



FINGRID

ANNUAL REPORT 2021

RECORD NUMBER
of substation projects in 2021

AN EXCEPTIONAL YEAR
put electricity on the agenda

CORPORATE CULTURE
is a success factor

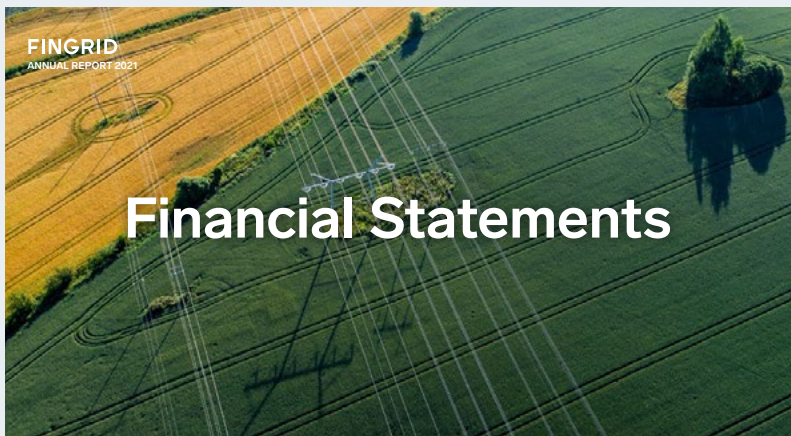
The transmission system operator Fingrid plays a key role in promoting Finland’s competitiveness.



Review by the President & CEO
Operating environment and business model
Strategy
Fingrid’s reputation, customers and stakeholders
Finance and treasury
Operations
Personnel
Internal control and risk management
Research and development
Glossary



Financial result and financing
Operations
Personnel
Corporate responsibility
Internal control and risk management
Board of Directors and corporate management
Share capital
Events after the review period and estimate of future outlook
Board of Directors’ proposal for the distribution of profit
Annual General Meeting 2022



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



General
Description of Fingrid’s administrative bodies
General meeting
Board of Directors
Board committees
Managing director and the Deputy Managing Director
Company management
Advisory committee
Internal control and risk management
Financial audit and internal audit
Related party transaction
Main procedures relating to insider administration



Introduction
Fees paid to the Board of Directors for the previous financial year
Remuneration of the President & CEO and deputy in 2021



Fingrid’s corporate responsibility management and targets
Environmental responsibility
Social responsibility
Good governance
Corporate responsibility GRI and SASB disclosures

Business Review

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

Table of Contents

1. REVIEW BY THE PRESIDENT & CEO	4	3. STRATEGY	8	8. INTERNAL CONTROL AND RISK MANAGEMENT	55
2. OPERATING ENVIRONMENT AND BUSINESS MODEL	6	Business model	9	Risk management at Fingrid	55
European Union carbon neutral by 2050 ...	6	Our vision	11	Risk management governance	55
Climate change and transformation of the energy system	6	Our values	11	Proactive risk management	57
Security of supply and electricity dependency	7	Our way of working	11	Continuity management	60
Globalisation and responsibility	7	Implementation of the strategy	11	Contingency planning	61
Digitalisation	7	Value creation	13	Corporate safety & security	61
		4. FINGRID'S REPUTATION, CUSTOMERS AND STAKEHOLDERS	15	Risk controls	61
		Reputation	15	9. RESEARCH AND DEVELOPMENT	62
		Customers	16	10. GLOSSARY	66
		Stakeholders	20		
		5. FINANCE AND TREASURY	22		
		Financial results for 2021	27		
		6. OPERATIONS	29		
		Main grid	29		
		Power system	37		
		Electricity market	43		
		7. PERSONNEL	50		



50 PERSONNEL



66 GLOSSARY

35
A SUBSTATION
CAN BE
BEAUTIFUL



- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

Business Review 2021

Fingrid's Annual Report for 2021 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 Report, and Corporate Responsibility Report. 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% 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*

ANNUAL REPORT - FINGRID



01

Review by the President & CEO

AN EXCEPTIONAL ENERGY YEAR PUT ELECTRICITY ON THE AGENDA

When it comes to electricity, 2021 will be remembered for its exceptionally high electricity prices. The prices were primarily increased by the dramatic upsurge in the price of gas, but other contributors were emissions rights prices and the poor water situation in the Nordic countries. The freezing temperatures in December raised prices in Finland and the Baltics even more at the end of the year.

