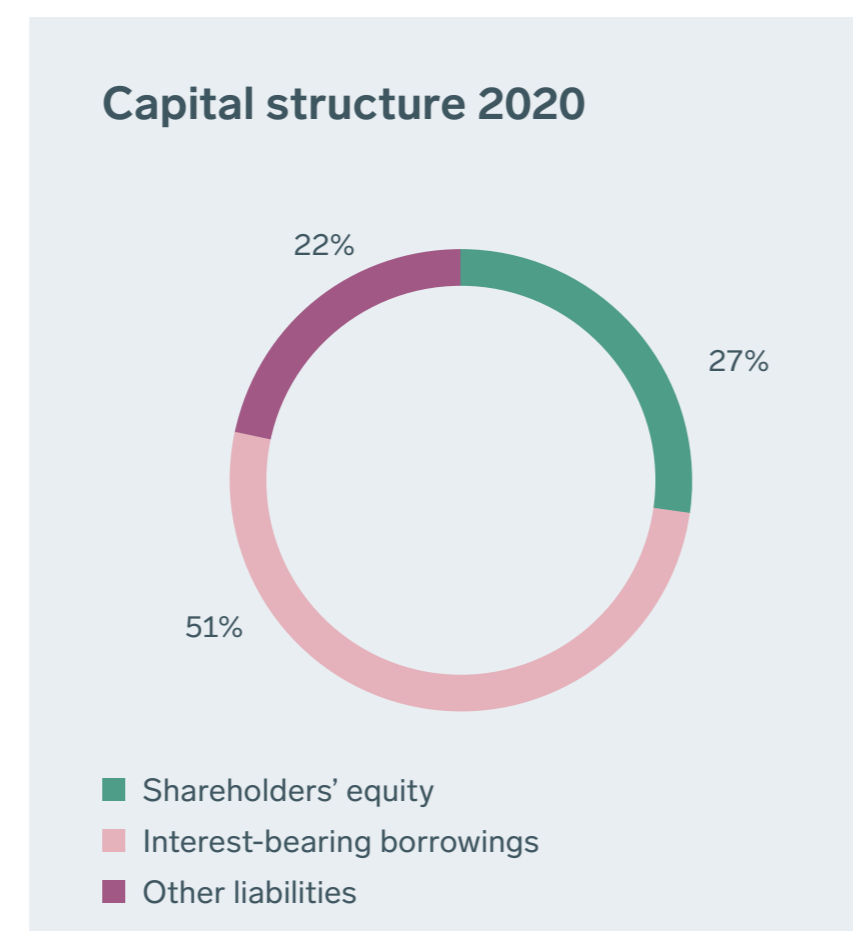
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Fingrid Oyj is exposed to market, liquidity, counterparty and credit risks, among others, when the company's financial position is managed. The objective of financial risk management is to foster shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financing costs within the risk limits.

Corporate finance principles

The Board of Directors of Fingrid Oyj approves the Corporate Finance Principles which define how Fingrid Oyj manages financing as a whole. The external financing of Fingrid Group is carried out by Fingrid Oyj.



Risk management execution and reporting

Fingrid's Chief Financial Officer is responsible for the practical measures related to securing financing and managing financial risks, in line with the company's Corporate Finance Principles and Treasury Policy. The CFO oversees the day-to-day organising, reporting and adequate controls of financing activities, and reports regularly to the CEO and the Board (Audit Committee).

Risk management processes

The Treasury unit is in charge of risk monitoring, systems and the models and methods used to calculate and assess risks. The Treasury unit is furthermore responsible for identifying, measuring and reporting the financial risks that the company may be exposed to. An internal audit of Fingrid's financing activities was carried out in 2020. The audit did not reveal any critical or significant control deficiencies. According to the audit report, the company's financing activities are described extensively in the corporate policies and guidelines, and the related reporting practices are systematic.

Fair value hierarchy

In the presentation of fair value, assets and liabilities measured at fair value are categorised into a three-level hierarchy.

The appropriate hierarchy is based on the input data of the instrument. The level is determined on the basis of the lowest level of input for the instrument that is significant to the overall fair value measurement.

Level 1: inputs are publicly quoted in active markets.

Level 2: inputs are not publicly quoted and are based on observable market parameters either directly or indirectly.

Level 3: inputs are not publicly quoted and are unobservable market parameters.

5.3 FINANCIAL LIABILITIES, FINANCIAL COSTS AND MANAGING THE FINANCIAL RISKS

The company takes advantage of the opportunities offered by credit ratings at any given time on the international and domestic money markets. Market-based and diversified financing is sought from several sources. The goal is a balanced maturity profile. Fingrid's existing loan agreements, debt or commercial paper programmes are unsecured and do not include any financial covenants based on financial ratios.

The company operates in the debt capital, commercial paper and loan markets:

- For long-term financing, the company has an international Medium Term Note Programme ("EMTN Programme"), totalling EUR 1.5 billion.
- Fingrid has an international Euro Commercial Paper Programme ("ECP Programme") totalling EUR 600 million.
- Fingrid has a domestic commercial paper programme totalling EUR 150 million.
- Furthermore, Fingrid has bilateral loan agreements with commercial banks, mainly with the European Investment Bank (EIB) and the Nordic Investment Bank (NIB).

Green financing

Green financing is an important part of Fingrid's financing strategy and responsible operating model. Fingrid was the first Finnish company to issue a Green Bond in 2017. Green Bonds are used to finance projects that are expected to have long-term net positive environmental impacts. Green Bond projects connect renewable energy production to Fingrid's transmission network, reduce electricity transmission losses and create smart solutions that save energy and the environment. Fingrid annually reports on the impacts of its Green Bond projects by publishing a separate impact report on its website under Investors. The company's objective is to increase the share of green financing in its total financing.

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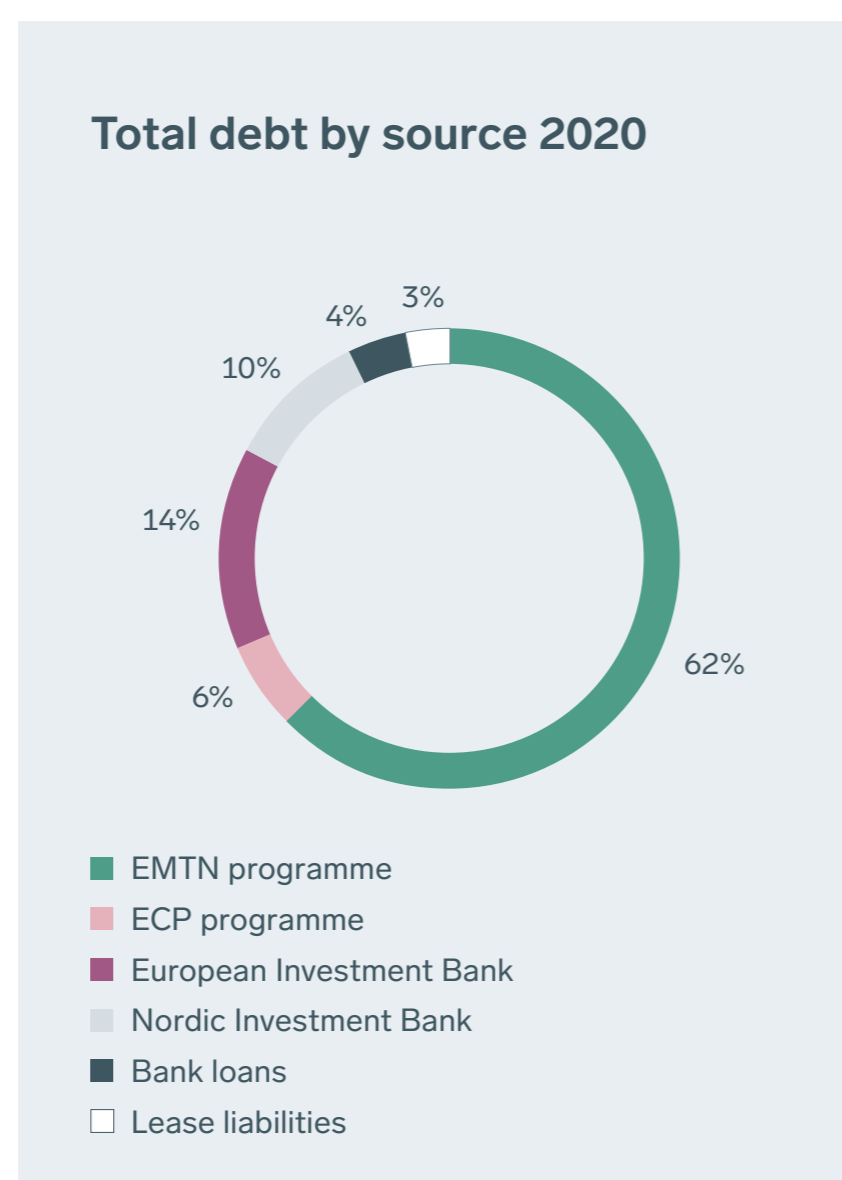
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Fingrid's EMTN programme and bonds are listed both on the London Stock Exchange and on the Irish Stock Exchange (Euronext Dublin). Dual listing enables the trading of debt issues and new debt issue listings on these two stock exchanges. The graph below illustrates Fingrid's various sources of debt financing. Fingrid sources debt financing mainly from the international debt capital markets.



Borrowings are as follows:

14. Borrowings

	2020			2019			Hierarchy level
	Fair value	Balance sheet value	%	Fair value	Balance sheet value	%	
€ 1,000							
Non-current							
Bonds	822,574	731,301		701,100	613,921		Level 2
Loans from financial institutions	277,668	272,554		249,487	240,216		Level 2
	1,100,242	1,003,855		950,588	854,138		
Lease liabilities		28,913			30,515		
		1,032,767	88%		884,652	79%	
Current							
Bonds				50,136	50,000		Level 2
Loans from financial institutions	67,925	67,662		18,900	17,662		Level 2
Other loans/Commercial papers (international and domestic)	72,090	72,155		165,106	165,315		Level 2
	140,014	139,817		234,142	232,978		
Lease liabilities		2,328			2,371		
		142,145	12%		235,349	21%	
Total	1,240,256	1,174,913	100%	1,184,730	1,120,001	100%	

The fair values of borrowings are based on the present values of cash flows. Loans raised in various currencies are measured at the present value on the basis of the yield curve of each currency. The discount rate includes the company-specific and loan-specific risk premium. Borrowings denominated in foreign currencies are translated into euros at the fixing rate quoted by the ECB at the closing date.



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16. Reconciliation of debt

€ 1,000	Borrowings due within 1 year	Borrowings due after 1 year	Total
Debt on 1 Jan 2019	288,091	771,508	1,059,598
Cash flow from financing activities	-126,396	150,000	23,604
Exchange rate adjustments	3,621	292	3,913
Other changes not involving a payment transaction	2,371	30,515	32,886
Transfer to short-term loans	67,662	-67,662	
Debt on 31 Dec 2019	235,349	884,652	1,120,001
Cash flow from financing activities	-110,823	164,667	53,844
Exchange rate adjustments		2,500	2,500
Other changes not involving a payment transaction	-43	-1,389	-1,432
Transfer to short-term loans	17,662	-17,662	
Debt on 31 Dec 2020	142,145	1,032,767	1,174,913

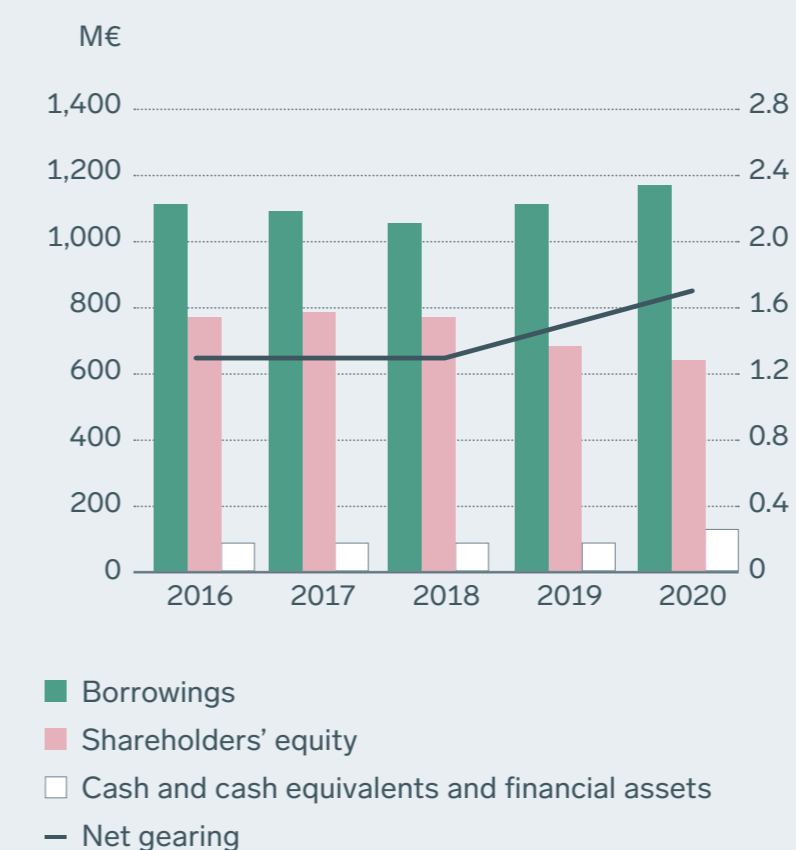
Other changes are mainly made up of IFRS 16 impacts.

Reconciliation of net debt, € 1,000	2020	2019
Cash in hand and cash equivalents	45,645	15,626
Financial assets recognised in the income statement at fair value	80,243	67,188
Borrowings - repayable within one year	142,145	235,349
Borrowings - repayable after one year	1,032,767	884,652
Net debt	1,049,024	1,037,186

Net debt is the difference between the company's debt and its cash in hand and cash equivalents.

Financial assets recognised at fair value through profit and loss are liquid investments traded on active markets. At the end of the year, the company's borrowings included a total of EUR 31.2 million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.3 million in short-term liabilities, to be paid within a year, and EUR 28.9 million in long-term liabilities, with a maturity date after more than a year.

Capital MEUR and net gearing 2016-2020



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Interest income and costs on loans and other receivables are as follows:

17. Interest income and expenses from loans and other receivables

€ 1,000	2020	2019
Interest income on financial assets in income statement at fair value	185	446
Interest income on cash, cash equivalents and bank deposits	88	22
Profits from assets recognised at fair value through profit and loss	415	
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	767	0
Dividend income	8,357	
	9,812	468
Interest expenses on borrowings	-20,532	-19,985
Net interest expenses on interest rate and foreign exchange derivatives	7,897	5,926
Gains from measuring derivative contracts at fair value	7,115	5,405
Losses from measuring derivative contracts at fair value	-8,402	-1,007
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	352	-351
Interest expenses on lease liabilities (IFRS 16)	-653	-683
Other finance costs	-1,254	-882
	-15,477	-11,577
Capitalised finance costs, borrowing costs; at a capitalisation rate of 1.1 % (note 11)	1,629	1,016
Total	-4,036	-10,093

Managing the market risks of debt

Fingrid's borrowings are issued in both fixed and floating interest rates and in several currencies. They thus expose Fingrid's cash flow to interest rate and exchange rate risks. Fingrid uses derivative contracts to hedge against these risks. Fingrid generally holds issued bonds to maturity and thus does not value its bonds in the balance sheet at fair value or hedge against the fair value interest rate risk. The permitted hedging instruments are defined in the Treasury policy and are chosen in order to achieve the most effective hedging possible for the risks in question.

The functional currency of the company is euro. Generally, currency risks and the foreign exchange interest rate risk are fully hedged. A risk that amounts to less than EUR 5 million when realised can be left unhedged for reasons of cost-effectiveness.

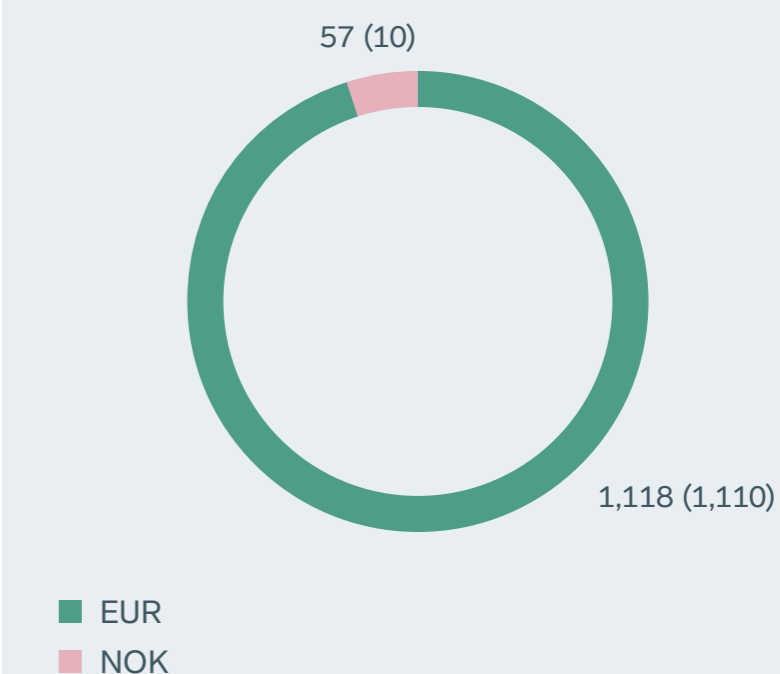
Transaction risk

The company issues bonds in the international and domestic money and debt capital markets. The company's debt portfolio is spread across euro-denominated and non-euro-denominated currencies. The total foreign-currency-denominated debt

portfolio and the related interest rate flows are hedged against the currency risk. The currency risk for each bond is always fully hedged in conjunction with its issuance. The company uses interest rate and cross currency swaps to hedge the exchange rate and interest risk of bonds.

Business-related currency risks are small and they are mainly hedged. During the financial year, the company used foreign exchange forwards to hedge business transaction risks. A summary of the derivatives is presented in Note 23.

Total debt in original currency 2020, MEUR



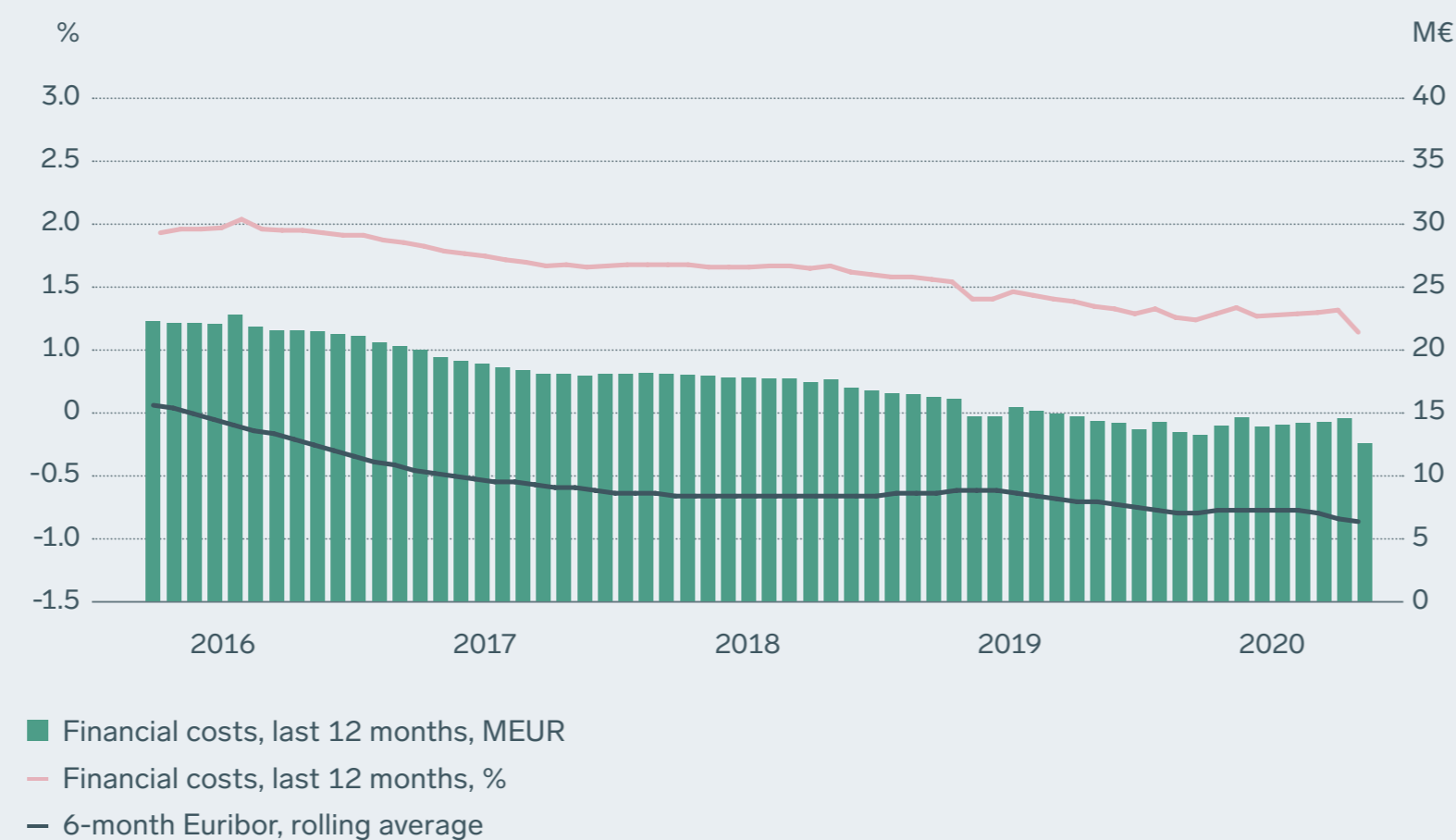
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Financial costs 2016-2020



The graph 'Financial costs 2016–2020' does not include IFRS 16 interest expenses.

Interest rate risk

The company is only exposed to euro denominated interest rate risk from its business operations, assets and borrowings. The company's borrowings are, both in terms of principal and interest payments, fully hedged against exchange rate risks. Cash and cash equivalents and financial assets recognised in the income statement at fair value are denominated in euros.

Interest rate risk management includes optimisation of future interest rate risk of business operations (risk-free interest in the WACC model described on the next page) emerging from the regulatory model specified by the Energy Authority, together with company's net debt interest rate risk.

The interest rate risk from business operations can in part or in its entirety be hedged in terms of the adjusted capital committed to grid operations. The Board of Directors makes a separate decision on the hedging of operational interest rate risks. The interest rate risk included in business operations was not hedged in 2020. The interest rate risk inherent in Fingrid's business operations is caused by changes in the risk-free interest in the WACC model. If the risk-free interest rate rises/falls by one percentage unit, the post-tax WACC rises/falls by 0.9%.

The objective of managing the interest rate risk on the loan portfolio is to minimise in-

terest costs in the long term. The aim is to keep the average interest rate period of the gross interest exposure for the loan portfolio (derivatives and liabilities) at around twelve (12) months. The loan portfolio's interest rate risk arises from market interest rate volatility, which decreases or increases the annual interest expenses on the company's floating-rate loans. When market interest rates increase/decrease, the interest expenses of the floating-rate loans also increase/decrease. The company hedges this so-called cash flow risk with derivatives. The sensitivity of the loan portfolio to interest rate risk is measured by using a Cash Flow at Risk (CFaR) type of model, more specifically the Autoregressive Integrated Moving Average (ARIMA) model. The key parameters of the model are the 3-month and 6-month Euribor rates, of which the historical time series serve as a basis for a forward-looking simulation of the probable future interest expenses for Fingrid's loan portfolio. The exposure on which the sensitivity analysis is calculated includes all of the Group's interest-bearing borrowings, the loan portfolio's derivatives and interest-rate options purchased to hedge against unexpected changes in interest rates. According to the model, there is a 95% (99%) probability that Fingrid's interest expenses will amount to no more than EUR 16.1 (17.6) million during the next 12 months.

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Determination of the reasonable rate of return in regulation and operational interest rate risk

The reasonable rate of return on adjusted capital committed to grid operations is determined by using the weighted average cost of capital model (WACC). The WACC model determined by the Finnish Energy Authority illustrates the average cost of the capital used by the company, where the weights are the relative val-

ues of equity and debt. The weighted average of the costs of equity and interest-bearing debt are used to calculate the total cost of capital, i.e. the reasonable rate of return per the regulation. The reasonable return is calculated by multiplying the adjusted capital invested in network operations by the WACC.

The above-mentioned reasonable rate of return after taxes is then adjusted with the current rate of corporate tax.

This calculation gives the reasonable pre-tax rate of return.

$$WACC_{\text{post-tax}} = C_E \times \frac{E}{E+D} + C_D \times (1 - \text{ctr}) \times \frac{D}{E+D}$$

$WACC_{\text{post-tax}}$ = reasonable rate of return after corporate tax

C_E = reasonable cost of equity

C_D = reasonable cost of interest-bearing debt

E = adjusted equity invested in network operations

D = adjusted interest-bearing debt invested in network operations

ctr = current rate of corporate tax

$$C_D = R_r + DP$$

R_r = risk-free interest rate

DP = risk premium of debt

$$C_E = R_r + \beta_{\text{levered}} \times (R_m - R_r) + LP$$

R_r = risk-free interest rate

β_{levered} = levered beta

R_m = average market return

$R_m - R_r$ = market risk premium

LP = liquidity premium

$$WACC_{\text{pre-tax}} = \frac{WACC_{\text{post-tax}}}{(1 - \text{ctr})}$$

$WACC_{\text{pre-tax}}$ = reasonable rate of return before corporate tax

A fixed capital structure is applied to the TSO, whereby the weight of debt capital is 50% and the weight of equity capital

is 50%. The pre-tax reasonable rate of return is calculated as follows:

$$WACC_{\text{pre-tax}} = \frac{C_E \times 0.5}{(1 - \text{ctr})} + C_D \times 0.5$$

$$R_{k,\text{pre-tax}} = WACC_{\text{pre-tax}} \times (E + D)$$

$R_{k,\text{pre-tax}}$ = pre-tax reasonable return, EUR

$WACC_{\text{pre-tax}}$ = reasonable rate of return, %

E = adjusted equity invested in network operations, EUR

D = adjusted interest-bearing debt invested in network operations, EUR

$E + D$ = adjusted capital invested in network operations, EUR

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Cost of equity

$$C_E = R_f + \beta_{\text{unlevered}} \times (1 + (1 - t) \times D/E) \times (R_m - R_f) + LP$$

$$C_E = \text{Finnish 10y bond} + 0.4 \times (1 + (1 - 20\%) \times 50/50) \times 5\% + 0.6\%$$

$$C_E = \text{Finnish 10y bond} + 4.2\%$$

Cost of debt

$$C_D = R_f + DP$$

$$C_D = \text{Finnish 10y bond} + 1.26\%$$

WACC (pre tax)

$$WACC_{\text{post-tax}} = C_E \times 50/100 + C_D \times (1 - t) \times 50/100$$

$$WACC_{\text{post-tax}} = \text{Finnish 10y bond} \times 0.9 + 2.60\%$$

$$WACC_{\text{pre-tax}} = \text{Finnish 10y bond} \times 1.125 + 3.26\%$$

Parameter	Value to be applied
Riske-free rate (R_f)	Greater of: a) 10-year average of 10-year Finnish government bond rate b) Average of previous year April-September government bond rate
Asset beta ($\beta_{\text{unlevered}}$)	0.4
Market risk premium ($R_m - R_f$)	5.0%
Liquidity premium (LP)	0.6%
Capital structure (D/E)	50/50
Risk premium of debt (DP)	1.26%
Tax rate (t)	20%

Liquidity risk

Fingrid is exposed to liquidity and refinancing risks arising from the redemption of loans, payments and fluctuations in cash flow from operating activities. The liquidity of the company must be arranged so that liquid assets (cash and cash equivalents, and financial assets recognised in the income statement at fair value) and available long-term committed credit lines can cover 110% of the refinancing needs for the next 12 months.

The company has a revolving credit facility agreement of EUR 300 million signed on 11 December 2015. The maturity of the facility is five years. In addition to this, the company has two one-year extension options, of which both have been used. These extended the maturity of the revolving credit facility until 11 December 2022. The facility is committed and has not been drawn. The company additionally has a total of EUR 225 million in committed and uncommitted bilateral facility arrangements with banks.

The refinancing risk is managed by building an even maturity profile such that the share of long-term loans in a single year constitutes less than 30 per cent of the

total debt and the average maturity of the company's loan portfolio is at least three years. To secure refinancing, the company makes wide use of diverse sources of financing. The high credit rating and good bank and investor relations enable ready access to the debt capital market and thus minimises the company's debt refinancing risks and financing costs.

The counterparty risks of financing activities are caused by counterparties related to investing (e.g. money market funds), derivatives counterparties and bank counterparties. The company minimises any counterparty risks. As a rule, credit rating categories are the decisive factor in specifying the counterparty limit.

Contractual repayments and interest costs on borrowings are presented in the next table. The interest rates on floating-rate loans are defined using the zero coupon curve. The repayments and interest amounts are undiscounted values. Finance costs arising from interest rate swaps are often paid in net amounts depending on the nature of the swap. In the following table, they are presented in gross amounts.

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18. Payments under financing agreements in cash, €1000

31 Dec 2020		2021	2022	2023	2024	2025	2026-	Total
Bonds	- repayments		30,000	30,000	299,502	79,551	292,248	731,301
	- interests	18,748	18,736	18,748	17,935	7,435	24,664	106,267
Loans from financial institutions	- repayments	67,662	17,662	33,047	36,273	39,499	146,073	340,216
	- interests	109	-240	-450	-343	-200	2,128	1,005
Commercial papers	- repayments	72,000						72,000
Lease liabilities	- repayments	2,328	2,250	2,258	2,288	2,331	19,785	31,241
	- interests	610	566	521	476	429	1,735	4,337
Currency swaps	- payments	447	442	455	487	13,039	46,235	61,105
Interest rate swaps	- payments	246	244	272	318	192	133	1,406
Forward contracts	- payments	599	1,000	1,500	900			3,999
Total		162,749	70,661	86,352	357,836	142,276	533,002	1,352,876
Currency swaps	- receivables	1,711	1,711	1,711	1,711	11,261	54,249	72,352
Interest rate swaps	- receivables	5,188	5,115	4,458	4,124	1,830	2,963	23,679
Forward contracts	- receivables	590	1,033	1,567	946			4,137
Total		7,489	7,859	7,735	6,781	13,091	57,212	100,168
Total		155,260	62,802	78,617	351,055	129,185	475,790	1,252,709

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31 Dec 2019		2020	2021	2022	2023	2024	2025-	Total
Bonds	- repayments	50,000		30,000	30,000	299,359	254,562	663,921
	- interests	17,124	17,106	17,125	17,106	16,293	23,962	108,716
Loans from financial institutions	- repayments	17,662	17,662	17,662	33,047	34,660	137,185	257,879
	- interests	2,095	1,690	1,393	1,237	1,041	4,900	12,356
Commercial papers	- repayments	165,000						165,000
Lease liabilities	- repayments	2,371	2,311	2,192	2,199	2,228	21,584	32,886
	- interests	642	600	557	513	469	2,159	4,938
Currency swaps	- payments	25	32	48	67	79	12,603	12,855
Interest rate swaps	- payments	72	95	144	203	71	427	1,012
Forward contracts	- payments	12,597	300	1,000	1,500	900		16,297
Total		267,589	39,797	70,121	85,872	355,100	457,382	1,275,860
Currency swaps	- receivables	437	437	437	437	437	10,575	12,760
Interest rate swaps	- receivables	5,281	5,205	4,915	4,094	3,025	2,580	25,101
Forward contracts	- receivables	12,173	296	992	1,505	909		15,874
Total		17,891	5,937	6,344	6,036	4,371	13,155	53,735
Total		249,698	33,860	63,777	79,836	350,728	444,227	1,222,126



Accounting principles

Borrowings

Borrowings are initially recognised at fair value net of the transaction costs incurred. Transaction costs consist of bond prices above or below par value, arrangement fees, commissions and

administrative fees that are directly related to the loan. Borrowings are subsequently measured at amortised cost; any difference between the loan amount and the amount to be repaid is recognised in the income statement over the loan period using the effective interest rate method. Borrowings

are derecognised when they mature and are repaid.

Commitment fees to be paid on credit facilities are entered as transaction costs related to the loan insofar as partial or full utilisation of the facility is likely. In such cases, the fee is

capitalized in the balance sheet until the facility is utilised. If there is no proof that loans included in a facility are likely to be drawn in part or in full, the fee will be recognised as an upfront payment for liquidity services and amortized over the maturity of the facility in question.

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5.4 CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

19. Cash and cash equivalents

€1,000	2020	2019
Cash assets and bank account balances	45,645	15,626
Total	45,645	15,626

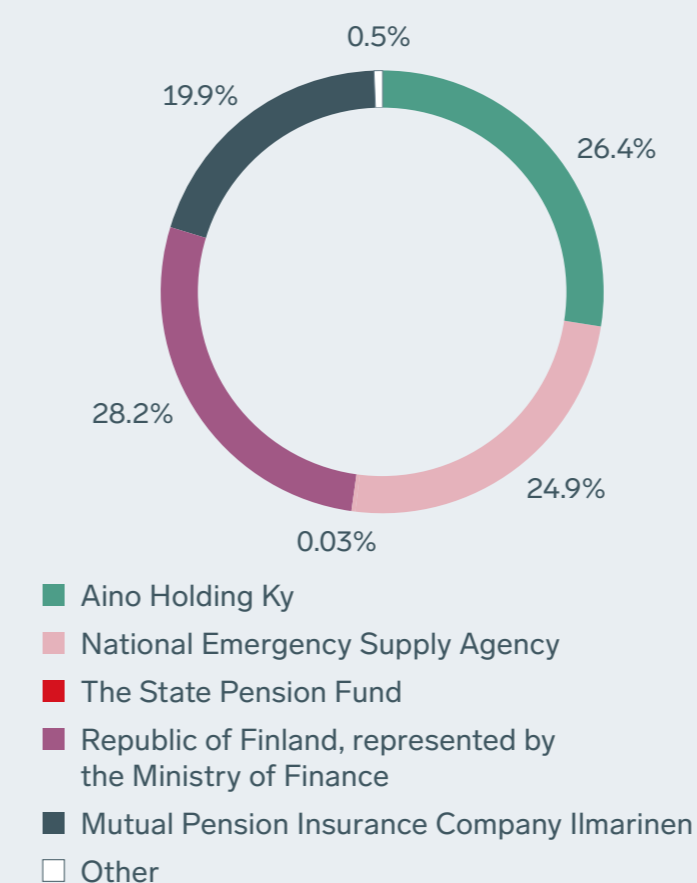
20. Other financial assets

€1,000	2020	2019	Hierarchy level
Short-term fixed income funds	80,243	67,188	Level 1
Total	80,243	67,188	

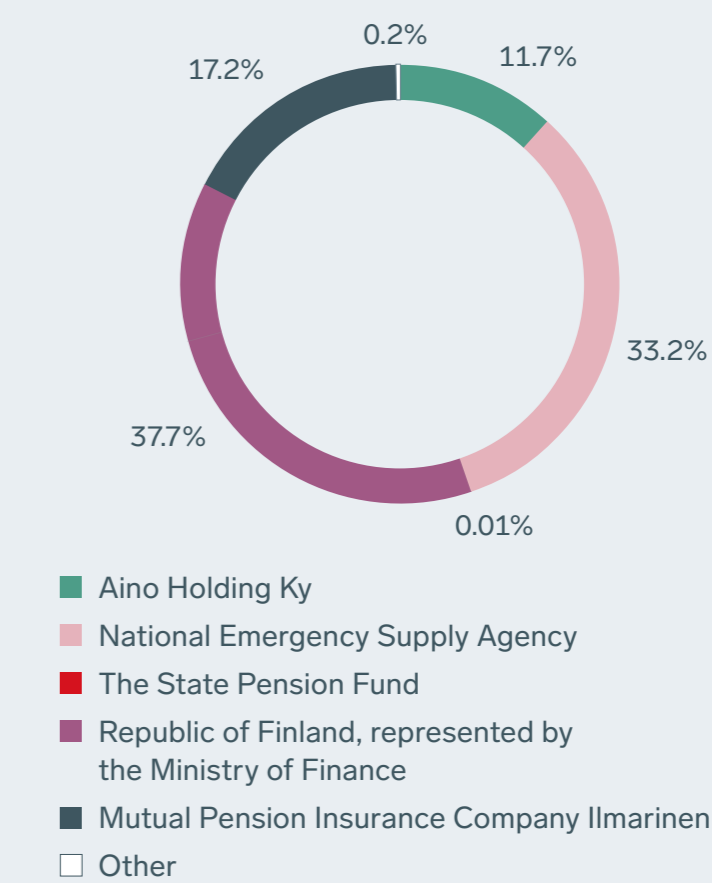
5.5 EQUITY AND DIVIDEND DISTRIBUTION

The shareholders' equity is composed of two share classes. The shareholder breakdown and voting rights are illustrated in the following graphs.

Shareholders 31 Dec 2020 (%)



Voting rights (%)



Accounting principles

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash in hand and bank deposits with an initial maturity of no more than three months. Cash and cash equivalents in the cash flow statement also include financial assets recognised in the income statement at fair value. Cash and cash equivalents

are derecognised when they mature, are sold or otherwise disposed of.

Other financial assets

The financial assets classified in this category may include short-term money market securities (certificates of deposit, commercial papers and municipality bills), current investments in short-term fixed income funds, and bank deposits kept for more than three

months. Financial assets recognised at fair value in the income statement are entered in the balance sheet at fair value at the settlement date. Subsequently, the financial assets are measured on each reporting day at fair value, and the change in their fair value is recognised in the income statement under finance income and costs. Derivatives are also included in this group, but are presented in the balance sheet on their own

lines. Accounting principles for derivatives are disclosed in Chapter 5.

Available-for-sale investments

Fingrid does not have financing assets classified as available-for-sale investments.

Financial assets are derecognised when they mature, are sold or otherwise disposed of such that their risks and revenues have been transferred.

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Shareholders by category 31 dec 2020	Number of shares	Of all shares %	Of votes %
Public organisations	1,768	53.17	70.87
Financial and insurance institutions	1,557	46.83	29.12
Total	3,325	100.00	100.00

Shareholders, 31 Dec 2020	Number of shares	Of all shares %	Of votes %
Republic of Finland, represented by the Ministry of Finance	939	28.24	37.66
Aino Holding Ky	878	26.41	11.74
National Emergency Supply Agency	828	24.90	33.20
Mutual Pension Insurance Company Ilmarinen	661	19.88	17.15
Imatran Seudun Sähkö Oy	10	0.30	0.13
Fennia Life	6	0.18	0.08
Elo Mutual Pension Insurance	1	0.03	0.01
OP Insurance Ltd	1	0.03	0.01
The State Pension Fund	1	0.03	0.01
Total	3,325	100.00	100.00

The company's share capital is EUR 55,922,485.55. Fingrid shares are divided into Series A shares and Series B shares. The number of Series A shares is 2,078 and the number of Series B shares is 1,247.

The maximum number of shares is 13,300, as in 2019. The shares have no par value.

Series A shares confer three votes each at the Annual General Meeting and Series B shares one vote each. When electing members of the Board of Directors, Series A shares confer 10 votes each at

the Annual General Meeting and Series B shares one vote each.

Series B shares have the right before Series A shares to obtain the annual minimum dividend specified below from the funds available for profit distribution. If the annual minimum dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however, such that Series B shares have the right over Series A shares to receive the annual minimum dividend and the undistributed amount.

Fingrid Oyj's Annual General Meeting decides on the annual dividend

Eighty-two per cent of the dividends to be distributed for each financial year is distributed for all Series A shares and eighteen per cent for all Series B shares, however such that EUR twenty million of the dividends to be distributed for each financial year is first distributed for all Series B shares. If the above-mentioned EUR twenty million minimum amount for the financial period is not distributed (all or in part) for Series B shares in a financial period, Series B shares confer the right to receive the undistributed minimum amount in question (or the accumulated undistributed minimum amount accrued during such financial periods) in the next profit distribution, in any disbursements paid out, or in any other distribution of assets prior to any other dividends, disbursements or asset distribution until the undistributed minimum amount has been distributed in full for Series B shares. There are no non-controlling interests.

Equity is composed of the share capital, share premium account, revaluation re-

serve (incl. fair value reserve), translation reserve, and retained earnings. The translation reserve includes translation differences in the net capital investments of associated companies in accordance with the equity method of accounting. The profit for the financial year is booked in retained earnings.

Share premium account

The share premium account includes the difference between the counter value of the shares and the value obtained. The share premium account consists of restricted equity as referred to in the Finnish Limited Liability Companies Act. The share capital can be increased by transferring funds from the share premium account. The share premium account can be decreased in order to cover losses or, under certain conditions, it can be returned to the owners.

Changes to equity funds during the financial year are presented in the statement of changes in equity.

21. Shareholders by category

The share capital is broken down as follows	Number of shares	Of all shares %	Of votes %
Series A shares	2,078	62.50	83.33
Series B shares	1,247	37.50	16.67
Total	3,325	100.00	100.00

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Fingrid's dividends are distributed such that the shareholders receive a reasonable return on their invested capital, but also such that the company's financial position remains stable.

Fingrid Oyj's distributable funds in the financial statements total EUR 186,751,302.32. Based on the 2019 financial statements, EUR 148.2 million was paid in dividends (EUR 171.4). Since the closing date, the Board of Directors has proposed to the Annual General Meeting of shareholders that, on the basis of the balance sheet adopted for the financial period that ended on 31 December 2020, a dividend of EUR 53,500.00 at maximum per share be paid for Series A shares and EUR 19,600.00 at maximum for Series B shares, for a total of EUR 135,614,200.00 at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 35,500.00 for each Series A share and EUR 13,000.00 for each Series B share, totalling EUR 89,980,000.00, shall be paid on 12 April 2021. The second instalment of EUR 18,000.00 at maximum per share for each Series A share and EUR 6,600.00 at maximum per share for each Series B share, totalling EUR 45,634,200.00 at maximum in dividends, shall be paid subject to the Board's decision after the half-year report has been confirmed, based on the authorisation given to the Board in the Annual General Meeting. The Board has

the right to decide, based on the authorisation granted to it, on the payment of the second dividend instalment after the half-year report has been confirmed and it has assessed the company's solvency, financial position and financial development. The dividends that have been decided on with the authorisation given to the Board shall be paid on the third banking day after the decision. It will be proposed that the authorisation remains valid until the next Annual General Meeting.

The distributable funds are calculated on the basis of the parent company's equity.

Dividends are paid based on the distributable funds of the parent company.

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividends. When making the decision, however, the economic conditions, the company's near-term capital expenditure and development needs as well as any prevailing financial targets of the company are always taken into account.

The graph below indicates the differences between the consolidated IFRS income

statement and the parent company's FAS income statement.

