

Remuneration Report 2021

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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 & CEO, and the deputy to the Managing Director, hereinafter referred to as 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.

1.1 Remuneration principles

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, principles have been taken into account in remuneration. Remuneration must be reasonable, fair and competitive.

Principles steering 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 main 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		

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, the deputy to the President & CEO, as well as the other members 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.

1.2 Compliance with the Remuneration Policy in 2021

In 2021, 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.

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 also 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 2021 was 7:1, and the female-to-male annual median income ratio was 0.9:1.

Remuneration and the company's result over the five previous financial years

	2017	2018	2019	2020	2021
monthly fee of the Chair of the Board	2,400	2,400	2,400	2,400	2,400
monthly fee of the Deputy Chair of the Board	1,300	1,300	1,300	1,300	1,300
monthly fee of a member of the Board	1,000	1,000	1,000	1,000	1,000
meeting fee	600	600	600	600	600
overall remuneration of the President & CEO, annual earnings	416,000	452,000	522,000	504,000	506,000
overall remuneration of the deputy to the President & CEO				226,000	230,000
Fingrid's employee on average*	69,000	70,000	68,000	73,000	72,000
Company's operating profit, EUR mill.	184.8	241.6	115.5	118.4	210.8

*Includes the salaries and bonuses for Fingrid Oyj and Fingrid Datahub Oy without indirect employer costs, divided by the average number of personnel during the year.

1.3 Composition of the remuneration committee in 2021

Members of Fingrid's remuneration committee in 2021:

- Juhani Järvi (Chair),
- Hannu Linna (until 7 April 2021)
- Sanna Syri (7 April 2021)
- Esko Torsti.

2 Remuneration of the Board of Directors in 2021

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 7 April 2021. The fees did not change.

Monthly fees, €	2021
Chair	2,400
Deputy Chair	1,300
Members	1,000
Meeting fees, €	2021
	600

Fees paid to Board members 2021		
Total fees, €	falling due from 2021	paid in 2021
Juhani Järvi, Chair	1,200	41,400
Päivi Nerg, Deputy Chair	1,200	35,100*
Hannu Linna, member	1,200	21,000
Sanna Syri, member	600	21,600
Esko Torsti, member	600	21,000

* includes previously unpaid bonuses

2.1 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.

3 Remuneration of the President & CEO and deputy in 2021

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.

3.1 Remuneration components

The total remuneration of the President & CEO consists of a fixed total salary and variable pay components, which are a one-year incentive scheme (max. 40 per cent of the fixed annual salary for the earnings year) and 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 incentive scheme (max. 25 per cent of the fixed annual salary for the earnings year) and long-term 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.

The President & CEO's incentive schemes 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. If the company's and remuneration recipient's performance is exceptionally good, the total annual amount of remuneration can be, however, 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 & CEO is 50 per cent of the fixed salary.

In 2021, the President & CEO's total salary was EUR 25,000 per month. His salary was increased by EUR 500 per month at the start of the year. The total salary of the deputy to the President & CEO was less than EUR 13,900 and her salary was increased by just under EUR 300 during 2021. The total salary of both the President & CEO and his deputy included a car benefit.

Remuneration of the President & CEO and deputy				
	Falling due from 2021	Paid in 2021		
	Bonuses falling due	Salaries and benefits	Variable remuneration	Total
President & CEO	179,000	315,000	191,000	506,000
Deputy to the President & CEO	58,000	170,000	60,000	230,000
TOTAL	237,000	485,000	251,000	736,000

3.2 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.

3.3 Short-term incentive schemes

The Board of Directors annually decides on the criteria for Fingrid's President & CEO's and the deputy CEO's incentive 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 most 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.

The bonuses paid in March 2021 based on the President & CEO's and his deputy's short-term incentive schemes for 2020:

STI 2020, paid in 2021			
Weight		Metric	Performance level
President & CEO	Deputy		
20%	25%	FAS	below target
30%	25%	Net Promoter Score from customers (cNPS)	between target and maximum
25%	25%	Leadership, Employee Net Promoter Score (eNPS)	maximum
25%	25%	Personal performance	maximum (President & CEO) between target and maximum (Deputy)

The result of the President & CEO's short-term incentive scheme for the 2020 financial year was 28 per cent and for the deputy, 15 per cent of the annual earnings.

The merit pay was paid in March 2021.

The bonuses to be paid in March 2022 based on the President & CEO's and his deputy's short-term incentive schemes for 2021:

STI 2021, paid in 2022			
Weight		Metric	Performance level
President & CEO	Deputy		
20%	25%	FAS	maximum
30%	25%	Net Promoter Score from customers (cNPS)	between target and maximum
25%	25%	Leadership, personnel survey results	between target and maximum (President & CEO), target (Deputy)
25%	25%	Personal performance	maximum (President & CEO) between target and maximum (Deputy)

The result of the President & CEO's short-term incentive scheme for the 2021 financial year was 34 per cent and for the deputy, 19 per cent of the annual earnings.

The merit pay will be paid in March 2022.

3.4 Long-term incentive schemes

There is no share-based incentive scheme at Fingrid. Instead, the company applies overlapping three-year long-term 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.

Long-term incentive scheme 2018–2020

LTI 2018–2020, paid in 2021		
Weight	Metric	Performance level
President & CEO and his deputy		
1/3	Impact of disturbances on customers, system security	almost maximum
1/3	Cross-border transmission restrictions, impact on electricity price disparities between Finland and Sweden	target
1/3	Shareholder value: dividend income for shareholders	maximum

The result of the President & CEO's long-term incentive scheme for 2018–2020 was 34 per cent and for the deputy, 21 per cent of the annual earnings.

The merit pay was paid in March 2021.

Long-term incentive scheme 2019–2021

LTI 2019–2021, paid in 2022		
Weight	Metric	Performance level
President & CEO and his deputy		
1/3	Impact of disturbances on customers, system security	above target, close to maximum
1/3	Cross-border transmission restrictions, impact on electricity price disparities between Finland and Sweden	below target
1/3	Shareholder value: dividend income for shareholders	below target

The result of the President & CEO's long-term incentive scheme for 2019–2021 was 23 per cent and for the deputy, 15 per cent of the annual earnings.

The merit pay will be paid in March 2022.