Due to the market situation, Fingrid made the headlines often. The company's role has become more significant when it comes to the electricity markets. Fingrid's role includes the development of the main grid and ensuring the reliability of transmission connections in line with the electricity markets' needs, and daily operations to support the function-

ing of the markets. An integral part of our job is also developing the electricity markets for the needs of the future. Our focus is on the free movement of electricity within Finland and at its borders and on the mechanisms through which production and consumption find their balance as effectively as possible. The electricity markets are heading towards a 15-minute market and international reserve markets. During 2021, the Datahub project, serving the consumer market, proceeded according to plan, which means that Finland's Datahub go-live was in February 2022.

In addition to supporting the functioning of the electricity market, maintaining transmission reliability and minimising impacts from outages are at the core our operations when serving Finnish society. Operating the main grid is increasingly challenging in the midst of large investments, while at the same



BUSINESS REVIEW

> [Review by the President & CEO](#)

> [Operating environment and business model](#)

> [Strategy](#)

> [Fingrid's reputation, customers and stakeholders](#)

> [Finance and treasury](#)

> [Operations](#)

> [Personnel](#)

> [Internal control and risk management](#)

> [Research and development](#)

> [Glossary](#)

time securing reliable electricity for our customers. A main grid that is in good condition, coupled with professional operation of the grid, resulted in excellent system security also in 2021. Alongside our operational work, we prepared grid operations for increasing automation, and continued our work to prepare for serious disturbances in the power system. Secure electricity is becoming more and more important as Finland's electrification moves forward.

ELECTRIFICATION OF SOCIETY ENABLES A CARBON NEUTRAL FINLAND

The electrification of Finland is proceeding at a steady pace. In the near future, Finland will become self-sufficient in terms of electricity production when the Olkiluoto 3 nuclear power plant comes online and major wind power investments are realised. Electricity consumption is also joining the electrification trend.. Fingrid has taken part in many discussions concerning data centres, battery plants and hydrogen projects. Fingrid's role is seen as being clearly broader than a traditional transmission system operator, as a promoter of Fin-

land's competitiveness. The big question is how the flexibility of the power system will be increased in a situation in which production does not adapt to consumption. Fingrid's role is to develop the electricity market to build market-based flexibility into the system.

We have boldly begun to build a vision of a future carbon neutral Finnish power system, and the grid development it will require. To this end, dialogue with customers has been valuable, and we have created a shared vision of the future for different types of electricity market parties. Based on our long-term grid vision, we estimate that the main grid will require at least two billion euros in grid investments during this decade to cover the tremendous increase in capex needed for electricity consumption and production, to enable the ongoing electrification of Finland.

OUR INVESTMENT PORTFOLIO IS LARGER THAN EVER

In 2021, the company had more than 50 substation projects and numerous transmission line projects underway. These investments enable up to 4,500 me-

gawatts of wind power connections. At this historical point in time, Fingrid has taken quite a developmental leap: we are focussed on our core task, we have finetuned our processes to be more efficient than ever, and we have recruited many new competent employees. We have also integrated the corporate responsibility targets with our everyday activities, and made them part of our company's future. The corporate responsibility targets have already been included in our new financing agreements.

SUCCESS THROUGH CORPORATE CULTURE

Even amidst change, we have succeeded in nurturing our corporate culture, which has been, and will continue to be, one of our key success factors. The latest Great Place to Work survey results confirm that Fingrid's personnel are strongly committed to the goals of the company and Finnish society. This is also obvious from customers' trust in Fingrid's operations. This is an excellent foundation on which to build the future!

Jukka Ruusunen
President & CEO

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- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

02

Operating environment and business model

EUROPEAN UNION CARBON NEUTRAL BY 2050

The need for clean energy is growing throughout Europe. The European Green Deal and Fit for 55 package have accelerated the achievement of climate targets. Alongside electrification, the use of hydrogen is widely seen as a key solution for a clean power system. That requires the compatibility of the electricity and gas systems. The European Commission's Fit for 55 climate and energy sector legislative package will expand emissions trading to new sectors and propose a carbon border tax also for electricity.