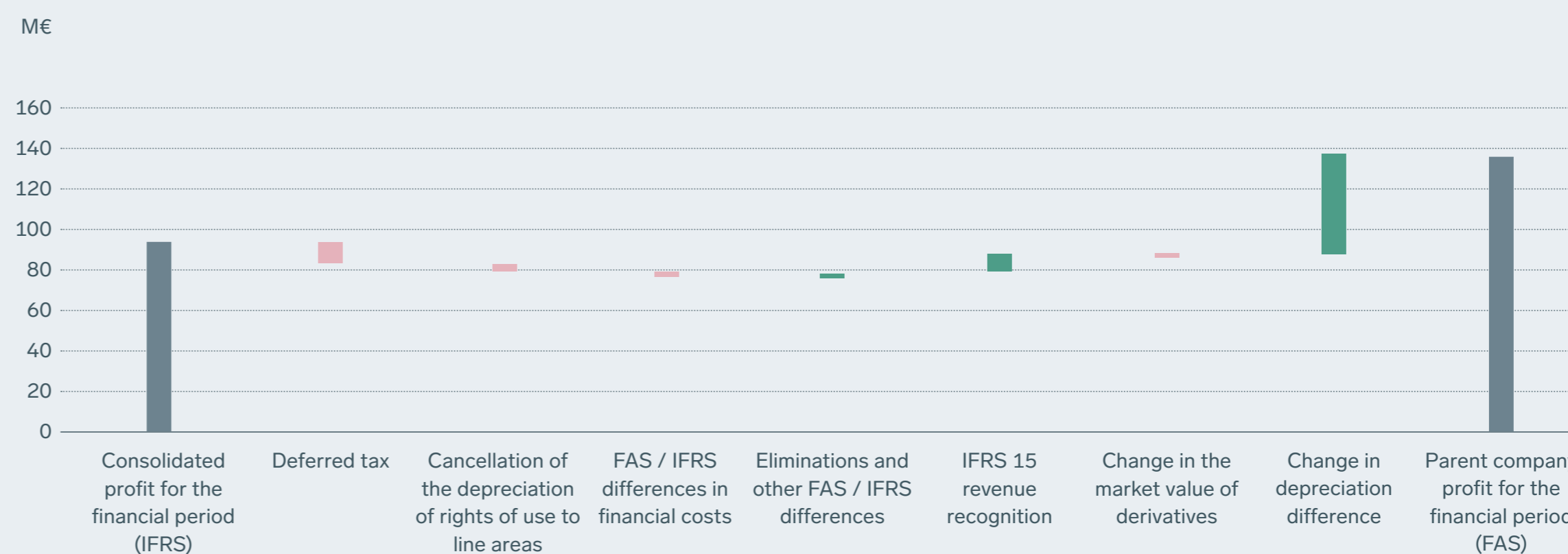


Accounting principles

Dividend distribution

The Board of Directors' proposal concerning dividend distribution is not recorded in the financial statements. The liability and equity is recognised only after a decision is made by the Annual General Meeting of Shareholders.

Bridge calculation from consolidated IFRS result to parent company FAS result 2020, MEUR



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5.6 SUMMARY OF FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES

The carrying amounts of Fingrid's financial assets and liabilities by measurement category are as follows:

22. Carrying amounts of financial assets and liabilities by measurement category

€1,000	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/ liabilities measured at amortised cost	Total	Note
Balance sheet item 31 Dec 2020					
Non-current financial assets					
Interest rate and currency derivatives	38,221			38,221	23
Electricity derivatives	6,162			6,162	23
Loan receivables			563	563	
Current financial assets					
Interest rate and currency derivatives	8			8	23
Electricity derivatives	15,516			15,516	23
Loan receivables from associated companies			375	375	24
Trade receivables and other receivables			103,945	103,945	3
Other financial assets	80,243			80,243	20
Cash in hand and cash equivalents			45,645	45,645	19
Financial assets total:	140,150		150,527	290,677	
Non-current financial liabilities:					
Borrowings			1,032,767	1,032,767	14
Interest rate and currency derivatives	15,448			15,448	23
Electricity derivatives	2,241			2,241	23
Current financial liabilities:					
Borrowings			142,145	142,145	14
Interest rate and currency derivatives	16			16	23
Electricity derivatives	3,624			3,624	23
Trade payables and other liabilities			130,717	130,717	7
Financial liabilities total	21,329		1,305,629	1,326,958	

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€1,000	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/ liabilities measured at amortised cost	Total	Note
Balance sheet item 31 Dec 2019					
Non-current financial assets					
Interest rate and currency derivatives	26,720			26,720	23
Electricity derivatives	1,905			1,905	23
Loan receivables			1,125	1,125	
Current financial assets					
Interest rate and currency derivatives	0			0	23
Electricity derivatives	3,835			3,835	23
Loan receivables from associated companies			188	188	
Trade receivables and other receivables			83,802	83,802	3
Other financial assets	67,188			67,188	20
Cash in hand and cash equivalents			15,626	15,626	19
Financial assets total:	99,648		100,741	200,389	
Non-current financial liabilities:					
Borrowings			884,652	884,652	14
Interest rate and currency derivatives	6,514			6,514	23
Current financial liabilities:					
Borrowings			235,349	235,349	14
Interest rate and currency derivatives	372			372	23
Trade payables and other liabilities			107,687	107,687	7
Financial liabilities total	6,886		1,227,689	1,234,574	

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At the end of the year, the company's borrowings included a total of EUR 31.2 million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.3 million in short-term liabilities, to be paid within a year, and EUR 28.9 million in long-term liabilities, with a maturity date after more than a year.

Fingrid uses derivatives for hedging purposes only, even though the company

does not apply hedge accounting. Bilateral derivative transactions require a valid International Swap Dealers Association's (ISDA) Master Agreement with the counterparty. The derivatives falling under the scope of an ISDA agreement can be netted in conditional circumstances such as default or bankruptcy. The company had derivatives that can be netted as per ISDA at a total fair value of EUR 26.2 million in 2020 (22.4). The management of elec-

tricity price risk is described in chapter 3. The hedging of interest rate and foreign exchange risks is described in chapter 5.

The company's derivative transactions consist of interest rate and cross currency swaps for hedging the loan portfolio, as well as purchased cap options used to mainly hedge the loan portfolio from a sudden change in short-term interest rates. Forward contracts are used to fix

the exchange rate for non-euro-denominated contracts related to business operations. The company uses electricity futures and forwards to hedge the price risk of future loss power purchases.

The table below includes all of the Group's derivatives.

23. Derivative instruments

€1,000	2020				2019				Hierarchy level
	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Nominal value 31.12.20	Fair value pos. 31.12.19	Fair value neg. 31.12.19	Net fair value 31.12.19	Nominal value 31.12.19	
Interest rate and currency derivatives									
Cross-currency swaps	13,284	-9,911	3,373	55,990	1,509	-2,901	-1,393	12,512	Level 2
Forward contracts	117	-16	101	3,983		-440	-440	15,878	Level 2
Interest rate swaps	28,258	-5,684	22,574	305,000	27,771	-3,564	24,207	265,000	Level 2
Bought interest rate options	142		142	860,000	49		49	610,000	Level 2
Total	41,801	-15,612	26,190	1,224,973	29,329	-6,905	22,423	903,389	
Electricity derivatives									
	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Volume TWh 31.12.20	Fair value pos. 31.12.19	Fair value neg. 31.12.19	Net fair value 31.12.19	Volume TWh 31.12.19	
Electricity future contracts. NASDAQ OMX Commodities					8,015	-771	7,244	0.71	Level 1
Electricity forward contracts. NASDAQ OMX Commodities	21,678	-5,865	15,813	5.51	5,740		5,740	3.56	Level 1
Total	21,678	-5,865	15,813	5.51	13,755	-771	12,984	4.27	

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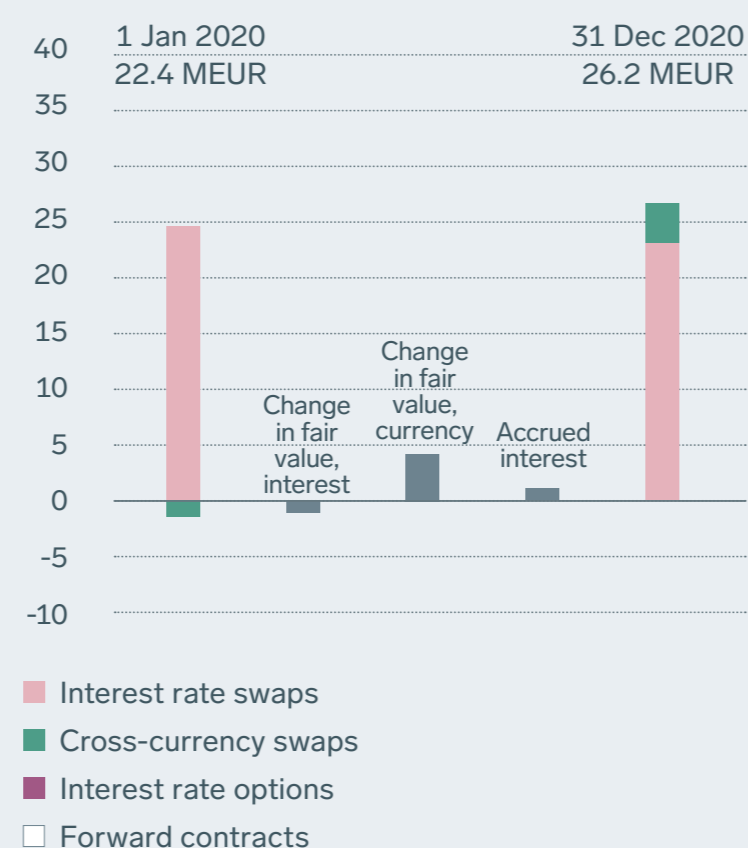
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The net fair value of derivatives indicates the realised profit/loss if they had been closed on the last trading day of 2020. The net fair value cannot be used for deriving the net derivative liabilities or receivables in the balance sheet, as accrued interest is taken into account here.

The graph below indicates the change of value of all of the company's currency and interest rate derivatives in 2020.

Change in the net fair value of financial derivatives 2020



Accounting principles

FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities

The Group classifies the financial assets and liabilities in accordance with its business model and in compliance with IFRS 9. The classification is accomplished on the basis of the objective of the business model and the contract-based cash flows from the investments or by applying the fair value option at initial recognition.

Other financial assets can include investments in short-term money-market securities (certificates of deposit, commercial papers and municipality bills), bank deposits of more than three months and investments in short-term fixed income funds.

Investments in short-term fixed income funds have been classified and entered at fair value in the income statement.

Investments in short-term money-market securities are classified and entered at amortised cost according to the accounting model applied by the company. The goal is to keep the investments to maturity and collect the contractual cash flows, consisting of the payments of principal and interest. Money-market securities have previously been entered at fair value in the income statement, but the change did not have a material impact on the company's financial result.

Bank deposits of more than three months are entered at amortised cost.

The Group actively tests each instrument for impairment and if the impairment criteria are met, the impairment is entered in the income statement. The accounting procedure for financial assets has not changed, and they continue to be entered at amortised cost. The rules concerning balance sheet derecog-

inition have not changed from the IAS 39 standard 'Financial Instruments: Recognition and Measurement'.

The Group does not apply hedge accounting, and the rules applied to hedge accounting according to IFRS 9 do not affect the company's accounting procedures.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank deposits with an initial maturity of no more than three months.

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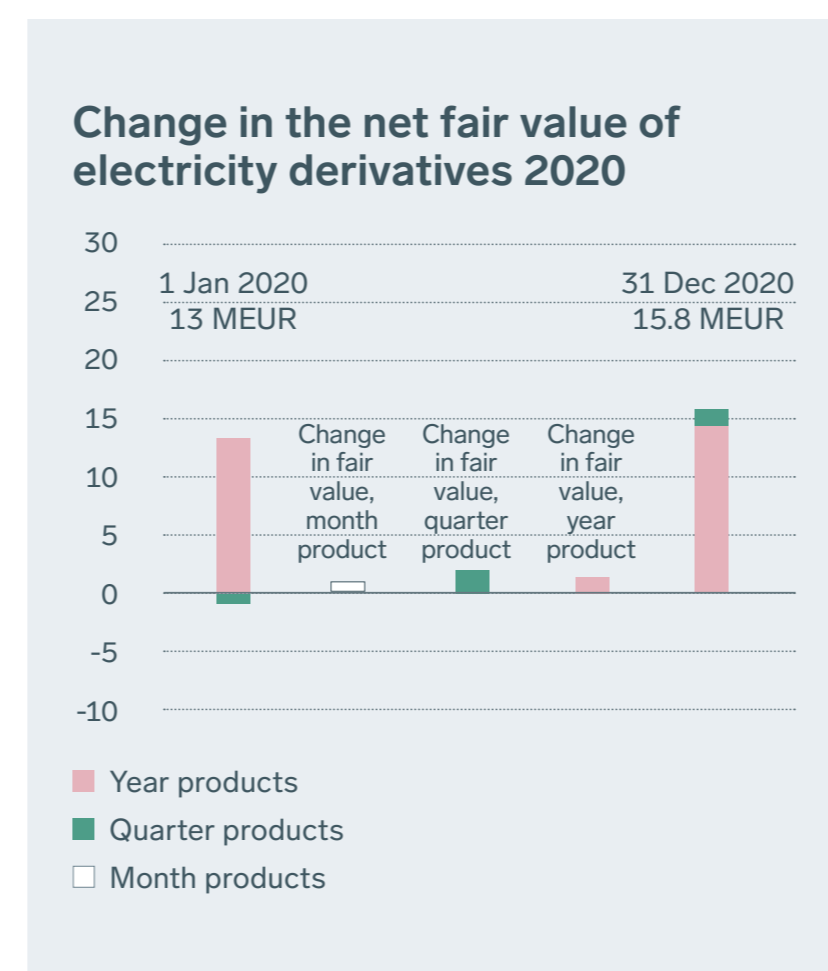
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The purpose of Fingrid's loss power price hedging is to reduce the effect of volatility in market prices on the loss power procurement costs and to give adequate predictability in order to keep the pressures to change transmission fees moderate. The change in the fair value of the electricity derivatives used for hedging the price of Fingrid's loss power purchases recognised in the operating profit was EUR 2.8 positive (EUR 26.5 million negative). The volatility in the fair value of electricity derivatives can be significant. The positive impact on profit resulted from the effect of higher market quotations for electricity derivatives on the fair value of the electricity derivatives. Fingrid holds its bought derivatives to maturity.

The sensitivity of the fair value of electricity derivatives in relation to changes in the price of electricity is measured as the difference a 10 per cent fluctuation in market price would have on outstanding electricity derivatives on the reporting date. An increase/decrease of 10 per cent in the market price of electricity would have an impact of EUR 11.3 million/EUR –11.3 million on the Group's profit before taxes.

The graph below illustrates the net fair value of the company's electricity derivatives and the change in it in 2020.



Accounting principles

Derivative instruments

Derivatives are initially recognised at fair value according to the date the derivative contract is entered into, and are subsequently re-measured at fair value. Changes in the fair value of derivatives are recognised in profit and loss. The company uses derivative contracts only for hedging purposes according to the Corporate Finance principles, the Treasury policy and the loss energy policy.

Electricity derivatives

The company enters into electricity derivative contracts in order to hedge the price risk of electricity purchases in accordance with the loss power forecast. Fingrid discontinued hedge accounting for electricity derivatives at the beginning of 2014. As a result, the entire change in the fair value of electricity derivatives is recorded in the income statement.

Interest and currency derivatives

The company enters into derivative contracts in order to hedge financial risks (interest rate and foreign exchange exposure) in compliance with the Corporate Finance Principles approved by the Board of Directors. Fingrid does not apply hedge accounting to these derivatives. A derivative asset or liability is recognised at its original fair value. Derivatives are measured at fair value at the closing date, and the change in fair value is recognised in the income statement under finance income and costs.

The fair values of derivatives at the closing date are based on different calculation methods. Foreign exchange forwards have been measured at the forward prices. Interest rate and currency swaps have been measured at the present value on the basis of the yield curve of each currency. Interest rate options have been valued using generally accepted option pricing models in the market.

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- This chapter contains the rest of the notes.
- First comes a joint presentation of the Group companies and related parties' data.
- After that, other notes follow in the same sequence they appear in the income statement and balance sheet.

6.1 GROUP COMPANIES AND RELATED PARTIES

The Group has two Fingrid's wholly-owned subsidiaries, Finextra Oy and Fingrid Datahub Oy.

Finextra Oy is a subsidiary wholly-owned by Fingrid Oyj established to handle the statutory public service obligations not included in actual grid operations or transmission system responsibility. These tasks include peak load capacity services and guarantee-of-origin services for electricity. Through Finextra, the cost of public service tasks is separated from the cost of grid operations, which makes it possible to ensure the unequivocal transparency of the different operations. The Energy Authority oversees Finextra's operations and reasonable returns from its services. The aim of Finextra is to carry out the assigned duties cost effectively, making use of joint resources. The allowed annual return on peak load capac-

ity services is EUR 75,000. The allowed return on guarantee-of-origin services for the regulatory period started on 1 January 2020 was approximately EUR 43,000. The realised return during the regulatory period consisted of a surplus of roughly EUR 30,000.

Fingrid Datahub Oy is a subsidiary wholly-owned by Fingrid Oyj established in 2016 to handle the operations linked to the datahub. Key duties of the subsidiary is to offer and develop centralised electricity market information exchange services and other related services to the market parties and to govern the register information required by the electricity markets. The datahub is a centralised information exchange system for retail markets that stores data from all of Finland's 3.5 million electricity metering points. The information stored in the datahub will be utilised by around 100 electricity sales companies and more than 80

distribution network operators to provide services to the consumers of electricity. Fingrid started the datahub project during the spring of 2015.

The consolidated associated company is eSett Oy (ownership 25.0%).

Fingrid Oyj carried out, together with the other shareholders, a share trade transaction in which 66% of the shares in Nord Pool Holding AS were sold to Euronext Nordics Holding AS, a Norwegian compa-

ny fully owned by Euronext N.V. Fingrid's indirect ownership in Nord Pool is now 6.4%, which is managed through TSO Holding AS, a holding company jointly owned by the transmission system operators and of which Fingrid owns 18.8%. Fingrid Oyj's holding in TSO Holding AS is accounted for in the 'Other long-term investments' section in the balance sheet.

The investments in associated companies included in the balance sheet are composed of the following:

24. Investments in associated companies

€1,000	2020	2019
Non-current		
Interests in associated companies	1,806	11,012
Loan receivables from associated companies	563	1,125
Current		
Loan receivables from associated companies	375	188
Total	2,744	12,325

Receivable from an associated company consists of a loan receivable from eSett Oy. The main terms and conditions are as follows:

Associated company loan:

The loan capital is EUR 0.9 (1.3) million and the annual interest rate is 1.5 per cent, on top of the 12-month Euribor.

The loan repayment is ten equal instalments every six months. The amount of the loan capital is one quarter of the total loan that eSett's owners have granted the company proportionate to their holdings. The terms of the loan are the same as the loan terms for eSett's other owners.

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Financial summary of associated companies, €1,000	Non-current Assets	Non-current Liabilities	Current Assets	Current Liabilities	Turnover	Profit/loss	Dividends received during the financial period	Ownership (%)
2020								
eSett Oy	5,792	2,250	45,098	41,416	7,726	379		25.0
2019								
Nord Pool Holding AS	6,049	341	178,808	152,658	38,964	4,801	881	18.8
eSett Oy	5,750	3,750	43,836	38,982	6,321	-71		25.0

The Group's associated companies indicated in the tables are treated in the consolidated financial statements using the equity method of accounting.

The Nordic Balance Settlement (NBS) was introduced in Finland on 1 May 2017. When the NBS began its operations, imbalance settlement transferred from Fingrid's Balance Service Unit to eSett Oy.

Equity investments in associated companies, €1,000	2020	2019
Cost at 1 Jan	11,012	12,072
Decreases	-9,189	-603
Share of profit	-6	384
Translation reserve	-11	40
Dividends		-881
Carrying amount 31 Dec	1,806	11,012
Carrying amount of associated companies includes goodwill 31 Dec.	0	3,245

There are no material temporary differences related to associated companies on which deferred tax assets or liabilities have been recognised.

The subsidiaries, associated companies and parent company (Fingrid Oyj) described above are related parties of the Group. In addition, the shareholder entities mentioned in chapter 5 and the top management and its related parties are also considered related parties. The top management is composed of the Board of Directors, the President & CEO, and the executive management group. All transactions between Fingrid and related parties take place on market terms. The company has not lent money to the top management, and the company has no transactions with the top management. At the close of the reporting period, the Republic of Finland owned 53.1 per cent of the company's shares. The Finnish Parliament has authorised the Ministry of Finance to reduce the state's ownership in Fingrid Oyj to no more than 50.1 per cent of the company's shares and votes.

Transactions with associated companies, € 1,000	2020	2019
Sales	105	121
Expense adjustments	13	22
Purchases	2,178	3,230
Receivables	5,342	3,693
Liabilities	1,961	2,830
Loan receivables	938	1,313

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Accounting principles

Subsidiaries

The subsidiaries encompass all companies over which the Group has control (including structured entities). The Group is considered to have control over a company if the Group's holding results in exposure to variable returns or if the Group is entitled to variable returns and it can influence these returns by exercising its control over the company. The subsidiaries are consolidated into the consolidated financial statements starting from the day on which the Group gained control over the company. Consolidation is discontinued once the control ceases to exist.

Consolidation of operations is carried out using acquisition cost method.

Transactions, receivables and liabilities between Group companies and any unrealised profits from internal transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates an impairment of the disposed asset. If

necessary, the financial statements of the subsidiaries have been adjusted to correspond to the accounting principles applied by the Group.

Associated companies

The associated companies include all companies over which the Group has significant influence but no control or joint control. This is generally based on a shareholding amounting to 20–50% of the votes.

Investments in associated companies are initially recognised at the acquisition cost and subsequently handled using the equity method. According to the equity method, investments are initially recorded at the acquisition cost and this is subsequently adjusted by recognising the Group's share of the profit or loss after the time of acquisition in the income statement and the Group's share of any changes in the investment object's other comprehensive income in other comprehensive income. Any dividends received or to be received

from the associated companies and joint ventures are deducted from the investment's carrying amount.

If the Group's share of the losses of an investment recognised according to the equity method equals or exceeds the Group's holding in the company in question, including any other non-current receivables without collaterals, the Group will not recognise any additional losses unless it has obligations or it has made payments on behalf of the company.

A share corresponding to the Group's ownership interest is eliminated from the unrealised profits between the Group and its associated companies and joint ventures. Any unrealised losses are also eliminated unless the transaction indicates an impairment of the disposed asset. If necessary, the accounting principles applied by the investments to be recognised according to the equity method have been adjusted to correspond to the principles applied by the Group.

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6.2 OTHER NOTES

Emission rights

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020. Emission rights purchased in 2020 amounted to 4,000 units (tCO₂). Emissions trading had minor financial significance for Fingrid. CO₂ emissions included in emissions trading totalled 5,020 tonnes in 2020 (5,142).

**Accounting principles****Emission rights**

Emission rights acquired free of charge are recognised in intangible assets at their nominal value, and purchased emission rights at their acquisition cost. A liability is recognised for emission rights to be returned. If the Group has sufficient emission rights to cover the return obligations, the liability is recognised at the carrying amount corresponding to the emission rights in question. If there are not sufficient

emission rights to cover the return obligations, the liability is recognised at the market value of the emission rights in question. No depreciation is recognised on emission rights. They are derecognised in the balance sheet at the time of transfer when the actual emissions have been ascertained. The expense resulting from the liability is recognised in the income statement under the expense item 'Materials and services'. Capital gains from emissions rights are recognised under other operating income.

25. Provisions

€1,000	2020	2019
Provisions for creosote-impregnated towers 1 Jan	1,393	1,424
Provisions used	-26	-31
Provisions 31 Dec	1,368	1,393

**Accounting principles****Provisions**

A provision is recorded when the Group has a legal or factual obligation based on an earlier event and it is likely that fulfilling the obligation will require a payment, and the amount of the obligation can be estimated reliably.

The provisions are valued at the present value of the costs required to cover the obligation. The dis-

counting factor used in calculating the present value is chosen so that it reflects the market view of the time value of money at the assessment date and the risks pertaining to the obligation.

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26. Commitments and contingent liabilities

€1,000	2020	2019
Pledges	490	490
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	681	414
Commitment fee for subsequent years	276	568
	994	1,020
Unrecognised investment commitments	200,141	181,973

The investment commitments consist of agreements signed by the company to carry out grid construction projects and to procure the datahub system.

€1,000	2020	2019
Payment obligations from right-of-use agreements for reserve power plants:		
In one year	8,810	8,663
In more than one year and less than five years	27,701	29,638
In more than five years	12,159	15,596
Total	48,670	53,896

Under its system responsibility, Fingrid is also obligated to maintain a rapid response disturbance reserve to prepare for disruptions to the power system. In order to ensure the availability of this disturbance reserve, Fingrid has, in addition to its reserve power plant capacity, acquired power plant capacity suited to this purpose by long-term Right-of-use agreements.

Legal proceedings and proceedings by authorities

An accident took place on a worksite in Laukaa, Finland, on 25 August 2017, where an employee of Revilla y Garcia S.L. died after having fallen from a transmission line tower. A civil court case, as well as proceedings concerning social-security-based damages, have been initiated in Spain for damages against Fingrid (the client linked with the accident), the main

contractor, Technolines S.R.L. filial i Finland, and its subcontractor, Revilla y Garcia S.L. Fingrid does not believe the claim against it is likely to succeed and, in Fingrid's view, the legal proceedings or their outcome are not likely to have a substantial impact on the company's earnings or financial position.

On 30 June 2020, the Market Court received an appeal on the company's decision to exclude a bidder from a competitive tender for 400-MVA transformers to be acquired in 2022–2025. The company decided to discontinue the tendering process on 14 July 2020. After the decision to discontinue the tendering process, the appeal to the Market Court was withdrawn on 28 July 2020.

Events after the closing date

Fingrid Group's profit for the 2021 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to improve somewhat compared to 2020. Results forecasts for the financial year are complicated especially by the uncertainty related to grid service revenue, ITC income and cross-border transmission income, and to reserve and loss power costs. These are dependent on the variations in outside temperature, precipitation, windiness, and hydrological conditions in the Nordic countries, which affect electricity consumption and electricity prices in Finland and neighbouring areas and thus also grid transmis-

sion volumes. The company's debt service capacity is expected to remain stable.

Group's contact information and approval of the financial statements

Fingrid Oyj is a Finnish public limited liability company incorporated under the Finnish Companies Act. Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Fingrid's registered office is in Helsinki at the address P.O. Box 530 (Läkkisepäntie 21, 00620, Helsinki), 00101 Helsinki.

A copy of the consolidated financial statements is available on the website fingrid.fi or at Fingrid Oyj's head office.

The amounts in the financial statements are expressed in thousands of euros and are based on the original acquisition costs, unless otherwise stated in the accounting principles or notes.

Fingrid Oyj's Board of Directors has accepted the publication of these financial statements in its meeting on 5 March 2021. In accordance with the Finnish Companies Act, the shareholders have the opportunity to adopt or reject the financial statements in the shareholders' meeting held after their publication. The shareholders' meeting can also amend the financial statements.

7. PARENT COMPANY FINANCIAL STATEMENTS (FAS)

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7.1 PARENT COMPANY INCOME STATEMENT

€	Notes	Jan-Dec/2020	Jan-Dec/2019
TURNOVER	2	679,761,088.99	786,172,778.25
Other operating income	3	2,387,376.73	4,318,646.92
Materials and services	4	-392,887,919.08	-477,603,454.67
Personnel costs	5	-31,288,465.38	-26,552,187.13
Depreciation and amortisation expense	6	-98,490,649.66	-98,240,304.08
Other operating expenses	7,8	-38,046,809.01	-39,681,552.93
OPERATING PROFIT		121,434,622.59	148,413,926.36
Finance income and costs	9	-3,755,056.47	-13,610,843.06
PROFIT BEFORE APPROPRIATIONS AND TAXES		117,679,566.12	134,803,083.30
Appropriations			
Change in depreciation difference		50,000,000.00	50,000,000.00
Income taxes	10	-31,665,202.54	-36,742,360.46
PROFIT FOR THE FINANCIAL YEAR		136,014,363.58	148,060,722.84

Notes are an integral part of the financial statements.



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7.2 PARENT COMPANY BALANCE SHEET

Assets, €	Notes	31 Dec 2020	31 Dec 2019
Intangible assets:			
Other intangible assets	12	68,449,068.80	74,207,990.70
		68,449,068.80	74,207,990.70
Land and water areas		19,874,372.86	19,640,631.77
Buildings and structures		250,216,480.78	243,001,815.61
Machinery and equipment		543,419,211.39	559,391,487.70
Transmission lines		713,280,864.76	742,446,973.27
Other property, plant and equipment		117,516.35	117,516.35
Prepayments and purchases in progress		146,605,500.10	50,294,189.42
		1,673,513,946.24	1,614,892,614.12
Interests in Group companies		843,310.86	843,310.86
Interests in associated companies		1,500,675.00	8,087,353.95
Other shares and interests		6,586,678.95	
		8,930,664.81	8,930,664.81
TOTAL NON-CURRENT ASSETS		1,750,893,679.85	1,698,031,269.63
Inventories	15	13,683,632.00	12,066,857.86
Loan receivables from Group companies	16	34,569,737.78	21,394,055.61
Loan receivables from associated companies	16	562,500.00	1,125,000.00
Deferred tax assets	10	7,059,301.53	9,002,757.57
Other receivables	16	47,991.93	
		42,239,531.24	31,521,813.18

Assets, €	Notes	31 Dec 2020	31 Dec 2019
Trade receivables		76,490,165.63	68,438,571.79
Receivables from Group companies	17	1,030,989.34	2,542,055.18
Receivables from associated companies	18	5,720,334.69	3,880,910.79
Other receivables		3,821,201.20	11,055,048.42
Prepayments and accrued income	19,20	19,569,147.32	7,059,591.00
		106,631,838.18	92,976,177.18
Financial securities	21	79,372,646.16	66,489,293.26
Cash in hand and bank receivables	21	45,645,221.78	15,626,317.65
TOTAL CURRENT ASSETS		287,572,869.36	218,680,459.13
TOTAL ASSETS		2,038,466,549.21	1,916,711,728.76

Notes are an integral part of the financial statement.

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Shareholders' equity and liabilities, €	Note	31 Dec 2020	31 Dec 2019
EQUITY	22		
Share capital		55,922,485.55	55,922,485.55
Share premium account		55,922,485.55	55,922,485.55
Profit from previous financial years		50,736,938.74	50,925,015.90
Profit for the financial year		136,014,363.58	148,060,722.84
TOTAL SHAREHOLDERS' EQUITY		298,596,273.42	310,830,709.84
ACCUMULATED APPROPRIATIONS	23	298,896,757.27	348,896,757.27
PROVISIONS FOR LIABILITIES AND CHARGES	30	1,367,646.78	1,393,146.78

€	Note	31 Dec 2020	31 Dec 2019
LIABILITIES			
Non-current liabilities			
Bonds	24,25	730,989,990.90	617,511,729.99
Loans from financial institutions		272,554,112.51	240,216,450.17
		1,003,544,103.41	857,728,180.16
Current liabilities			
Bonds	24		50,000,000.00
Loans from financial institutions		67,662,337.71	17,662,337.71
Trade payables		26,471,817.91	17,541,604.90
Liabilities to Group companies	26	511,585.92	1,598,574.20
Liabilities to associated companies	27	1,961,280.55	3,919,746.15
Other liabilities	28	87,868,793.69	188,907,858.16
Accruals	29	251,585,952.55	118,232,813.59
		436,061,768.33	397,862,934.71
TOTAL LIABILITIES		1,439,605,871.74	1,255,591,114.87
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,038,466,549.21	1,916,711,728.76

Notes are an integral part of the financial statements.

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7.3 PARENT COMPANY CASH FLOW STATEMENT

€	Note	1 Jan - 31 Dec, 2020	1 Jan - 31 Dec, 2019
Cash flow from operating activities:			
Profit before taxes		117,679,566.12	134,803,083.30
Adjustments:			
Depreciation		98,490,649.66	98,240,304.08
Capital gains/losses (+/-) on tangible and intangible assets		498,043.56	-2,815,810.14
Interest and other finance costs		3,755,056.47	13,610,843.06
Other adjustments			-2,217,154.00
Changes in working capital:			
Change in trade receivables and other receivables		-14,679,567.98	3,951,573.69
Change in inventories		-1,616,774.14	323,677.66
Change in trade payables and other liabilities		-12,271,967.87	-1,892,072.25
Congestion income		146,748,285.71	73,001,449.41
Change in provisions		-25,500.00	-31,000.00
Interest paid		-22,956,513.27	-21,335,127.58
Interest received		9,347,852.85	6,396,426.04
Taxes paid	10	-40,694,783.57	-39,205,820.03
Net cash flow from operating activities		284,274,347.54	262,830,373.24

€	Note	1 Jan - 31 Dec, 2020	1 Jan - 31 Dec, 2019
Cash flow from investing activities:			
Purchase of property, plant and equipment	13	-134,512,015.15	-104,761,656.82
Purchase of intangible assets	12	-11,795,943.33	-3,483,636.41
Purchase of other assets	14		
Proceeds from sale of other assets	14		684,495.00
Proceeds from sale of property, plant and equipment	13	840,000.00	3,057,000.00
Loans granted		-12,500,000.00	-12,000,000.00
Repayment of loan receivables		375,000.00	937,500.00
Dividends received	9	9,375,264.20	880,590.07
Contributions received			609,998.00
Net cash flow from investing activities		-148,217,694.28	-114,075,710.16
Cash flow from financing activities:			
Proceeds from current financing (liabilities)		227,337,686.48	435,667,584.00
Payments of current financing (liabilities)		-270,498,378.92	-515,738,978.54
Proceeds from non-current financing (liabilities)		164,666,785.78	150,000,000.00
Payments of non-current financing (liabilities)		-67,662,337.66	-46,324,937.36
Change in group account receivables and liabilities		1,374,855.93	-3,704,539.36
Dividends paid	22	-148,248,800.00	-171,439,950.00
Net cash flow from financing activities		-93,030,188.39	-151,540,821.26
Change in cash and cash equivalents and financial assets		43,026,464.87	-2,786,158.18
Cash and cash equivalents and financial assets 1 Jan		82,115,610.91	84,901,769.09
Cash and cash equivalents and financial assets 31 Dec	21	125,142,075.78	82,115,610.91

Notes are an integral part of the financial statements.

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7.4 NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

1. Accounting principles

Fingrid Oyj's financial statements have been drawn up in accordance with the Finnish Accounting Standards (FAS). The items in the financial statements are valued at original acquisition cost.

Foreign currency transactions

Commercial transactions and financial items denominated in foreign currencies are recognised at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. Interest-bearing liabilities and receivables and the derivatives hedging these items are valued at the mid-rate quoted by the ECB at the closing date. Foreign exchange gains and losses on interest-bearing liabilities and receivables, and on the instruments hedging these items, are recognised at maturity under finance income and costs. Foreign exchange rate differences arising from the derivatives used to hedge commercial currency flows are recognised to adjust the corresponding item in the income statement.

Interest and currency derivatives

Interest rate and currency swaps, foreign exchange forwards and interest rate options are used, in accordance with the

Treasury Policy, to hedge the interest rate and foreign exchange risk, as well as the commercial items, in Fingrid's balance sheet items. The accounting principles for derivative contracts are the same as for the underlying items. The interest rate items of interest rate and cross-currency swaps and interest rate options are accrued and recognised in the income statement under interest income and costs. The interest portion of forward foreign exchange contracts hedging the interest-bearing liabilities and receivables is accrued over the maturity of the contracts and recognised under finance income and costs. Premiums paid or received on interest rate options are accrued over the hedging period.

Electricity derivatives

Fingrid hedges its loss power purchases against price risk by employing futures and forwards traded on the NASDAQ OMX Oslo ASA. There can also be trading in the OTC market in instruments corresponding to Nasdaq OMX Oslo ASA's financial instruments. The profits and losses arising from these contracts are used to adjust the loss energy purchases in the income statement in the period in which the hedging impacts profit or loss.

Research and development expenses

Research and development expenses are treated as annual expenses.

Valuation of fixed assets

Fixed assets are capitalised under immediate acquisition cost. Planned straight-line depreciation on the acquisition price is calculated on the basis of the useful life of the fixed asset. Depreciation on fixed assets taken into use during the financial year is calculated on an item-by-item basis from the month of introduction.

The depreciation periods are as follows:

Goodwill 20 years

Other non-current expenses:

- Rights of use to line areas **30–40 years**
- Other rights of use according to useful life, maximum **10 years**
- Computer software **3 years**

Buildings and structures

- Substation buildings and separate buildings **40 years**
- Substation structures **30 years**
- Buildings and structures at gas turbine power plants **20–40 years**
- Separate structures **15 years**

Transmission lines

- Transmission lines 400 kV **40 years**
- Direct current lines **40 years**
- Transmission lines 110–220 kV **30 years**
- Creosote-impregnated towers and related disposal costs* **30 years**

- Aluminium towers of transmission lines (400 kV) **10 years**
- Optical ground wires **10–20 years**

Machinery and equipment

- Substation machinery **10–30 years**
- Gas turbine power plants **20 years**
- Other machinery and equipment **3–5 years**

*Disposal costs are discounted at present value and added to the value of the fixed asset and recognised under provisions for liabilities and charges.

Goodwill is depreciated over a 20-year period, since grid operations are a long-term business in which income is accrued over several decades.

Emission rights

Emission rights are treated in accordance with the net procedure in conformance with statement 1767/2005 of the Finnish Accounting Board.

Valuation of inventories

Inventories are recognised according to the FIFO principle at acquisition cost, or at the lower of replacement cost or probable market price.

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Cash in hand, bank receivables and financial securities

Cash in hand and bank receivables include cash assets and bank balances. Financial securities include certificates of deposit, commercial papers and investments in short-term fixed income funds. Quoted securities and comparable assets are valued at the lower of original acquisition cost or probable market price.

Interest-bearing liabilities

Fingrid's non-current interest-bearing liabilities consist of loans from financial institutions and bonds issued under the Euro Medium Term Note (EMTN) programme. The current interest-bearing liabilities consist of commercial papers issued under the domestic and international programmes and of the current portion of noncurrent borrowings and bonds maturing within a year. The outstanding notes under the programmes are denominated in euros and foreign currencies. Fingrid has both fixed and floating rate debt. The interest is accrued over the maturity of the debt. The differential of a bond issued over or under par value is accrued over the life of the bond. The arrangement fees of the revolving credit facilities are, as a rule, immediately recognised as an expense, and the commitment fees are recognised as an expense over the maturity of the facility.

Financial risk management

The principles applied to the management of financial risks are presented in chapter 5 of the Notes to the Consolidated Financial Statements.

Income taxes

Taxes include the accrued tax corresponding to the profit for the financial year as well as tax adjustments for previous financial years.

Deferred taxes

The company enters deferred tax assets for the congestion income it uses for investments, and they become taxable income and tax in the year in which they were used. The tax assets entered for congestion income are recognised in accordance with the depreciation used in taxation for investments covered by congestion income. Congestion income allocated to investments is entered as a reduction in acquisition cost. For the rest, deferred tax assets and liabilities are not recorded in the income statement or balance sheet, but are instead presented in the notes.

2. Turnover by business area

The business of Fingrid Oyj comprises entirely transmission grid business with system responsibility. For that reason, there is no distribution of turnover by business area.

Turnover, €1,000	2020	2019
Grid service income	382,730	394,857
Imbalance power sales	260,823	346,749
Cross-border transmission	6,918	11,608
ITC income	17,147	14,429
Income from peak load capacity services	0	74
Income from guarantee-of-origin services	0	58
Other operating income	12,142	18,397
Total	679,761	786,173

3. Other operating income

€1,000	2020	2019
Rental income	526	644
Capital gains of fixed assets	577	2,816
Contributions received	547	290
Other income	738	568
Total	2,387	4,319

4. Materials and services

€1,000	2020	2019
Purchases during the financial year	295,605	377,427
Loss energy purchases	52,590	53,856
Change in inventories, increase (-) or decrease (+)	-1,617	970
Materials and consumables	346,578	432,253
Services	46,310	45,350
Total	392,888	477,603

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5. Personnel expenses

€1,000	2020	2019
Salaries and bonuses	26,739	22,396
Pension expenses	3,660	3,518
Other personnel expenses	889	638
Total	31,288	26,552

Salaries and bonuses of the members of the Board of Directors and President and CEO, €1,000

	2020	2019
Juhani Järvi, Chairman (since 6 June 2014)	43	42
Päivi Nerg, Vice Chairman (since 28 March 2018)	26	20
Sanna Syri, Member of the Board (since 14 April 2015)	23	21
Esko Torsti, Member of the Board (since 22 March 2012)	22	20
Anu Hämäläinen, Member of the Board (until 20 March 2020)	7	20
Hannu Linna, Member of the Board (since 20 March 2020)	17	
Jukka Ruusunen, President and CEO	504	523

Number of salaried employees in the company during the financial year:

	2020	2019
Personnel, average	382	368
Personnel, 31 Dec	389	368

6. Depreciation according to plan

€1,000	2020	2019
Other non-current expenses	6,958	8,107
Buildings and structures	10,896	10,083
Machinery and equipment	43,033	42,998
Transmission lines	37,603	37,052
Total*	98,491	98,240
* depreciation on the electricity grid (notes 12 and 13)	94,423	91,998

7. Other operating expenses

€1,000	2020	2019
Contracts, assignments etc. undertaken externally	23,651	25,142
Grid rents	255	234
Other rental expenses	3,384	3,609
Other costs	10,757	10,696
Total	38,047	39,682

8. Auditors' fees

€1,000	2020	2019
Auditing fee	106	104
Other fees	33	39
Total	139	143

9. Finance income and costs

€1,000	2020	2019
Dividend income from Group companies		171
Dividend income from others	8,357	881
Interest income from Group companies	815	421
Interest income from associated companies	13	22
Interest and other finance income from others	10,097	6,743
	19,282	8,239
Interest and other finance costs to others	-23,037	-21,849
Total	-3,755	-13,611

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10. Income taxes

€1,000	2020	2019
Income taxes for the financial year	29,760	34,546
Income taxes for the previous financial years	-38	411
Changes in deferred taxes	1,943	1,786
Total	31,665	36,742

The company will pay its income taxes in accordance with the underlying tax rate, with no tax planning

Deferred tax assets in balance sheet, €1,000	2020	2019
On temporary differences from congestion income	7,059	9,003
Total	7,059	9,003

Deferred tax assets and liabilities of balance sheet, €1,000	2020	2019
Deferred tax assets		
On temporary differences	279	279
	279	279
Deferred tax liabilities		
On temporary differences	186	200
On appropriations	59,779	69,779
	59,966	69,980
Total	59,687	69,701

11. Goodwill

€1,000	2020	2019
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	128,664	128,664
Accumulated depreciation according to plan 1 Jan	-128,664	-128,664
Accumulated depreciation in excess of plan 31 Dec	0	0

12. Intangible assets

€1,000	2020	2019
Cost at 1 Jan	175,780	172,237
Increases 1 Jan–31 Dec	1,469	4,733
Decreases 1 Jan–31 Dec	-333	-1,190
Cost at 31 Dec	176,916	175,780
Accumulated depreciation according to plan 1 Jan	-101,572	-94,636
Decreases, depreciation according to plan 1 Jan–31 Dec	64	1,171
Depreciation according to plan 1 Jan–31 Dec	-6,958	-8,107
Carrying amount 31 Dec	68,449	74,208
Accumulated depreciation difference 1 Jan	-47,252	-50,083
Changes in depreciation difference reserve 1 Jan–31 Dec	1,852	2,831
Accumulated depreciation in excess of plan 31 Dec	-45,400	-47,252

*Net capital expenditure in electricity grid, €1,000	2020	2019
Carrying amount 31 Dec	64,880	68,679
Carrying amount 1 Jan	-68,679	-70,075
Depreciation according to plan 1 Jan–31 Dec	4,108	4,441
Decreases 1 Jan–31 Dec	270	19
Total	579	3,064

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13. Tangible assets

€1,000	2020	2019
Land and water areas		
Cost at 1 Jan	19,641	19,117
Increases 1 Jan–31 Dec	234	524
Cost at 31 Dec	19,874	19,641
Buildings and structures		
Cost at 1 Jan	331,914	305,089
Increases 1 Jan–31 Dec	18,111	26,825
Cost at 31 Dec	350,025	331,914
Accumulated depreciation according to plan 1 Jan	-88,912	-78,829
Depreciation according to plan 1 Jan–31 Dec	-10,896	-10,083
Carrying amount 31 Dec	250,216	243,002
Accumulated depreciation difference 1 Jan	-13,400	-13,343
Changes in depreciation difference reserve 1 Jan–31 Dec	-138	-57
Accumulated depreciation in excess of plan 31 Dec	-13,538	-13,400
Machinery and equipment		
Cost at 1 Jan	1,230,589	1,179,798
Increases 1 Jan–31 Dec	28,135	50,791
Decreases 1 Jan–31 Dec	-2,439	
Cost at 31 Dec	1,256,286	1,230,589
Accumulated depreciation according to plan 1 Jan	-671,198	-628,200
Decreases, depreciation according to plan 1 Jan–31 Dec	1,364	
Depreciation according to plan 1 Jan–31 Dec	-43,033	-42,998
Carrying amount 31 Dec	543,419	559,391
Accumulated depreciation difference 1 Jan	-29,213	-56,386
Changes in depreciation difference reserve 1 Jan–31 Dec	26,160	27,174
Accumulated depreciation in excess of plan 31 Dec	-3,053	-29,213

€1,000	2020	2019
Transmission lines		
Cost at 1 Jan	1,326,918	1,295,079
Increases 1 Jan–31 Dec	8,682	36,650
Decreases 1 Jan–31 Dec	-831	-4,810
Cost at 31 Dec	1,334,769	1,326,918
Accumulated depreciation according to plan 1 Jan	-584,471	-551,824
Decreases, depreciation according to plan 1 Jan–31 Dec	586	4,404
Depreciation according to plan 1 Jan–31 Dec	-37,603	-37,052
Carrying amount 31 Dec	713,281	742,447
Accumulated depreciation difference 1 Jan	-259,033	-279,085
Changes in depreciation difference reserve 1 Jan–31 Dec	22,126	20,052
Accumulated depreciation in excess of plan 31 Dec	-236,906	-259,033
Other property, plant and equipment		
Cost at 1 Jan	118	118
Cost at 31 Dec	118	118
Prepayments and purchases in progress		
Cost at 1 Jan	50,294	59,596
Increases 1 Jan–31 Dec	152,942	106,599
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-56,631	-115,901
Cost at 31 Dec	146,606	50,294
Tangible assets total*	1,673,514	1,614,893
*Net capital expenditure in electricity grid, €1,000		
Carrying amount 31 Dec	1,647,656	1,589,030
Carrying amount 1 Jan	-1,589,030	-1,569,901
Depreciation according to plan 1 Jan–31 Dec	90,315	87,557
Decreases 1 Jan–31 Dec	1,319	407
Total	150,260	107,093

Fingrid's reserve power plants are included in the property, plant and equipment of the transmission system.

