



Remuneration Policy for Governing Bodies

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FINGRID

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Remuneration Policy for Governing Bodies

1. Introduction

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.

Remuneration is a key incentive for Fingrid to guide, motivate and engage the persons working in its governing bodies. 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 • 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		

Fingrid's Remuneration Policy for Governing Bodies lays down the principles of remuneration of the company's governing bodies, i.e. the Board of Directors, President & CEO and the deputy CEO. In addition to the description of remuneration, the policy sets forth the decision-making process followed in remunerating the governing bodies and developing the remuneration practices.

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 other owners' policies, which require remuneration to be open, reasonable and market-based. As regards the remuneration of the President & CEO and his/her deputy, 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 partly the same as those for the other members of the executive management group and the company's personnel. 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 company car benefit and supplementary pension plans. The company's remuneration committee prepares for the Board of Directors the principles of the remuneration system for executive management and other personnel as well as the remuneration for the President & CEO and the members of the executive management group. This

strengthens the consistency of the company's remuneration policy.

The Remuneration Policy for Governing Bodies is updated and presented to the general meeting by default at least every four years. All material changes to the Remuneration Policy for Governing Bodies are always presented to the general meeting, and the general meeting can, if required, give its opinion on the changes. If the majority does not support the presented remuneration policy, a revised remuneration policy must be presented at the latest to the following general meeting. However, the company can, at its own discretion, decide how and to what extent the opinions given by the general meeting are taken into account in preparing the new remuneration policy.

In addition, a remuneration report disclosing the remuneration paid to the company's governing bodies is published annually as an attachment to the Remuneration Policy for Governing Bodies. Information on the remuneration systems in place for the Board of Directors and the President & CEO as well as information on the overall remuneration of the company's executive management group is also presented on the company's website.

The Remuneration Policy for Governing Bodies complies with the legislation in force (Finnish Limited Liability Companies Act and Securities Market Act) and the Corporate Governance Code (Cor-

porate Governance Code for Finnish listed companies 2020), pursuant to which listed companies shall present their remuneration policies for governing bodies to the annual general meeting. The Remuneration Policy for Governing Bodies is published as a stock exchange release in connection with the publication of the invitation to the general meeting and it is available on the company's website throughout its validity.

2. Description of the decision-making process

A decision-making process has been defined for the remuneration of Fingrid's governing bodies, which shall be followed when approving, assessing and implementing the remuneration policy. The decision-making process takes into account and sets forth the measures to prevent and manage potential conflicts of interest.

The decision-making processes pertaining to the remuneration of Fingrid's governing bodies are as follows:

- The general meeting decides on the remuneration of the members of the Board of Directors. The Shareholders' Nomination Board prepares the proposals concerning the remuneration of the members of the Board of Directors for the general meeting, and the general meeting makes the final decision on the remuneration.
- The company's Board of Directors decides on the principles of the remuneration system, remuneration and key conditions of the service relationship of the President & CEO and the deputy CEO. The remuneration committee appointed by the Board of Directors prepares for the Board of Directors a proposal on the President & CEO's remuneration based on the remuneration policy and other approved principles. Remuneration is determined taking into account the results of the senior management remuneration statement drawn up by an external consultant, comparing the salaries of executives in unlisted commercial, mainly state-owned companies that are of a similar size in terms of turnover, balance sheet and personnel numbers. The Board of Directors annually decides on the President & CEO's remuneration and implementation thereof based on a proposal made by the remuneration committee.

There is no share or share-related remuneration scheme or supplementary pension scheme in place at Fingrid.

3. Description of the Board's 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 members of the Board have no share or share-related remuneration schemes or supplementary pension schemes. Fingrid also does not pay pension fees for the Board's remuneration. 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.

4. Description of the remuneration of the President & CEO

The company's Board of Directors decides on the remuneration of Fingrid's President & CEO within the framework of the remuneration policy presented to the general meeting and based on the proposal of the remuneration committee. The principles of remuneration for Fingrid's President & CEO are described in the following sections.

4.1. Components of remuneration used and their relative shares

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, including fringe benefits and holiday pay) and overlapping three-calendar-year long-term incentive schemes (max. 40 per cent of the fixed gross annual salary, including fringe benefits and holiday pay). There is no share or share-based remuneration scheme or supplementary pension scheme in place for the President & CEO on behalf of the company. The President & CEO has the possibility to convert part of his monetary remuneration into a company car benefit in accordance with the car policy determined by the company.

What is said above also applies to the deputy CEO, however such that for the deputy CEO, the maximum amounts are 25 per cent of the fixed annual gross salary in both the one-year and long-term incentive schemes.

4.2. Basis for determining the variable pay components

The bonus 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,

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 Board of Directors annually decides on the criteria for Fingrid's President & CEO's and deputy CEO's one-year bonus scheme and their lower and upper limits. As a general rule, the criteria for the one-year bonus are determined based on two company-level KPIs (usually financial result and customers' trust), one management-related KPI and one KPI related to a strategic project or personal performance. The metrics are based on, for example, the results of customer and employee surveys and on the quantitative and qualitative criteria set for the strategic projects. The Board of Directors decides on the final realisation of the metric's value based on the proposal of the remuneration committee.

The Board of Directors annually decides on the earnings criteria for the President & CEO's and deputy CEO's long-term bonus schemes and their lower and upper limits, separately for each earnings period. The metrics for the schemes in place in 2020 are system security, electricity market functionality and shareholder value. The metrics are based on criteria defined by the Board of Directors, and the decision on the final realisation of the metric's value is made by the Board of Directors based on the proposal of the remuneration committee.

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. In specified situations, the Board of Directors is entitled to cancel the bonus, cut the bonus or defer the bonus payment date. The payment of the variable remuneration components additionally requires that the President & CEO's service relationship with the company is in force on the bonus payment date, excluding specified exceptional situations.

4.3. Other key conditions applicable to the service relationship

The mutual period of notice is six months for Fingrid's President & CEO and four months for the deputy 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 CEO. There is no

share or share-based remuneration scheme or supplementary pension scheme in place for the President & CEO or the deputy CEO on behalf of the company.

No separate compensation is paid to the President & CEO or the deputy CEO for tasks related to Fingrid's majority-owned subsidiaries or associated companies.

The Board of Directors can also, for a particular compelling reason, decide on another reward to be paid to the President & CEO.

4.4 Conditions for deferral and possible clawback of remuneration

Fingrid's Board of Directors determines the date on which the variable remuneration is paid and its possible deferral. If the President & CEO's service contract ends due to financial irregularities or other possible suspicions of misconduct, the Board of Directors can demand that the bonus paid out from the scheme be returned to the company.

4.5 Requirements for temporary deviations

In exceptional circumstances, temporary deviations from the terms and conditions of Fingrid's Remuneration Policy for Governing Bodies are possible. Such exceptional circumstances include, for example, a change of President & CEO, M&As, changes in taxation and other similar exceptional circumstances separately specified by the Board of Directors. Temporary deviations can be made if they are deemed relevant for the company's long-term financial interests and the development of shareholder value. The decision about a deviation is made by the Board of Directors. Possible temporary deviations are reported on in the annual remuneration report.

If the deviation is other than temporary, a new remuneration policy must be drawn up and discussed in the general meeting.

5. Approval and validity

This Remuneration Policy for Governing Bodies has been prepared by Fingrid's Remuneration Committee and approved by the company's Board of Directors. By default, the policy will be in force four years, and it will be presented to the general meeting in March 2020.