The transformation of the energy system is in progress in the Baltic Sea region. The need for TSO collaboration has increased both on land and at sea. There is massive demand for clean electricity. The Baltic countries are joining the Central European power system, which will reduce their dependence on Russia.

There is potential of up to 90 gigawatts for offshore wind power in the Baltic Sea region. Also in Finland, enquiries concerning offshore wind power connections have increased.

Fingrid's operations are impacted by four megatrends, which are climate change and the transformation of the energy system; security of supply and electricity dependency; globalisation and responsibility; and digitalisation.

CLIMATE CHANGE AND TRANSFORMATION OF THE ENERGY SYSTEM

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



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

The structure of electricity production is changing with the share of renewable energy increasing and the production of adjustable fossil fuels production 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. Electricity price fluctuations will strengthen and increase, which will create business opportunities for flexible production and consumption and energy storage technologies. Thanks to new production technologies, the power system's technical properties will change, which will create challenges for the functioning of the power system. The European internal market in electricity will increase the efficiency and security of supply, while also contributing to increasing weather-dependent, renewable electricity generation.

Fingrid plays an active role in mitigating climate change and in the related energy transition by helping shape a clean power system on market terms. The company's task is to build and maintain the main grid, thus creating a platform for a clean power system. The energy produced in a new way is connected to the main grid and preparations are being made for a decrease in flexible production capacity. The company is developing the electricity market to meet the needs of

an emission-free power system. We collaborate closely with the market parties, our customers, the authorities, and policymakers.

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 and whose ability to tolerate various kinds of disturbances changes continuously. Our risk management also involves adapting to a changing climate and climate risks.

Severe disturbances in the power supply are among the most serious security threats to a modern society. The sector's regulation is increasing and becoming more Europe-centred. 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.

Fingrid's investments in the electricity grid, grid maintenance, promoting the markets and developing grid operations improve the reliability of power supply and our pre-

paredness 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. The company is actively involved in international cooperation to develop European network rules, and we prepare for power system disturbances in cooperation with the Baltic Sea region's TSOs.

GLOBALISATION AND RESPONSIBILITY

The regulation of corporate responsibility and sustainability reporting is at a critical development stage. We are shifting from a voluntary basis to statutory and formal reporting. Globalisation creates opportunities for service and equipment procurements, the labour markets and financing. At the same time, responsibility and increasing regulation will be highlighted in a global economy. Companies are expected to offer solutions to society's common challenges. Longer supply chains, increasingly international activities and vulnerability mean challenges for responsible business operations.

Fingrid's task as a responsible buyer of goods and services is to promote sustainable development and responsible practices worldwide, together with its contractual partners. In-

creased 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 sourcing financing. Corporate responsibility is a key component of Fingrid's operations. The importance of transparency is growing even further.

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. 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. Digitalisation and automation open up new business opportunities for both current and new operators and, in turn, shape Fingrid's customer field.