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14. Investments

€1,000	2020	2019
Interests in Group companies		
Cost at 1 Jan	843	843
Cost at 31 Dec	843	843
Interests in associated companies		
Cost at 1 Jan	8,087	8,588
Decreases 1 Jan–31 Dec		-500
Transfers between items 1 Jan–31 Dec	-6,587	
Cost at 31 Dec	1,501	8,087
Other shares and interests		
Cost at 1 Jan		
Transfers between items 1 Jan–31 Dec	6,587	
Cost at 31 Dec	6,587	
Investments total	8,931	8,931

15. Inventories

€1,000	2020	2019
Materials and consumables at 31 Dec	13,684	12,067
Total	13,684	12,067

16. Other non-current receivables

€1,000	2020	2019
Loan receivables from Group companies	34,570	21,394
Loan receivables from associated companies	563	1,125
Deferred tax assets	7,059	9,003
Total	42,192	31,522

17. Receivables from group companies

€1,000	2020	2019
Current:		
Trade receivables	138	186
Interest receivables	424	284
Other receivables	469	2,072
Total	1,031	2,542

18. Receivables from associated companies

€1,000	2020	2019
Current:		
Interest receivables	3	4
Loan receivables	375	188
Prepayments and accrued income	13	3,689
Other receivables	5,329	
Total	5,720	3,881

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19. Prepayments and accrued income

€1,000	2020	2019
Interest and other financial items	4,577	3,826
Accruals of sales and purchases	14,992	3,234
Total	19,569	7,060

20. Unrecorded expenses and par value differentials on the issue of loans included in prepayments and accrued income

€1,000	2020	2019
Par value differentials	1,004	1,217

21. Cash and cash equivalents

€1,000	2020	2019
Short-term fixed income funds	79,373	66,489
Cash in hand and bank receivables	45,645	15,626
Total	125,018	82,116

22. Shareholders' equity

€1,000	2020	2019
Share capital 1 Jan	55,922	55,922
Share capital 31 Dec	55,922	55,922
Share premium account 1 Jan	55,922	55,922
Share premium account 31 Dec	55,922	55,922
Profit from previous financial years 1 Jan	198,986	222,365
Dividend distribution	-148,249	-171,440
Profit from previous financial years 31 Dec	50,737	50,925
Profit for the financial year	136,014	148,061
Shareholders' equity 31 Dec	298,596	310,831
Distributable shareholders' equity	186,751	198,986

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Number of shares	Series A shares	Series B shares	Total
1 Jan 2020	2,078	1,247	3,325
31 Dec 2020	2,078	1,247	3,325

Series A shares confer three votes each at the Annual General Meeting and Series B shares one vote each. When electing members of the Board of Directors, Series A shares confer 10 votes each at the Annual General Meeting and Series B shares one vote each.

Series B shares have the right before Series A shares to obtain the annual dividend specified below from the funds available for profit distribution. If the annual dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however, such that Series B shares have the right over Series A shares to receive the annual dividend and the undistributed amount.

Fingrid Oyj's Annual General Meeting decides on the annual dividend.

Eighty-two (82) per cent of the dividends to be distributed for each financial year is distributed for all Series A shares and eighteen (18) per cent for all Series B shares, however such that EUR twenty

(20) million of the dividends to be distributed for each financial year is first distributed for all Series B shares. If the above-mentioned EUR twenty (20) million minimum amount for the financial period is not distributed (all or in part) for Series B shares in a financial period, Series B shares confer the right to receive the undistributed minimum amount in question (or the accumulated undistributed minimum amount accrued during such financial periods) in the next profit distribution, in any disbursements paid out, or in any other distribution of assets prior to any other dividends, disbursements or asset distribution until the undistributed minimum amount has been distributed in full for Series B shares.

There are no non-controlling interests.

23. Accumulated appropriations

€1,000	2020	2019
Accumulated depreciation from the difference between depreciation according to plan and depreciation carried out in taxation	298,897	348,897
Total	298,897	348,897

24. Bonds

€1,000				2020	2019
Currency	Nominal value	Maturity	Interest	Balance sheet value	
EUR	50,000	20 Sep 2020	floating rate		50,000
EUR	30,000	19 Sep 2022	floating rate	30,000	30,000
EUR	30,000	11 Sep 2023	2.71%	30,000	30,000
EUR	300,000	3 Apr 2024	3.50%	300,000	300,000
EUR	70,000	7 May 2025	0.527%	70,000	
EUR	100,000	23 Nov 2027	1.125%	100,000	100,000
EUR	25,000	27 Mar 2028	2.71%	25,000	25,000
EUR	10,000	12 Sep 2028	3.27%	10,000	10,000
EUR	80,000	24 Apr 2029	2.95%	80,000	80,000
EUR	30,000	30 May 2029	2.89%	30,000	30,000
				675,000	655,000
NOK	100,000	16 Sep 2025	4.31%	12,512	12,512
NOK	500,000	8 Apr 2030	2.72%	43,478	
				55,990	12,512
Bonds, long-term total				730,990	617,512
Bonds, short-term total					50,000
Total				730,990	667,512

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25. Loans falling due in five years or more

€1,000	2020	2019
Bonds	288,478	257,512
Loans from financial institutions	146,073	137,185
Total	434,552	394,697

26. Liabilities to group companies

€1,000	2020	2019
Current:		
Other liabilities	512	1 599
Total	512	1 599

27. Liabilities to associated companies

€1,000	2020	2019
Current:		
Trade payables	1,961	3,920
Total	1,961	3,920

28. Other liabilities

€1,000	2020	2019
Current:		
Other loans/Commercial papers (international and domestic)	72,155	165,315
Value added tax	9,760	17,849
Electricity tax	4,251	4,107
Advances received	923	923
Other liabilities	779	713
Total	87,869	188,908

29. Accruals

€1,000	2020	2019
Current:		
Interest and other financial items	12,576	11,056
Salaries and additional personnel expenses	7,265	6,716
Accruals of sales and purchases	11,911	16,401
Tax debts	708	11,681
Congestion income	219,126	72,378
Total	251,586	118,233

30. Provisions for liabilities and charges

€1,000	2020	2019
Creosote-impregnated and CCA-impregnated wooden towers, disposal costs	1,368	1,393
Total	1,368	1,393

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31. Derivative agreements

€1,000	2020				2019				Hierarchy level
	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Nominal value 31.12.20	Fair value pos. 31.12.19	Fair value neg. 31.12.19	Net fair value 31.12.19	Nominal value 31.12.19	
Interest rate and currency derivatives									
Cross-currency swaps	13,284	-9,911	3,373	55,990	1,509	-2,901	-1,393	12,512	Level 2
Forward contracts	117	-16	101	3,983		-440	-440	15,878	Level 2
Interest rate swaps	28,258	-5,684	22,574	305,000	27,771	-3,564	24,207	265,000	Level 2
Bought interest rate options	142		142	860,000	49		49	610,000	Level 2
Total	41,801	-15,612	26,190	1,224,973	29,329	-6,905	22,423	903,389	
Electricity derivatives									
	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Volume TWh 31.12.20	Fair value pos. 31.12.19	Fair value neg. 31.12.19	Net fair value 31.12.19	Volume TWh 31.12.19	
Electricity future contracts. NASDAQ OMX Commodities					8,015	-771	7,244	0.71	Level 1
Electricity forward contracts. NASDAQ OMX Commodities	21,678	-5,865	15,813	5.51	5,740		5,740	3.56	Level 1
Total	21,678	-5,865	15,813	5.51	13,755	-771	12,984	4.27	

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32. Commitments and contingent liabilities

€1,000	2020	2019
Rental liabilities		
Liabilities for the next year	3,471	3,451
Liabilities for subsequent years	33,299	33,189
	36,770	36,640
Right-of-use agreements		
Liabilities for the next year	8,810	8,663
Liabilities for subsequent years	39,860	45,233
	48,670	53,896
Pledges given as collateral for regulatory charges	490	490
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	681	414
Liabilities for subsequent years	276	568
	994	1,020
Unrecognised investment commitments	182,678	169,419

The investment commitments consist of agreements signed by the company to carry out grid construction projects

33. Legal proceedings and proceedings by authorities

An accident took place on a worksite in Laukaa, Finland, on 25 August 2017, where an employee of Revilla y Garcia S.L. died after having fallen from a transmission line tower. A civil court case, as well as proceedings concerning social-security-based damages, have been initiated in Spain for damages against Fingrid (the client linked with the accident), the main contractor, Technolines S.R.L. filial i Finland, and its subcontractor, Revilla y Garcia S.L. Fingrid does not believe the claim against it is likely to succeed and, in Fingrid's view, the legal proceedings or their outcome are not likely to have a substantial impact on the company's earnings or financial position.

On 30 June 2020, the Market Court received an appeal on the company's decision to exclude a bidder from a competitive tender for 400-MVA transformers to be acquired in 2022–2025. The company decided to discontinue the tendering process on 14 July 2020. After the decision to discontinue the tendering process, the appeal to the Market Court was withdrawn on 28 July 2020.

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34. Separation of businesses in accordance with the electricity market act**Imbalance power and regulating power**

Each electricity market party must ensure its electricity balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to stabilise the hourly power balance of an electricity market party (balance responsible party). Imbalance power trade and pricing are based on a balance service agreement with equal and public terms and conditions.

Fingrid is responsible for the continuous power balance in Finland by buying and selling balancing power in Finland. The balance responsible parties can participate in the Nordic balancing power market by submitting bids on their available capacity. The terms and conditions of participation in the regulating power market and the pricing of balancing power are based on the balance service agreement.

Fingrid is responsible for organising national imbalance settlement. As of the beginning of May 2017, Fingrid has transferred the imbalance settlement to eS-ett Oy, a company jointly owned by the Finnish, Swedish, Norwegian and Danish transmission system operators.

The balance settlement takes place after the utilisation hours by determining the

actual electricity generation, consumption and electricity trade. The outcome of the balance settlement is power balances for each party to the electricity trade.

Management of balance operation

In accordance with a decision by the Energy Market Authority, Fingrid Oyj shall separate the duties pertaining to national power balance operation by virtue of Chapter 12 of the Electricity Market Act. The management of balance operation is a part of grid operations.

The income statement of the balance service unit is separated by means of cost accounting as follows:

Income

- direct

Separate costs

- direct

Production costs

- matching principle

Administrative costs

- matching principle

Depreciation

- matching principle in accordance with Fingrid Oyj's depreciation principle

Finance income and costs

- on the basis of imputed debt

Income taxes

- based on result

The average number of personnel during 2020 was 8 (8). The operating profit was -1.4 (-1.8) per cent of turnover.

Management of balance operation, separated income statement

Management of balance operation, separated income statement, €1,000	1 Jan - 31 Dec, 2020	1 Jan - 31 Dec, 2019
TURNOVER	272,451	356,290
Other operating income		184
Materials and services	-274,114	-358,590
Personnel costs	-751	-887
Depreciation and amortisation expense	-540	-561
Other operating expenses	-907	-2,816
OPERATING PROFIT	-3,861	-6,379
Finance income and costs	13	22
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-3,849	-6,357
Appropriations	-208	208
Income taxes		
PROFIT/LOSS FOR THE FINANCIAL YEAR	-4,057	-6,149

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Management of balance operation, separated balance sheet

ASSETS, €1,000	31 Dec 2020	31 Dec 2019
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	278	351
Tangible assets		
Machinery and equipment	105	250
Investments		
Interests in associated companies	1,501	1,501
TOTAL NON-CURRENT ASSETS	1,884	2,102
CURRENT ASSETS		
Non-current		
Loan receivables from associated companies	563	1,125
Current receivables		
Trade receivables	3,891	3,311
Receivables from Group companies		6,235
Receivables from associated companies	5,332	16,027
Other receivables	1,044	1,497
	10,267	27,070
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	10,831	28,196
TOTAL ASSETS	12,714	30,298

SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31 Dec 2020	31 Dec 2019
EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	14,065	20,214
Profit for the financial year	-4,057	-6,149
TOTAL SHAREHOLDERS' EQUITY	10,326	14,382
ACCUMULATED APPROPRIATIONS	-610	-818
LIABILITIES		
Current liabilities		
Trade payables	822	3,311
Liabilities to Group companies	216	
Liabilities to associated companies	1,961	13,423
	2,999	16,734
TOTAL LIABILITIES	2,999	16,734
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	12,714	30,298

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Development of information exchange

It is Fingrid's task to develop the exchange of information required for electricity trade and imbalance settlement as set out in the Electricity Market Act. Fingrid's information exchange services are part of the electricity markets' information exchange environment. In order to develop the effective and accurate exchange of information, Fingrid works in close co-operation with e.g. electricity market parties, interest groups, service providers, supervisory authorities, legislators, organisations that develop national and international communications and other transmission system operators.

In accordance with a decision by the Energy Market Authority, Fingrid Oyj must separate the duties pertaining to the development of information exchange by virtue of Chapter 12 of the Electricity Market Act. The development of information exchange is a part of grid operations.

The separation of the income statement for the development of information exchange is realised by means of cost accounting as follows:

Income

- direct

Separate costs

- direct

Administrative costs

- matching principle

Income taxes

- based on result

Development of information exchange, separated income statement

€1,000	1 Jan - 31 Dec, 2020	1 Jan - 31 Dec, 2019
TURNOVER	519	549
Other operating expenses	-202	-584
OPERATING PROFIT	317	-35
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	317	-35
Income taxes	-63	7
PROFIT/LOSS FOR THE FINANCIAL YEAR	253	-28

Development of information exchange, separated balance sheet

ASSETS, 1 000 €	31 Dec 2020	31 Dec 2019
CURRENT ASSETS		
Trade receivables		
Receivables from Group companies		479
Other receivables	30	227
TOTAL CURRENT ASSETS	30	706
TOTAL ASSETS	30	706

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SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31 Dec 2020	31 Dec 2019
EQUITY		
Share capital	3	3
Profits/losses from previous financial years	-358	-331
Profit for the financial year	253	-28
TOTAL SHAREHOLDERS' EQUITY	-103	-356
LIABILITIES		
Current liabilities		
Trade payables	21	1 062
Liabilities to Group companies	112	
Other liabilities		
	133	1 062
TOTAL LIABILITIES	133	1 062
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	30	706

Grid operations

Grid operations refers to licensed electricity system operation that takes place on the electricity grid. Electricity system operations are defined in Chapter 1 of the Electricity Market Act (588/2013) and grid operations are defined in Chapter 5. Of Fingrid Oyj's operations, activities related to the management of the power reserve system and guarantees of origin for electricity, as well as the datahub project that was started in 2015 are not included in grid operations. Operations that are not part of grid operations constitute 'other operations' as referred to in Chapter 12 of the Electricity Market Act and must be separated from grid operations in accordance with that Chapter.

The income statement and balance sheet of grid operations and other operations have, in compliance with Chapter 12 of the

Electricity Market Act, been separated by means of cost accounting as follows:

Income

- direct

Separate costs

- direct

Production costs

- matching principle

Administrative costs

- matching principle

Depreciation

- matching principle in accordance with Fingrid Oyj's depreciation principle

Finance income and costs

- on the basis of imputed debt

Income taxes

- based on result

Balance sheet items

- matching principle

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Separated income statement

€1,000	TRANSMISSION SYSTEM OPERATION 1 Jan - 31 Dec, 2020	OTHER OPERATION 1 Jan - 31 Dec, 2020
TURNOVER	678,201	1,560
Other operating income	2,387	
Materials and services	-392,888	
Personnel costs	-30,845	-443
Depreciation and amortisation expense	-98,491	
Other operating expenses	-36,930	-1,117
OPERATING PROFIT	121,435	0
Finance income and costs	-4,570	815
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	116,865	815
Appropriations	50,000	
Income taxes	-31,502	-163
PROFIT/LOSS FOR THE FINANCIAL YEAR	135,362	652



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Separated balance sheet

ASSETS, €1,000	TRANSMISSION SYSTEM OPERATION 31 Dec 2020	OTHER OPERATION 31 Dec 2020
Intangible assets:		
Goodwill		
Other intangible assets	68,449	
	68,449	
Tangible assets		
Land and water areas	19,874	
Buildings and structures	250,216	
Machinery and equipment	543,419	
Transmission lines	713,281	
Other property, plant and equipment	118	
Prepayments and purchases in progress	146,606	
	1,673,514	
Investments:		
Interests in Group companies		843
Interests in associated companies	1,501	
Other shares and interests	6,587	
	8,087	843
TOTAL NON-CURRENT ASSETS	1,750,050	843

ASSETS, €1,000	TRANSMISSION SYSTEM OPERATION 31 Dec 2020	OTHER OPERATION 31 Dec 2020
CURRENT ASSETS		
Inventories	13,684	
Receivables		
Non-current		
Loan receivables from Group companies		34,570
Loan receivables from associated companies	563	
Deferred tax assets	7,059	
	7,622	34,570
Current		
Trade receivables	76,490	
Receivables from Group companies	35,131	1,031
Receivables from associated companies	5,720	
Other receivables	2,736	
Prepayments and accrued income	20,702	
	140,780	1,031
Financial securities	79,373	
Cash in hand and bank receivables	45,645	
TOTAL CURRENT ASSETS	287,103	35,601
TOTAL ASSETS	2,037,153	36,444

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	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31 Dec 2020	31 Dec 2020
EQUITY		
Share capital	55,920	3
Share premium account	55,922	
Profit from previous financial years	50,704	33
Profit for the financial year	135,362	652
TOTAL SHAREHOLDERS' EQUITY	297,908	688
ACCUMULATED APPROPRIATIONS	298,897	
PROVISIONS FOR LIABILITIES AND CHARGES	1,368	
LIABILITIES		
Non-current liabilities		
Bonds	730,990	
Loans from financial institutions	272,554	
	1,003,544	

	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31 Dec 2020	31 Dec 2020
Current liabilities		
Bonds		
Loans from financial institutions	67,662	
Trade payables	26,472	
Liabilities to Group companies		35,642
Liabilities to associated companies	1,961	
Other liabilities	87,858	11
Accruals	251,483	103
	435,436	35,756
TOTAL LIABILITIES	1,438,980	35,756
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,037,153	36,444

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Other non-current assets included in the separated balance sheet for grid operations

Separated balance sheet

ASSETS, €1,000	TRANSMISSION SYSTEM OPERATION 31 Dec 2020
Intangible assets:	
Other intangible assets	3,569
	3,569
Tangible assets	
Land and water areas	17,136
Buildings and structures	4,578
Machinery and equipment	3,094
Transmission lines	932
Other property, plant and equipment	118
Prepayments and purchases in progress	146,606
	172,463
TOTAL NON-CURRENT ASSETS	176,032

Congestion income in grid operations

The congestion income received by a grid owner must be used for the purposes stated in EC Regulation 714/2009, Article 16, Paragraph 6: guaranteeing the actual availability of the allocated capacity, and maintaining or increasing interconnection capacities through network investments. As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 as accruals in the item other liabilities in the balance sheet. Of the accruals, congestion income will be recognised in the income statement

as other operating income when their corresponding costs, as defined in the regulation, accrue as annual expenses in the income statement. Alternatively, they are entered in the balance sheet against investments, as defined by regulation, to lower the acquisition cost of property, plant and equipment, which lowers the depreciation of the property, plant and equipment in question. The congestion income received before 1 January 2016 was recognised in turnover. EUR 219.1 million in congestion revenue remains unused and will be used for future investments to improve the functioning of the electricity market.

Congestion income, €1,000	2020	2019
Congestion income on 1 Jan	72,378	1,292
Accumulated congestion income	146,748	73,001
Investments matching congestion income		-1,915
Congestion income on 31 Dec	219,126	72,378

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Countertrade

In terms of the costs arising from countertrade used to safeguard system security in grid operations, congestion income may be used to offset countertrade costs arising from cross-border transmission connections.

Counter trade, €1,000	2020	2019
Countertrade between Finland and Sweden	91	137
Countertrade between Finland and Estonia	226	485
Countertrade between Finland's internal connections	370	279
Total counter-trade	687	902

35. Emission rights

Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020.

The use of emission rights had no impact on the financial result in 2020.

	2020	2019
Total CO ₂ emissions tCO ₂	5,020	5,142

36. Permanent location in Denmark in income taxation**Joint Nordic operational planning organisation**

Fingrid has established, jointly with Svenska Kraftnät, Statnett and Energinet.dk, the Nordic Regional Security Coordinator (Nordic RSC) in Copenhagen for in-

ter-TSO operational planning between the countries. The unit includes Fingrid employees who provide the service for Fingrid's parent company, and this operation constitutes a permanent location in terms of income taxation and is income taxable to Denmark. The unit became operational in summer 2018.

Income statement, €1,000	1 Jan - 31 Dec, 2020	1 Jan - 31 Dec, 2019
TURNOVER	1,279	897
Personnel costs	-189	-201
Other operating expenses	-1,029	-653
OPERATING PROFIT	61	43
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	61	43
Income taxes	-13	-9
PROFIT/LOSS FOR THE FINANCIAL YEAR	48	33

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8. SIGNATURES FOR THE ANNUAL REVIEW AND FOR THE FINANCIAL STATEMENTS

Helsinki, 5th March 2021

Juhani Järvi
Chair

Päivi Nerg
Deputy Chairman

Sanna Syri

Esko Torsti

Hannu Linna

Jukka Ruusunen
President & CEO

Auditor's notation

A report on the audit carried out has been submitted today.

Helsinki, 5th March 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila, APA

Corporate Governance Statement



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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 trans-

mission 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.

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

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- 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.

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 Nomina-

tion 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.

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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.

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

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

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.	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.	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

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**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
- 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.

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Hannu Linna

Master of Science (Technology), eMBA, born in 1955

Board Member as of 20 March 2020

Main position: Board work

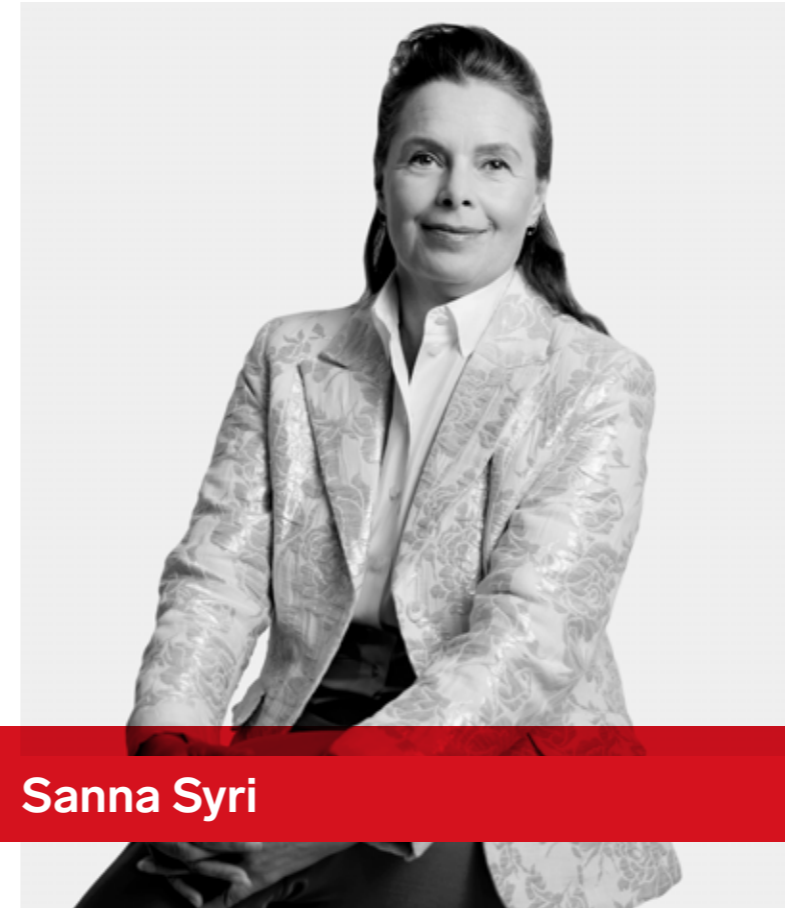
Previous experience:

- 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.

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.

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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.

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.

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.

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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.

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,

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- 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.



Jukka Ruusunen

Doctor of Technology, born in 1958
President & CEO since 2007
Member of the executive management group since 2007, employed by Fingrid since 2007

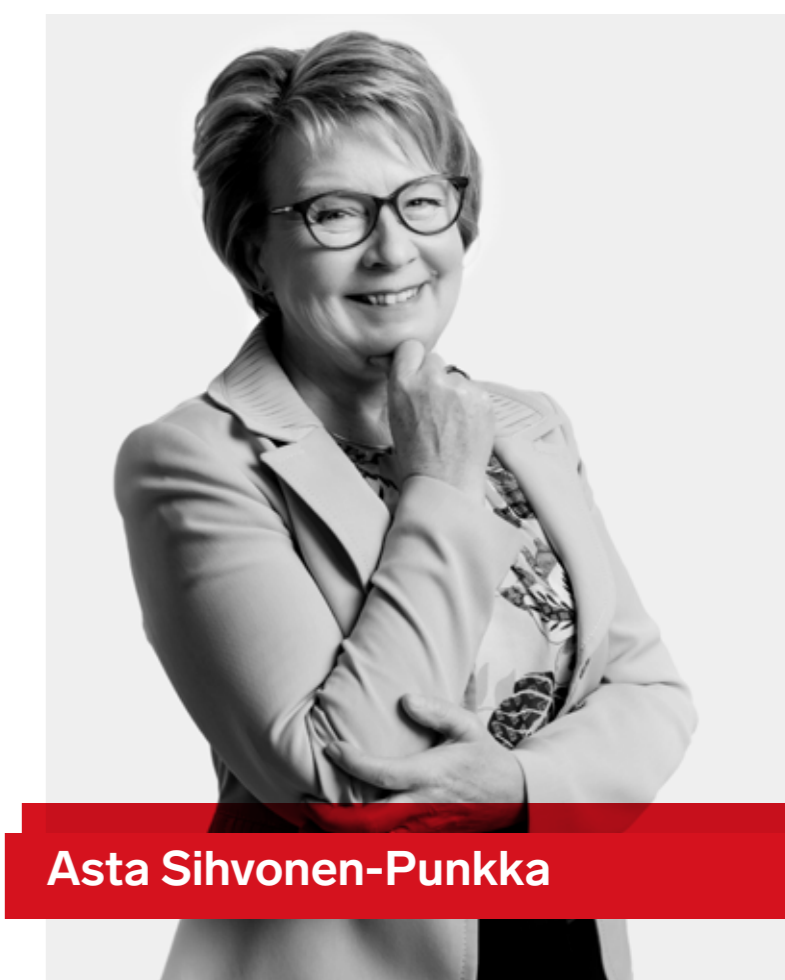
Work Experience

- Fortum Power and Heat Oy, Vice President, Business Development 1999-2006
- Imatran Voima Oy, Advisor 1996-1999
- Helsinki University of Technology, several positions 1982
- Helsinki School of Economics, several positions 1982-1996
- Helsinki School of Economics, assistant professor 1995

Key Positions of trust

- The National Emergency Supply Council, chairman 2018-
- Fingrid Datahub Oy, Chairman of the Board 2016-
- ENSTO Oy, Member of the Board 2016-
- Technology Academy Finland, member 2010-
- Finextra Oy, Chairman of the Board 2009-
- Visiting Professor of Aalto University School of Science and Technology 1995- and School of Economics 1996-

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



Asta Sihvonen-Punkka

Licentiate in Economics, M.For, born in 1962
Executive Vice President since 2019, Markets
Member of the executive management group since 2016, employed by Fingrid since 2016

Work experience

- Finnish Communications Regulatory Authority, director general 2011-2015
- The Energy Market Authority (Energy Authority), director general 2002-2011
- The Energy Market Authority (Sähkömarkkinakeskus), director 1998-2002

Key Positions of Trust

- Gasgrid Finland Oy, Member of the Board 2020-
- eSett Oy, Member of the Board 2016-

Other positions

- Fingrid Datahub Oy, Managing Director 2017-

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

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Jussi Jyrinsalo

Licentiate in Technology, born in 1964
Senior Vice President since 2005, Customers and Grid Planning
Member of the executive management group since 2005, employed by Fingrid since 1997

Work Experience

- Fingrid Oyj, several positions 1997-2005
- IVO Voimansiirto Oy, several positions 1993-1997
- Lappeenranta University of Technology, Assistant Professor 1992-1993
- Tampere University of Technology, several positions 1989 -1992

Key positions of trust

- Fingrid Datahub Oy, Board member 2020-
- Metropolia University of Applied Sciences, electricity and automation engineering advisory board 2020-
- Member of the Nordic Gridplanning Committee 2016-
- Finnish Energy, Member of the Grid Committee 2015-

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



Timo Kiiveri

M.Sc. (Tech.), MBA, born in 1967
Senior Vice President since 2019, Asset Management
Member of the executive management group since 2019, employed by Fingrid since 2019

Work experience

- Empower Oyj, President, Power Division 2012-2019*
- Empower PN Oy, Managing Director 2014-2019
- Empower, President, Baltic Operations 2014-2019
- Empower Oyj, Member of the Group Executive Team 2012-2019
- Fingrid Oyj, several positions 1997-2012
- Imatran Voima Oy and IVO Voimansiirto Oy, several positions 1991-1997

Key positions of trust

- Vipetec Oy, Deputy Member of the Board, 2016-

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



Marina Louhija

LLM, Executive MBA, born in 1968
General Counsel since 2013, legal affairs and administration, compliance and sustainability
Member of the executive management group since 2017, employed by Fingrid since 2009
Secretary of the company's Board of Directors since 2013

Work Experience

- Fingrid Oyj, Head of Administration 2009-2013
- Sonnenschein, Attorneys Ltd/Chicago, visiting lawyer, 2000
- Roschier Oy, Attorney-at-Law, Specialist Counsel 1994-2009

Key positions of trust

- Helsinki Region Chamber of Commerce, member of the Group of Delegates 2020-Fingrid Datahub Oy, Member of the Board of Directors 2016-
- Member of the Law and Regulatory Group, ENTSO-E, 2013-

Other positions

- Finextra Oy, Managing Director 2018-

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



Tiina Miettinen

M.Sc (Politics), M.Sc (Knowledge Management), born in 1963
Senior Vice President since 2013, HR and communications
Member of the executive management group since 2013, employed by Fingrid since 2007

Work Experience

- Fingrid Oyj, Head of Communications, 2007-2013
- Housing Fair Finland Co-op, 2004-2007
- The Finnish Real Estate Federation, 2003-2004
- Akava ry - Confederation of Unions for Professional and Managerial Staff in Finland, 1996-2003

Key positions of trust

- Finextra Oy, Member of the Board 2018-
- Finnish Energy, Member of the Labour Market Committee 2013-

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

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Jan Montell

M.Sc. (Finance), born 1968
Chief Financial Officer (CFO, since 2013)

Member of the executive management group starting since 2013

Work Experience

- Finextra Oy, Managing Director, 2014-2017
- KPMG, Management Consultant, Partner 2007-2013
- Stradea Consulting, Management Consultant, Partner, CEO 2002-2007
- Trema, Management Consultant, Senior Manager 2000-2001
- Ernst & Young, Management Consultant, Senior Manager 1996-2000
- Coopers & Lybrand, Management Consultant, Manager 1994-1996
- Schildts Förlag, Financial Director 1992-1993

Key positions of trust

- Pohjola Rakennus Suomi Oy, Board member, Chairman of the Audit Committee 2019-
- The Counties' Service Centre for Facilities and Real Estate Management, Board member 2018-

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



Reima Päivinen

M.Sc. (Tech.), born in 1958
Senior Vice President since 2005, Power System Operations

Member of the executive management group since 2005, employed by Fingrid since 1997

Work experience

- Fingrid Oyj, Balance Service Manager 2000-2005
- Fingrid Oyj, Development Manager 1997-2000
- Imatran Voima Oy and IVO Voimansiirto Oy, several positions 1983

Key positions of trust

- Chairman of Power and District Heat Pool 2009-
- Finextra Oy, Member of the Board 2009-

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



Kari Suominen

M.Sc. (Tech.), MBA, born in 1964
CIO since 2013, ICT

Member of the executive management group since 2013, employed by Fingrid since 2013

Work Experience

- Ahlstrom Oyj, CIO 2009
- Konecranes Oyj, CIO 2002
- STERIS Finn-Aqua, Head of Production 1997
- Aquamaster-Rauma, Aquamaster-Rauma Korea Ltd, several positions 1989

Key positions of trust

- DigiFinland Oy, Member of the Board 2/2020-
- ENTSO-E Digital committee, member 2020-
- eSett Oy, Deputy Member of the Board 2017-

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

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.

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9. INTERNAL CONTROL AND RISK MANAGEMENT

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.

ARRANGEMENT OF INTERNAL CONTROL AND RISK MANAGEMENT AND DISTRIBUTION OF RESPONSIBILITY

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.

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.

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.

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

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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 state-

ments 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.

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.

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

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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.

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

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

fee and expenses are paid on the basis of a reasonable invoice accepted by the company.

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.

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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.

Remuneration Report



REMUNERATION REPORT

- > [Introduction](#)
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1. INTRODUCTION

The Remuneration Report describes the realisation of the remuneration of the company's Board of Directors, Managing director, hereinafter referred to as President and CEO and the deputy to the Managing Director, hereinafter referred to the deputy to the President & CEO during the previous financial year. The remuneration of the rest of the executive management group is described on the company's website.

The Remuneration Report is published simultaneously with the financial statements and the Report of the Board of Directors and the Corporate Governance Statement. The report is presented to the annual general meeting and it is available on the company's website.

COMPLIANCE WITH THE REMUNERATION POLICY IN 2020

Fingrid's remuneration principles are written down in the company's Remuneration Policy for Governing Bodies, which the general meeting approved in its meeting on 20 March 2020.

Remuneration at Fingrid is guided by the creation of shareholder value, good performance in carrying out basic tasks and the sustainability targets set for the company. The owners', especially the state ownership policy's and Ilmarinen's, prin-

ciples have been taken into account in remuneration. Remuneration must be reasonable, fair and competitive.

Fingrid's Remuneration Policy for Governing Bodies, as it pertains to the members of the company's Board of Directors, complies with the principles set forth by the state's and the other owners' policies, which require remuneration to be transparent, reasonable and market-based.

As regards the remuneration of the President & CEO and the deputy to the President & CEO, as well as the rest of the executive management group, the company abides by the same principles as those pertaining to the members of the Board of Directors and by the remuneration principles outlined in the company in general. The President & CEO's remuneration metrics are mostly the

same as those for the other members of the executive management group and the company's personnel overall. In addition, the same principles are applied to the President & CEO's remuneration as those applied to the entire personnel, for example when determining the employee benefits.

REMUNERATION BOOSTS THE COMPANY'S SUCCESS

In 2020, the remuneration of Fingrid's Board of Directors, President & CEO and other executives complied with the company's Remuneration Policy. Remuneration is a key incentive for Fingrid to guide, motivate and engage the members of its Board of Directors and management. Competitive remuneration is an essential tool for hiring competent executives to the company.

Principles guiding remuneration at Fingrid

Fingrid's basic tasks		
<ul style="list-style-type: none"> • system security and continuity management <ul style="list-style-type: none"> • promoting the electricity market • developing the transmission grid 		
Competitive overall remuneration	Incentive systems in line with the basic tasks	Rewards for good performance
Value creation: increasing the value created by the company for shareholders, customers and society		
Owners' remuneration principles and corporate responsibility		

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Through competitive compensation and remuneration, we encourage our executives and other personnel to work productively and to develop operations and steer work towards achieving strategic goals. Successful remuneration also promotes commitment to the company.

The same remuneration policies are followed in terms of the personnel as for the executives: market orientation and rewards for good performance. The market orientation and competitiveness of the fixed salary results in engagement with the company. Short-term remuneration encourages the achievement of annual goals in accordance with the strategy. The management's long-term incentives are intended to steer the realisation of the strategy and increase the shareholder value and ensure the President & CEO's commitment to the company.

The bonuses paid are in line with the company's performance level and the company's financial development. The development of the performance level of a regulated company in a natural monopoly position must not only be assessed from a financial standpoint. These types of performance indicators are described in the company's annual report. The development of the Board of Directors' and President & CEO's remuneration in relation to the average remuneration change of the company's employees and the company's financial performance over the five previous financial years is described in the attached table.

The CEO-to-employee annual median income ratio in 2020 was 7:1, and the female-to-male annual median income ratio was 0.9:1.

	Average annual change in remuneration over the last five years
Board of Directors' remuneration	0%
President & CEO's remuneration	9.5%
Employees' salaries, average*	2.4%
Employees* bonuses, average**	10.5%
Change in company's turnover	3.8%

* average change percentage for the monthly salary of identical full-time employees in 2016–2020
 ** average change percentage for employees' quality bonuses and incentive bonuses in 2016–2020

2. BOARD OF DIRECTORS' REMUNERATION

The general meeting decides on the Board's remuneration based on a proposal made by the Shareholders' Nomination Board. The remuneration of the members of the Board of Directors consists of fixed monthly fees and meeting fees. An increased fixed fee is paid to the Board Chair and Deputy Chair. Meeting fees are paid to Board members also for attending the various committees' and the Nomination Board's meetings.

The decisions of the general meeting concerning the Board members' remuneration are published in the same stock exchange release as the other decisions made by the general meeting.

Fingrid's general meeting approved the fees for the members of the Board on 20 March 2020. The fees did not change.

OTHER FINANCIAL COMMITMENTS

There are no share or share-based remuneration schemes, supplementary pension schemes or other financial benefits in place for the members of the Board of Directors. Fingrid also does not pay pension fees for the Board's remuneration. None of the Board members are in an employment or service relationship with the company.

Monthly fees, €	2020
Chair	2,400
Deputy Chair	1,300
Members	1,000
Meeting fees, €	2020
	600

Total fees

		falling due from 2020	paid in 2020
Board members 31 Dec 2020			
Juhani Järvi, Chair	1 Jan–31 Dec	1,800	41,400
Päivi Nerg, Deputy Chair	1 Jan–31 Dec	5,400	21,000
Hannu Linna, member	20 Mar–31 Dec	1,200	15,400
Sanna Syri, member	1 Jan–31 Dec	1,800	21,600
Esko Torsti, member	1 Jan–31 Dec	1,200	21,000
Previous Board members			
Anu Hämäläinen, member	1 Jan–20 Ma	-	6,600

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3. REMUNERATION OF THE PRESIDENT & CEO AND DEPUTY

The company's Board of Directors decides on the remuneration of Fingrid's President & CEO and his deputy in accordance with the remuneration policy presented to the general meeting and based on the proposal of the remuneration committee.

REMUNERATION COMPONENTS

The total remuneration of the President & CEO consists of a fixed total salary and variable pay components, which are a one-year bonus scheme (max. 40 per cent of the fixed annual salary for the earnings year) and overlapping three-calendar-year long-term incentive schemes (max. 40 per cent of the fixed annual salary).

The total remuneration of the deputy to the President & CEO consists of a fixed total salary and variable pay components, which are a one-year bonus scheme (max. 25 per cent of the annual salary for the earnings year) and overlapping three-year incentive schemes (max. 25 per cent of the fixed annual salary).

There is no share or share-based remuneration scheme or supplementary pension scheme in place for the President & CEO or his deputy on behalf of the company. The President & CEO and his deputy have the possibility to convert part of

their monetary remuneration into a company car benefit in accordance with the car policy determined by the company.

BASIS FOR DETERMINING THE VARIABLE PAY COMPONENTS

The bonus schemes for the President & CEO are based on a policy stance according to which the annual maximum limit for the total variable remuneration is 40 per cent of the remuneration recipient's fixed annual salary, however such that if the company's and remuneration recipient's performance is exceptionally good, the total annual amount of remuneration can be a maximum of 80 per cent of the fixed salary. This is also in line with the state ownership policy's stance on variable pay in unlisted commercial companies. The total maximum amount of variable remuneration for the deputy to the President and CEO is 50 per cent of the fixed salary.

