

FINGRID

ANNUAL REPORT 2020

Remuneration Report



REMUNERATION REPORT

- > [Introduction](#)
- > [Board of Directors' remuneration](#)
- > [Remuneration of the President & CEO and deputy](#)

CONTENTS

1. INTRODUCTION	2
Compliance with the Remuneration Policy in 2020	2
Remuneration boosts the company's success	2
2. BOARD OF DIRECTORS' REMUNERATION	3
Other financial commitments	3
3. REMUNERATION OF THE PRESIDENT & CEO AND DEPUTY	4
Remuneration components	4
Basis for determining the variable pay components	4
Further employment terms and conditions	4
Remuneration for the financial year 2020	4

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		

REMUNERATION REPORT

- > Introduction
- > Board of Directors' remuneration
- > Remuneration of the President & CEO and deputy

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

REMUNERATION REPORT

- > Introduction
- > Board of Directors' remuneration
- > Remuneration of the President & CEO and deputy

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

FINGRID

ANNUAL REPORT 2020

REMUNERATION REPORT

- > Introduction
- > Board of Directors' remuneration
- > Remuneration of the President & CEO and deputy

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.

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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