FINGRID

ANNUAL REPORT 2021

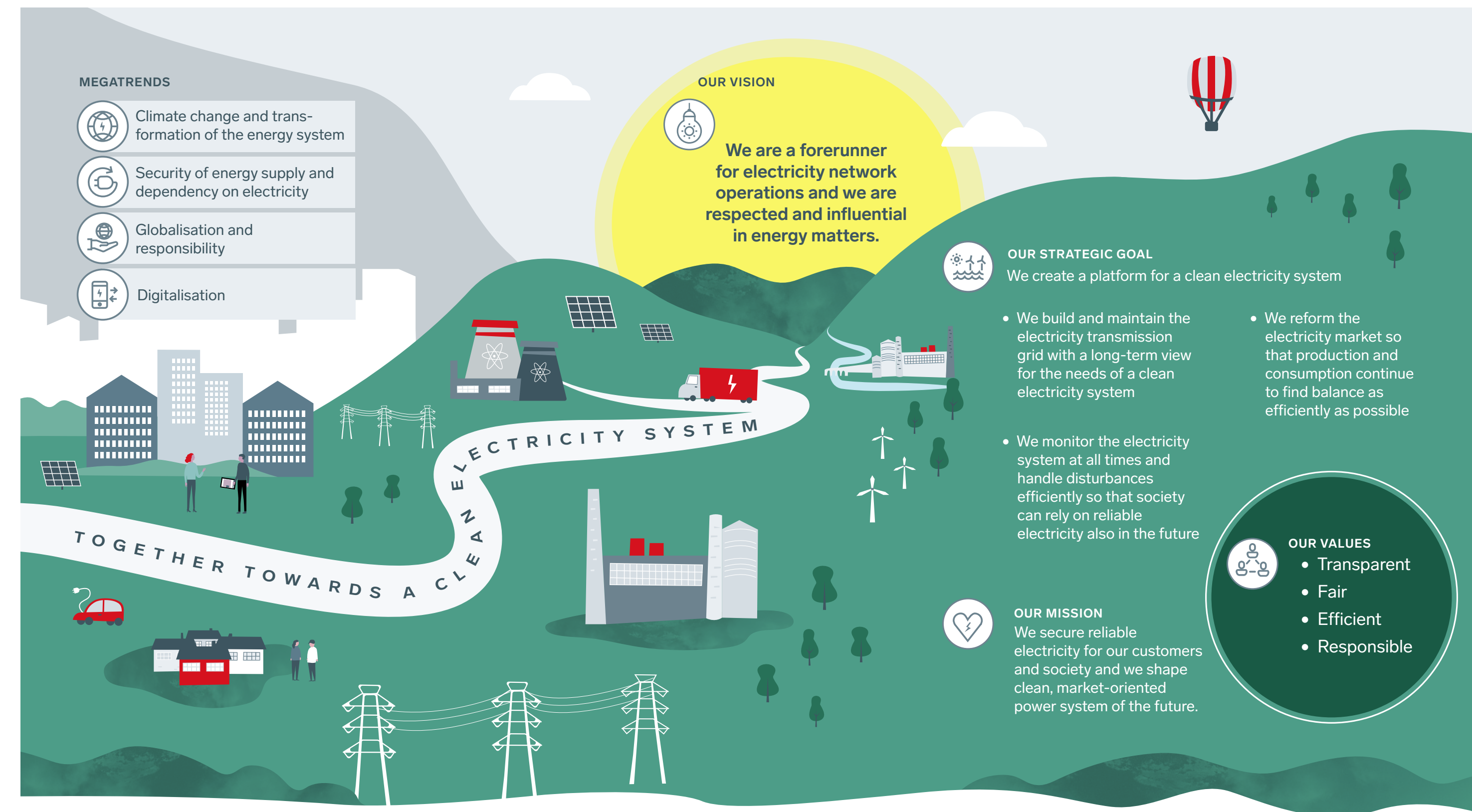
BUSINESS REVIEW

- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

03

Strategy

Fingrid is Finland's transmission system operator, owned by the State of Finland and Finnish pension and insurance companies. The company's 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.