The Board of Directors annually decides on the criteria for Fingrid's President & CEO's and the deputy CEO's bonus schemes and their lower and upper limits. Corporate social responsibility is taken into account in both the one-year and long-term incentive schemes, since part of the metrics used in the remuneration schemes are also the company's key sustainability KPIs.

As a general rule, the variable remuneration components are paid in the beginning of the year following the earnings period in accordance with the payment date confirmed by the Board of Directors.

FURTHER EMPLOYMENT TERMS AND CONDITIONS

The mutual period of notice is six months for Fingrid's President & CEO and four months for the deputy to the President & CEO. If the company dismisses the President & CEO, an amount of money corresponding to nine months' fixed salary is paid to the President & CEO in addition to the salary for the period of notice, and an amount corresponding to five months' fixed salary is paid to the deputy to the President & CEO.

No separate compensation is paid to the President & CEO or to the deputy to the President & CEO for tasks related to Fingrid's subsidiaries or associated companies.

REMUNERATION FOR THE FINANCIAL YEAR 2020

The attached table presents the remuneration information of Fingrid's President & CEO for 2020: The salaries and bonuses paid to Fingrid's President & CEO and his deputy were a total of EUR 730,000 in 2020. The remuneration of the rest of the executive management group is presented on the company's website.

In 2020, the President & CEO's total salary was EUR 24,500 per month, and

Remuneration of the President & CEO and deputy

	falling due from 2020	paid in 2020		TOTAL
	Bonuses falling due	Salaries and benefits	Variable remuneration	
President & CEO	191,000	309,000	195,000	504,000
Deputy to the President & CEO	60,000	167,000	59,000	226,000
TOTAL	251,000	476,000	254,000	730,000

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his salary was not increased during the year. The total salary of the deputy to the President & CEO was some EUR 13,600 and her salary was increased by EUR 700 during 2020. The total salary of both the President & CEO and his deputy included a car benefit.

One-year bonus schemes

2019 schemes, paid in 2020

The metrics for the President & CEO's and his deputy's one-year bonus scheme in 2019 were the company's results, customers' trust, functionality of the workplace community, and leadership and personal performance at the head of the company.

The parent company's FAS result was in line with the target, and the same applies to customers' trust. Customers gave a score of 4.01 on a scale of 1–5. The management metric is based on the Great Place to Work survey, in which the company's trust index was 88. The President & CEO's personal performance was assessed by the Board of Directors, with the overall assessment based especially on the systematic implementation of the Forest Line and Datahub projects. The personal performance of the deputy to the President & CEO was assessed by the President & CEO based on pre-set targets.

2020 schemes, paid in 2021

The metrics for the President & CEO's and his deputy's one-year bonus scheme in 2020 were the company's results, customers' willingness to recommend, functionality of the workplace community, and leadership and personal performance at the head of the company.

The FAS of the parent company was short of the set target level, while the customer NPS score exceeded the target level. The leadership assessment was based on the personnel's willingness to recommend in the personnel survey, according to which 71 per cent of the personnel is prepared to recommend their employer. The President & CEO's personal performance was assessed by the Board of Directors through an overall assessment. The President and CEO assessed his deputy's personal performance based on pre-set targets. For both executives, personal performance was assessed also with regard to climate change mitigation-related projects: a key metric for the President & CEO was the setting of long-term targets for corporate responsibility and for the deputy, the increasing of the flexibility of the power system to enable the growth of renewable, weather-dependent electricity production.

Long-term incentive schemes

Fingrid does not have a share-based incentive scheme; instead, the company applies overlapping three-year incentive schemes, the metrics of which are the extent of the adverse impacts that interruptions to the power system have on customers, how successfully the electricity market functions and the creation of shareholder value.

The long-term incentive scheme for 2017–2019 (paid in 2020) yielded for the President & CEO and his deputy close to the maximum for all metrics. System security in 2019 was excellent, also transmission restrictions between Finland and Sweden were low. The company's result and the stable outlook for the economy and financing enabled the payment of a dividend income larger than the target to the owners.

The long-term incentive scheme for 2018–2020 (paid in 2021) yielded for the President & CEO 34 per cent and for his deputy 21 per cent of the annual earnings. The system security of the power system remained good and shareholder value grew. A good result was also achieved with regard to the electricity market metric.

Corporate responsibility and sustainable development

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1. INTRODUCTION

– FINGRID DELIVERS. RESPONSIBLY.

When managing corporate responsibility, it is important to select the material topics that the company wishes to impact. Fingrid has decided to examine its corporate responsibility targets from the perspective of environmental responsibility, social responsibility and good governance, in this way responding to our operating environment's major upheaval, the transformation of the power system. The power system transformation calls for major changes in the structures of electricity production, electricity networks and the electricity market. Fingrid will move forward with these changes and develop the main grid together with our stakeholders so that Finland can achieve its goal of climate neutrality by 2035.

ENVIRONMENTAL RESPONSIBILITY

Fingrid's most significant sustainability action is its climate change mitigation efforts. We make sure that the grid investments for connecting clean electricity production and consumption are carried out on schedule. Increasing strongly weather-dependent renewable power production also requires the modernisation of the electricity market, including the renewal of the balancing between production and consumption and increasing demand-side management.

Moving towards a clean electricity system must take place without endangering the proper functioning of society. It is Fingrid's job to ensure that everyone gets their electricity, disturbance free. The importance of electricity transmission reliability is illustrated by the fact that the cost of a nationwide blackout to customers and society at large would be in the region of EUR 100 million for each hour of outage.

The company's other key improvement areas impacting climate change and the environment are the reduction of electricity transmission losses and improving energy efficiency. Our goal is to achieve the maximum possible recycling rate for materials being decommissioned at worksites and to protect nature values and biodiversity in transmission line right-of-ways.

SOCIAL RESPONSIBILITY The basis for our corporate responsibility is an open, collaborative, renewing and high-performing work community, where the well-being of our competent personnel is secured in a safe environment. The well-being of the personnel inevitably reflects on customers and other stakeholders. As a transmission system operator, we engage with many parties who have different expectations of our operations. Being responsive to the expecta-

tations of personnel, customers and other stakeholders and involving them are an essential part of our responsible business practices. We regularly chart our stakeholders' opinions, and engage in dialogue and cooperate with them in a number of ways.

Our special standing in society obligates us to operate very cost-effectively. Fingrid is known for its cost-effectiveness: grid service fees are among the least expensive in Europe and this is something that we work to maintain. We are a responsible taxpayer and a strong investor in Finland, employing hundreds of people each year, in addition to our own personnel. We are responsible for the safety of the main grid and service providers, and want to ensure that the entire supply chain employs responsible practices

GOOD GOVERNANCE Responsible business practices and procurement practices form the foundation for corporate responsibility. Corporate responsibility and compliance management is integrated with Fingrid's management system and risk management practices. Our entire work community is committed to our responsible practices, which are steered by the company's Code of Conduct, policies and guidelines. Responsibility is one of our key values and an integral part of our company's corporate culture and strategy

➤ Main goal:
climate
change
mitigation.



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MATERIALITY ASSESSMENT AND RESPONSIBILITY TARGETS

Fingrid has identified the key corporate responsibility issues in its strategy and basic business. The company has set climate and environmental targets, social responsibility targets and good governance targets for them.

We are also involved in promoting the UN's Sustainable Development Goals (SDGs). Out of the 17 goals, the ones pertaining to energy, infrastructure and climate actions are the most important for us.

In 2016, Fingrid signed the UN Global Compact initiative and committed to its principles on human rights, labour, the environment and anti-corruption.

Updating the materiality assessment in 2020

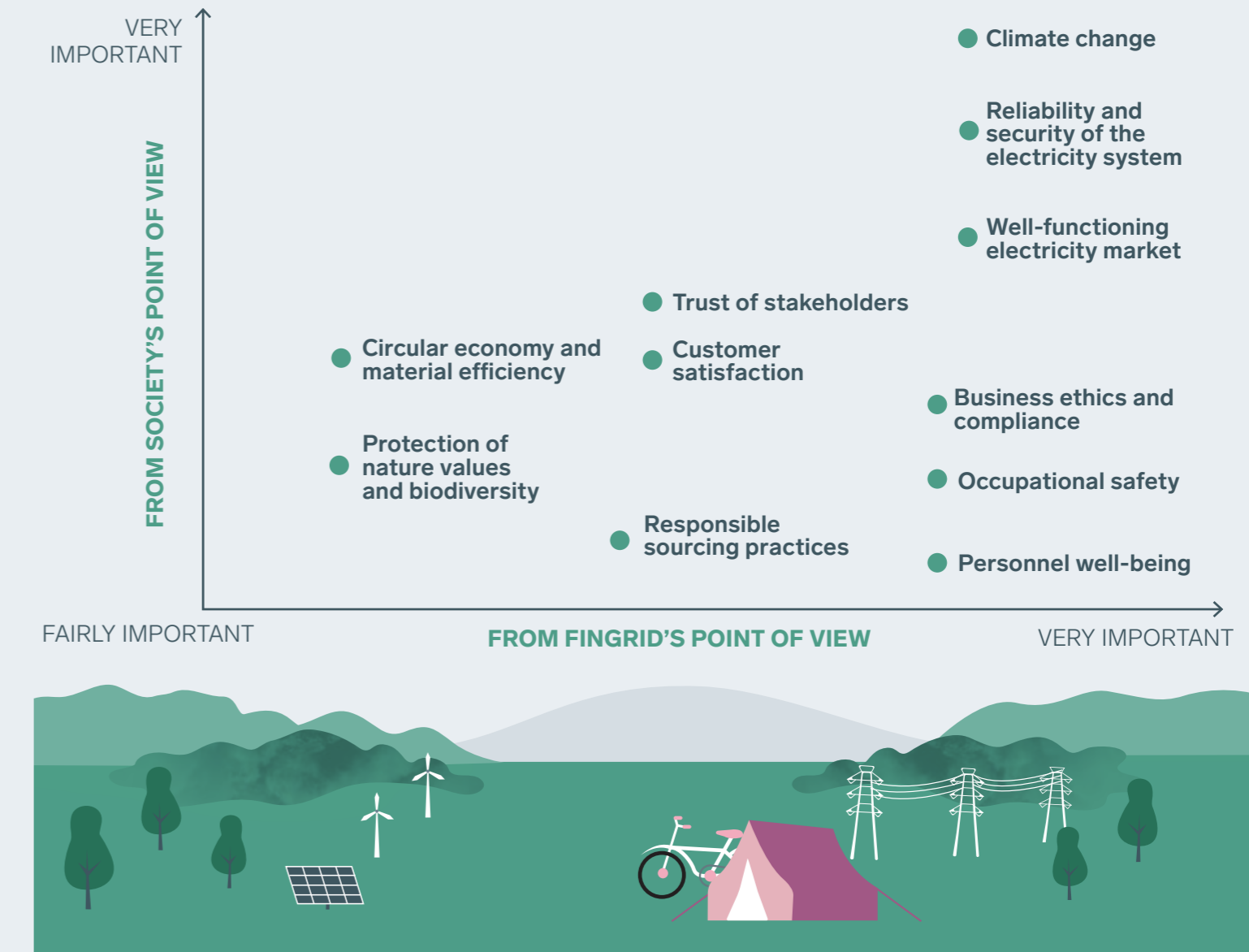
The foundation for corporate responsibility, the materiality assessment, recognises and assesses the impacts of Fingrid's operations on the economy, people and the environment, the operating environment, issues raised by stakeholders, legislation and the industry's trends. The identified corporate responsibility issues have been prioritised based on the significance of the impacts of Fingrid's operations and the views of stakeholders.

In 2019, we identified as material topics in Fingrid's operations 1) an open, collaborative, renewing and high-performing work community, 2) the company's Code of Conduct, 3) the financial result, 4) stakeholders' trust, 5) procurement prac-

Fingrid promotes in particular these UN's Sustainable Development Goals



Material impacts of Fingrid's operations



tices, 6) development of the main grid into a platform for a clean power system, 7) reliability of the electricity system and safety, and 8) a well-functioning electricity market.

During 2020, we updated our materiality assessment, highlighting more clearly the key responsibility impacts of our operations. The material impacts are described

below. The greatest societal impacts of Fingrid's operations are related to mitigating climate change, the security and safety of the electricity system and a well-functioning electricity market.

Responsibility targets

In connection with the materiality assessment, we also updated our responsibility targets during 2020 by setting down our

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short-term and long-term goals. The Executive Management Group decided on new responsibility targets as part of the strategy process and took into account the entire value chain, corporate responsibility's strong link with the strategy and business, and Fingrid's ability to create value (find out more about our value creation in the Annual Report's Business Review).

In the future – from 2021 onward – our responsibility targets will be divided into environmental responsibility, social responsibility and good governance (the ESG model). For each material topic, short-term targets have been set that extend to 2025 and long-term targets extending to 2035.

The targets are monitored using indicators, and the results are reported annually. The indicators are largely the same ones as in previous years. Some of the indicators are entirely new and therefore do not have targets for 2020. A director is appointed for each indicator, who is responsible for achieving the target for the indicator in question. The targets and the related indicators are described using the categories used in our corporate responsibility reporting.

Earlier targets – applying to 2020 – have been included in the tables to report on these indicators' results. All in all, Fingrid succeeded in its 2020 corporate responsibility targets.

From the customers' perspective, the cost of electrical disturbances to the national economy was record-low in 2020, customer satisfaction was high and Fingrid was able to keep its grid service fees at a low level by international standards. We mostly met the financial targets, ensured cost-effectiveness, exceeded the minimum credit rating levels and paid the owners a dividend income that matched the targets. Grid construction and maintenance investments were implemented on schedule and on budget without any major environmental damage, the system security of the power system remained high, and no major deviations occurred in the procurement chain in terms of contractor obligations or employment relationships. In occupational safety targets, we were under the target. Despite the exceptional circumstances, our personnel's well-being was very good, with few people falling ill. The personnel's job satisfaction was high.

The targets for 2020 and upcoming years and the indicators are described in this report in connection with each main theme.

CORPORATE RESPONSIBILITY HIGHLIGHTS 2020

- Main grid developing: record number of substations and transmission lines under construction
- Signed connection agreements enable the connecting of 1,800 megawatts of wind power to the grid
- The electricity markets are functional and developing, excellent availability of cross-border connections
- Material recycling rate at Fingrid worksites 62%, utilisation rate 95%
- The ISO 14001 environmental management systems of Fingrid's reserve power plants were recertified
- 18 responsibility audits in goods sourcing and 10 audits to ensure responsible practices at worksites
- The personnel's well-being is good and work has proceeded despite the coronavirus pandemic
- Personnel's NPS score 71
- Customer survey NPS score 45
- Fingrid will keep the transmission tariffs at the same level
- Fingrid is Finland's 17th largest corporate income tax payer in 2019
- Fingrid was actively involved in ensuring the security of supply during the COVID-19 pandemic.

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2. ENVIRONMENTAL RESPONSIBILITY

Fingrid's operations have a significant positive impact on the environment and climate. By reinforcing the transmission grid for the needs of clean electricity production, we are contributing to the transition to a clean power system. However, our grid investments also contribute to our carbon footprint and result in environmental impacts. In the grid's construction and maintenance, we are reducing the negative environmental impacts of our business based on Fingrid's land use and environmental policy. Key aspects include a thorough environmental impact assessment (EIA) and preparedness for environmental risks.

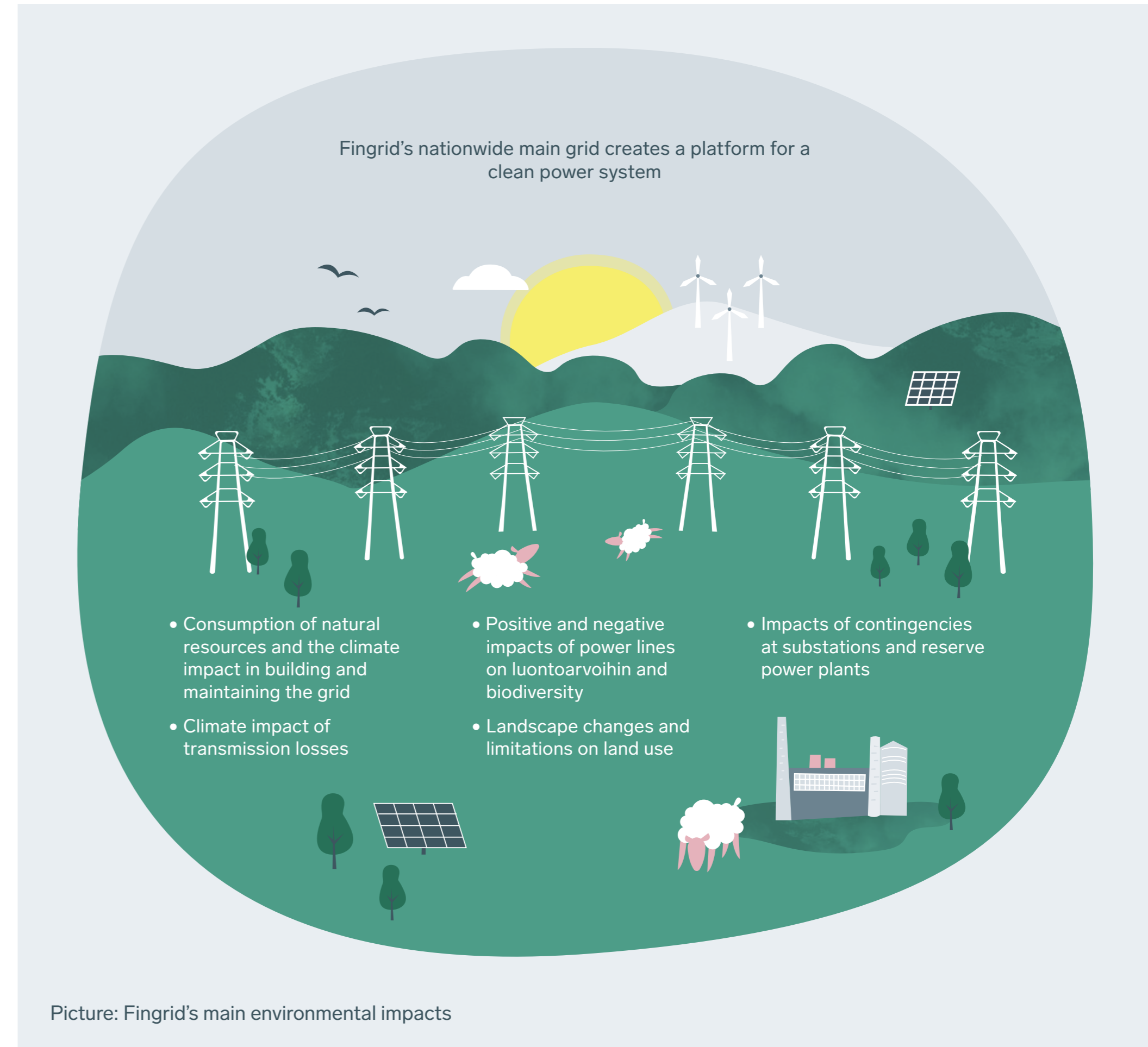
CLIMATE

Fingrid's most significant responsibility action is its climate change mitigation efforts: the main grid operates as a platform for a clean power system. By reinforcing the electricity transmission grid for the needs of clean electricity production, we are helping Finland reach its climate goals.

Fingrid is committed to operating in accordance with global climate goals and to limiting the rise in global temperature to 1.5 degrees. Fingrid does not produce electricity itself. The company promotes the mitigation of climate change by ensuring that clean production can be connected to the power system and that clean electricity is transferred from producers to consumers.

Grid investments for integration of emission-free electricity

Integrating new emission-free electricity production into the power system requires the strengthening of the main grid. More substations, transmission lines and sufficient



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transmission links between neighbouring countries are required to integrate renewable power production and transfer the produced energy to electricity consumption areas.

Over the next decade, we will build more than 3,000 kilometres of new transmission line, typically in connection with existing transmission lines. A record number of projects are underway in the grid investment programme. With these investments, we can guarantee the sufficient transmission capability of the main grid for the needs of society and for maintaining a single price area, i.e. making sure that the price of electricity will remain the same throughout Finland.

The most important and topical projects for mitigating climate change are:

- Forest Line transmission connection from Petäjävesi to Muhos via Haapavesi
- Development of the Oulujoki grid
- Lake Line transmission link between Oulu and Lappeenranta
- Third AC connection to Sweden
- Several substation projects to enable the integration of wind power, incl. the Pysäysperä, Kärppiö and Simojoki substations and the extension of the Jylkkä substation.

The annual capital expenditure in grid construction is close to EUR 200 million; in total, more than two billion euros will be invested in the main grid this decade. A record number of substation modernisations and refurbishments are being carried out. Wind power from

CASE

SUBSTATIONS ARE BEING MODERNISED AND BUILT AT A RECORD PACE

During 2020, Fingrid had more than 30 substation projects underway across Finland. Wind power construction and customers' connection projects are strongly driving investments. We need new substations near wind power stations and, at the same time, many current substations have reached an age where they require modernisation. For example, in the Oulujoki area, a large connection consisting of the Pyhänselkä, Utanen, Pyhäkoski and Nuojuankangas substations is being upgraded and built. Also the Jylkkä substation located in Kalajoki is a good example of new substation construction related to wind power. Other significant substation projects starting up are the large Pysäysperä and Kärppiö transformer substations, which integrate wind power and enable the development of the transmission grid.



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Northern Finland and imported electricity from Sweden will be transmitted for consumption in Southern Finland along the Forest Line and the Lake Line.

The hundreds of new wind turbines in Northern Finland and along the western coast have accelerated Fingrid's largest north–south transmission line project to date, the Forest Line. The length of the transmission line connection from Oulu to Petäjävesi in Central Finland, currently under construction, is more than 300 kilometres. The planning of the almost equally long Lake Line project between Oulu and Lappeenranta was subject to a statutory environmental impact assessment procedure (EIA) in 2020. The Lake Line will be built between 2023 and 2026.

More information on grid investments in 2020 is available in the Annual Report's Business Review. **Our long-term goals include enabling the emission-free electricity production necessary for a climate-neutral Finland and the increased demand for electricity.**

Well-functioning electricity market

Fingrid promotes the functioning of the electricity market by taking active part in its maintenance and development, and by developing transmission connections proactively and in the long term. Development of the transmission grid is based on customers' future needs, promoting the functioning of the Baltic Sea region's electricity markets, cost-effectiveness, and managing the ageing of the grid.

The energy transformation calls for the revamping of the electricity market. Weather-dependent energy production makes the market less predictable, and in order

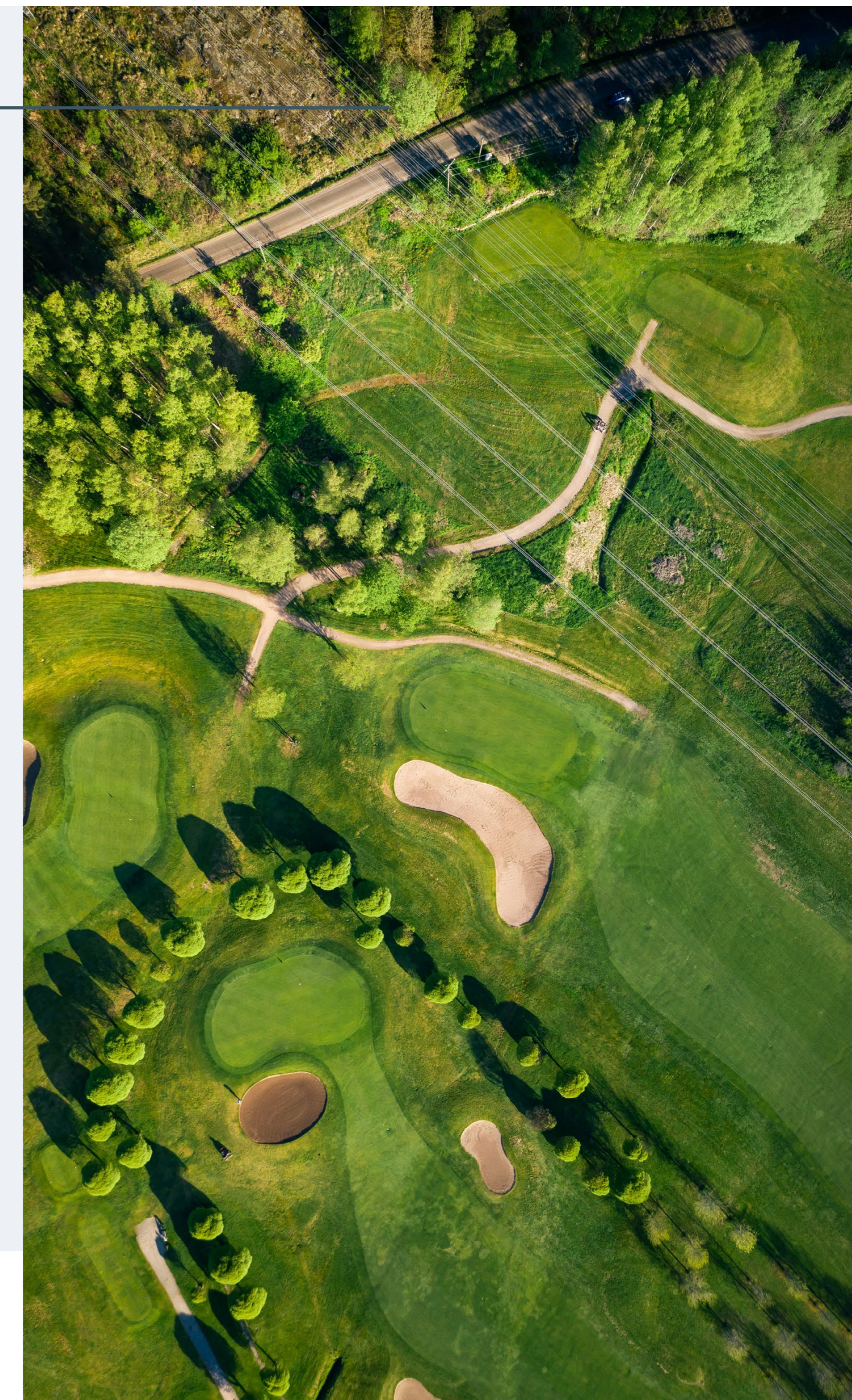
CASE

NORDIC BALANCING MODEL USHERING US TOWARDS REAL-TIME MARKETS

One of the key tasks of a transmission system operator is to keep electricity supply and demand in balance at all times. Until now, the Swedish and Norwegian transmission system operators have taken care of the balancing for Finland, Sweden, Norway and eastern Denmark via the balancing power markets.

In the new model, system balancing will be carried out by bidding zones. Finland forms one bidding zone and in the future, Fingrid will be responsible for frequency balancing in the Finnish bidding zone, in relation to the Nordic bidding zones. The development need is based on the energy transformation and the European legislation that supports it. Weather-dependent electricity generation has made controlling the frequency more difficult and the electricity market must be modernised to enable it to meet the demands of the energy transformation.

In the Nordic Balancing Model, joint Nordic reserve markets are also being built for frequency restoration reserves required for balancing – for both automatic and manual reserves. Even though each TSO defines the balancing needs required in their area, using balancing reserves through the common market enables their optimal utilisation.



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to guarantee the security of electricity supply, trading on the market will move closer to real time, towards the actual time of consumption. Fingrid has several electricity market development projects underway. Upcoming modernisations will take the electricity market in a more real-time and market-driven direction. In a clean power system, the flexibility of electricity consumption and production is essential.

More information on the electricity market's development projects in 2020 is available in the Annual Report's Business Review. **Our long-term goal is the market-driven functioning of the electricity market in balancing power consumption and production, and maintaining Finland as a single wholesale electricity price area.**

Reliability of the power system

Climate change mitigation and the cleaning of the power system must be achieved without endangering the power system's security of supply. A reliable transmission system is the backbone of the Finnish nation and essential for a functioning society. Our job is to transmit electricity in a secure and reliable way and to make sure that the production and consumption of electricity is kept in balance.

Fingrid transmits the electricity generated by power plants that are connected

to the main grid to our grid customers reliably and with high quality. Electricity is imported and exported also between Finland and its neighbouring countries. Electricity transmission reliability is maintained and monitored continuously. The calculated cost of the disturbances (regulatory outage costs) to consumer customers was EUR 3.24 million in 2020. The main grid is designed and operated in such a way that individual faults do not result in a disturbance that spreads to the entire grid.

The management of the power system becomes more difficult as the production of weather-dependent, emission-free electricity increases. That is why the electricity system's management is developed, automation is increased and sources of demand-side management are sought to help balance power production and consumption.

More information on power system management in 2020 is available in the Annual Report's Business Review. **Our long-term goal is to maintain a high, 99.9995 per cent electricity transmission reliability rate in the grid.**

Electricity transmission losses and energy efficiency

Climate goals are promoted by moving into cleaner electricity production, by re-

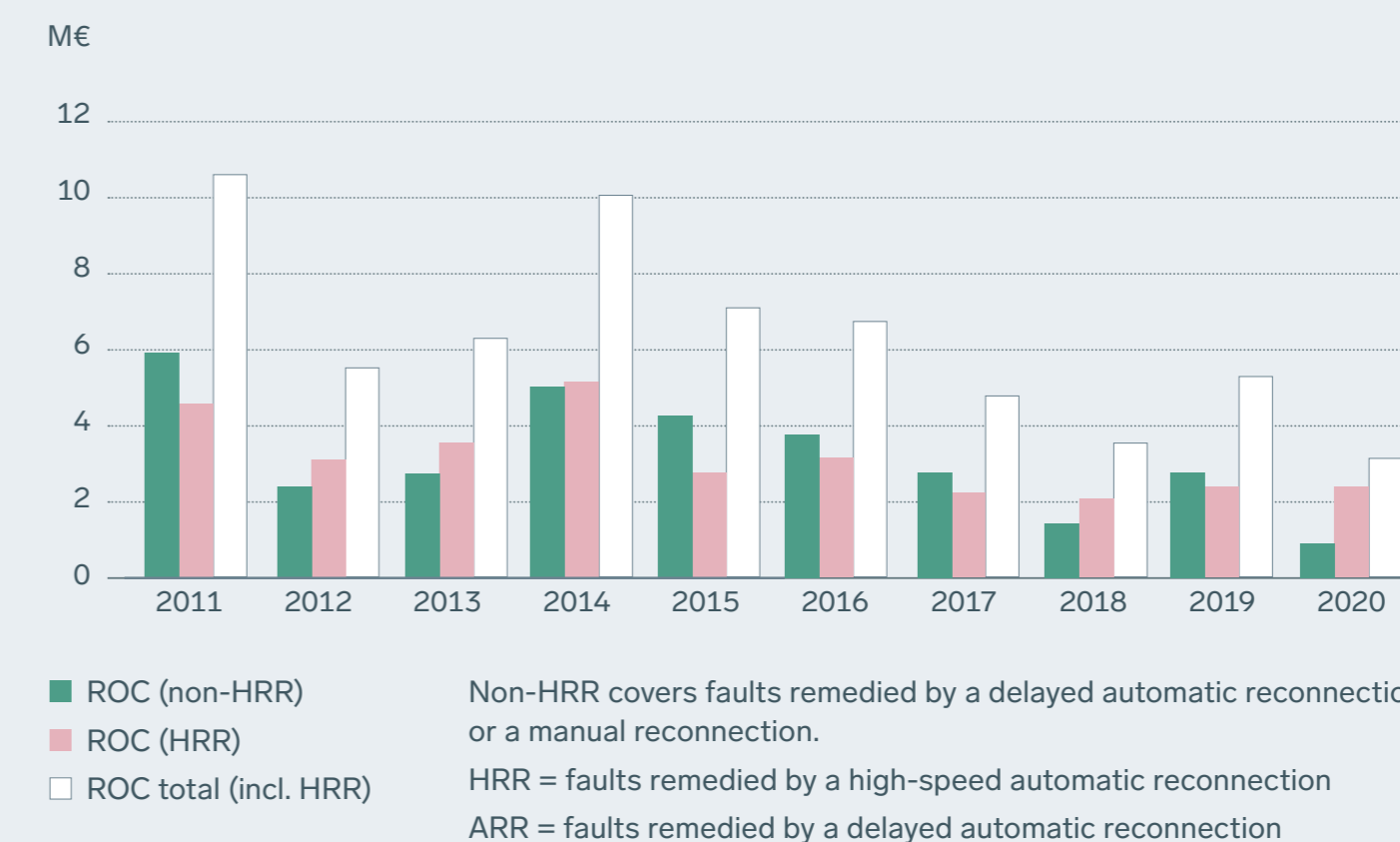
ducing power losses in electricity transmission and improving energy efficiency.

The annual variation of losses resulting in electricity transmission is affected by the Nordic electricity production situation, such as the volume of hydropower. The majority of Fingrid's greenhouse gas emissions are caused by the electricity production required to replace power losses taking place during electricity transmission.

The main method for reducing the carbon dioxide emissions caused by trans-

mission losses is the cleaning of electricity production and building the grid to accommodate the needs of new clean production. The transmission loss carbon footprint will be reduced when the electricity production structure changes and the grid investments necessitated by the changes are carried out. In 2020, the volume of transmission losses in the grid remained at the level of the previous year, 1,470 gigawatt-hours, which is 1.8 per cent of the total volume of transmitted electricity. The greenhouse gas emissions due to transmission losses came to 106,000 carbon dioxide equivalent tonnes.

Regulatory outage cost, ROC



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Energy consumption

ENERGY CONSUMPTION		2020	2019	2018
DIRECT				
Light fuel oil	t	1,600	1,600	2,900
	GJ	67,800	68,800	123,800
INDIRECT				
Electricity transmission power losses	GWh	1,470	1,335	1,222
	GJ	5,290,000	4,810,000	4,400,000
Energy produced with the fuels consumed by leased reserve power plants	GWh	1.1	1.1	1.3
	GJ	3900	4,000	4,600
Reserve power plants' auxiliary energy	GWh	12	10	9
	GJ	44,300	34,300	31,800
Reserve power plants' district heating	GWh	0.4	0.5	0.6
	GJ	1,300	1,700	2,100
Electricity of Fingrid's own premises	GWh	2.6	2.8	2.8
	GJ	9,400	9,900	10,100
District heating of Fingrid's own premises	GWh	1.0	1.2	1.2
	GJ	3,500	4,200	4,300

The reporting encompasses the entire company, except for the data on substation auxiliary energy and the related carbon dioxide emissions. The acquisition of data concerning the substations will be developed in the coming years.

Energy intensity

ENERGY INTENSITY		2020	2019	2018
Fingrid's total energy consumption divided by net sales	GJ/€1000	7.9	6.2	5.4

Fingrid is a signatory of the Finnish Energy Efficiency Agreement for Industries. The voluntary energy efficiency agreements are Finland's primary method for meeting the EU's strict obligations for more efficient use of energy. For the 2017–2025 agreement period, we have set a 12.9 per cent savings target, which corresponds

to more than 180 gigawatt-hours of energy savings.

The most significant upcoming savings measures are the upgrading of the North Karelia grid (1.7 GWh/a) and the completion of the Forest Line (90 GWh/a). The savings result from the upgrading of the

grid. When the grid is upgraded, electricity flows through it more easily and the resistance of the grid falls, thus reducing losses.

The energy efficiency measures carried out at the company's reserve power plants have achieved energy savings of roughly 360 megawatt-hours per annum

from the start of the agreement period to the latest report. In addition, the procurement specifications for the reactors procured for the substations have been changed so that when replacing old reactors reaching the end of their life cycle with new ones, or when acquiring entirely new reactors, at least 500 megawatt-hours are saved annually.

A study on using the waste heat of the transformer to heat the fire water tanks and fuel tanks of the reserve power plant is underway at the Forssa reserve power plant. Several smaller energy efficiency measures are also being planned, such as lighting and ventilation modifications and other energy efficiency improving HVAC changes at both the substations and reserve power plants.

Additionally, our goal is to minimise losses by making energy-efficient grid investments and equipment procurements and by developing the power system so that more renewable electricity production can be connected to the grid. **Our goal in the longer term is for our grid investments to enable the integration of emission-free production into the main grid, which will reduce the carbon dioxide emissions of transmission losses without the use of emission compensation. In a climate neutral Finland, losses occurring in our electricity transmission will no longer cause carbon dioxide emissions.**

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Substations' SF6 gases

Fingrid's transmission grid consists of more than a hundred substations, which contain air-insulated and gas-insulated switching substations. Over the decades, sulphur hexafluoride, or SF6 gas, has become established as the most common switching medium and dielectric gas in switching stations and components. Sulphur hexafluoride is a stronger greenhouse gas than carbon dioxide. It is not a problem, however, as long as the gas stays inside the devices and as little as possible is emitted into the atmosphere. The handling of SF6 gas is steered by the European Union's F-gas Regulation, which sets limits for leak monitoring and gas handling competence requirements.

At the end of the year, substations contained altogether some 50 tonnes of SF6 gas. In 2020, Fingrid's SF6 gas emissions came to around 300 carbon dioxide equivalent tonnes. This means 14 kilograms of gas. The long-term annual leakage rate has been very low, less than 0.2 per cent on average, representing the top results of the international ITOMS comparison. Despite its excellent technical properties, the SF6 gas is a powerful greenhouse gas. This is why Fingrid has decided to reduce its use as the equipment reaches the end of its service life and new technology enables it. It is not

possible to switch out the SF6 gas without modernising the equipment.

The large-scale use of new solutions is currently restricted by technical requirements and a lack of practical experience. In 2020, Fingrid made its first decision to invest in replacing the SF6 gas with an alternative, more climate-friendly dielectric gas, when the Virkkala substation's 110 kilovolt gas-insulated switching station is renewed. The project will be implemented between 2021 and 2022.

Our goal in the long term is to minimise our SF6 gas emissions and to utilise the new SF6-free technology in all of our new gas-insulated switching substations. Our goal is to achieve the lowest SF6 gas emissions caused by a main grid in the world, when compared with other TSOs.

Greenhouse gas impacts of Fingrid's operations

The construction and operation of the main grid necessary for the achievement of the climate goals result in emissions. In 2019, we started a real-time assessment of the power system's carbon dioxide emissions. In 2020, we used the data to calculate a more real-time factor for electricity consumed (72 g CO2/kWh) and started to use that in our emissions

1,800 megawatts more wind power.

reporting, instead of the emission factor published by Statistics Finland that we used earlier. The calculation of the emission factor is based on real-time production, import and export data and emission factors for specific forms of production.

Fingrid's greenhouse gas emissions in 2020 totalled approximately 118,000 carbon dioxide equivalent tonnes. The majority of our emissions (approx. 90%) were caused indirectly by the electricity production required to replace pow-

er losses taking place during electricity transmission. Roughly 0.3 per cent of Finland's greenhouse gas emissions are our emissions.

In 2020, altogether 296 megawatts of wind power were connected to Fingrid's main grid, which will indirectly avoid emissions worth around 72,000 carbon dioxide equivalent tonnes in the coming years. In addition, during the year, Fingrid concluded agreements on connecting a total of approximately 1,800 megawatts of wind power production to the electricity grid. Once realised, this will lead to a substantial positive climate impact, indirectly avoiding emissions worth around 450,000 million carbon dioxide equivalent tonnes.

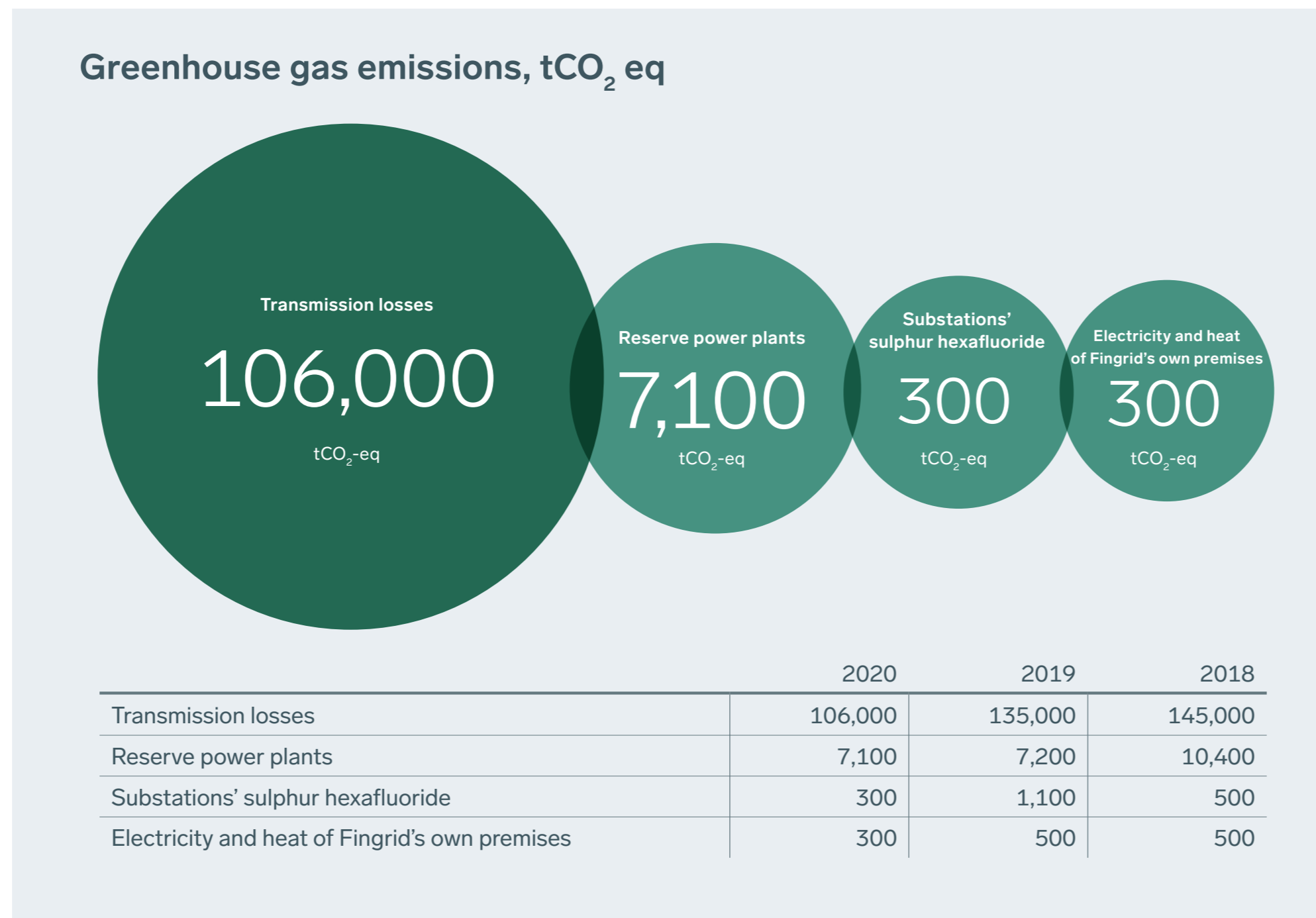
Fingrid has been reporting on its climate impacts according to the Global Reporting Initiative (GRI) and the Greenhouse Gas Protocol (GHGP) since 2011. We disclosed the business risks and opportunities related to climate change also in accordance with the Task Force on Climate-related Financial Disclosures framework. In our TCFD fact sheet we have compiled our climate goals and information on how climate change impacts are taken into account in Fingrid's governance, strategy and risk management. From a climate risk viewpoint, Fingrid

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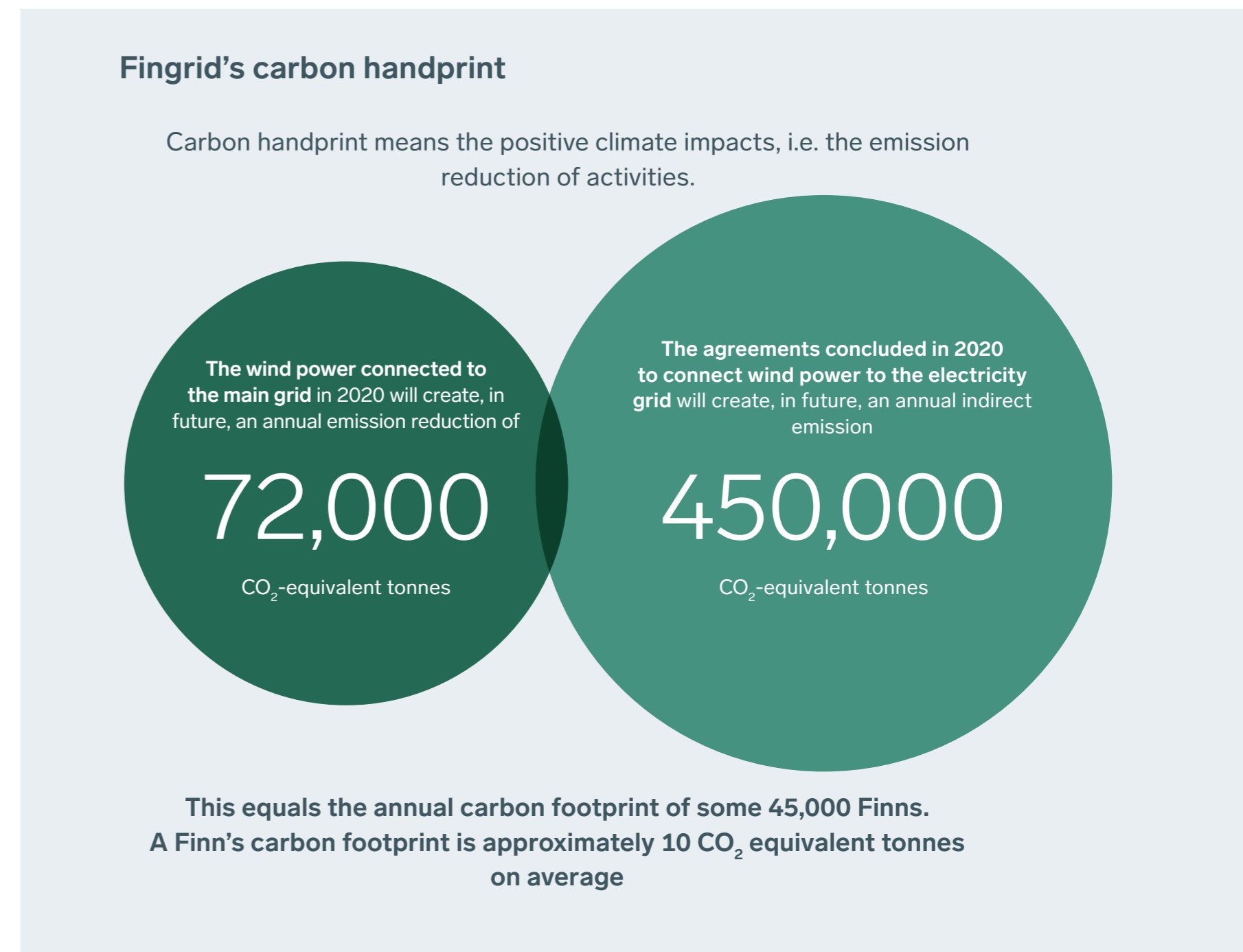
prepares for the physical risks of extreme weather phenomena, which are becoming more common and more powerful, in the construction and use of the grid. The transition risk, i.e. the transfer to a clean power system, is being prepared for by building the main grid rapidly enough to achieve the climate goals, which means proactive environmental impact assessments, successful stakeholder engagement, fast project permit processes and effective project management.

Reserve power plants

In addition to the sulphur hexafluoride gas of substations, direct greenhouse gas emissions are caused by the company's reserve power stations, which emitted some 7,100 carbon dioxide equivalent tonnes of greenhouse gases in 2020. The impacts of the reserve power stations on the air quality were minor.

Fingrid's reserve power plants are included in the European Union's emis-

sions trading system. The accuracy of the measuring and reporting systems for fuel consumption is verified by an accredited emissions trading verifier. A total of 5,020 units (tCO₂) of emission allowances were returned, 100% of which consisted of purchased emission right units. Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020. Purchased emission right units amounted to 4,000 in 2020. Emissions trading had minor financial significance for Fingrid.



Fingrid's reserve power plants are only used in serious disturbances of the power system and in the trial operation of the plants to ensure their reliable operations, but not in commercial electricity production. Plant-specific use is just roughly ten hours per year. Our reserve power plants have a certified ISO 14001 environmental management system, which was recertified in 2020. At the Vanaja reserve power plant, a refurbishment improving environmental and fire safety was completed.

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Reserve power plants' sulphur dioxide and nitrogen oxide emissions

	2020*	2019	2018
Sulphur dioxide, SO ₂ , tonnes	0.4	0.3	1.3
Nitrogen oxides, NO _x , tonnes	23	27	49

*Figures for 2020 are preliminary. Final figures will be confirmed in regulatory reporting.

Greenhouse gas (ghg) emissions***

GREENHOUSE GAS (GHG) EMISSIONS		2020	2019	2018
Direct emissions (Scope 1), tCO ₂ e		5,000	6,000	9,000
Energy indirect emissions (Scope 2), tCO ₂ e		108,000	137,000	148,000
Total (Scope 1 and 2), tCO ₂ e		114,000	143,000	157,000
Other indirect emissions (Scope 3), tCO ₂ e*		4,000	41,000	1,000
Total (Scope 1, 2 and 3), tCO ₂ e		118,000	185,000	158,000
Direct emissions (Scope 1)				
	Reserve power plant fuels, tCO ₂ e**	5,000	5,000	8,000
	Substations' sulphur hexafluoride, tCO ₂ e	300	1,100	500
	TOTAL, TCO₂E	5,000	6,000	9,000
Indirect emissions (Scope 2)				
	Transmission losses, tCO ₂ -e	106,000	135,000	145,000
	Energy produced with the fuels consumed by leased reserve power plants, tCO ₂ -e	1,100	1,100	1,200
	Reserve power plants' auxiliary energy, tCO ₂ e	900	1,000	1,100
	Reserve power plants' district heating, tCO ₂ e	100	100	100
	Electricity Fingrid's own premises, tCO ₂ e	200	300	300
	District heating of Fingrid's own premises, tCO ₂ e	100	200	200
	TOTAL, TCO₂E	108,000	137,000	148,000
Other indirect emissions (Scope 3)				
	Business travel (flights and kilometre-reimbursed business trips), tCO ₂ -e	300	800	800
	Purchased transmission line materials, tCO ₂ e	3,200	40,600	
	TOTAL, TCO₂E	4,000	41,000	1,000

*The Scope 3 emissions for 2020 and 2019 include also the emissions from purchased transmission line materials.

**The figure for 2020 is preliminary, the final figure will be confirmed in the emissions trading verification.

Greenhouse gas emissions intensity

	2020	2019	2018
Fingrid's direct (Scope 1) and indirect (Scope 2) GHG emissions divided by amount of electricity transmitted	1.7	2.1	2.3

***According to Statistics Finland, the total CO₂ equivalent emissions in Finland in 2019 were 53.1 million carbon dioxide tonnes. The share of Fingrid's Scope 1 and 2 emissions of all Finnish CO₂ emissions amounted to approximately 0.3% in 2019. Fingrid's carbon dioxide emission calculations are based on the EU emissions trading system (EU-ETS) and on the international Greenhouse Gas (GHG) Protocol standards. The emission factors for electricity used in Fingrid's CO₂ calculations are based on the annual averages of Fingrid's real-time electricity consumption data (2020: 72 kg CO₂/MWh, 2019: 101 kg CO₂/MWh and 2018: 119 kg CO₂/MWh). The presented Scope 2 emissions figure is location-based. The CO₂ calculations are also based on Statistics Finland's most recent emission factor for district heat production and IPCC 2013 (AR5) Global Warming Potentials (GWPs). The CO₂ emissions from district heating were calculated using the average published by Statistics Finland for the last three statistical years, 154 kg CO₂/MWh, as the emission factor.

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CIRCULAR ECONOMY AND MATERIAL EFFICIENCY

Fingrid has more than one hundred substations and when a new substation is built, its expected refurbishment age is not anticipated to occur until in approximately 40 years. Transmission line structures have a significantly longer life. Each year a refurbishment is performed on two or three substations and some are replaced with entirely new ones. Decisions concerning repairs and replacing substations are based on a status report and old structures are re-used whenever possible. In basic refurbishments, chemical safety and material efficiency are ensured and the reduction of the carbon footprint is considered, for example by reducing travel to the location.

Materials and waste to be decommissioned from worksites are recycled as efficiently as possible when building new grid sections or dismantling old structures. In addition to careful sorting, our goal is to improve logistics related to material transports and to develop investment project processes so that, for example, the concrete and brick being demolished could be utilised increasingly in earthworks at the site. The total volume of waste during the year was approximately 10,800 tonnes, of which hazardous waste made up roughly 900

tonnes. Of the resulting material, 62 per cent was recycled and 95 per cent was utilised in some way. The lower recycling rate compared to 2019 resulted from a larger number of contaminated soil remediation sites and an especially large replacement of soil during a capex project, in which ash, which had been deposited in the soil, was removed as it was not suitable as a foundation for the new construction project.

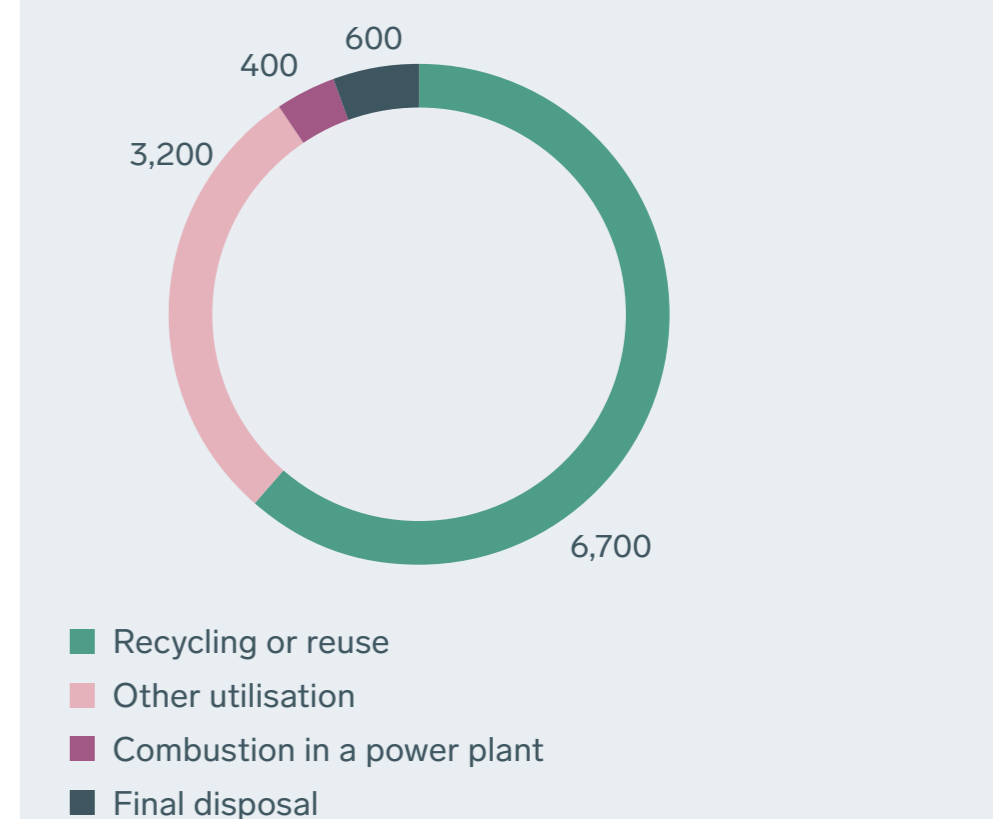
In 2020, we developed our waste sorting and recycling, also at our office properties. We have challenged our personnel to ensure that deposit bottles are returned to collection points and the profits steered to charity.

Our long-term goal is to maintain a high recycling rate of our demolition material from our grid construction projects and to minimise the volume of waste at both the worksites and our premises. We are seeking new solutions for the recycling and use of materials.

> Utilisation rate
95%

> Recycling
62%

Material volumes generated by Fingrid's operations in 2020, by tonnes



Total weight of waste by type and disposal method

TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD	2020	2019	2018
total waste volume, tonnes	10,800	13,900	11,900
by type of waste:			
hazardous waste, tonnes	900	900	900
ordinary waste, tonnes	9,900	13,000	11,000
by disposal method:			
recycling and reuse, tonnes	6,700	12,400	7,400
other utilisation, tonnes	3,200	500	1,000
combustion in a power plant, tonnes	400	800	60
final disposal, tonnes	600	200	3,400
recycling rate, %	62	89	62
utilisation rate, %	95	98	71

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PROTECTION OF NATURE VALUES AND BIODIVERSITY

Fingrid's goal is to be a forerunner in grid life cycle management and to integrate land use and environmental impacts in planning, construction, use and maintenance operations and when dismantling the old grid. We require commitments in landowner engagement, respect of site-specific environmental values and proper waste and chemical handling from external grid maintenance contractors and service providers by means of contractual terms, environmental training and audits. All personnel working at Fingrid's worksites complete online training on environmental matters. Service providers receive environmental training when investment projects are started and environmental aspects are monitored at the worksite as part of worksite monitoring.

In 2020, compliance with environmental requirements, occupational safety and contractor obligations was verified in a total of ten audits. Fingrid's goal is to complete grid investment projects and maintenance without any significant environmental deviations. No significant environmental incidents took place in Fingrid's operations during the year. Four remediations of soil contaminated by oil were carried out at worksites. Three of them concerned the remediation of soil

contaminated with light fuel oil or hydraulic oil leaked at the worksites. The leak volumes at each worksite came to about 50–100 litres. At the fourth site, an old deposit of oily soil that was observed during construction work was remediated. Based on a geotechnical survey, roughly 2,000 litres of light fuel oil had leaked into the soil and more than 250 tonnes of oily soil was taken away for processing.

Fingrid is actively mitigating the harmful environmental impacts of its activities and encourages landowners to make safe use of transmission line right-of-ways for the benefit of people and nature alike. Using the transmission line right-of-ways, we can also improve biodiversity. The right-of-ways are cleared regularly to be open and light and they can act as a replacement habitat for species threatened by disappearing meadows or the drainage of peatlands.

In new transmission line projects, the ecological impacts and the possibility to mitigate them are assessed through an environmental impact assessment procedure (EIA) required by law or an environmental study in projects with a lower impact. Using the data from the assessments, we can mitigate impacts and ensure that environmental guidelines remain part of the project's further planning and



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construction. We instruct service providers working on maintenance for existing transmission lines and on trimming vegetation to take known valuable flora, fauna or habitats into account and to take proper care of waste and chemicals.

Fingrid's objective is to increase and restore heritage environments and to encourage landowners to maintain and protect the landscape and nature values of transmission line right-of-ways. Transmission line right-of-ways can be developed into valuable heritage environments in terms of biodiversity and the landscape through active management. These environments include meadows and pastures shaped by traditional agriculture, which have developed a unique and rich fauna and flora as a result of centuries of grazing and mowing. They include both built landscapes and heritage biotopes created through reaping and grazing. Due to changes in agriculture, heritage environments have fallen into disuse, which is why they are disappearing. Overgrowth, eutrophication and afforestation are the greatest threat to these areas. The company offers financial support for maintaining transmission line right-of-ways as heritage environments in the form of initial funding and a maintenance plan.

In 2020, we tested looking into heritage environments as part of the environmental impact assessment for the Lake Line transmission line project. Overall, the company offers information on utilising transmission line right-of-ways in the form of guidelines for land planners and idea cards intended for landowners. In 2020, we also produced a new landowner's idea card on the possibilities of making use of natural products, such as juniper berries, cut branches of conifers and spruce sprouts. Companies in the natural products sector suffer from a lack of raw materials from time to time, which would be alleviated through the varied use of the transmission line areas.

Our goals in the long term are the reduction of negative impacts from transmission lines through successful EIA procedures and the extensive utilisation of transmission line right-of-ways to promote biodiversity. We also develop technical solutions that would increase the transmission capacity of the grid and could reduce the need to build new transmission lines.

CASE

BIODIVERSE TRANSMISSION LINE RIGHT-OF-WAYS



Fingrid wants to support and encourage landowners to maintain transmission line right-of-ways for the benefit of both people and nature. Fingrid may provide support for maintaining the landscape under transmission lines if certain criteria are met. The applicant can be a landowner, some other private individual or, for example, a hobby organisation.

Through active management, ideal habitats, such as meadows, can be created for pollinating insects under transmission lines. This not only supports natural diversity, but also increases the heritage environment, which has landscape value.

The distance of transmission lines from major roads and industry offers the chance to farm various types of raw material, such as spruce sprouts or juniper berries. For example, there is a growing demand for juniper berries thanks to Finland's burgeoning gin production.

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EIAs and environmental reports

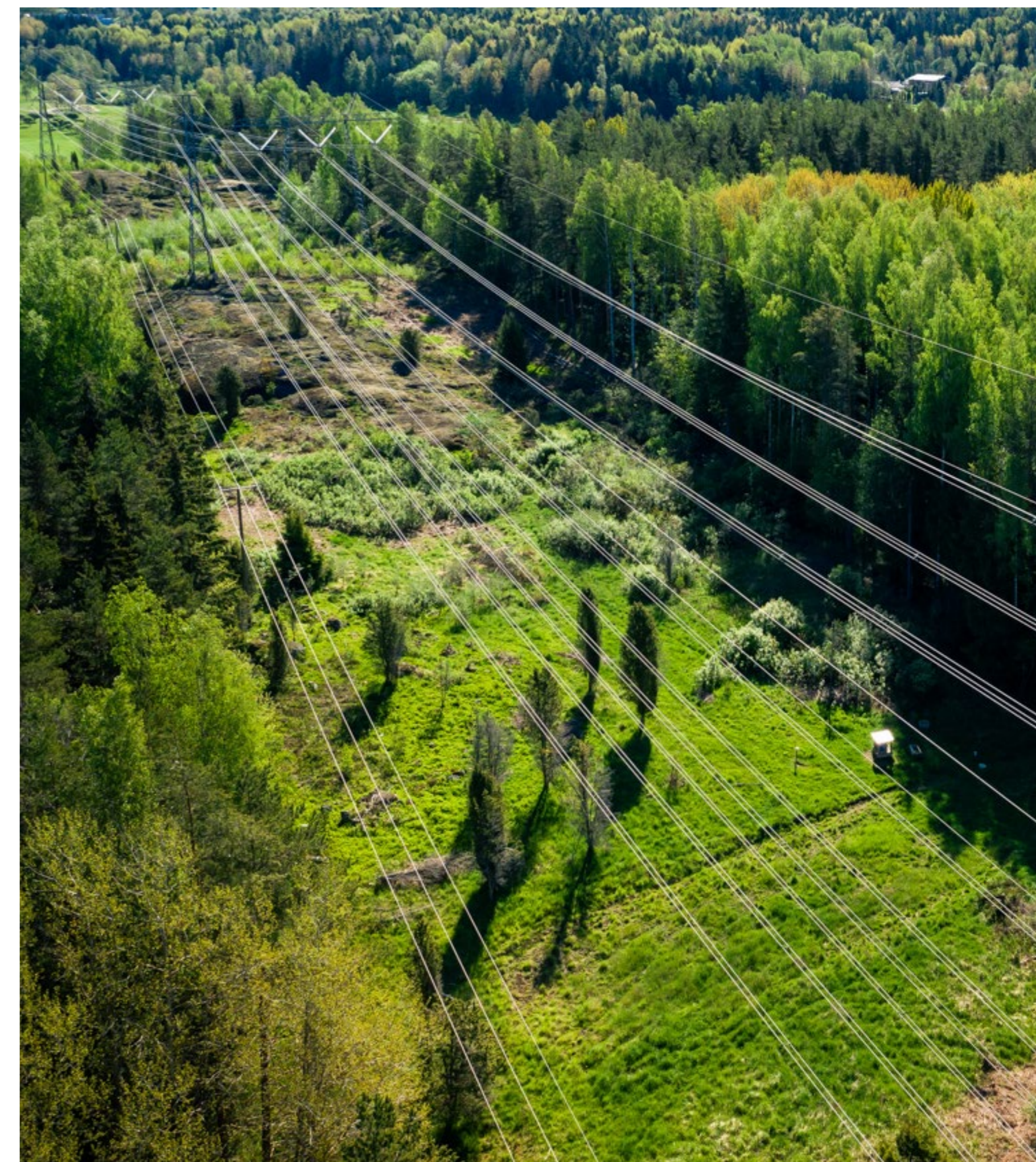
The massive grid investment programme is directly reflected in the number of necessary environmental reports. Several grid projects designed to strengthen the main grid were in the planning stage in 2020. In order to take into account environmental impacts, environmental studies were drawn up on transmission line projects with minor impacts from Kemi to Keminmaa, from Kristinestad to Isojoki and Mänttä to Petäjävesi. Environmental issues were also incorporated into the planning of the substations' locations.

The environmental impacts of transmission line projects with significant impacts are studied using a statutory environmental impact assessment (EIA procedure). The goal is to involve environmental impacts at the earliest possible stage of planning and decision-making, alongside financial and technical standpoints. Through the EIA procedure, landowners and other stakeholders receive information and can impact the project. Involving these parties is very important in terms of ensuring that the transmission line adapts to the environment, taking into account various perspectives and stakeholders.

In 2020, the EIA authority provided a reasoned conclusion for the transmission

> Listening to stakeholders is important.

line project from Huittinen to Forssa and from Keminmaa via Tornio to Ylitornio and onward to the cross-border transmission connection extending into Sweden. In addition, an EIA procedure was initiated for two major transmission line projects: the almost 300-kilometre-long Lake Line from Oulu to Lappeenranta and the transmission line between Petäjäskoski in Rovaniemi and Nuojunkangas in Vaala. We informed local residents beyond statutory practices through numerous local newspaper ads and hundreds of landowner letters. EIA events presenting the projects were arranged online due to the exceptional circumstances. The EIA events, implemented online for the first time, reached people well and received encouraging feedback.



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FINGRID'S ENVIRONMENTAL RESPONSIBILITY TARGETS 2025 AND 2035

RESPONSIBILITY VISION	SHORT-TERM TARGET 2025	LONG-TERM TARGET 2035	CORPORATE RESPONSIBILITY VIEWPOINT AND UN'S SDG
Finland climate neutral by 2035	<p>Fingrid's investments and development projects enable the reduction of carbon dioxide emissions in electricity production.</p> <p>Grid investments to be carried out to integrate emission-free electricity production to the grid were completed on schedule, the market's development projects were finished and the grid's system security remained good.</p>	<p>Enabling the emission-free electricity production required for a climate neutral Finland and increased demand for electricity.</p> <p>The main grid does not restrict Finland's transition to climate neutrality, the markets balance out production and consumption, good system security.</p>	<p>Environment Climate – emission-free power system</p> 
Emission-free transmission losses	<p>Finland's grid investments have enabled the integration of new emission-free production into the grid, which has reduced the carbon dioxide emissions of transmission losses without emission compensation.</p> <p>Improved energy efficiency based on commitments.</p>	<p>In a climate neutral Finland, transmission losses do not cause any CO2 emissions.</p> <p>Fingrid is energy efficient in all of its operations.</p>	<p>Environment Climate change – transmission loss emissions and energy efficiency</p> 
Main grid does not cause SF6 emissions	<p>Reducing SF6 gas emissions using modern technologies and preparing for adoption of new technologies.</p> <p>The roadmap for new technologies has been drawn up and a pilot project is underway.</p> <p>The grid's SF6 emissions are low compared with other TSOs.</p>	<p>SF6 gas emissions at a minimum, all new gas-insulated switching substations comply with the selected new technology and are SF6-free.</p> <p>The lowest SF6 gas emissions caused by a main grid in the world, when compared with other TSOs.</p>	<p>Environment Climate change – SF6 gas emissions</p> 
Recycling materials and reducing waste	<p>The recycling rate for demolition material from Fingrid's operations is 90% and the utilisation rate is 98%.</p> <p>Reduction of construction waste at worksites and reduction of office waste.</p>	<p>New solutions for the recycling and use of materials.</p>	<p>Environment Circular economy and material efficiency</p> 
Reducing of negative impacts on nature and improving biodiversity	<p>Successful EIA processes which take into account natural diversity and heritage environments.</p> <p>Developing clearing practices and cooperation with landowners and environmental NGOs has improved biodiversity in transmission line right-of-ways.</p> <p>Technical solutions (such as DLR and dynamic shunt compensation) have increased the transmission capacity of the existing grid.</p>	<p>Fingrid's transmission line right-of-ways are utilised extensively for projects supporting biodiversity. Technical solutions have significantly improved the main grid's transmission capacity, which has reduced the need to construct new transmission lines.</p>	<p>Environment Protection of nature values and biodiversity</p> 

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ENVIRONMENTAL RESPONSIBILITY: TARGET INDICATORS AND TARGET LEVELS

INDICATOR	DESCRIPTION	2020	2021–2025	TARGET MONITORING: HOW WE DID IN 2020
Climate target indicators and target levels				
System security	Impact of grid disturbances on customers €M	< 5 M€	-	Economic disadvantage to customers was EUR 3.2 million
System security	System Average Interruption Duration Index per connection point	< 3 min	-	SAIDI was 0.51 min
System security	Sufficiency of the system reserves	at least 99.5%	-	Sufficiency was 99.75%
Implementation of capital expenditure	Staying on schedule and budget	on schedule and budget	-	The capex projects proceeded on schedule and within budget.
Promoting the electricity market	Customer survey grade	4.0	-	The achieved grade was 4.0
System security	Transmission reliability in the grid, %	-	99.9995	New target as of 2021. Transmission reliability highest ever: 99.99995%
Well-functioning markets	Maintaining Finland as a single price area	-	yes	New target as of 2021. Finland only had one electricity wholesale market price area.
Connecting emission-free production	Connection of wind power to the grid, MW	-	5,000 MW	New target as of 2021. Around 1,800 megawatts worth of connection agreements were concluded.
Third AC connection to Sweden	Project's degree of completion, %	-	100	New target as of 2021. At planning stage. For Finland, the environmental impact assessment's reasoned conclusion was given in spring, which confirmed the chosen route. In Sweden, the route is still awaiting official confirmation. The general planning of the Pyhänselkä–Viitajärvi section started in May. A request for tenders was published in November for the Vuennonkoski (Tornionjoki)–Viitajärvi section.
North–South transmission: Forest Line	Project's degree of completion, %	-	100 in 2022	New target as of 2021. Forest Line project progressed well. All of the construction sections of the project portfolio were put out to tender. In 2020, the main focus was on transmission line foundation work, of which close to 80% is completed. Towards year-end, tower assembly started up in all of the contract sections.
North–South transmission: Lake Line II	Project's degree of completion, %	-	60	New target as of 2021. The Lake Line project was started up with an environmental impact assessment: the EIA programme was completed in September 2020 and the EIA coordinating authority gave its statement in November 2020.
All markets in 15-min periods	Project's degree of completion, %	-	100	New target as of 2021. Go-live in May 2023 and the project is proceeding according to plan.
SF6 emissions	%, emissions/volume	-	0.1	New target as of 2021. 2020 SF6 emission leakage rate was 0.03%
Transmission losses, CO ₂ emissions	tCO ₂ e	-	According to Finland's goals	New target as of 2021. The 2025 target is 84,000 tCO ₂ e. In the year under review, transmission loss emissions were 106,000 tCO ₂ e.
Energy efficiency	Energy savings, MWh	-	181,000	New target as of 2021. In 2020, the procurement specifications for reactors to be procured for the substations were changed to be significantly more energy efficient.

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INDICATOR	DESCRIPTION	2020	2021–2025	TARGET MONITORING: HOW WE DID IN 2020
Circular economy indicators and target levels				
Recycling of materials	Recycling rate, %	-	90	New target as of 2021. The recycling rate was 62%
Utilisation rate of materials	Utilisation rate, %	-	98	New target as of 2021. The utilisation rate was 95%.
Office waste to final disposal	kg	-	0	New target as of 2021. In 2020, development of recycling proceeded with the goal of reducing office waste.

INDICATOR	DESCRIPTION	2020	2021–2025	TARGET MONITORING: HOW WE DID IN 2020
Indicators and target levels for the protection of nature values and biodiversity				
Completed biodiversity improving projects	qty	-	5	New target for 2021. A new idea card was released in 2020 for landowners for the utilisation of transmission line right-of-ways and three commitments were made for managing the areas as heritage environments. Two plans were made for the utilisation of transmission line right-of-ways owned by Fingrid.
Utilising old transmission line routes	Utilisation rate (for new transmission line kilometres)	-	90	New target as of 2021.
Positive environmental impacts of technical solutions	Number of adopted solutions increasing the transmission capacity of the existing grid	-	5	New target as of 2021. Equipment for monitoring and forecasting the real-time, weather-dependent capacity of the transmission line was installed and tested in 2020. The goal is to select and commission the system in 2021.
Environmental deviations	Significant deviations, qty	0	0	No significant environmental deviations occurred during the year under review.

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3. SOCIAL RESPONSIBILITY

The operations of transmission system operators impact many stakeholders and society. Our aim is to maintain affordable transmission tariffs, thus boosting Finland's competitiveness. Based on our values, we operate openly, fairly and responsibly with our stakeholders. Through our close and long-term customer and stakeholder collaboration, we can promote the goal of a climate neutral Finland. Our operations are based on skilled personnel who recognise the importance of their work for customers, the company and the whole of society.

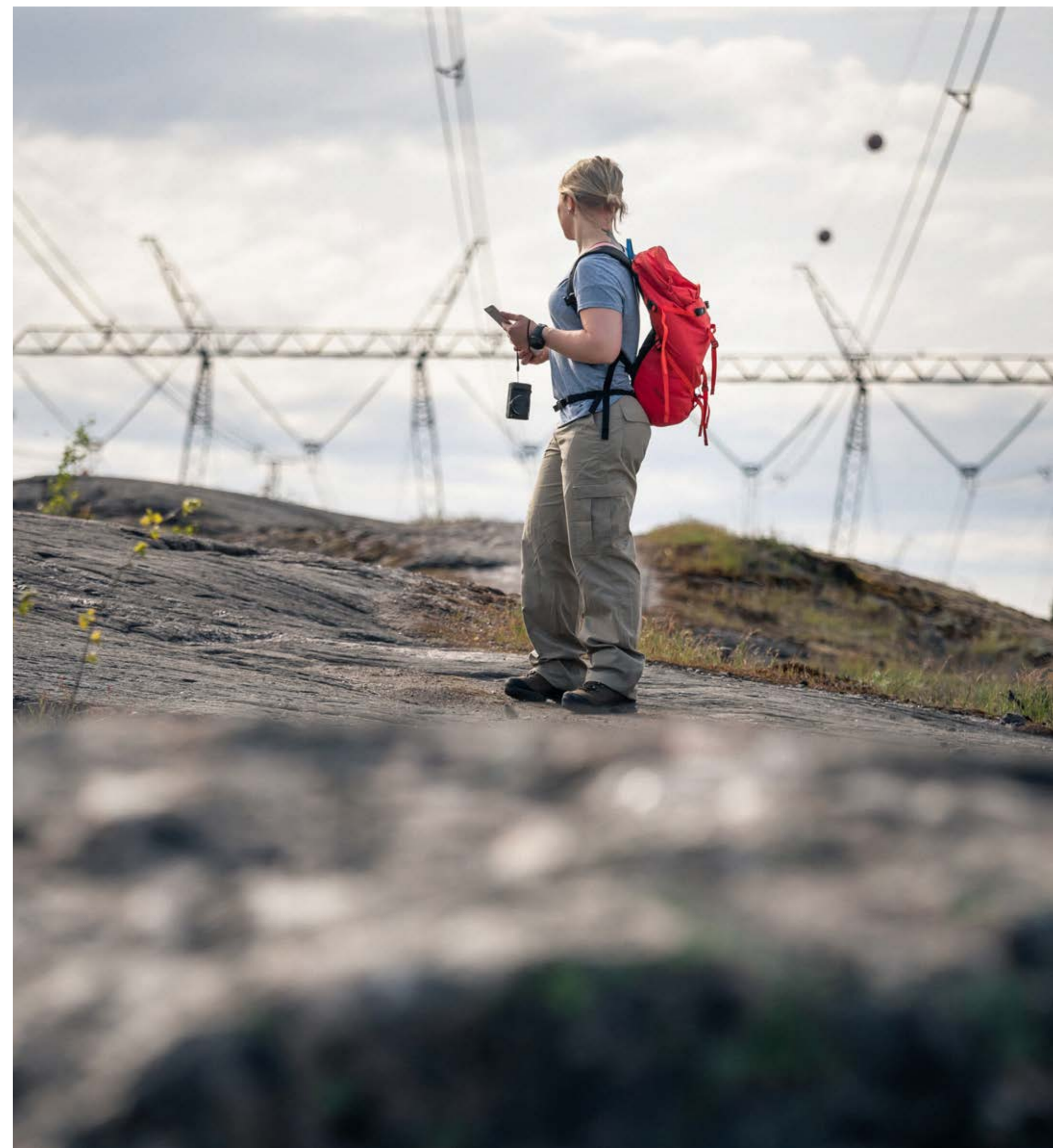
PERSONNEL

Meaningful work

Fingrid's core mission is to secure reliable electricity for our customers and society cost-effectively, and to help shape the clean, market-oriented power system of the future. Our work to mitigate climate change has high significance, just like our daily task of promoting the security of the power system. Fingrid's personnel are well aware of this and strive to carry out their work responsibly and with care. A personnel survey carried out in 2020 (Siqni) provided confirmation that the personnel experience their work as meaningful.

The purpose of the Siqni survey is to look more deeply into the employee experience; what personnel value in a good workplace. Each respondent selected five significant things out of thirty, that were assessed in the survey. At the company level, the five most significant issues were meaningful tasks (59% of respondents), the security and continuity of employment (38%), work-life balance (34%), the opportunity to impact one's work and the working environment (31%) and the freedom to work regardless of time and place (31%). The most significant issues were also perceived to be well looked after in the company (see figure below).

The Siqni survey was carried out in the midst of exceptional circumstances. In the open-ended responses, the coronavirus period came up in a number of ways. The responses praised, among other things, the uninterrupted continuity of work, open communication, day-to-day flexibility in different life situations and the team spirit that carried through the pandemic. Concerns that troubled respondents included the re-activation of cooperation between the units after the coronavirus pandemic, issues concerning remote and office work, increasing collaborative work and the challenges and necessity of business travel following the 'enforced digitalisation' of the pandemic period.



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In connection with the survey, also the internationally comparable Employee Net Promoter Score, or eNPS, was calculated. In practice, the score answers the question “How likely would you be to recommend this company as a workplace to your friends and colleagues?”. Of our respondents, 77% said that they would recommend the company, meaning that they gave a score of 9 or 10. Our eNPS score was thus 71, which is an excellent result, also in global terms. This score also reveals a high level of commitment to our work.

Responsibility is our choice

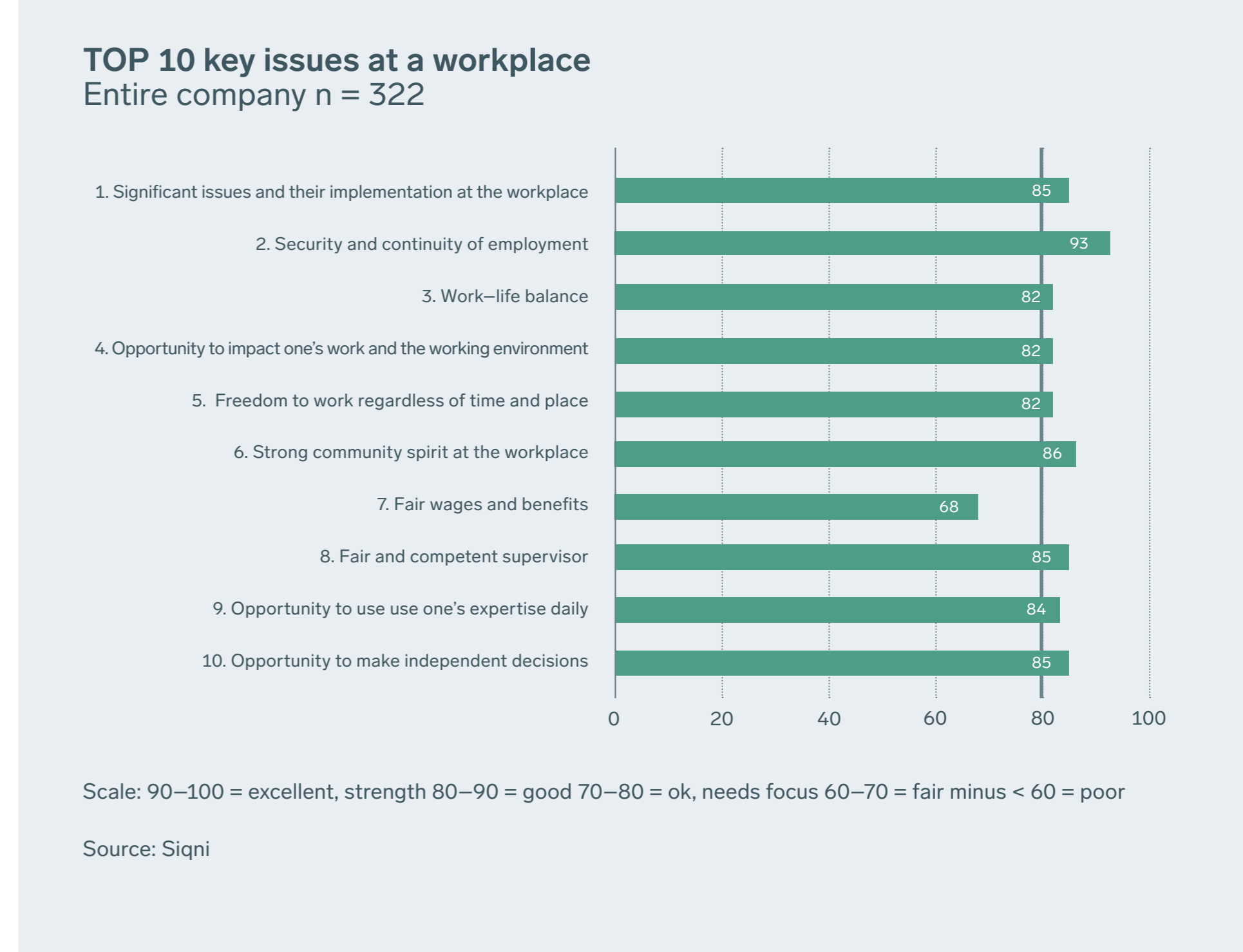
Fingrid is a company led by strong values and these values are a natural part of the company’s and employees’ daily activities. Fingrid’s values were last reviewed five years ago, so it was decided in 2020 that a review of the current values would be carried out with the personnel to check whether they are up to date, how well they correspond to what we do and whether they need to be updated or reworded.

The objective of reviewing the values was to achieve a shared value experience for the entire personnel, which would steer daily operations and decision-making organically. The review of the values began as an online survey, followed by a discus-

sion of the results in a webinar geared toward the entire personnel.

The old values remained almost unchanged, but their content was reworded. Fingrid is open, fair, efficient and responsible. The personnel expressed the values in the following hashtags: #IListenAndIHear and #NoHiddenAgendas, #Equal-Treatment and #FairPlay, #WeGetResults and #IAchieveAndLearn, #ResponsibilityLiesWithEverybody and #ACleanerTomorrow.

Based on the survey, the values were considered important and especially responsibility was considered the foundation for everything. The value of responsibility played a major part in day-to-day decision-making during the pandemic. In the spring, when personnel transferred to remote work, we wanted to support them by arranging remote lectures on good work ergonomics and organising remote work, among other things. When the Emergency Powers Act was in force in Finland, the employer supported the parents of small children working at home, who faced the challenge of working remotely while taking care of their children and helping with schoolwork. A coronavirus working group consisting of personnel representatives was established to monitor the coronavirus situation and to provide advice and assistance. After the



summer, a hybrid model was adopted, allowing people to work either at the office or remotely, depending on their job. An occupational healthcare physician came to inspect the workplace and provided instructions. The company offered employees face masks for commutes and for working at the office.

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Fingrid is a responsible employer

During 2020, Fingrid was involved in the Finnish company Oikotie's Responsible Employer and Responsible Summer Job competitions. The results of both campaigns are based on the scores given to their workplaces by the employees. Fingrid was named the most responsible employer 2020 and in the summer job competition we came in at a pleasing fifth place in the large companies series.

Altogether, Fingrid's personnel rated their employer's responsibility as excellent. The willingness to recommend Fingrid, the personnel's commitment and score for reputation were all excellent. According to the personnel, the company's strengths are fair treatment and immediate intervention in harassment and discrimination situations. The regular monitoring of the achievement of equal opportunities and non-discrimination is one of the company's strengths. The company encourages a good work–life balance.

Based on feedback from summer employees, Fingrid is considered to be a company that treats its summer employees fairly and equally. Positive points that came up also included the smooth application process, meaningful tasks, the chance to do work that corresponds with one's competence, a good line of communication with the supervisor or other contact

person, and the feeling that the opinions of summer employees are heard. Even during the coronavirus pandemic, Fingrid employed some 40 summer employees, i.e. the same amount as in earlier years.

Healthy and happy personnel

Fingrid's value proposition to its customers is: Fingrid delivers. The same value proposition applies to employees. The company wants to take care of its personnel. Our goal is to support employees' overall well-being, maintain a good work atmosphere and management, to be flexible according to individual needs and to support recreational activities.

We monitor the work atmosphere and success of leadership through annual personnel surveys. Every other year, we take part in the Great Place to Work Finland survey, most recently in 2019. Based on the 2019 results, we came in seventh in the Great Place to Work survey in the mid-sized companies category in February 2020.

In our opinion a good workplace is a value that the management chooses and its formation can be boosted through management practices. Supervisors are encouraged to communicate a lot, to involve the teams in decision-making and to reward good performance. A managerial position is not the only way for personnel to advance in their career, and the compa-

ny has created a separate specialist career path towards this end. Overall, we encourage everyone to develop and expand their expertise. We offer each specialist flexibility and freedom in their work. This freedom also involves responsibility for their work and their development.

Our management system and HR policy are described in more detail in the company's Business Review. A meaningful part of our HR policy from a responsibility viewpoint is our organisation's flat hierarchy and the opportunity that each person has to impact the planning and performance of their work.