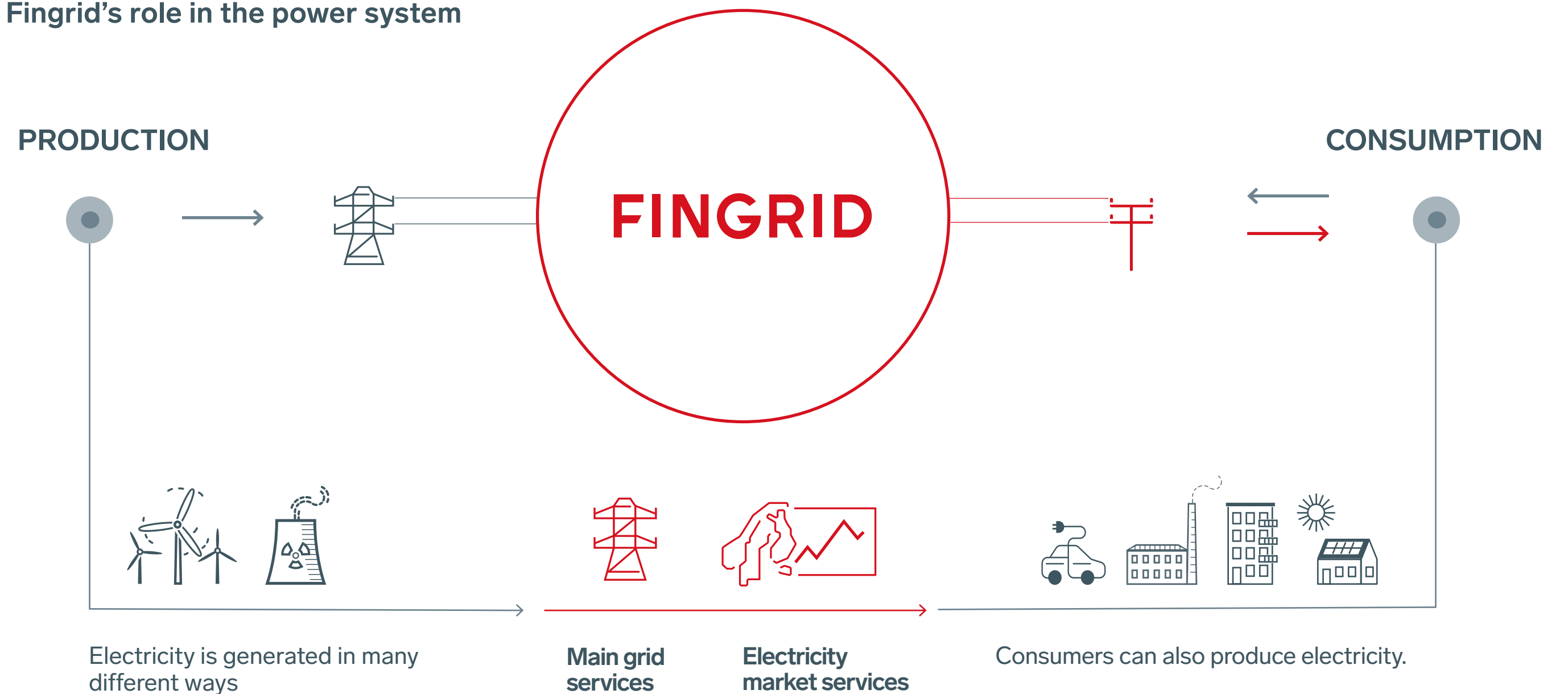
- > Review by the President & CEO
- > Operating environment and business model
- > **Strategy**
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

BUSINESS MODEL

Fingrid's operations are based on Finnish and EU legislation. In accordance with the Finnish Electricity Market Act, the company develops the main grid, maintains a balance between electricity consumption and generation, and promotes the electricity market. Fingrid produces grid and electricity market services for its customers. The EU Regulation on the internal market for electricity obligates Fingrid to cooperate within ENTSO-E, the European Network of Transmission System Operators of Electricity, and also regionally within the Baltic Sea region, to improve the functioning of the internal market in electricity. The company's 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 transmission grid operations.

Fingrid's business model describes the most important material and immaterial resources 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.

Fingrid's role in the power system



CROSS-BORDER CONNECTIONS

Fingrid's cross-border connections to Sweden, Estonia, Russia and Norway



FINGRID

ANNUAL REPORT 2021

BUSINESS REVIEW

- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

Fingrid's business model



- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

OUR VISION

We are a forerunner for electricity network operations and respected and influential in energy matters in Finland and abroad.