Fingrid takes care of the personnel's well-being and ability to cope at work through comprehensive well-being at work services and activities. Our goal is preventive occupational healthcare and preventing illnesses before they occur, which involves measures such as health check-ups and advice on healthy habits. Fingrid's employees have access to a wide range of comprehensive occupational healthcare and well-being services that aim to support their work capacity and well-being, regardless of the location.

The occupational healthcare agreement and action plan are available to personnel on the company's intranet. Fingrid's occupational healthcare agreement also

➤ Fingrid is open, fair, efficient and responsible.



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covers an extensive array of doctor's and healthcare services unrelated to work. These include general practitioner's appointments, appointments with specialists based on an occupational healthcare physician's referral, physical therapist and psychologist services and various minor operations or examinations. In addition to statutory insurances, Fingrid offers its personnel group insurance for off-working hours, which also covers accidents occurring during leisure.

Occupational healthcare costs before the reimbursements from the public health system (Kela) were EUR 261,210 (262,488) for the entire personnel. The number of absences due to illness has been remarkably low for many years now, and came to one per cent in 2020. The percentage of absences due to illness has been calculated for the whole personnel. The high age of retirement (65 in 2020 and 63 in 2019) and the lowest possible pension contribution category bear further testimony to the well-being of our employees.

Diverse work community

Fingrid is committed to promoting diversity in everything it does. The company guarantees equal opportunities, rights and treatment to all employees and makes use of its personnel's diverse expertise. In accordance with our employer promise, we have a collaborative atmosphere where

the organisational culture and management practices are respectful, fair and tolerant to all.

Fingrid treats its employees and all cooperation partners in a non-discriminatory way regardless of their age, gender, nationality, ethnic origin, language, beliefs, religion, health, sexual orientation, political background, socioeconomic status or marital status.

Our personnel includes both recent graduates and long-standing industry veterans. Our age range is from 20 to 70. In terms of education, our personnel mostly hold tertiary education degrees, but the degrees vary all the way from vocational degrees to PhDs. Women make up a regrettably small proportion of personnel, which is typical of our industry, however. We hope to attract more women to the technology sector, which is why we have been involved in the Women-in-Tech campaign for several years. Of the Executive Management Group, 3/9 are women and of the Board of Directors 2/5 are women.

Our long-term goal is to achieve a work community that is productive, healthy, evolving and diverse in terms of its personnel structure. We aim to be a well-known and attractive workplace, whose supervisory work and leadership practices are second to none.

CASE

FINGRID CELEBRATED CLIMATE WEEK WITH REMINDERS OF ENVIRONMENTAL IMPACTS

In September 2020, Fingrid organised its first Climate Week, intended to develop an eco-friendly corporate culture and the personnel's environmental expertise, and to encourage Fingrid employees to take climate action in capex projects, grid maintenance and office work. The week featured several talks by experts, in-house environmental training, competitive quizzes and a mushroom-picking outing into the nearby forest.



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GENDER DISTRIBUTION BY EMPLOYEE GROUP	2020		2019		2018	
	Men	Women	Men	Women	Men	Women
Board of Directors	3	2	2	3	3	3
Management	6	3	6	3	6	3
Senior salaried employees	274	70	254	64	244	64
Salaried employees	1	9	1	10	1	9

AGE DISTRIBUTION OF PERMANENT PERSONNEL	2020	2019	2018
Under 29 yrs.	30	29	28
30–39 yrs.	106	98	98
40–49 yrs.	109	101	99
50–59 yrs.	83	75	67
60–69 yrs.	35	35	35
Average age	44	44	44

TYPES OF EMPLOYMENT	2020	2019	2018
New permanent employment contracts	27	20	24
Number of expired employment contracts, incl. retired employees	10	19	12
Retired	4	3	4
Average retirement age	65	63	66
Average length of employment in years*	11	11	12
Number of persons made redundant	0	0	0
Incoming turnover rate	7.4%	5.9%	7.3%
Outgoing turnover rate	2.8%	5.6%	3.7%

Incoming and outgoing turnover rates not reported by age group and gender. The report accounts for absolute values; percentage rates not reported due to a low turnover rate.

* Fingrid was established in 1996 and its operations started in 1997. The previous company's personnel were transferred to the company as serving employees.

NEW, PERMANENT EMPLOYMENT CONTRACTS, BY AGE GROUP	2020	2019	2018
	No. of people	No. of people	No. of people
under 29 yrs.	8	5	2
30–39 yrs.	9	8	17
40–49 yrs.	8	6	4
50–59 yrs.	2	1	1
60–69 yrs.	0	0	0

EXPIRED PERMANENT EMPLOYMENT CONTRACTS, BY AGE GROUP	2020	2019	2018
	No. of people	No. of people	No. of people
under 29 yrs.	0	3	1
30–39 yrs.	4	8	6
40–49 yrs.	1	4	3
50–59 yrs.	0	1	1
60–69 yrs.	5	3	1

Percentage of employees retiring within the next 5 years, %:

11

Percentage of employees retiring within the next 10 years, %:

12

The estimate is based on the lowest possible retirement age for old-age pension according to the statutory pension system.

EMPLOYMENT IMPACT. PERSONNEL AND SERVICE PROVIDERS, MAN-YEARS	2020	2019	2018
Man-years, Fingrid's personnel	355	336	338
Man-years, service providers*	491	444	413
Man-years total	846	780	751

*Reporting covers the service providers' working hours included in Fingrid's internal monitoring. In 2020, grid building and maintenance operations amounted to roughly 834,000 work hours, equalling 491 man-years. Service providers' man-years for 2019 adjusted and lost time injury frequency calculated based on the more accurate information.

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Relationship between the personnel and the employer

The cooperation between the company and personnel is a natural part of developing the work community at Fingrid: personnel are involved in decision-making and their opinions are heard. The company's statutory cooperation bodies are the joint meeting and occupational health and safety committee. Fingrid respects its personnel's freedom of association and right to collective bargaining.

The joint meeting discusses personnel issues, taking into account different viewpoints. In the joint meeting, personnel are represented by the shop stewards elected by the senior salaried employees and salaried employees. The company's representatives at the meeting are the President & CEO, the Senior Vice President, HR and the HR Manager. Regular interaction ensures that the personnel is aware of the company's activities and any current issues impacting the activities.

Statutory OHS matters are handled by the company's OHS committee, to which personnel representatives are elected. The employer's representative in the OHS committee is the OHS Manager appointed by the company.

The cooperation between the employer and personnel is further improved in

the steering group of the Personnel & Expertise perspective, which has representatives from the company's various functions that have been appointed by the Executive Management Group. The steering group especially prepares matters related to the development of the personnel for the Executive Management Group to decide on.

Fair remuneration

The goal for Fingrid's compensation and remuneration is to encourage our personnel to work productively and develop our operations.

The pay level and its development are kept competitive compared to the pay level in the energy sector.

The compensation, remuneration and other employment terms are fair, non-discriminatory and sufficiently transparent in their justifications.

Personnel salaries comprise the basic salary determined according to the content of the task, competence, experience and results, an annual quality bonus that encourages the effective implementation of the strategy, and an incentive bonus to support personal performance, for which the company sets aside two per cent of the payroll each year. Incentive bonuses are paid for good performance as part of



OPEN-ENDED RESPONSES FROM PERSONNEL:

"Here at FG we get to be ourselves and bring up issues and things that need improving. You don't need to put on a role."

"During the coronavirus pandemic, I've been happy that I can work flexibly regardless of time and place. This has made my life feel more flexible and safe in a difficult situation."

"We talk openly about where we're at and what the goals are. We also talk about difficult things."

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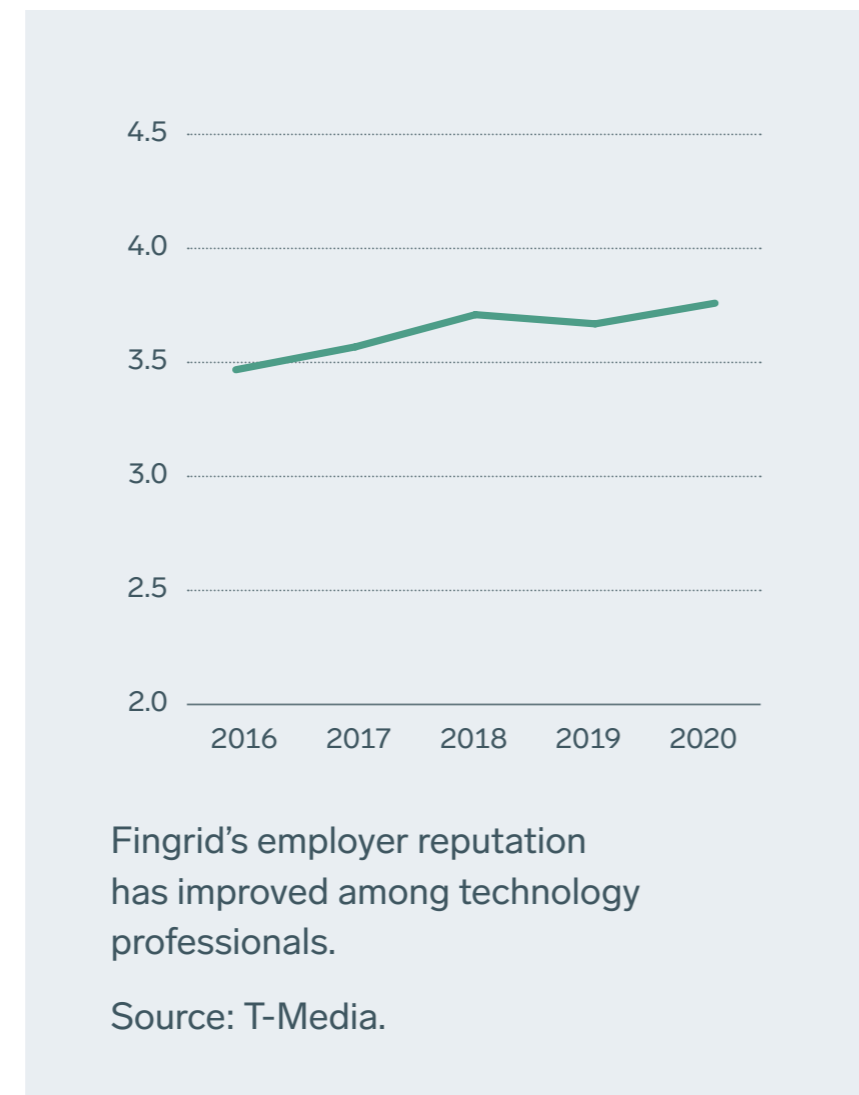
the daily management of personal performance.

Remuneration is supplemented by other benefits and worktime flexibility organised by the company.

Results which form the basis of quality bonuses are measured using company-level strategic criteria defined annually and criteria based on personal perfor-

mance. In 2020, the shared indicators determined 60 per cent of the bonus result, in addition to which each person had a personal performance indicator with a 40 per cent weight.

The CEO-to-employee annual median income ratio in 2020 was 7:1, and the female-to-male annual median income ratio was 0.9:1.



CASE

THE MEANINGFULNESS OF WORK IS EMPHASISED IN THE EMPLOYER IMAGE



Fingrid's employer reputation among technology professionals took a step forward during the year under review compared to a year earlier. Technology professionals consider Fingrid to be a responsible player, which treats its employees fairly and well.

Fingrid's overall reputation, according to T-Media's study is excellent and has improved steadily each year. The image that university-level technology students have of Fingrid's employer image and employer branding has risen in almost all of the sub-areas. The impression held by technology professionals who are in working life remained at last year's good level.

In the responses given by the students, what stood out was the meaningfulness of work which, together with responsibility, is a significant factor when applying to work in a company, based on the study's impact assessment. The responses of those already in working life were relatively uniform in all of the sub-areas, with only interaction and innovations at a slightly lower level. The factors in question are good development areas for employer reputation communications. The additional claims concerning the employer image highlighted safety in addition to the meaningfulness of work, in both groups of respondents.

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ECONOMY – SOCIETY

In our societally important core mission, and as a natural monopoly, sustainable and responsible finances are important. Fingrid's financial control goals include good cost-effectiveness, responsible operations, and continuous improvement of productivity, in addition to a high credit rating and creating shareholder value.

One of the company's key financial goals is to be among the most cost-effective TSOs in Europe and maintain its grid pricing among the three most affordable in its peer group (companies with a similar grid). Based on a comparison of transmission system operators, Fingrid's grid prices are the third lowest in Europe. The affordable level of grid pricing keeps Finland competitive and helps attract investments to Finland. Fingrid's goal is to maintain a strong grid so that Finland can remain a single price area. This means that the price of electricity is the same for each Finn and throughout Finland, which makes it possible to make investments everywhere in the country.

The starting points for Fingrid's capital expenditure include the needs of society and the customers, developments on the European internal market in electricity, securing the preconditions for the company's business operations, and the targets set by the owners. The company's

Board of Directors decides annually on a budget that includes the company's key capex projects and commitments for the year in question. The investments must be cost-effective and financially profitable. As part of its approval decisions for individual investments, the company's Board of Directors also assesses the investment's climate, corporate responsibility and risk impacts.

The long-term planning of the main grid and the related investment and maintenance programme support the implementation of the national climate and energy strategy, maintain system security, increase transmission capacity, and promote the electricity market. In addition, the company's sustainable financial position is secured.

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividends. When making the decision, however, the economic conditions, the company's near-term capital expenditure and development needs as well as any prevailing financial control targets are always taken into account. The company's dividends are paid entirely to Finland; mainly to the state and to Finnish pension and insurance companies. In 2020, we paid EUR 148 million in dividends.

- > One of the company's key financial goals is to be among the most cost-effective TSOs in Europe.



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DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED, €1,000

Income from customers	2020	2019	2018
Turnover	682,456	789,356	852,784
Other operating income	2,390	4,221	10,800
Contributions received	-547	-290	-186
Dividend income	8,357	881	645
Income from investments and loans	150	169	170
Total	692,806	794,337	864,213
Payments to service and equipment suppliers and electricity market parties			
Purchases, materials and services	404,330	490,861	482,873
Other costs	32,474	63,007	7,211
Changes in fair value	3,004	-26,585	37,083
Voluntary additional personnel expenses and compensation for expenses (excl. training)	-1,477	-1,469	-1,697
Real estate tax	-453	-421	-417
Contributions	-10	-10	-25
Total	437,869	525,383	525,028
Remuneration to personnel			
Salaries, remunerations, social security contributions	34,094	31,129	32,190
Voluntary additional personnel expenses and compensation for expenses (excl. training)	1,477	1,469	1,679
Total	35,571	32,598	33,887
Payments to providers of capital			
Dividend*	135,614	148,249	171,440
Finance costs	13,348	16,149	17,299
Total	148,962	164,398	188,739
Payments to government and community investment			
Income tax for the financial year	29,722	34,957	50,421
Real estate tax	453	421	417
Contributions and sponsoring	10	10	25
Total	30,185	35,389	50,863
Economic value retained for developing operations	40,219	36,569	65,695

* The dividend for 2020 is the Board of Directors' proposal to the Annual General Meeting

The reporting on economic impacts does not include Fingrid's capital expenditure, which has been accounted for elsewhere in the annual reporting

CONTRIBUTIONS RECEIVED, €1,000

	2020	2019	2018
EU: Horizon 2020 Framework Program	402	149	28
National Emergency Supply Agency	145	141	145
EU: Connecting Europe Facility (CEF Energy) grant	0	610	0
Total	547	900	173

Generation of economic value

Fingrid's profits are directed to the service providers' operations, payroll, payments to financiers, taxes and, finally, in the form of dividends to the Finnish owners.

Fingrid is a major investor in Finland. Over the next decade, we will invest some two billion euros in grid networks and substations for the main grid and the supporting systems, which amount will ensure a well-functioning electricity market and the shift towards a clean power system. Fingrid operates on a national scale and invests throughout Finland, buying grid network construction and maintenance services from external service providers. Our employment impacts are therefore spread out across an extensive area. In addition, we innovate together with different parties, including start-up companies, in order to create opportunities for new commercial business on the infrastructure platform built up by the company. Fingrid's objective is not to create new business for itself; its goal is the creation of technology,

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operating models and low service costs resulting from innovations.

Tax footprint

Fingrid is a responsible taxpayer. In 2020, we paid EUR 30 million in income tax. Our tax rate, i.e. the amount of tax to be paid on the company's earnings, corresponds to Finland's corporate income tax percentage (20%). In 2019, Fingrid was Finland's 17th largest corporate income taxpayer, paying EUR 35 million in income tax. Fingrid annually reports on its tax footprint and refrains from any special arrangements to minimise its taxes.

The table below describes Fingrid's tax footprint for 2018–2020. The summary includes taxes and charges that Fingrid is under legal obligation to pay or to collect the tax or payment in question. However, taxes that are included in the purchase price of a product or service and which Fingrid is not under legal obligation to declare are not included in the summary data.

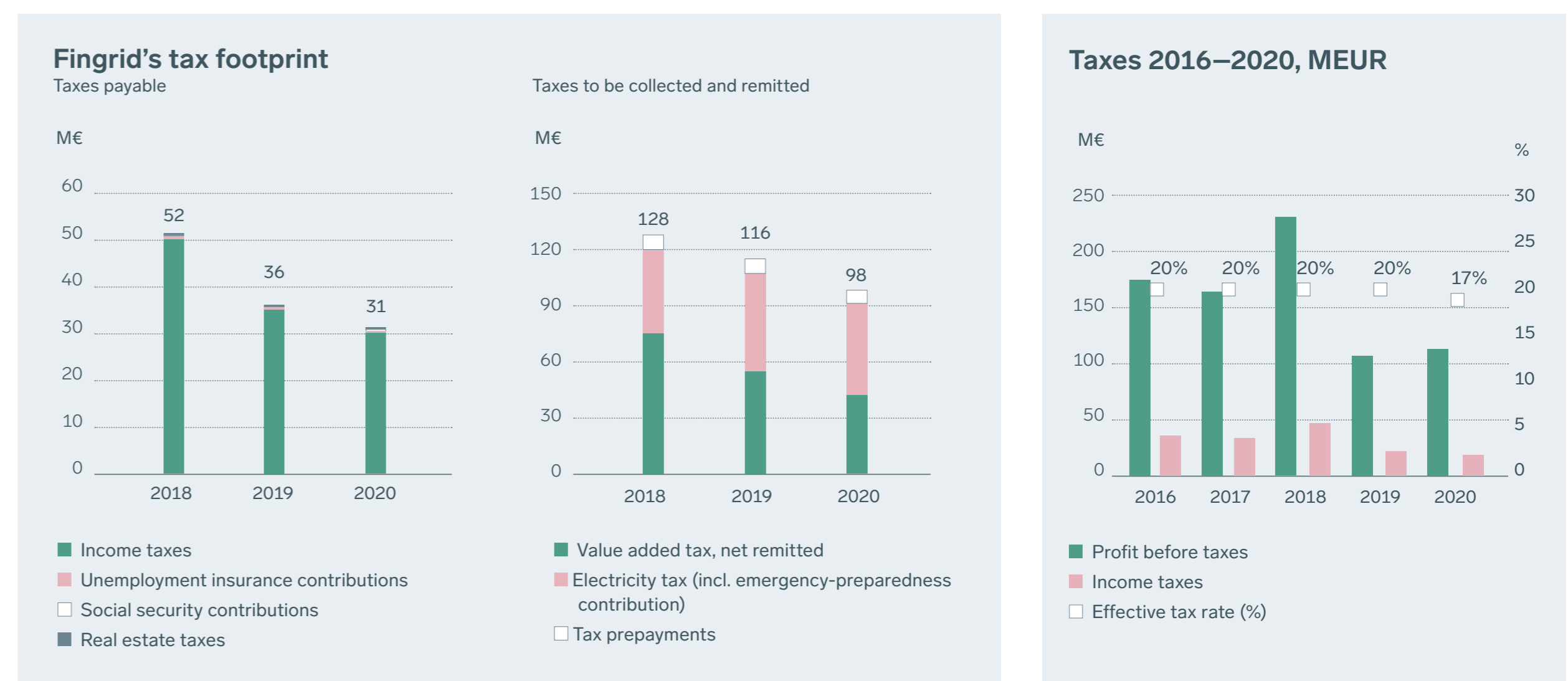
The majority of the summary's taxes and charges concern Finland, as do the entire Group's operations. The Group has had insignificant business operations in Denmark since 2018, due to the Regional Security Coordinator (RSC) established in accordance with the EU's 'Establishing a guideline on electricity transmission sys-

tem operation' directive, as a consequence of which a low amount of income tax has been paid to Denmark and a low amount of tax prepayments on the salaries paid to personnel in Denmark have been remitted.

In 2020, the differences between the Finnish corporate tax rate and Fingrid's effective tax rate were caused by a small quantity of non-deductible items, a tax-free dividend income from the sale of Nord Pool shares, and the deferred tax assets recognised from the datahub's cumulative losses.

FINGRID'S TAX FOOTPRINT, MEUR

	2020	2019	2018
Taxes payable			
income tax	29.72	34.96	50.42
unemployment insurance contributions	0.42	0.47	0.73
social security contributions	0.42	0.20	0.19
real estate tax	0.45	0.42	0.42
taxes payable total	31.02	36.04	51.75
taxes to be collected and remitted			
value added tax, net remitted	41.66	55.29	75.05
electricity tax (incl. emergency-preparedness contribution)	49.50	52.13	44.81
tax prepayments	8.25	8.10	7.70
taxes to be remitted total	98.41	115.51	127.56



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Green financing

Green financing is an important part of Fingrid's financing strategy and responsible operating model. Fingrid was the first Finnish company to issue a Green Bond in 2017. Green Bonds are used to finance projects that are expected to have long-term net positive environmental impacts. Green Bond projects connect renewable energy production to Fingrid's electricity grid, reduce electricity transmission losses and create smart solutions that save energy and the environment. Fingrid annually reports on the impacts of its Green Bond projects by publishing a separate impact report on its website, under 'Investors'. As of 2019, the company has also disclosed the estimated amount of indirect carbon dioxide emissions that have been avoided through these projects in carbon dioxide equivalent tonnes. In 2020, Fingrid decided to approve, from the company's investment programme, investment projects worth altogether EUR 180 million as eligible for Green Bond financing. The company can finance these projects with Green Bonds in the future.

Fingrid wishes to use green financing because it supports the company's goal of enabling the transition to a clean power system. Green financing also conforms with our corporate responsibility policy,

➤ The operations of a TSO impact many stakeholders and society.

which involves the assessment of the projects' environmental impacts, the responsibility audits of service and goods providers and requiring suppliers to commit to the company's corporate responsibility requirements.

Our long-term goals remain unchanged: boosting Finland's competitiveness through low prices, implementing a major maintenance and investment programme, paying taxes according to Finland's corporate income tax rate, upping the amount of green financing in the company's total financing, and remaining an effective company that continuously improves its productivity.

CASE

EMISSIONS DOWN WITH GREEN INVESTMENTS

In early 2020, Fingrid released the Green Bond Investor Letter and Impact Report, which presents projects financed with Green Bonds and their climate and environmental impacts.

Green Bond proceeds were allocated across eleven capex projects, through which renewable energy production will be linked to the main grid or technical losses in electricity transmission will be reduced.

We issued the first corporate Green Bond in 2017. As the issuer of the bond, Fingrid is committed to specific criteria and promotes projects that have positive environmental impacts. Using green financing supports our objective of enabling a transfer to a clean power system.

Read more: [Green financing](#)

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Supporting and sponsoring non-profit activities

In all of its operations, Fingrid strives to be impartial, fair and open. Our activities are steered by legislation and reasonableness. According to the Limited Liability Companies Act, Fingrid can use funds for philanthropic or similar purposes, if the amount of the donation is insignificant in view of the state of the company. Fingrid can thus support non-profit activities based on its sponsorship guidelines with a moderate amount of funds. The main focus is on activities related to research, education, culture and people's well-being taking place in Fingrid's industry. In 2020, the company supported child and youth work, children's sports and electrotechnical studies with just under EUR 30,000.

In addition to direct sponsorship, Fingrid can support joint societal projects with which the industry's preconditions are improved or harm to nature is reduced. For example, during the year under review, a new 110-kilovolt substation and transmission line learning environment was established at the Tampere Adult Education Centre, TAKK, where the skills of Finnish transmission grid installers will be honed. Fingrid offered technical support and was one of the financiers. We joined distribution system operators and contractors in defining what the environment should

> Our activities are steered by legislation and reasonableness.

be like and what the students need to be able to practise.

Fingrid does not support religious or political activities.

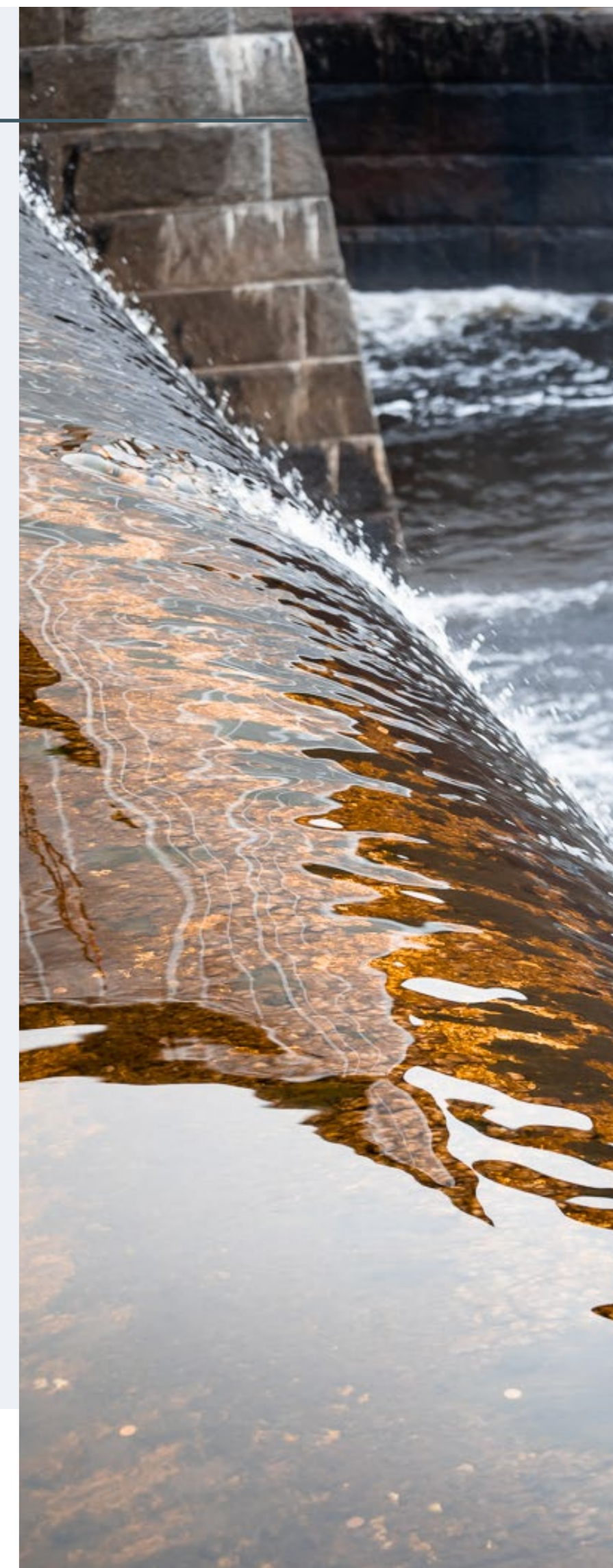
CASE

SAVING LAKE SAIMAA'S LANDLOCKED SALMON

Natural spawning grounds were created for the landlocked salmon in the floodway of the Kuurna hydroelectric power plant along the Pielisjoki River in a joint project between 2017 and 2020. The landlocked salmon is classified as critically endangered, and has been reliant on fish farming and transplanting for more than 40 years. In the future, the landlocked salmon will be able to reproduce naturally in the restored floodway downstream from the Kuurna hydroelectric power plant. A ten-hectare area consisting of an old floodway that had turned into marshland was dried during the restoration project.

The landlocked salmon requires an environment with rapidly flowing waters in order to spawn. As the floodway had been used for releasing flood waters, it did not have a regular flow of water. Kuurnan Voima Oy built a small new hydropower plant in the floodway to ensure the water supply needed for the fingerling production area.

The total costs for the restoration of the floodway are some three million euros. The state financed half of the floodway's restoration and the remainder of the financing came from a wide group of companies and surrounding municipalities. Fingrid was one of financiers of the project.



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STAKEHOLDERS AND CUSTOMERS

Stakeholders and stakeholder cooperation

Different stakeholders have different expectations of Fingrid. Based on stakeholder surveys and the feedback we have received, we are expected to act in accordance with our vision, as an exemplary transmission system operator and a highly esteemed energy influencer, which entails the continuous development of our operations.

We are also expected to provide proactive and reliable electricity transmission, to keep the lights on in Finland and to ensure that the consumption and production of electricity in Finland's electricity system are always balanced.

Being open to stakeholders' expectations and cooperation are an essential part of sustainable business. In terms of communications, our objective is to encounter our stakeholders in a timely fashion and disclose matters openly, ensuring that the right people are easy to contact. Through quality communications, we can influence social debate, thus promoting the targets we have set ourselves and furthering our

success in a task that bears great significance for society.

Our employees interact with a number of different stakeholders on a daily basis. In our stakeholder engagement, we follow practices that are in line with the company's values. Good, respectful interaction must be the goal in all stakeholder engagement. Our employees have been trained on how to engage with stakeholders and we make sure that everyone is aware of our stakeholders' expectations and knows how to act responsibly.

The Executive Management Group and Board of Directors regularly monitor the success of stakeholder interaction. We have identified the key stakeholders in terms of our operations (listed in the table), these stakeholders' expectations, and identified the main measures carried out with the stakeholders in 2020.

In the long term, our goals among the stakeholders are to make Fingrid a well-known company in Finland, and to gain stakeholders' support for the company's responsible operations and the stakeholders' respect for the company's expertise in Finland, the Nordic countries and Europe.

Stakeholders and their expectations and Fingrid's measures

	STAKEHOLDERS' EXPECTATIONS	FINGRID'S MEASURES 2020
Owners and financiers	<ul style="list-style-type: none"> • Responsible business and good governance • Improvement in profitability • Preservation of shareholder value and stable return development • Debt service consistent with agreements • Transparent reporting 	The Board of Directors outlined the company's remuneration policy, which was presented at the Annual General Meeting in spring. The company was successful in creating shareholder value and paid owners the planned dividends. We continued systematic dialogue with the financiers and transparent financial communications on the company's strategy, finances and business.
Customers	<ul style="list-style-type: none"> • Reliable electricity and a well-functioning electricity market • Services that meet customers' needs • Affordable pricing • Predictable operations 	Two large Fingrid Current events organised for customers and several webinars on projects to develop the electricity market and grid visions. Personal meetings were arranged with customer groups that use a lot of electricity. Plenty of meetings with wind power facility owners and other new customer groups: solar power plants and battery storage systems. Fingrid's Advisory Committee convened four times and the Grid Committee and the Market Committee four times each. Customer communication took place through a newsletter and the customer magazine.
Personnel	<ul style="list-style-type: none"> • Equal treatment and rewards • Well-being in the work community • Occupational safety • Professional development opportunities • Stable employment 	At the turn of the year, a personnel fund was established by request of the employees. Personnel events and on-site training events were almost all organised as webinars due to the COVID-19 pandemic. Our President & CEO held several 'Jukka's briefings' while the entire personnel was working from home. A new section, 'The Fingrid Team' was added to the intranet to boost the community spirit. A coronavirus group consisting of personnel representatives was assembled, with the task of keeping track of official coronavirus guidelines and instruct the work community on safe work.
Policymakers	<ul style="list-style-type: none"> • Reliable electricity • Shaping the clean and market-oriented power system of the future • Well-functioning electricity market • Participation in the electricity market 	Meetings with policymakers, especially related to climate change and the prerequisites for wind power growth and the amendment of the Finnish Electricity Market Act. Key energy policy policymakers were sent Fingrid's newsletter. A compact energy sector newsletter was created together with MustRead for policymakers in the autumn. Meetings with national and local authorities related to the grid investment programme, the implementation of the datahub project, the amendment of the Finnish Electricity Market Act, and construction of additional wind power. Security of supply issues also on the table.
Authorities and NGOs	<ul style="list-style-type: none"> • Promotion of common interests • Clear, reliable and timely communication • Expertise 	Meetings with national and local authorities related to the grid investment programme, the implementation of the datahub project, the amendment of the Finnish Electricity Market Act, and construction of additional wind power. Security of supply issues also on the table.
Contractors and service providers	<ul style="list-style-type: none"> • Occupational safety • Responsible treatment of suppliers • Predictability and continuity 	Renewed supplier register 2020. New maintenance contract period 2021–2023. Meetings with all major service providers. Future, increased investment needs explained.
Landowners and neighbours	<ul style="list-style-type: none"> • Responsible operating methods in land-use and environmental matters to reduce negative impacts • Proactive and reliable contact 	A new idea card was released for landowners to improve the use of transmission line right-of-ways. EIA events were organised successfully as webinars. A magazine targeting landowners, 'Yhteisillä Linjoilla', was distributed between the Maaseudun Tulevaisuus newspaper before Midsummer.
Other partners	<ul style="list-style-type: none"> • Expertise • Promotion of common interests 	The cooperation between Nordic TSOs was particularly active. Several multi-year development projects are underway. We prepared the Regional Coordination Centre (RCC) to be established in Copenhagen and the Nordic Balancing Model. Numerous webinars were organised collaboratively on ongoing projects, including the Solutions stakeholder event.

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Customers

Transmission system operators have quite similar basic tasks in different countries, but these tasks can be managed in very different ways. Our customer-focussed approach sets us apart from other TSOs. One of Fingrid’s most important strategic choices is our focus on customers, which we ensure through a successful customer service operating model. We work for the benefit of customers and society. We secure reliable electricity and a well-functioning electricity market for society, and we offer our customers affordable solutions. We work in close cooperation with customers and we listen closely to their needs.

We also design the main grid together with our customers. The aim is to ensure sufficient regional transmission capacity to meet customers’ needs. The importance of cooperation will continue to grow as we transition towards a consumer-centric, digital electricity market.

Our promise ‘Fingrid delivers. Responsibly.’ illustrates many key issues. To our customers, we promise to deliver, i.e. to transmit electricity in the main grid reliably and affordably. We keep the quality of our services at a level that ensures that the number of operational disturbances and outages remains low. Our operations are efficient, and our grid transmission prices are among the lowest in Europe.

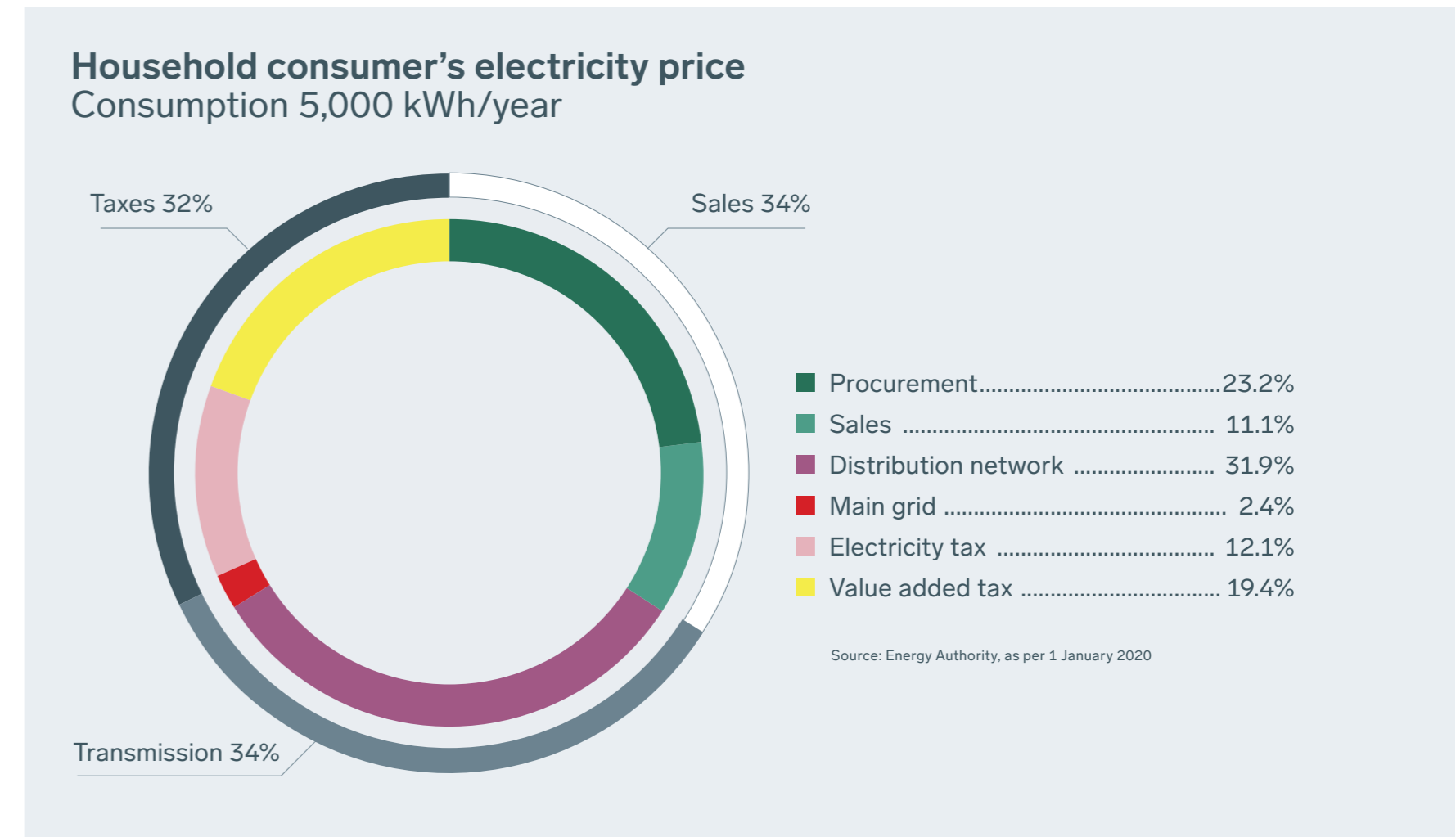
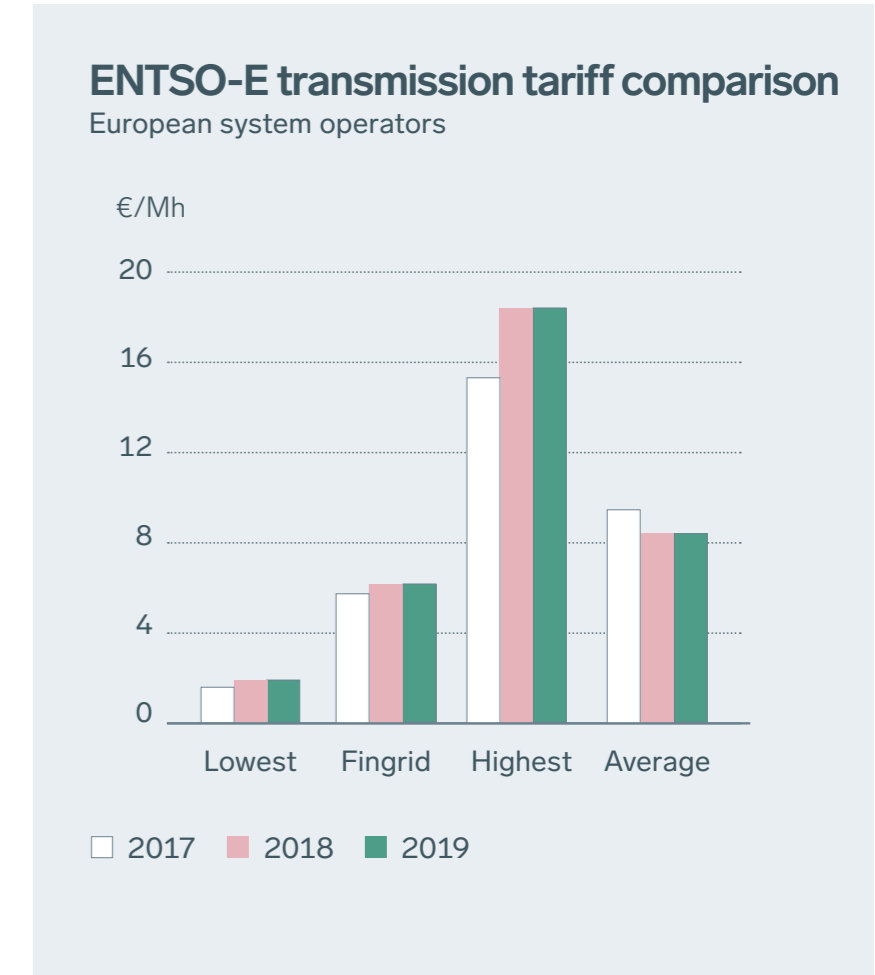
AFFORDABLE GRID SERVICE FEES

At Fingrid, responsibility means doing the right thing and saving in costs. Fingrid, Finland’s TSO, is known for its cost-effectiveness: grid service fees are among the least expensive in Europe and, yet, our main grid is very secure. Fingrid’s consistently high rankings in annual international comparison studies on the cost-effectiveness and quality of transmission system operators, and the international certification for the management of physical assets (ISO 55001) granted to Fingrid, are indications of the cost-effectiveness of the company’s operations and of its effective management of cost and other risks related to grid assets.

According to a study carried out by the European Network of Transmission System Operators for Electricity (ENTSO-E) in 2019, the transmission tariffs for electricity in the Finnish main grid are the third lowest in Europe, when compared with transmission systems of a similar size. The comparison included 36 countries. The three most affordable countries where the TSO offers services at all high voltage levels were Slovenia, Bulgaria and Finland.

For 2021, the grid service fees will be maintained at the previous year’s level. Thanks to its cost-effective operations,

Fingrid’s grid service fees are among the most affordable in Europe.



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Fingrid has succeeded in keeping its pricing at an affordable level even though the transformation of the power system has significantly increased the capex needs of the main grid. We have been able to lower the fees by more than 10 per cent since 2017.

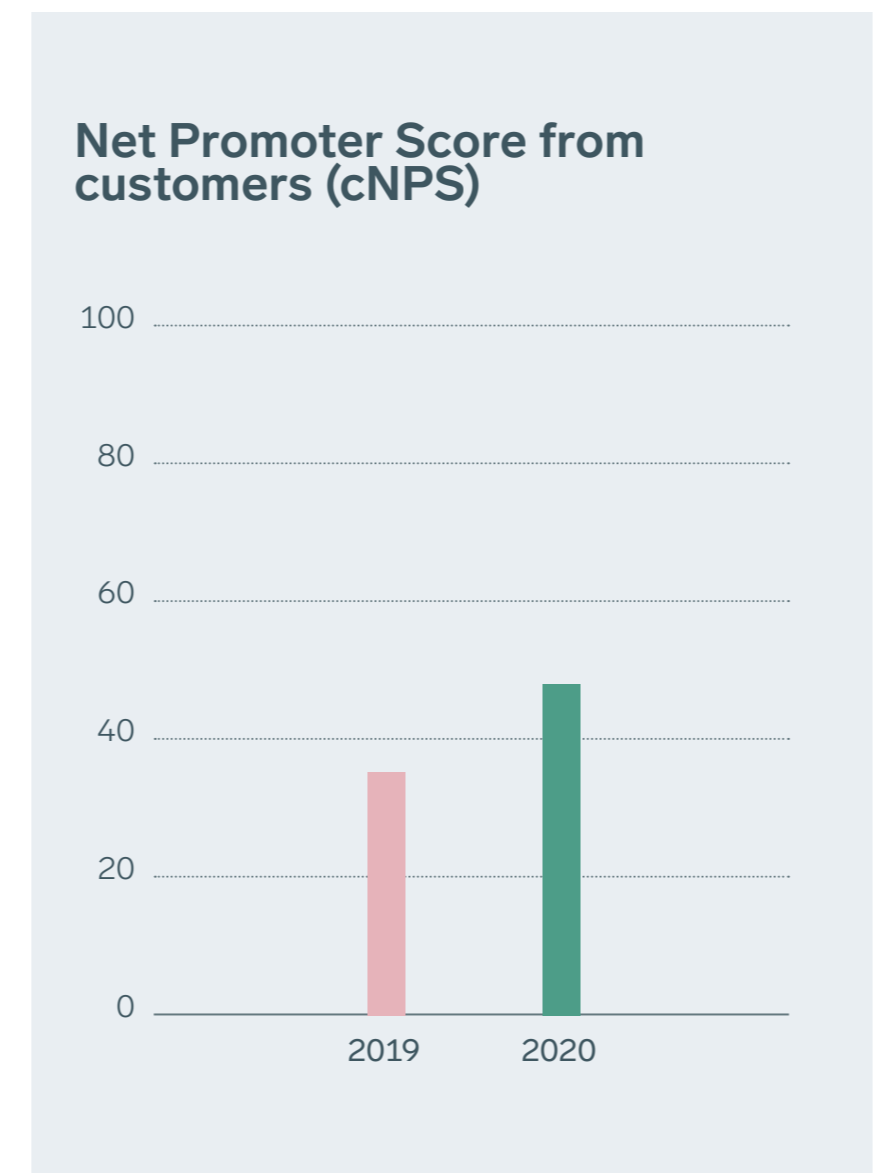
The number of new wind power producers continued to grow. During the year, around 1,800 megawatts worth of connection agreements were concluded. The challenge is to build the new connections and to develop the main grid to meet new transmission needs. Market development projects, such as the datahub and the 15-min imbalance settlement period, required a lot of discussions with our customers, as they will have large impacts on their metering and information systems.

More on our customer operations can be found in the Business Review included in the Annual Report. **Our goals in the long term include high customer satisfaction, low grid service fees, reliable electricity transmission, a unified price area for electricity in Finland, and the benefits of open European electricity markets.**

CUSTOMER SATISFACTION
Understanding customers' needs and challenges is important to us. A good measure and trend indicator is the annual

customer satisfaction survey, the results of which have been very encouraging for many years now. Customers are happy to recommend Fingrid's way of working.

All customer contacts and feedback are recorded in our CRM system, which provides us with an overall picture of customer satisfaction and which we use to coach our customer-service staff. Customer satisfaction is one of the key indicators in the personnel's quality bonus system.



CASE

RAPID ACTION FOR THE BENEFIT OF CUSTOMERS

When the French renewable power pioneer Neoen was looking to build the Nordics' largest battery storage unit in Finland, Fingrid was able to meet its needs, offering a plot of land equipped for the operations in less than a year. The new battery storage unit, Yllikkälä Power Reserve One, has a nominal power of 30 megawatts and energy capacity of 30 megawatt-hours. The lithium-ion stationary batteries are located in South Karelia near Lappeenranta, Finland. The Yllikkälä substation makes it possible to contact the main grid quickly. Neoen's goal is to be a leading force in frequency restoration in Finland, and the construction of the Yllikkälä Power Reserve One unit will facilitate the achievement of this goal. The new battery storage unit improves reliability and optimises grid stabilisation costs. It will also help to integrate renewable energy projects into the power system in the future.



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The traditional customer survey was carried out in late August and early September. Based on the survey, our customers are very satisfied with Fingrid's operations. The Net Promoter Score (NPS) was +45, significantly up from the previous year's result, +36. Our customers' trust in Fingrid remains strong and our work for the benefit of society at large is considered a particular strength.

Fingrid has also annually surveyed customers' trust in the company with a set of questions to which customers respond on a scale of 1–5. The indicators 'Benefits all of society' (4.3/5) and 'Willing and able to cooperate' (4.1/5) showed improvement. The good results are testimony to Fingrid's efforts to find solutions for the energy transformation. The indicators 'Services meet customer needs' (4.0/5) and 'Comes up with cost-effective solutions' (3.6/5) weakened slightly. In these indicators, criticism was levelled in particular at the timeframe and costs of the datahub project.

Landowners

Cooperation with landowners and neighbours living near our transmission lines is important to us. When planning new transmission lines, the cooperation starts with the assessment of environmental impacts and the possibility to mitigate them already at the preliminary planning stage.

The land and trees under the transmission lines remain the property of the landowner. We help landowners identify where they can influence a transmission line project and encourage them to safeguard their rights. Respectful interaction with people and cooperation aimed at reducing the harm caused to humans and nature are pursued throughout the life cycle of the transmission line. We communicate actively with landowners, and based on the feedback we receive, we constantly develop our ways of operating.

In accordance with our land use and environment policy, our goal is successful interaction with landowners and neighbours of transmission line right-of-ways. We conducted landowner surveys on our finished transmission line projects, Lempiälä–Vuoksi and Vanaja–Tikanmaa, in 2020 and our grades were 3.6 and 3.9 (on a scale of 1–5). The expectations for improvement expressed by the landowners focused on communications. In addition, we surveyed the landowners' opinions on the contractors' and Fingrid's actions in trimming vegetation, i.e. the felling of trees next to transmission lines and the clearing of right-of-ways. The target group was landowners whose land was worked on in 2018 and 2019. The landowners were happy with Fingrid's and the contractors' work. The work of Fingrid's contact person received a grade of 3.7

CASE

REPUTATION
MATTERS AND IT
CAN BE MOULDED

In 2018, Fingrid was selected as the world's Best Transmission Brand in the international energy sector brand competition CHARGE. During 2020, Fingrid was asked to host the CHARGE webinar on the theme, 'Should a monopoly be interested in its brand?'

Taking part in the webinar were Riku Huttunen, Director-General of the Energy Department at the Ministry of Economic Affairs and Employment, Simo Nurmi, Director General of the Energy Authority, and Simon-Erik Ollus, Vice President, Trading and Asset Optimisation at Fortum, together with Jukka Ruusunen, Fingrid's President & CEO, and Fridrik Larsen, CEO of CHARGE. All of them agreed unanimously that reputation is also important for monopolies whose operations affect the whole of society.

For Fingrid, the brand means that the monopoly does justice to its reputation. Based on a stakeholder survey, the image of Fingrid improves the better the respondent feels that they know the company. For ordinary citizens, TSOs are still large and unknown entities. Based on the surveys, Fingrid has selected improvement areas, which are improving efficiency, customer focus and innovation. Reputation studies show that developing these areas would improve the grade for the company's overall reputation.

"Reputation is what we do as a company and as employees. A monopoly is often considered to be negative, which is why monopolies need to work hard for their brands," Jukka Ruusunen explained in the webinar.

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and the contractor a grade of 3.9 on a scale of 1–5. The grades were even better in the case of respondents who had contacted Fingrid or the contractors with questions concerning the work. When Otso Metsäpalvelut Oy, which carries out harvesting of wood in the transmission right-of-ways and in transmission line worksites, had to undergo debt restructuring, Fingrid took on creditors' liabilities for wood receivables in the amount of some EUR 300,000.

In order to be able to build, operate and maintain a transmission line, Fingrid expropriates a right-of-use to the transmission line area. An expropriation permit was given for the Kontiolahti–Palojärvi transmission line. An expropriation permit application was made for the Siikajoki–Olkijärvi, Isohaara–Simojoki/Simojoki–Raasakka and Pyhänselkä–Raahe/Pyhänselkä–Leväsuo transmission line projects. The compulsory purchase was concluded in the Vanaja–Tikinmaa and Lempiälä–Vuoksi projects.

Other key stakeholders

European legislation and regional solutions on market rules have a significant impact on the electricity markets. At Fingrid, we actively participate in the preparation and implementation of EU legisla-

tion together with European and regional authorities and other transmission system operators, striving to safeguard the best interests of our Finnish stakeholders. In electricity transmission connections between neighbouring countries and within Finland, we try to avoid transmission bottlenecks and to keep Finland as a single price area.

We work together with Finnish political influencers and authorities so that we can strengthen the main grid in order to achieve Finland's climate neutrality goal and maintain the balance of the electricity system.

Financiers and credit rating agencies as well as shareholders expect us to plan the company's finances, capital expenditure, risk management and financing in the long term. Our decision-making and operations are based on the right information at the right time and on our objective to be efficient, profitable and responsible.

Contractors and service providers are a significant resource for our company through their expertise and the work input we receive from them. Contractors' and service providers' main expectations from us are fair and timely payment of wages, a safe working environment, and the possibility to plan for future situations collaboratively.

Fingrid also collaborates with different higher education and research institutions. The company annually has roughly 50 different R&D projects underway, seeking innovations that will enable the transformation of the energy system. In 2020, the majority of the research and development projects were divided into four main groups: making the power system more flexible on market terms, securing the electricity supply in all situations, making data available to those who use it, and improving the cost-effectiveness of maintenance management. In the coming years, Fingrid's R&D activities will focus on advanced management of the electricity system, diverse flexibility solutions, and the digitalisation of the electricity grid for more efficient use and maintenance management.

We regularly survey our stakeholders' views on the company. The surveys are intended to bring in feedback on the company's operations and to help us take stakeholders' wishes and insights on the company into account in our operations. We measure customer satisfaction and the development of the company's reputation, and its success in various projects. We use the results of the stakeholder survey to identify key responsibility themes.

The table below shows our different stakeholder surveys, their target groups and their scope. The results of the surveys can be found in earlier responsibility target tables.

OUR STAKEHOLDER SURVEYS	TARGET GROUP	SCOPE
Reputation survey/customer survey	Customers Policymakers Technology professionals The general public	customer survey once a year, reputation survey spring 2021 every 2–3 years, 2019 most recent once a year once a year
Stakeholder survey	Customers Authorities	once a year every 2–3 years, 2019 most recent
Personnel survey	Personnel	once a year
Completed projects	Landowners	always at the end of a project

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SUPPLY CHAIN

Responsible procurement practices are impactful in Fingrid's outsourcing-based business model. Fingrid uses many different service providers in its business. Fingrid requires that its service and goods suppliers commit to Fingrid's Supplier Code of Conduct or their own similar code. The code covers issues such as business practices, human rights, labour rights, occupational safety, the environment, and anti-corruption in compliance with the United Nations' Global Compact initiative.

The Supplier Code of Conduct is always applied to procurements worth at least EUR 60,000 and they are linked to material, equipment, ICT etc. purchase agreements. Fulfilment of the requirements is monitored on a risk basis. The Supplier Code of Conduct is a condition for being included in supplier registers used in recurring substation and transmission line procurements. In addition, contractual partners are subject to separate contract terms related to the use of subcontractors and workforce, and to occupational safety and environmental matters. Assessments are also carried out during projects, which monitor the technical implementation as well as the management of occupational safety and environmental issues at the worksite. Good operations impact the final score of the

assessment, which is taken into account as quality scores in future competitive bids. In 2020, we updated our Supplier Code of Conduct, increasing the visibility of the confidential and independent [whistleblowing channel](#) intended for reporting suspected breaches. We monitored the progress of the preparation of corporate responsibility regulation.

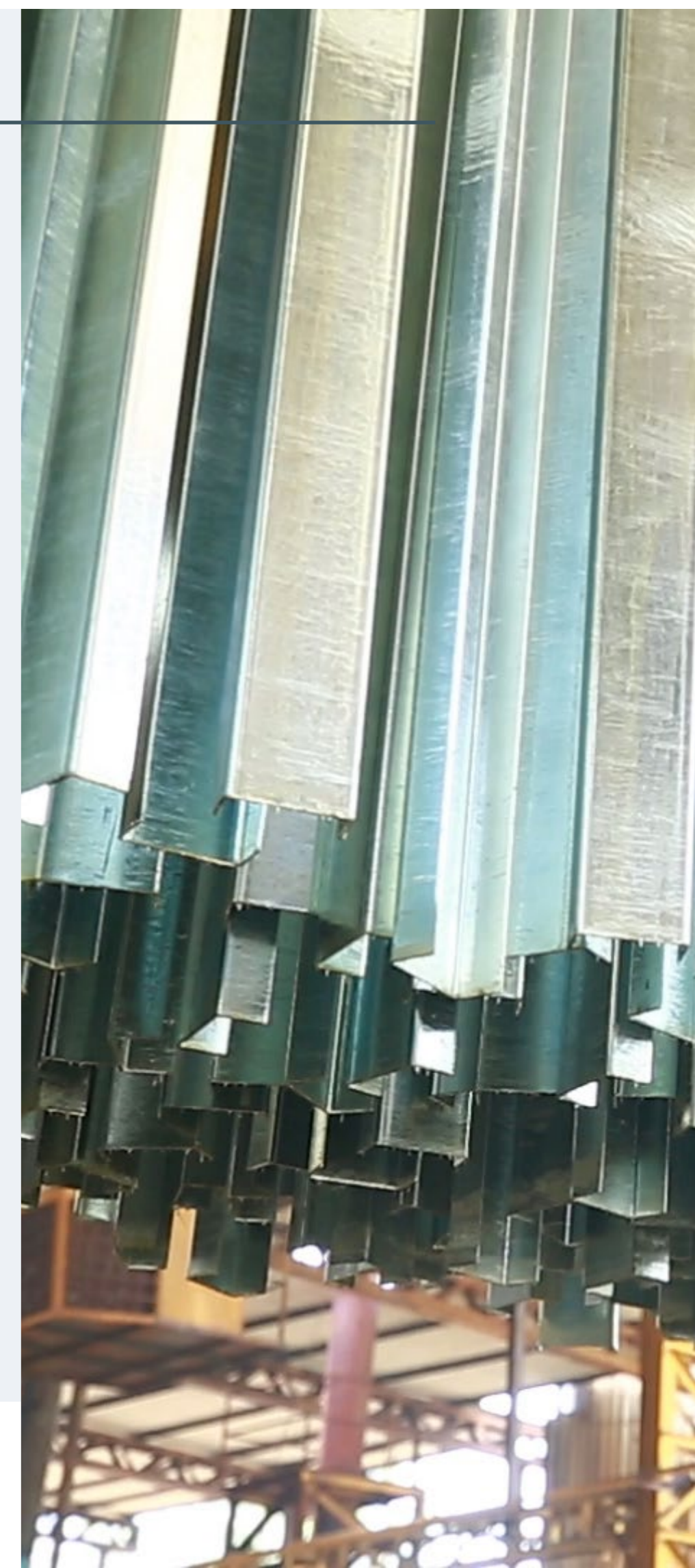
Construction work on the grid is carried out on a project basis, in separate substation and transmission line projects as well as in so-called turn-key contracts. The main contractor, acting in the role of Fingrid's contractual counterparty, is in charge of the detailed design, the procurement of material and equipment as well as building and installations until commissioning. The main contractor on a specific project may have several subcontractors; the contractual partner must submit the most significant subcontractors for approval by Fingrid.

The qualifications of the contractors and service suppliers carrying out grid construction and maintenance are verified primarily by means of various supplier registers and shortlisting procedures. A validation system to ensure the proper qualifications of employees for performing maintenance on transmission lines and substations is also in place.

CASE

AUDITS ARE AN EFFECTIVE WAY TO IMPROVE THE RESPONSIBILITY OF THE PRODUCTION CHAIN

Fingrid carries out very few direct material and equipment procurements, and the majority of the procurements are the responsibility of the main contractors. This is why the company has created written corporate responsibility guidelines, the Supplier Code of Conduct, which the main contractors and their subcontractors must commit to. The operations' responsibility is examined through audits, which are performed on behalf of Fingrid by a global company. Fingrid began looking into the possibilities offered by collaboration with the Indian transmission line tower manufacturer Karamtara in spring 2019 when Fingrid had a number of large construction projects starting up. The first audit was arranged in July 2019. Shortcomings were identified in occupational safety, the work environment's health conditions, working hours and pay issues. Karamtara was, however, willing to remedy these shortcomings. A new audit was performed in October, and the situation was already better; occupational and fire safety has already been clearly improved. When Karamtara drew up a three-point programme for pay issues and working hours, Fingrid was ready to start the cooperation. A follow-up audit was pushed forward to June 2020 due to the coronavirus, and the audit's result was 100%, which means that the shortcomings detected earlier had been fully remedied.



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Fingrid has around 30 direct contractual partners in the construction and maintenance of main grid transmission lines (>€100,000/year), the 15 biggest of which account for roughly 95 per cent of the total financial value of the procurements. There are two companies with regional contracts on transmission line maintenance and four companies with regional substation maintenance contracts. In basic grid maintenance, service providers and their subcontractors use Finnish workforce. In 2020, non-Finnish personnel was used in the clearing of transmission line right-of-ways (around half from Baltic countries, Poland and Ukraine) and in some specialist fields. Both the contractors' and subcontractors' use mostly Finnish workforce for grid building work. In 2020, a substantial number of non-Finnish workers worked mainly on transmission lines (on the Forest Line, from the Baltics and Spain), but to some extent also at substations, including from the Baltic countries, Poland, Slovenia and the Czech Republic.

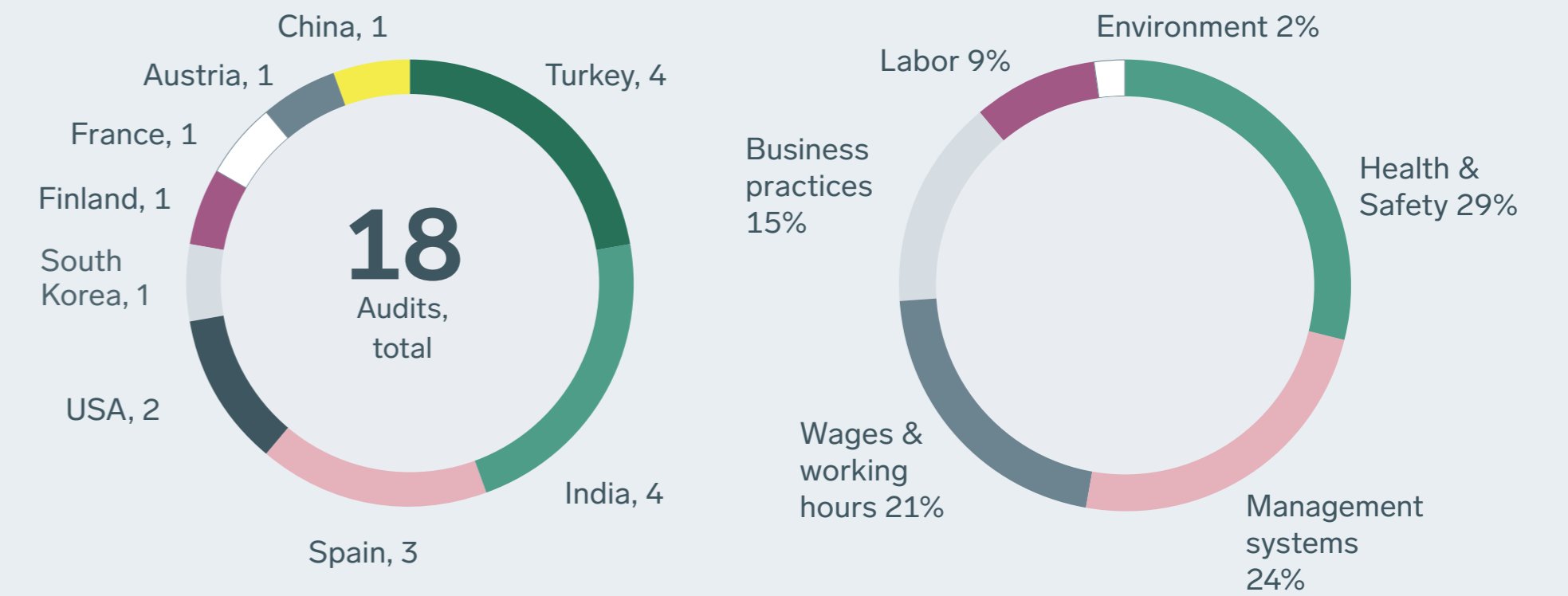
We verified compliance with the responsibility requirements through several risk-based audits. As part of the procurement process, we checked regularly that elected suppliers are not subject to mandatory exclusion criteria based on procurement legislation for special sectors or international sanctions.

We audited ten of our worksites by the end of the year to verify compliance with contractor obligations, occupational safety and environmental management. The audits involved guidance in compliance with the updated safety and environmental contractual terms. Additionally, with a focus on employment and pay issues, one non-Finnish subcontractor from Lithuania was audited by a third party.

In international goods sourcing, third-party supplier audits were carried out at 15 production plants in a total of nine countries, and six follow-up audits were carried out in order to rectify non-compliances identified in these or earlier audits. The audits covered both Fingrid's direct contractual partners and their suppliers. Audits were carried out in India and Turkey, for example, and the targets varied from plants manufacturing substation equipment to steel tower factories. Deviations were typically related to occupational health and safety. Fingrid's own specialists also observed occupational safety and working conditions in connection with technical factory tests.

In the long term, our goal is to include our corporate responsibility requirements in all of our company's procurements. We continuously develop our corporate responsibility requirements and their enforcement.

Audits related to international material sourcing by country and distribution of findings



OCCUPATIONAL SAFETY AND THE SAFETY OF THE MAIN GRID

In all of Fingrid's activities, occupational health and safety come first. It is important for us that each of our employees and every service provider employee working at a Fingrid worksite returns home healthy and in one piece. Everyone has the right and obligation to stop work that they consider to be dangerous. We comply with regulatory requirements in Fingrid's operations, which means that each person is also entitled to refuse to

perform work that they consider to be hazardous. Our worksites and transmission lines must not pose a hazard to the public either.

In the longer term, our goal is zero accidents and no serious occupational safety deviations. We want to be known for exceptional occupational safety. The main grid is safe for all and it does not cause accidents or health impacts to those living and working in the vicinity of the grid.

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Promoting occupational health and safety

Fingrid's occupational health and safety management is steered by Fingrid Oy's occupational health and safety policy and goals. We apply an OHS management system based on the ISO 45001 standard, the scope of which has been limited to the functions and units working with grid construction and maintenance. The Occupational Safety and Health Act requires an action plan for occupational health and safety, which applies to Fingrid's entire personnel.

In addition to our own personnel, it is equally important to guarantee the occupational health and safety of everyone working at our worksites. We require a high level of occupational safety in capex activities and maintenance alike, and contract terms concerning Fingrid's safety are appended to agreements. The workplace safety and working conditions of suppliers working at Fingrid's worksites is ensured through, among other things, regular worksite visits, the management's occupational safety rounds and sustainability audits. In our global sourcing, we use a third-party verifier on a risk-based approach to ensure that occupational safety and human rights are complied with at the workplaces of our material suppliers.

Identifying hazards, risk assessment and investigation

Our objective is to continuously improve our occupational health and safety operations. We develop and renew our work environment based on risk assessments and workplace assessments. We study occupational accidents, near misses and safety observations, and learn from them.

Occupational safety deviations are classified in three classes based on the severity and risk of potential outcomes. The occupational safety deviations of Fingrid's personnel are investigated collaboratively by the occupational safety organisation and the line organisation. Occupational safety deviations that have happened at suppliers are investigated together with the suppliers. The extent of the investigation and responsibility for it are based on the severity classification. The investigation and reporting and the corrective actions and follow-up take place in the HSEQ reporting system. Safety observations can also be made anonymously at the address www.fingrid.fi/havainto.

Fingrid's OHS committee coordinates the risk assessments of the company's own personnel. Risk assessments are handled in the OHS committee. The identification of hazards in investment projects and maintenance and the evaluation of risks is divided into several stages.

We ensure the quality of the risk assessments with the support of specialists and through sufficient training. We handle the internal audit results for OHS annually in the Management Review and in the required scope in the OHS committee. The OHS committee annually creates an action plan based on factors such as risk assessments, safety observations, occurred accidents and near misses.

Occupational healthcare services

Fingrid has an agreement with occupational healthcare services that applies to all persons employed by Fingrid. The occupational healthcare services make workplace visits to the company's various locations and, in this way, take part as a healthcare specialist in the identification and assessment of the risks affecting the company's occupational health and work ability, and provide recommendations for measures to prevent and mitigate the risks.

The quality of occupational healthcare services is monitored and steered regularly through steering group activities. In addition the service is put out to tender regularly.

We require service providers to provide an account of the arrangement of occupational healthcare services as stated in the Act on the Contractor's Obligations and Liability when Work is Contracted Out.

Participation in OHS development

Fingrid has a legally required OHS committee, whose chairman is the OHS Manager. In the committee, employees are represented by occupational safety representatives from several areas of operations. The OHS committee convenes regularly and its memorandums are available to the personnel. The employees may also make suggestions to the committee for developing occupational health and safety.

Service providers can make propositions on their own initiative and give feedback on occupational safety issues at joint meetings, through the HSEQ reporting system and in the suppliers' occupational safety group. The memorandums of the group's meetings are published on Fingrid's website. We release the 'Safety on the lines' magazine twice a year. We hold occupational safety briefings where we review current issues and any accidents and near misses that have occurred and any reported safety observations.

Training and development

The occupational safety training requirements for functions and units that the OHS management system applies to are described in the occupational safety handbook. Training organised for the personnel is planned annually depending on need, and they are discussed in the inter-

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nal occupational safety group and OHS committee. Developing safety skills is the responsibility of each Fingrid employee and their supervisor.

Fingrid’s Executive Management Group approved the occupational safety and health policy and goals pledge in 2020. We organised an occupational safety workshop for Fingrid’s Executive Management Group. We updated the occupational safety handbook and expanded the application area of the occupational health and safety management system and carried out an internal audit. On 1 January 2020, the new contract terms concerning safety became valid and we arranged several training events on them for Fingrid’s employees and suppliers. We held a safety observation campaign for our personnel and suppliers.

The occupational safety qualification requirements for service providers are described in the contract terms concerning safety. We annually organise occupational safety training for service providers as needed, on topics such as electrical safety, occupational safety, and safety-related contract terms.

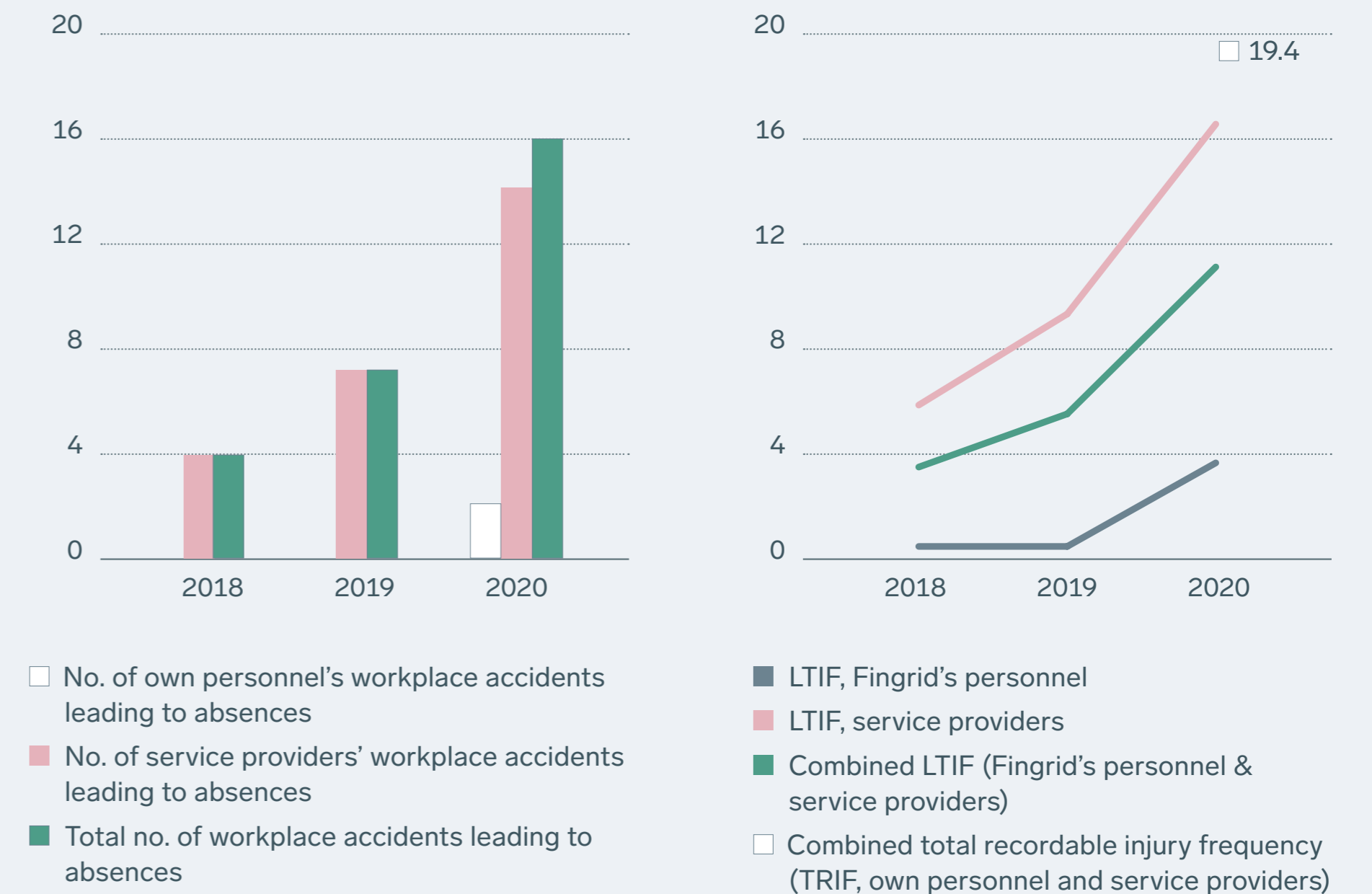
During the year under review, we updated the ‘Operating and electrical work safety in the main grid’ publication, whose safety principles must be complied with

in the operation, maintenance and construction work of the grid’s high-voltage and low-voltage equipment when the work may involve hazards linked to electricity. A series of training courses related to the publication, lasting around six months and including more than twenty training events, was started in November 2020. The target groups for the training are Fingrid’s personnel involved in the planning and implementation of grid operating activities, service providers’ personnel involved in local operating activities and operation services at Fingrid’s substations, and Fingrid’s cooperation partners. The publication is in force during the 2021–2023 contract period and it will be updated again based on experiences and lessons learned before the start of the new contract period in 2024.

Occupational safety 2020

One of Fingrid’s long-term goals is to improve the occupational safety culture and, in this way, achieve its zero-accident objective. A total of 2 (0) lost-time workplace accidents were recorded among Fingrid’s own personnel. A total of 14 (7) absences due to accidents at the workplace were recorded among the service providers. 5 (2) of the lost-time accidents resulted in an absence from work of more than 30 days or in a permanent handicap/bodily injury and were classified as serious. The service providers’ and Fingrid’s com-

Lost Time Injury Frequency (LTIF) and workplace accidents



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bined lost time injury frequency increased from the previous year to 11.1 (5.3)/million worked hours.

Slipping and tripping caused a significant share of workplace accidents in 2020. Additionally, several workplace accidents that occurred last year have in common the fact that they could have been prevented through relatively small measures and above all by deciding on a safe way of working before starting the work. This is why Fingrid is implementing the 'Think before you act' campaign in 2021. As of 2020, we also report the combined total recordable injury frequency (TRIF), in other words own personnel's and service providers' workplace accidents leading to absences, requiring medical care and resulting in substitute work per million hours worked. Fingrid's own personnel experienced 2 (-) recordable workplace accidents and the service providers 26 (-) recordable workplace accidents. The suppliers' and Fingrid's combined TRIF rate was 19.4 (-) per million hours worked.

WORKPLACE ACCIDENTS, OWN PERSONNEL	2020		2019		2018	
	Workplace	Business travel	Workplace	Business travel	Workplace	Business travel
Absences due to illness	1%/1.5 days/person		1%/2.6 days/person		1%/3.2 days/person	
No. of accidents leading to absences	2	1	0	1	0	1
of which serious accidents (No. of absences of more than 30 days and/or permanent injury)	0	0	0	0	0	0
No. recordable workplace accidents, no absence	0	0	2	2	2	3
No. of recordable workplace accidents	2	1	2	3	2	4
Lost-time injuries frequency, workplace accidents resulting in absence (LTIF)	3.3	1.6	0	1.7	0	1.8
Total recordable injury frequency (TRIF)	3.3		3.5		3.6	
No. of work-related fatalities	0	0	0	0	0	0
No. of occupational diseases diagnosed	no cases		no cases		no cases	
No. of safety observations	17		23		25	

* LTIF in line with Zero Accidents.

WORKPLACE ACCIDENTS, SERVICE PROVIDERS	2020	2019	2018
No. of workplace accidents leading to absences	14	7	4
of which serious (No. of absences of more than 30 days and/or permanent injury)	5	2	0
No. recordable workplace accidents, no absence	12		
Total no. of recordable workplace accidents	26		
Lost-time injuries frequency, workplace accidents resulting in absence (LTIF)	16.8	9.3	5.7
Total recordable injury frequency (TRIF)	31.2		
No. of safety observations	460	567	530

COMBINED WORKPLACE ACCIDENTS (OWN PERSONNEL AND SERVICE PROVIDERS)	2020	2019	2018
Combined lost time injury frequency (own personnel and service providers), workplace accidents resulting in absence (LTIF)	11.1	5.3	3.2
Combined total recordable injury frequency (TRIF, own personnel and service providers)	19.4		

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Safety of the main grid

In addition to occupational safety, it is important for Fingrid that the main grid does not pose any danger to people or the functioning of the power system. During 2020, no personal injuries were caused by the main grid to the public.

The safety of the transmission lines are guaranteed through careful and pre-emptive maintenance. Regular inspections of the transmission line structures and transmission line right-of-ways are carried out. The undergrowth below the transmission lines is cleared regularly and the height of the forests next to transmission lines is reduced using helicopter sawing and felling so that the trees do not come in contact with the transmission lines when they fall over. Faults identified in inspections are repaired pre-emptively before they cause interruptions in electricity transmission or a hazard in the transmission line's vicinity. In 2020, inspections were performed on some 6,000 kilometres of transmission line. Around 6,600 hectares of clearings were cleared, which is an area larger than Manhattan. Roughly 10,000 cubic metres of wood was felled in the bordering forests, which comes to a 14-metre-high layer of wood when spread out on a football field. Some 10,000 landowners were contacted with regard to the measures.

With these measures, the transmission lines remain secure and above all are safe for their environment.

We participate actively in land-use planning together with municipalities and associations of local authorities to ensure safety and land-use reservations for the grid. In 2020, Fingrid issued about 280 statements on land-use plans and environmental impact assessments. In addition, we directed the construction and operations taking place near grid installations by issuing roughly 380 statements that included safety instructions and land-use restrictions. We implemented several reviews related to these and offered training. We were also part of the stakeholder forum for the total reform of the Land Use and Building Act.

People are concerned about the electromagnetic fields in the vicinity of our transmission lines. Electromagnetic fields are everywhere around us and one of the sources of these fields are transmission lines. The limit values set by the Ministry of Social Affairs and Health for public exposure are not exceeded in the vicinity of transmission lines. In 2020, we published a new brochure on electromagnetic fields and their health impacts. We continued to publish, jointly with an independent expert party, status reports on global, med-

➤ The safety of the transmission lines is guaranteed through careful and pre-emptive maintenance.

ically oriented research on electromagnetic fields. There is no new, conflicting evidence of the health impacts.

We provide regular guidelines for working and other activity near the electricity network. During the year under review, we updated nearly all of the brochures for consumers, landowners and people working near transmission lines. The 'Transmission line as a neighbour' brochure is a collection of information and instructions that make it safe to live next door to a transmission line. We also renewed two brochures, one on moving around and working safely at Fingrid's substations and the other on working safely near transmission lines.
















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FINGRID'S SOCIAL RESPONSIBILITY TARGETS 2025 AND 2035

RESPONSIBILITY VISION	SHORT-TERM TARGET 2025	LONG-TERM TARGET 2035	CORPORATE RESPONSIBILITY VIEWPOINT AND UN'S SDG
An open, collaborative, renewing and high-performing work community	Personnel survey's top result compared to other specialist organisations. Leadership: Fingrid among Finland's best workplaces. Healthy and happy personnel: low absences due to illness, no premature retirement Diverse work community: different educational and ethnic backgrounds, more even gender distribution, even age distribution.	Fingrid's work community is productive, healthy and evolving, and has a diverse personnel structure. We are a well-known and attractive workplace, whose supervisory work and leadership practices are second to none.	Social responsibility Personnel  
Owner of critical infrastructure and a major investor in Finland. The employment impact of investments and maintenance on cooperation partners and local communities. A responsible taxpayer.	Implementation of a significant maintenance and investment programme, which benefits the whole of society. Increasing the amount of green financing in the company's financing arrangements. Paying taxes without special arrangements. Fingrid continuously improves its efficiency and productivity, and promotes Finland's competitiveness.	Implementation of a significant maintenance and investment programme, which benefits the whole of society. Increasing the amount of green financing in the company's financing arrangements. Paying taxes without special arrangements. Fingrid continuously improves its efficiency and productivity, and promotes Finland's competitiveness.	Social responsibility Economy – society  
Affordable for customers, fair partner to customers, most market favourable TSO	Customers are happy with Fingrid's services. Among the most affordable TSOs in Europe. Well-functioning electricity market and system security at a good level.	Customers are happy with Fingrid's services. Among the most affordable TSOs in Europe. We secure reliable transmission of electricity in the main grid, capable of meeting the needs of utility companies and energy intensive industry. We provide electricity market operators with a unified price area for electricity in Finland as well as the benefits of the open European electricity markets.	Social responsibility Customers   
Fingrid is known for its good reputation and for being a reliable operator and energy influencer	Fingrid is known as a reliable company with a good reputation, which is a sought-after partner with understandable goals.	Fingrid is well-known throughout Finland and customers are ready to support its responsible operations. Fingrid's expertise is valued in Finland, the Nordic countries and Europe.	Social responsibility Other key stakeholders   
Fingrid is a responsible buyer of services and goods	Responsibility requirements included in all of the company's sourcing activities. No significant deviations or problems in contractor obligation or employment relationship matters. Supplier audits cover 95% of the value of ex works deliveries in 2025.	Extensive and comprehensive responsibility requirements included in all of the company's procurements. No significant deviations or problems in contractor obligation or employment relationship matters. Comprehensive and continuous auditing in the service provider field further down the supply chain.	Social responsibility Supply chain   
Each of our employees and everyone working at a Fingrid worksite returns home healthy and in one piece – at the end of every workday. Main grid does not cause harm to the public.	Low LTIF (less than 5). No serious occupational safety deviations. Fingrid is known for exceptional occupational safety. The main grid is safe, no accidents or health impacts.	Zero workplace accidents. No serious occupational safety deviations. Fingrid is known for exceptional occupational safety. The main grid is safe, no accidents or health impacts.	Social responsibility Occupational safety and the safety of the main grid  

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SOCIAL TARGET INDICATORS AND TARGET LEVELS

INDICATOR	DESCRIPTION	2020	2021-2025	TARGET MONITORING: HOW WE DID IN 2020
Personnel				
Finland's best workplaces	Result of personnel survey	First place	Among Finland's best workplaces	Target achieved. Signi personnel survey: eNPS 71, overall satisfaction 87/100, Fingrid most responsible employer 2020 in the Oikotie study
Healthy and happy personnel	Absences due to illness Retired		<2% no premature retirement	New target as of 2021. Absences due to illness <1%, no premature retirement
Diverse work community	Equal opportunity, non-discrimination and diversity	-	No incidents of discrimination More diverse personnel structure	New target as of 2021. No incidents of discrimination. Broad age structure. Small pay gap between women and men, insignificant in many competence categories. Women still make up just one quarter of the entire personnel, one third of management and one quarter of the Board of Directors.
Finance				
Green financing	Total amount in company's financing arrangements	-	The goal is to increase the amount of green financing in the company's total financing	New target as of 2021. Capacity for new green financing created
Financial efficiency	Development of costs in relation to the general price level.	-	Rise in costs slower than the general development in the sector.	New target as of 2021. Costs have risen slower than in other corresponding TSOs.
Effective tax rate	Paying taxes according to Finland's corporate income tax rate.	-	Paying taxes according to the corporate income tax rate in force at any given time	New target as of 2021. Fingrid paid EUR 29.7 mill. in taxes in 2020. In 2019, 17th largest corporate income tax payer.
Customers				
Cost-effectiveness		maintaining a good level		Cost-effectiveness will be monitored in future through how affordable the grid service fees are.
Efficiency in maintenance and physical asset management		in top three in ITOMS/ITAMS studies		Target achieved. Fingrid was the only TSO in the ITOMS study to achieve a Top Performer nomination both in the transmission line and substation maintenance categories. Monitored in future through how affordable the grid service fees are
System security				
Well-functioning markets defined under climate goals				
Customer satisfaction	cNPS	45	>50	100% target achieved. cNPS 45
Affordability of grid service fees	ENTSO-E price comparison	in top three	among 3 most affordable	2020 result not yet known. Ranked 3rd in 2019.
Other key stakeholders				
Satisfaction of landowners	Satisfaction with the management of investment projects (1–5)	grade of 'good' in landowner surveys	>4	Overall grades were 3.6 and 3.9
Company's reputation among different stakeholders	Stakeholder surveys	-	Fingrid is a well-known company and sought-after partner among all stakeholders	New target as of 2021. Fingrid's employer image improved among technology professionals. Among the general public, Fingrid's reputation clearly weaker, company not as well known.
Willingness of service providers to work with Fingrid	Functioning of service provider market	-	Competitive, well-functioning and high-quality service provider markets	New target as of 2021. We renewed the supplier register approval procedures in 2020. The service provider market is liquid.
Occupational safety				
Lost-time injuries frequency	Combined lost time injury frequency (own personnel and service providers), (LTIF)	<5	<5	LTIF was 11.1.
Safety of the main grid	Number of accidents to the public	-	0	New target as of 2021. No harm to the public.
Supply chain				
Procurement chain responsibility	No. of deviations or problems in contractor obligation or employment relationship matters	No major deviations	No major deviations	No major deviations or problems in contractor obligation or employment relationship matters

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4. GOOD GOVERNANCE

Fingrid's good governance is based on openness and a responsible operating model. Fingrid's management complies with the laws, regulations and recommendations of the Finnish Governance Code for listed companies that apply to the company's operations and the principles, policies and guidelines decided within the company. The main aspects of the goals and requirements of responsible operations, good governance and risk management have been defined in the company's values, Code of Conduct and internal control and risk management principles, which have been separately approved by the Board of Directors. Our corporate culture is based on the personnel's strong commitment to the company's values and Code of Conduct.

OPENNESS

Corporate culture

Fingrid's management has opted for a policy of openness. Encouraging the sharing of information and promoting a culture of openness are seen to improve the company's productivity. First-class and deliberate sharing of information boosts the learning of both individuals and the organisation, which serves to improve the company's evolution and per-

formance of its task. Sharing information can merge the competence of different professionals across borders, bolster the organisation's practices, prevent unnecessary mistakes, build reputation, and take control of the organisation's capabilities, knowledge and skills.

The personnel have the right to open, up-to-date and active communication. A high standard of communications will promote our personnel's understanding of the company's values and goals. Communication is also a way to ensure that the personnel engage with the company. At Fingrid, information is, as a rule, open and accessible to all in the shared information management system, except for confidential information, such as personal data. The intranet and Teams are additional interactive communication forums that are open to everyone. These are freely accessible and give people the opportunity to take part in dialogue.

Openness in our company is increased by our flat hierarchy and straightforward communication style, which allows for a bold exchange of ideas and the expression of different opinions. Everyone is equal in the work community and the management is present in daily business. We are informal and people find it easy to approach one another. The open culture

that allows for discussion is most clearly reflected in people's sincere willingness to help their colleagues.

Feedback is collected regularly and we act upon it. By request of the personnel, the company has developed, for instance, remote work and working hour flexibility in recent years.

We monitor the development of our corporate culture; we asked our personnel about the main features of our culture in 2019. The responses highlighted community, a team spirit, honesty, trust, responsibility and a relaxed mood. The personnel want to have a strong culture of experimentation and for the company to break down silos better and to increase collaboration.

Our goal is to continue to engage our entire work community, in line with our values, in our responsible way of working and open communications.

Open communications

The guiding principle for Fingrid's internal and external communications is to be open, active and up-to-date. Open communications support the company's strategic business targets. We use multiple channels in our communications. Our main channel is the company's web-



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site www.fingrid.fi, where we publish all of our news and stock exchange releases, investor information, newsletters and magazines for customers, the company's events and brochures, and project news for landowners.

Our website also contains a continuously updated power system status page that shows a real-time view of the power production and consumption situation in Finland. In February 2020, the page was updated to offer a more comprehensive overview of the situation in Finland's main grid and electricity market. [The State of the power system page](#) brings together historical and real-time data and forecasts on the Finnish electricity system, including production, consumption and transmission capacities under one user interface. In addition, the diagram under the map shows the CO₂ emission values and Finland's historical and coming hours' area price for electricity on the day-ahead market.

Another key service for the electricity market and customers is Fingrid's open data service (<http://data.fingrid.fi/en>) that centrally distributes information about Finland's power system and electricity market. Offering the data conveniently in one place enables the development of new services and applications.

In the long term, our goal is to be known for our open and comprehensive external reporting and communications.

Feedback channels and reporting breaches

Fingrid's personnel and external stakeholders have access to several feedback and reporting channels. The personnel have been provided instructions for their use on Fingrid's intranet. Feedback is collected through personnel and stakeholder surveys. Feedback can also naturally be given personally to supervisors, supervisors' supervisors based on the 'one above' principle or to a shop steward or the HR unit.

If an activity is suspected to be in breach of Fingrid's Code of Conduct or the law, and the information cannot be directly conveyed to Fingrid's contact person, a confidential and independent [whistle-blowing channel](#) is available. The channel is intended for use when a breach or crime is suspected which could concern, for example, accounting, conflicts of interest, corruption, the securities markets or other financial irregularities.

All suspected breaches are investigated with confidentiality and professionally, with discretion. At Fingrid, the reports are handled by a Legal Counsel, the General

Counsel and the President & CEO. Any reports are reported on to the company's Board of Directors, taking into account privacy protection. In 2020, Fingrid received two reports of suspected breaches. One of these did not lead to follow-up measures and in the other case, corrective actions were decided on.

In 2020, no breaches of anti-competition laws, complaints related to the privacy of private individuals, incidents of bribery or other corruption, human rights violations or discrimination incidents occurred in Fingrid's operations.

Fingrid combats the grey economy, and does not engage in money laundering or corruption, such as blackmail and bribery. In addition, Fingrid has several operating models in place to prevent corruption, bribery and other financial irregularities, related to, among other things, the use of funds, accepting gifts and hospitality, verification of commitments, counterparty verification and sanctions screening. We ensure this through up-to-date principles, guidelines and training.

Information security and data protection

During 2020, Fingrid continued to invest strongly in the personnel's information security skills as the personnel plays a

Data is a critically important form of capital, the foundation of digitalisation and a prerequisite for high-quality expert work. The energy revolution calls for investments to be made in data centralisation, refinement and dissemination. Cost-efficiency and time-savings can be realised by automating processes with the help of data.

[Watch Fingrid's Data management video](#)

significant role in identifying and reporting different types of deviations. A new type of online induction course was implemented for the personnel, in which a gameboard is used to review different areas of information security. A measure already in place is the phishing training linked to email. During the year, info sessions were held for personnel using remote connection solutions. A continuous investment in the personnel has also brought about improvements in Fingrid's information security level.

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Information security training continued throughout the year. A major internal exercise was carried out in the company, in preparation for guaranteeing the functioning of IT systems and networks in an exceptional power outage.

The COVID-19 pandemic resulted in co-operation in Finland, the Nordic countries and in Europe. Transferring to remote work, for example, caused challenges in maintaining information security and communication between the various parties ensured the safe and disturbance-free remote use of the IT systems.

When handling personal data, data protection must be ensured proactively and comprehensively for the total lifespan of the personal data. The processing of personal data must be systematic and documented and equipped with guidelines, and it must comply with the EU's General Data Protection Regulation and other legislation related to data protection. At Fingrid, data protection guidelines for the personnel can be found in the data management policy.

In 2020, practical measures were developed for personal data to ensure that data protection viewpoints are taken into account in the company's operations in an appropriate manner. For example, data protection perspectives were also

included in electronic information security training, and guidelines concerning information security and verifying questions were included in the project management system. Preparations for the centralised information exchange system, the data-hub, were continued, taking into account the legal requirements concerning the processing of personal data.

Our goal is high-level information security and responsibility for data. Our goal is to prevent all information security and data protection breaches impacting our business. Fingrid is known for its high-quality information security and ability to protect personal data and business critical data.

HIGH-QUALITY CORPORATE RESPONSIBILITY MANAGEMENT

Management at Fingrid is strongly based on the company's values: Fingrid is open, fair, efficient and responsible, which is reflected in our daily operations. Corporate responsibility is not an isolated function or topic, but a fixed part of the company's strategy. Corporate responsibility is highlighted in everything we do. Corporate responsibility and compliance management are integrated with Fingrid's management system and risk management practices.

The highest responsibility for sustainable development principles and promotion lies with the company's Board of Di-

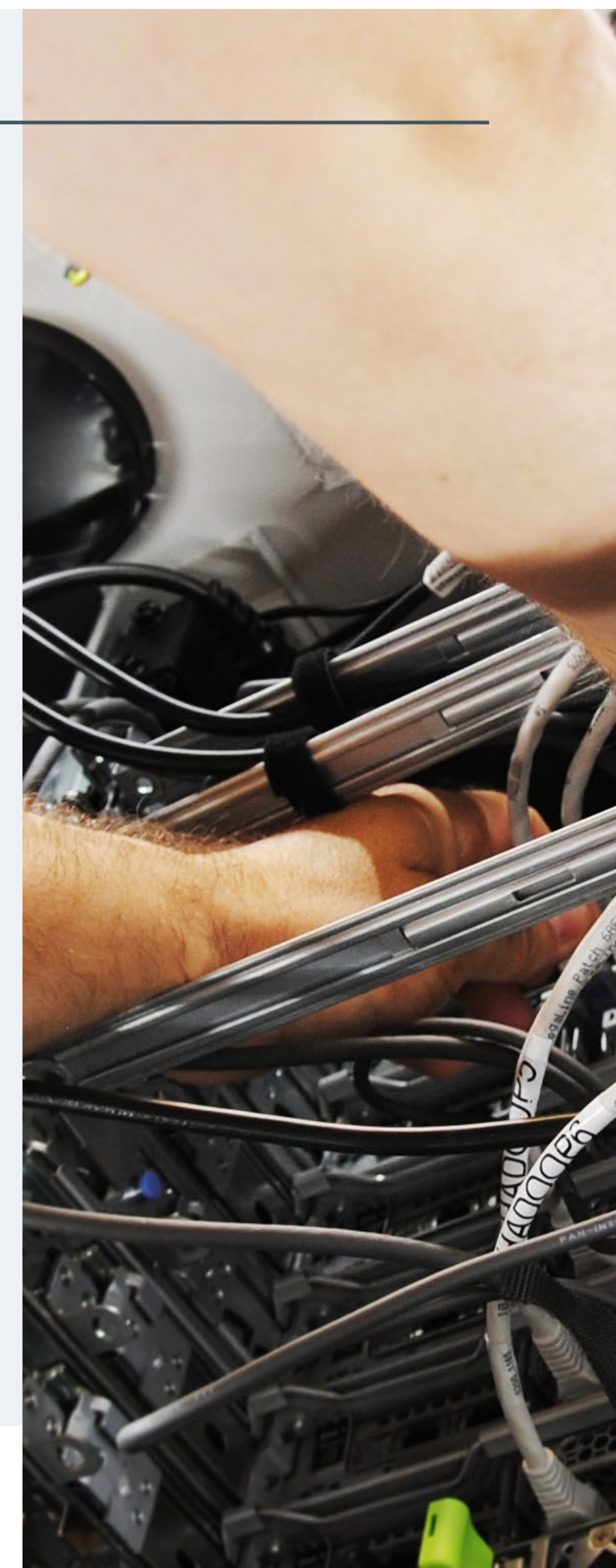
CASE

ICT FUNCTION'S SERVER ROOM EXERCISE

On Saturday, 12 September 2020, Fingrid's ICT function organised a server room exercise as a continuation of the previous year's exercise. In the previous exercise, it was noticed that the architecture of the facility was overly complicated. The goal of the exercise in autumn 2020 was to establish the simplification of the server room architecture and increase in system security. In addition, a goal was to ensure the management and performance ability of the ICT function's disturbance clearing using a practical test.

The first scenario, which concerned the architectural changes, did not cause disturbances to the business. However, the second scenario in which the telecommunications connections were cut significantly, caused deviations in several systems and internet traffic was interrupted, for example. This affected the reception of the O365 services and the visibility of the website. The interruption of electricity trading messaging prevented communication between the market parties through Fingrid and the activation of the balancing bids between the balancing power market parties. The interruption lasted roughly 35 minutes – in this time, internet traffic was restored.

The key lessons learned from the server room exercise were related to the functioning of the ICT disturbance clearing centre, the main grid control centre and ICT roles, and securing the functioning of internet traffic in all situations.



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rectors. The Board of Directors approves the company's Code of Conduct, monitors the responsibility of operations and ensures that corporate responsibility management is integrated into business operations. Corporate responsibility aspects are also included in the Board of Directors' decision-making process when making decisions concerning, for example, investments.

The President & CEO and the heads of functions are each responsible for compliance and corporate responsibility management within their areas of responsibility. The Executive Management Group regularly reviews corporate responsibility issues, and alongside financial profitability, social issues and environmental impacts are taken into account in a balanced manner in decision-making. Responsibility impacts the remuneration of the President & CEO and the company executives.

The Compliance and Responsibility Team headed by the company's General Counsel is responsible for corporate responsibility development and reporting at the company level.

We have described our administrative system in more detail in the Corporate Governance Statement for 2020, and in the Remuneration Statement for 2020

and the company's Remuneration Policy for Governing Bodies.

Code of Conduct

Every Fingrid employee makes a commitment to work in compliance with our Code of Conduct, which is based on the United Nations' Global Compact initiative and the principles guiding business operations and human rights. The Code of Conduct includes our human rights commitment. In 2020, we updated our Code of Conduct to correspond with our updated values and also incorporated into it our commitment to promote the diversity of people in all of our operations.

Our managers and the entire work community ensure that behaviour is in line with the Code of Conduct, relying also on an online induction course. We have drawn up ethical principles for the use of artificial intelligence. To ensure our understanding of human rights, we have carried out an assessment in compliance with the due diligence process recommended in the UN's Guiding Principles on Business and Human Rights, and we also updated our action plan in 2020. In 2020, we also carried out a 'Welcome to Fingrid' online induction course and an information security course for the entire personnel.

We expect the contractual partners who provide us with services and goods to

comply with our Supplier Code of Conduct or other corresponding separately agreed on requirements.

We wish to commit ourselves and our partners to compliance with good governance. Induction into our Code of Conduct plays an essential role in this area.

Compliance of the business operations

The aim of Fingrid's management and leadership is to implement the strategy approved by the Board of Directors and achieve the business goals responsibly and sustainably, in an effective manner. This requires the correct allocation of financial and human resources and the optimal utilisation of information.

We comply with laws and regulations. Good governance, risk management, sufficient controls and internal audit principles steer all of our operations. Internal control and risk management procedures enforcing good governance are applied in management and leadership. The company stays up to date on amendments to laws and regulations and ensures that principles, policies and other guidance remains in line with regulations applying to the company. Business is planned and managed according to guidelines so that we can demonstrate that the requirements have been met. This applies to the



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company's internal operations, but also the service that the company sources externally. Our goal is to not be content with simply meeting the minimum level of the requirements in areas that are critical to our operations, such as occupational safety and information security.

The main aspects of the goals and requirements of responsible operations, good governance and risk management have been defined in the company's values, Code of Conduct and internal control and risk management principles, which have been separately approved by the Board of Directors.

The company complies with the Board-approved insider guidelines and related party principles, as well as separately maintained guidelines concerning conflicts of interest and judicial disqualification. Our goal is to ensure that the guidelines steering our business remain up to date.

Managing risks and continuity

The nature and crucial importance of Fingrid's operations to the functioning of society are strongly reflected in the company's risk management culture and its development. Fingrid is responsible for the functioning of Finland's power system, which makes it fundamentally a risk management company. The entirety of Fingrid's risk management is described

on the company's [website](#) and in the Annual Report's Business Review.

Our objective is to ensure the continuity and profitability of our operations through good risk management

Internal audits

Internal control and audit create verified information on the efficiency of the company's processes and the functioning and legality of procedures. At Fingrid, the internal audit is handled by an external consultant company which, together with the Board of Directors, decides on which areas will be audited each year. The internal audit can be applied to issues on many different levels: for example on a general level to the management of capex projects or the completion of a single project. Audits are carried out to ensure everything from the appropriateness of business to developing support functions' processes.

More on internal audits can be found in the [Corporate Governance Statement](#).

FINANCE – OWNERS AND FINANCERS

The principal aim of Fingrid's capital management and grid asset management is to secure the company's ability to conduct uninterrupted operations, value retention and rapid recovery from any exceptional cir-

THE KEY PRINCIPLES AND POLICIES STEERING THE COMPANY'S OPERATIONS AND GUIDELINES AND PLANS SUPPORTING CORPORATE RESPONSIBILITY

- Code of Conduct
- Supplier Code of Conduct
- Internal control and risk management principles
- Corporate Governance Code 2020
- Insider guidelines
- Related party principles
- Crisis communications principles
- Management principles
- HR policy
- Equal opportunity and non-discrimination plan
- Corporate finance principles
- Procurement policy
- Main grid development and maintenance management principles
- Land use and environment policy
- Principles for managing system security
- Principles for promoting the electricity market

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cumstances. The company must have a solid capital structure to support consistently strong credit ratings and to secure reasonable cost of capital and adequate dividend pay-out capability. The company aims to maintain a credit rating of at least 'A-'.

Fingrid's dividends are distributed such that the shareholders receive a reasonable return on their invested capital, but also such that the company's financial position remains stable. The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividends. When making the decision, however, the economic conditions, the company's near-term capital expenditure and development needs as well as the company's prevailing financial control targets are always taken into account. Our goal is a balanced risk-return ratio for the owners and financiers.

In the longer term, our goal is for Fingrid to be an open, stable and productive company from the owners' and financiers' point of view.

WORKING FOR SECURITY OF SUPPLY
Fingrid is deeply involved with ensuring Finland's security of supply. Fingrid is a company with duties critical to the national security of supply and must be able to continue its operations even under the

application of emergency legislation. Fingrid maintains a contingency plan as part of the system defence plan referred to in the Finnish Electricity Market Act. Fingrid is an active participant in the collaboration to develop the energy sector's preparedness activities and, together with the National Emergency Supply Agency, governs the authorities' and Finnish industries' joint Power and District Heat Pool, which coordinates emergency preparedness. In recent years, the Pool has invested in extensive preparedness rehearsals, called 'Jäätyvä', for municipal, rescue and law enforcement authorities, the Finnish defence forces, and energy companies.

In the year under review, the security of supply was tested due to the pandemic. With the support of the pools, clear situational awareness has been created concerning the security of supply impacts of the pandemic and the required measures.



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FINGRID'S GOVERNANCE TARGETS 2025 AND 2035

RESPONSIBILITY THEME, VISION	SHORT-TERM TARGET 2025	LONG-TERM TARGET 2035	CORPORATE RESPONSIBILITY VIEWPOINT AND UN'S SDG
<p>We commit to and require others to commit to responsibility and listed companies' good governance in line with our values. Balanced risk-return ratio for the owners and financiers.</p> <p>The continuity and profitability of our operations through good risk management.</p> <p>Open and comprehensive external reporting and communications.</p> <p>High-level information security and responsibility for data.</p>	<p>Our entire work community is committed to a responsible way of working and open communications.</p> <p>The company's guidelines are in line with legislation and the company's personnel has received training in the rules and know the guidelines.</p> <p>Dividend income in line with shareholders' targets.</p> <p>High credit rating.</p> <p>No significant information security and data protection breaches resulting in adverse business impacts.</p>	<p>Fingrid is known for its exemplary responsibility work and open external reporting.</p> <p>From the owners' and financiers' point of view, Fingrid is an open, stable and productive company.</p> <p>Fingrid is known for its high-quality information security and ability to protect personal data and business critical data.</p>	<p>Good governance.</p> 

INDICATORS AND TARGET LEVELS RELATED TO GOOD GOVERNANCE

INDICATOR	DESCRIPTION	2020	2021-2025	TARGET MONITORING: HOW WE DID IN 2020
Toimintaperiaatteet				
Personnel's view on responsibility of ways of working	Personnel surveys: grade for responsible operations (1–5)	Good	>4	Excellent result. Personnel survey grade 4.6 on a scale of 1–5
Up-to-dateness of principles and policies steering operations	Principles and policies updated according to the annual cycle	-	Everything updated at least every two years and the company's operating practices comply with these.	New target as of 2021. All principles and policies are updated at least according to the annual cycle
Internal audits		-	No critical shortcomings identified in internal audits	New target as of 2021. No critical shortcomings identified in internal audits
Risk management, continuity management				
Risk management, continuity management		-	No significant realised risks resulting from the company's deficient preparedness. Continuity exercises carried out 100% according to the planned schedule.	New target as of 2021. No significant risks related to poor preparedness materialised and the continuity exercises were carried out
Protection of business critical and personal data (personal data, grid model)	Ensure that business critical data can only be accessed by those who need it.	-	No significant information security and data protection breaches resulting in adverse business impacts.	New target as of 2021. No significant information security and data protection breaches resulting in adverse business impacts detected
Finance – owners and financiers				
Credit rating	Credit rating (S&P, Fitch) at least 'A-' (at least from one)	'A'	Company's credit rating at a level that ensures the availability of financing at an affordable cost	The minimum credit rating level was exceeded
Dividend payout capacity	Moderate dividend income for owners that takes into account the company's financing needs	majority of parent company's profit	Absolute amount of dividend and share of parent company's profits (%)	Dividend income in line with shareholders' targets was achieved

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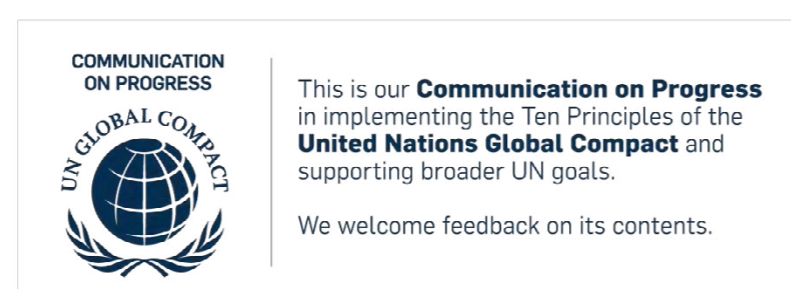
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REPORTING PRINCIPLES

In order to ensure transparency and comparability, Fingrid is in compliance with the Global Reporting Initiative (GRI) guidelines (Core requirements). The boundaries of the social and environmental data do not include the associated companies. The information on reporting was verified by an independent third party. Requirements for corporate responsibility reporting by state-owned companies and environmental, social and governance (ESG) reporting guidance for stock exchanges are also taken into account. The Annual Report stands for a Communication on Progress (COP) report in compliance with the UN's Global Compact initiative.

Fingrid discloses the business risks and opportunities related to climate change also in accordance with the Task Force on Climate-related Financial Disclosures framework on its website.



The Report of the Board of Directors also includes non-financial information.



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MATERIAL TOPICS FOR FINGRID	MANAGEMENT PERFORMANCE PROCEDURE AT FINGRID	FINGRID'S MANAGEMENT INDICATORS	MATERIAL TOPICS FOR FINGRID'S OPERATIONS
An open, collaborative, renewing and high-performing work community	Management principles HR policy Equal opportunity and non-discrimination plan	Workplace atmosphere: result of personnel survey Management: ranking in the Great Place to Work Finland survey	GRI: Employment GRI: Education GRI: Diversity and equal opportunities
Fingrid's Code of Conduct	Fingrid's Code of Conduct Management principles Internal control and risk management principles Ensuring impartiality in preparing matters and decision-making Related party principles HR policy Digital security policy Data management policy Insider guidelines	Grade for responsible operations in personnel survey	GRI: Ethics and integrity GRI: Non-discrimination GRI: Anti-corruption and anti-bribery GRI: Public policy GRI: Anti-competitive behaviour GRI: Customer privacy GRI: Socioeconomic compliance
Financial result	Management principles Corporate finance principles Financing policy	Credit rating Dividend payout capacity Cost-effectiveness	GRI: Economic performance
Stakeholders' trust	Fingrid's Code of Conduct Land use and environment policy Communications policy	Trust KPI in the customer survey ENTSO-E: ranking in price level comparisons Landowner survey grade	GRI: Stakeholder engagement Local communities
Procurement practices	Fingrid's Supplier Code of Conduct Procurement policy	Deviations or problems in contractor obligation or employment relationship matters	GRI: Procurement practices
Development of the main grid into a platform for a clean power system	Main grid development and maintenance management principles Contingency policy Company security policy Grid planning, construction, maintenance management policies	Implementation of capital expenditure Maintenance efficiency: ranked in international benchmarks (ITOMS, ITAMS) Environmental deviations	GRI: Economic performance GRI: Environmental Compliance GRI: Biodiversity GRI: Waste
Well-functioning electricity market	Principles for promoting the electricity market Loss power procurement policy Transmission capacity allocation and congestion management policy	Grade for developing the electricity market in the customer survey	GRI: Stakeholder engagement
Reliability and security of the electricity system	Principles for managing system security Principles for crisis communications Reserve policy Contingency policy Reserve power plant management policy Company security policy	Grid disturbances: financial harm to customers System security: System Average Interruption Duration Index in connection points Sufficiency of the system reserves Lost-time injuries frequency	GRI: Indirect economic impacts Electricity availability and transmission reliability Demand-side management System efficiency Research and development GRI: Occupational health and safety GRI: Customer health and safety GRI: Energy GRI: Emissions

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INDEPENDENT ASSURANCE STATEMENT

To the Management and Stakeholders of Fingrid

Scope and Objectives

The Management of Fingrid Oyj commissioned us to perform a limited assurance engagement over the responsibility information presented in the Responsibility and Sustainability section of Fingrid's Annual Report 2020 ("the Report") for the reporting period 1st January to 31st December 2020. The assurance engagement was conducted in accordance with the AA1000 Assurance Standard (AA1000 AS v3, 2020) as a type 2 engagement and the International Standard on Assurance Engagements (ISAE) 3000 revised – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information'.

We have duly performed an independent external assurance, the objective of which was to evaluate:

- Fingrid's adherence to the AA1000 Accountability Principles (2018) of inclusivity, materiality, responsiveness and impact;
- the reliability of performance information presented in the Report according to the Principles for defining report qual-

ity in the GRI Standard 101 Foundation (2016); and

- the compliance with the GRI Standards in accordance criteria at the Core option.

Responsibilities

Fingrid's Management is responsible for the preparation of the Report and the performance data and statements presented therein, which the Executive Management Group of Fingrid has approved. Our responsibility as assurance providers is to express a conclusion based on our work performed. The criteria used for our assessment include the GRI Standards (2016, 2018) and Fingrid's own internal reporting guidelines.

Assurance Provider's Independence and Competence

We have conducted our assessment as independent and impartial from the reporting organisation. We were not committed to any assignments for Fingrid that would conflict with our independence, nor were we involved in the preparation of the Report. Our team consists of competent and experienced corporate responsibility reporting experts, who have the necessary skills to perform an assurance process.

Basis of Our Opinion

Assurance providers are obliged to plan and perform the assurance process to

ensure that they collect adequate evidence for the necessary conclusions to be drawn. The procedures selected depend on the assurance provider's judgement, including their assessment of the risk of material misstatement adhering to the reporting criteria.

Our opinion is based, among other things, on the following procedures performed:

- Interviews with senior management representatives to gain an understanding of the major impacts, risks and opportunities related to Fingrid's corporate responsibility agenda;
- Assessment of the procedures Fingrid has in place to ensure the inclusivity of stakeholder engagement processes, the identification of material stakeholder expectations, the responsiveness to stakeholder concerns and the assessment of impacts;
- Interviews with Fingrid's specialists responsible for corporate responsibility performance data collection and calculations;
- Review of systems and procedures to generate, collect and report corporate responsibility performance data for the Report;
- Reviewing data at source and following this through to the responsibility information presented in the Report;
- Reviewing whether the evidence, meas-

urements, and scope of the performance data is prepared in accordance with the Criteria; and

- Reviewing the Report and narrative accompanying the performance indicators in the Report with regard to the Criteria.

Inherent limitations

Our assurance relies on the premise that the data and information provided by Fingrid to us as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. For instance, greenhouse gas (GHG) emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

Conclusions

Adherence to AA1000 Accountability Principles

- Inclusivity: Fingrid has a stakeholder engagement process in place in order to understand stakeholder expectations, and it has committed to active stakeholder dialogue.

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- Materiality: Fingrid has defined material corporate responsibility reporting topics as a part of the strategy process.
- Responsiveness: Fingrid has policies and procedures in place to respond to stakeholder's expectations.
- Impact: Fingrid has identified impacts related to the material corporate responsibility topics and has committed to manage and disclose comprehensive and balanced information on these impacts.

Corporate responsibility performance data

We have reviewed the basis of the corporate responsibility information provided in the Report. 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 the Report is not fairly stated and has not been prepared, in all material respects, in accordance with the reporting criteria.

GRI Standards in accordance criteria

The Report complies with the GRI Standards: Core option.

Observations and Recommendations

Based on our limited level assurance engagement, we present the following observations and recommendations, which do not affect the conclusions presented above.

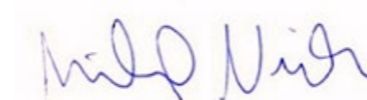
- The power system transition necessitates changes in structures of power production, transmission grid and electricity market. Fingrid has an important role as an enabler of the energy system transition to mitigate climate change. In 2020 Fingrid has advanced the development of power system transition to support the target for carbon neutrality. Fingrid has further aligned the company's long-term climate and environmental targets. We recommend that Fingrid continues to strengthen climate change mitigation actions in the line with company's basic task, and reports progress against the long-term climate commitments.

- Fingrid's results in different areas of corporate responsibility have mainly been in the line with the targets set for 2020. The company has been able to manage impacts of the exceptional pandemic situation. During the year, the safety performance of contractors and service providers weakened to some extent. We recommend that Fingrid further intensifies activities to ensure required safety culture among contractors and service providers.

- Compliance and corporate responsibility management is integrated in Fingrid's management system and risk management. In Fingrid's outsourcing based business model responsible procurement practices have effectivity. Based on due

diligence approach Fingrid has established the responsibility requirements for its suppliers and business partners. We recommend that Fingrid continues to enhance efforts ensuring responsibility in the whole supply chain.

Helsinki, Finland, 4th February 2021
Mitopro Oy



Mikael Niskala
Independent Sustainability Practitioner



Tomi Pajunen
Independent Sustainability Practitioner



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The GRI Content Index compiles our reported responsibility data and shows the data's location.

STANDARD	GRI CONTENT	LOCATION	ADDITIONAL INFORMATION	GLOBAL COMPACT
Organisational profile				
GRI 102-1	Name of the organisation		Fingrid	
GRI 102-2	Activities, brands, products and services	Introduction – Fingrid delivers. Responsibly.		
GRI 102-3	Location of headquarters	Business Review 2020: Strategy	Fingrid's headquarters are located in Helsinki.	
GRI 102-4	Location of operations; number and names of countries where the organisation has operations or that are relevant to the topics covered in the report			
GRI 102-5	Ownership and legal form	Report of the Board of Directors		
GRI 102-6	Markets served	Report of the Board of Directors		
GRI 102-7	Scale of the organisation	Report of the Board of Directors		
GRI 102-8	Information on employees and other workers; number of employees by employment type and contract, by region and by gender	Business Review 2020: Personnel		6
	Working hours of the personnel and service providers	Diverse work community	Reporting covers the service providers' working hours included in Fingrid's internal monitoring. In 2020, grid building and maintenance operations amounted to roughly 834,000 work hours, equalling 491 man-years.	6
GRI 102-9	Supply chain	Supply chain		
GRI 102-10	Significant changes to the organisation and its supply chain; size, structure, ownership	Report of the Board of Directors	No significant changes	
	Length of above and underground transmission and distribution lines	Business Review 2020: Main grid	The main grid owned by Fingrid encompasses approximately 14,000 kilometres of 400-, 220- and 110-kilovolt transmission lines, plus 115 substations, and 3 HVDC stations.	
	Allocation of CO ₂ e emissions allowances or equivalent, broken down by emissions trading scheme	Greenhouse gas impacts of Fingrid's operations Report of the Board of Directors	Fingrid's reserve power plants are included in the European Union's emissions trading system. The accuracy of the measuring and reporting systems for fuel consumption is verified by an accredited emissions trading verifier. A total of 5,020 (5,170) units (tCO ₂) of emission allowances were returned, 100% of which consisted of purchased emission right units. Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020. Purchased emission right units amounted to 4,000 in 2020. Emissions trading had minor financial significance for Fingrid.	

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STANDARD	GRI CONTENT	LOCATION	ADDITIONAL INFORMATION	GLOBAL COMPACT
GRI 102-11	Precautionary Principle or approach	Managing risks and continuity	The precautionary principle is included in Fingrid's Code of Conduct and the UN's Global Compact initiative, which Fingrid has committed to. The environmental impacts of new transmission lines are determined according to an environmental impact assessment procedure as required under the legislation on the EIA procedure or, for projects with minor impacts, by means of an environmental study. Fingrid's reserve power plants are subject to an environmental permit.	
GRI 102-12	External initiatives; externally-developed principles or other initiatives to which the organisation subscribes, or which it endorses	Report of the Board of Directors	Global Compact initiative Energy efficiency agreement of Finnish industries 2017–2025	
GRI 102-13	Memberships of associations; incl. advocacy organisations		ENTSO-E (European Network of Transmission System Operators – Electricity), Finnish Energy Industries, Cigré (International Council on Large Electric Systems), FIBS Corporate Responsibility Network	
Strategy and analysis				
GRI 102-14	Statement from senior decision-maker	Business Review 2020: Review by the President & CEO		
GRI 102-15	Key impacts, risks, and opportunities	Introduction – Fingrid delivers. Responsibly. Materiality assessment and responsibility targets		
Ethics and integrity				
GRI 102-16	Values, principles, standards, and norms of behaviour	Code of Conduct		1-10
GRI 102-17	Mechanisms for advice and concerns about ethics; incl. reporting concerns about unethical or unlawful behaviour	Code of Conduct Feedback channels and reporting breaches		
Governance				
GRI 102-18	Governance structure; incl. committees	Corporate Governance		
GRI 102-19	Delegating authority	Corporate Governance High-quality corporate responsibility management		
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	High-quality corporate responsibility management		
GRI 102-22	Composition of the highest governance body and its committees	Corporate Governance	The report includes the composition of the Board of Directors and a statement on the independence of Board members.	
GRI 102-23	Chair of the highest governance body	Corporate Governance		
GRI 102-24	Nominating and selecting the highest governance body	Corporate Governance	The report accounts for the selection of Board members and the related criteria.	
GRI 102-25	Conflicts of interest	Corporate Governance		
GRI 102-26	Role of highest governance body in setting purpose, values and strategy	Corporate Governance High-quality corporate responsibility management		
GRI 102-29	Identifying and managing economic, environmental, and social impacts	Corporate Governance Report of the Board of Directors	The reports account for the Board of Directors' responsibilities in the organisation of risk management.	
GRI 102-30	Effectiveness of risk management processes	Corporate Governance Report of the Board of Directors		

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STANDARD	GRI CONTENT	LOCATION	ADDITIONAL INFORMATION	GLOBAL COMPACT
GRI 102-31	Review of economic, environmental, and social topics; frequency of risk reviews	Corporate Governance Report of the Board of Directors	The reports account for the Board of Directors' role in the approval of risk management principles and in the definition of risks and their management measures as well as implementation.	
GRI 102-32	Highest governance body's role in sustainability reporting	Corporate Governance	The Executive Management Group approves the corporate responsibility reporting.	
GRI 102-35	Remuneration policies; for the highest governance body and senior executives	Remuneration Report Fair remuneration	The reports account for the principles of remuneration policies and systems for the Board of Directors and senior executives.	
GRI 102-36	Process for determining remuneration	Remuneration Report Fair remuneration	The report describes the approval process of remuneration systems and forms of remuneration.	
Stakeholder engagement				
GRI 102-40	List of stakeholder groups	Stakeholders and stakeholder cooperation		
GRI 102-41	Collective bargaining agreements; percentage of total employees covered		Fingrid complies with the collective labour agreement for salaried employees and senior professional employees in the energy industry. These agreements cover the entire personnel excluding top management.	3
	Company's contractors' personnel covered by the collective labour agreements by country		According to the Act on the Contractor's Obligations and Liability when Work is Contracted Out, the entire chain of contractors at Fingrid's work sites is obligated to operate in compliance with applicable Finnish collective labour agreements both regarding Finnish and non-Finnish workforce.	
GRI 102-42	Identifying and selecting stakeholders	Stakeholders and stakeholder cooperation		
GRI 102-43	Approach to stakeholder engagement	Stakeholders and stakeholder cooperation		
GRI 102-44	Key topics and concerns raised; through stakeholder engagement	Stakeholders and stakeholder cooperation Customers Landowners		
Report profile				
GRI 102-45	Entities included in the consolidated financial statements	Business Review 2020		
GRI 102-46	Defining report content and topic Boundaries	Materiality assessment and responsibility targets	Fingrid's materiality assessment is evaluated annually, as a part of the strategy process, to ensure that it is up to date and the Executive Management Group confirms the most important issues concerning Fingrid's operations as well as the adequacy of the management approach for these issues. The assessment of the economic, social and environmental impacts of Fingrid's operations, as well as the impacts on stakeholders' decision-making, takes into account the strong connection between sustainability, strategy and business and its impact on Fingrid's ability to create value, as well as the value-chain-wide requirements of the GRI reporting guidelines. A thorough materiality assessment was conducted in 2014, which included a broad background analysis, meetings attended by dozens of experts from Fingrid, and a stakeholder survey sent out to roughly 700 individuals.	
GRI 102-47	List of material topics	Materiality assessment and responsibility targets	The matters prioritised as material for Fingrid and their corresponding GRI reporting aspects are presented in the Corporate Responsibility and Sustainable Development Report.	

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STANDARD	GRI CONTENT	LOCATION	ADDITIONAL INFORMATION	GLOBAL COMPACT
GRI 102-48	Restatements of information		Any changes to information from previous reports are stated in connection with the relevant information.	
GRI 102-49	Changes in reporting		There were no significant changes in the material topics and topic boundaries from previous reporting periods.	
GRI 102-50	Reporting period		The reporting period covers the financial period, from 1 January to 31 December 2020.	
GRI 102-51	Date of most recent report		The previous annual report was published on 12 March 2020.	
GRI 102-52	Reporting cycle		The annual report is published every year.	
GRI 102-53	Contact point for questions regarding the report		Feedback and questions about the annual report and Fingrid's corporate responsibility can be sent to viestinta@fingrid.fi .	
GRI 102-54	Claims of reporting in accordance with the GRI Standards		This report has been prepared in accordance with the GRI Standards: Core option.	
GRI 102-55	GRI content index	Corporate responsibility GRI disclosures		
GRI 102-56	External assurance		The Corporate Responsibility and Sustainable Development Report is assured externally.	
Management Approach				
GRI 103	Disclosures on Management Approach	Materiality assessment and responsibility targets Fingrid's environmental responsibility targets 2025 and 2035 Fingrid's social responsibility targets 2025 and 2035 Fingrid's governance targets 2025 and 2035 High-quality corporate responsibility management		
ECONOMIC RESPONSIBILITY STANDARDS				
Economic performance				
GRI 201-1	Direct economic value generated and distributed, €1,000	Generation of economic value		
GRI 201-4	Financial assistance received from government, €1,000	Generation of economic value		
Indirect economic impacts				
GRI 203-2	Significant indirect economic impacts	Reliability of the electricity system Economy – society Customers		
Procurement practices				
GRI 103	Management Approach	Supply chain		
Anti-corruption				
GRI 205-3	Confirmed incidents of corruption and actions taken	Feedback channels and reporting breaches	No incidents of corruption during the reporting period.	10
Anti-competitive behaviour				
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Feedback channels and reporting breaches	No legal actions during the reporting period.	

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STANDARD	GRI CONTENT	LOCATION	ADDITIONAL INFORMATION	GLOBAL COMPACT
Taxation				
GRI 207-4	Country-by-country reporting	Tax footprint	Reported based on the tax reporting guidelines of the Ownership Steering Department of the Finnish Government.	
Electricity availability and transmission reliability				
GRI 103	Management Approach	Reliability of the electricity system		
Demand-side management				
GRI 103	Management Approach	Business Review 2020: Power system		
Research and development				
GRI 103	Management Approach	Business Review 2020: Research and development		
System efficiency				
GRI 103	Transmission and distribution losses	Electricity transmission losses and energy efficiency		
ENVIRONMENTAL RESPONSIBILITY STANDARDS				
Energy				
GRI 302-1	Energy consumption within the organisation	Electricity transmission losses and energy efficiency		7, 8
GRI 302-2	Energy consumption outside of the organisation	Electricity transmission losses and energy efficiency		
GRI 302-3	Energy intensity	Electricity transmission losses and energy efficiency		
Water				
GRI 303-5	Water consumption		Water consumption and waste water are not essential factors in electricity transmission or in the operation of substations and reserve power plants. Household water is consumed at our facilities, substations and reserve power plants.	7, 8
Biodiversity				
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Protection of nature values and biodiversity		8
Emissions				
Greenhouse gas emissions				
GRI 305-1	Direct (Scope 1) GHG emissions	Greenhouse gas impacts of Fingrid's operations		
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Substations' SF ₆ gases		
GRI 305-3	Other indirect (Scope 3) GHG emissions	Greenhouse gas impacts of Fingrid's operations		
GRI 305-4	GHG emissions intensity	Greenhouse gas impacts of Fingrid's operations		
GRI 305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Greenhouse gas impacts of Fingrid's operations		

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STANDARD	GRI CONTENT	LOCATION	ADDITIONAL INFORMATION	GLOBAL COMPACT
Effluents and waste				8
GRI 306-2	Waste by type and disposal method	Circular economy and material efficiency		
GRI 306-3	Significant spills	Protection of nature values and biodiversity	No significant environmental deviations occurred during the year under review.	
Environmental Compliance				8
GRI 307-1	Non-compliance with environmental laws and regulations; monetary value of significant fines and total number of non-monetary sanctions		No fines or sanctions during the reporting period.	
SOCIAL RESPONSIBILITY STANDARDS				
Employment				6
GRI 401-1	New employee hires and employee turnover; total numbers, by age group, gender and region	Diverse work community		
	Percentage of employees retiring within the next 5 and 10 years	Diverse work community		
	Number of workdays of contractors' and contractors' employees working in construction, operation and maintenance duties	Diverse work community	The report accounts for the total working hours of service providers.	
	Proportion of suppliers' and contractors' employees who have taken part in occupational safety training	Promoting occupational health and safety	The report accounts for the OHS development project.	
Occupational health and safety				6
GRI 403-1	Occupational health and safety management system	Promoting occupational health and safety		
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Promoting occupational health and safety		
GRI 403-3	Occupational health services	Healthy and happy personnel Promoting occupational health and safety		
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Promoting occupational health and safety		
GRI 403-5	Worker training on occupational health and safety	Promoting occupational health and safety		
GRI 403-6	Promotion of worker health	Healthy and happy personnel Promoting occupational health and safety		

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STANDARD	GRI CONTENT	LOCATION	ADDITIONAL INFORMATION	GLOBAL COMPACT
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Promoting occupational health and safety		
GRI 403-8	Workers covered by an occupational health and safety management system	Promoting occupational health and safety		
GRI 403-9	Work-related injuries; types and rates of injuries (LTIF), occupational diseases, lost days, absenteeism, and number of work-related fatalities, by region and by gender	Promoting occupational health and safety		
	Contractors' and suppliers' OHS-related performance	Promoting occupational health and safety		
GRI 403-10	Work-related ill health	Promoting occupational health and safety		
Training and education				6
GRI 404-1	Average hours of training per year per employee; by gender and by employee category	Business Review 2020: Personnel		
GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes; to facilitate continued employability and the management of career endings	Business Review 2020: Personnel		
Diversity and equal opportunities				6
GRI 405-1	Diversity of governance bodies; composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group, and other indicators of diversity	Diverse work community		
GRI 405-2	Ratio of basic salary and remuneration of women to men	Fair remuneration		
Non-discrimination				6
GRI 406-1	Incidents of discrimination and corrective actions taken	Feedback channels and reporting breaches	No incidents of discrimination during the reporting period.	
Local communities				1
	Result of landowner survey	Landowners		
Public policy				10
GRI 415-1	Political contributions; total value by country and recipient/beneficiary		Fingrid does not provide any direct or indirect support, including non-monetary support, to political activities.	

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STANDARD	GRI CONTENT	LOCATION	ADDITIONAL INFORMATION	GLOBAL COMPACT
Customer health and safety				
	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases	Safety of the main grid	No cases of personal injury to the public during the reporting period. No claims related to incidents of this kind were presented to the company during the reporting period.	
Availability				
	Power outage frequency	Report of the Board of Directors Environmental responsibility: target indicators and target levels		
	Average power outage duration	Report of the Board of Directors Environmental responsibility: target indicators and target levels		
Customer privacy				
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Information security and data protection Feedback channels and reporting breaches	No incidents during the reporting period.	
Socioeconomic compliance				
GRI 419-1	Non-compliance with laws and regulations in the social and economic area; significant fines and non-monetary sanctions	Compliance of the business operations	No significant fines or sanctions during the reporting period.	

Fingrid delivers. Responsibly.

For more detailed information on Fingrid and the contact persons for various functions, see the company's website at www.fingrid.fi

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