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

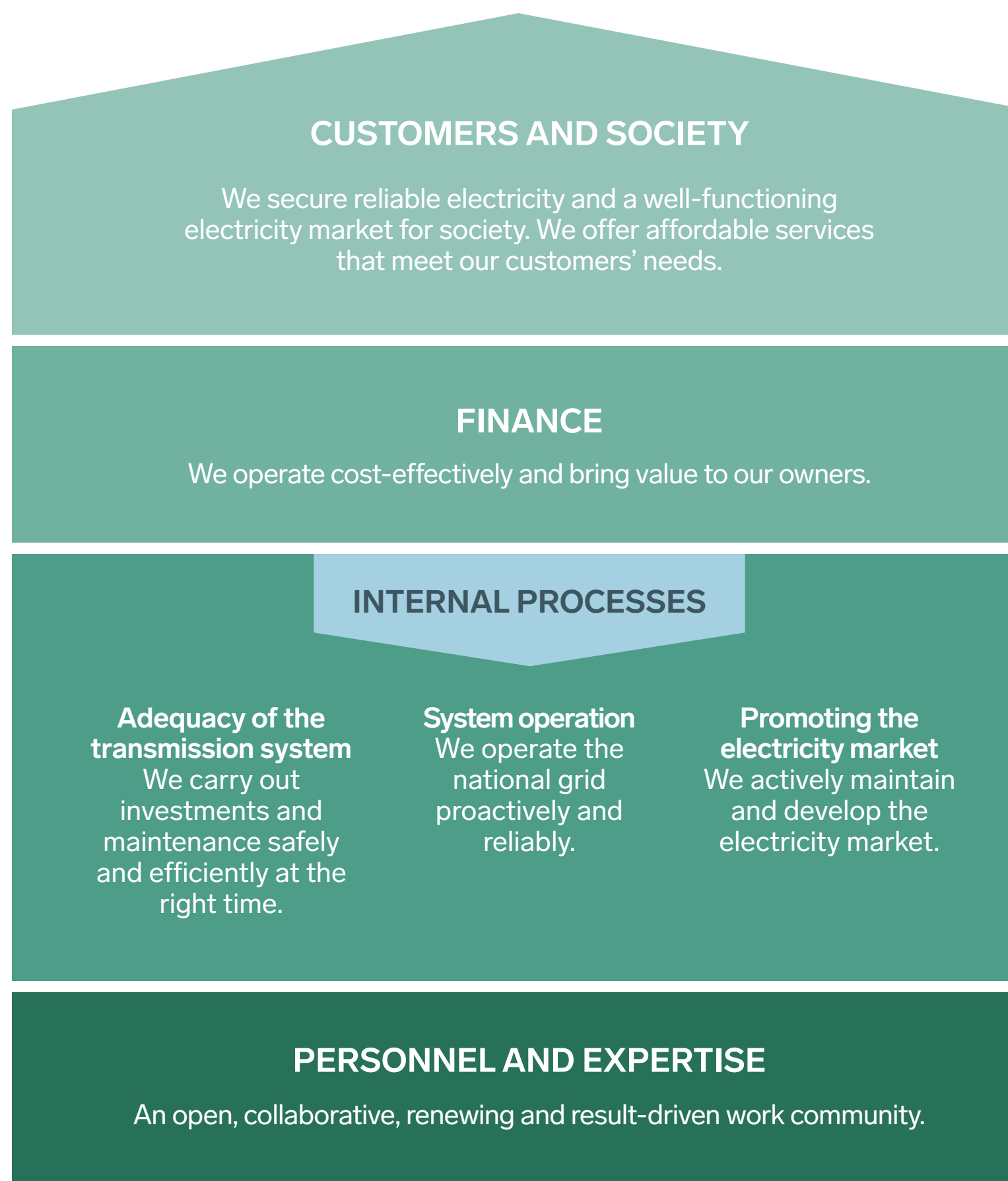
Our corporate culture is open, collaborative and renewing, and complies with good governance practices. We are known for our expertise.

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.

Fingrid's strategy



IMPLEMENTATION OF THE STRATEGY

Fingrid's strategy is implemented through four perspectives: Personnel & Expertise, Customers & Society, Finance, and Internal Processes. According to the approach chosen by Fingrid for implementing its strategy, all four perspectives are implemented and developed in a mutually balanced way. The goal, in line with the strategy, is to ensure the personnel's well-being and competence. This way, 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.

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

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

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > **Strategy**
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

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

- Ensuring transmission capacity: We carry out investments and maintenance safely and efficiently, in a timely fashion.
- System security management: We operate the main grid proactively and reliably.
- Promoting the electricity market: We actively maintain and develop the electricity market.

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 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 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.

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We develop our operations for the long term and in cooperation with our customers and other stakeholders.

Fingrid has made the following strategic choices:

Focusing on the 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.

For the customer

- We develop our business operations and operating models actively, together with the customer and with society's interests at heart.

World-class expertise

- We ensure the necessary core competence. We cooperate with the best partners. We actively develop competence through a coaching style of management. We innovatively utilise the best technologies.

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

Efficiency of operations

- We keep our operations cost-effective as a whole. We anticipate changes using joint situational awareness; we share clear goals, prioritise and measure our operations. That is how we achieve concrete results.

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.

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > **Strategy**
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

Fingrid operates in a matrix model where the strategy is made to guide the entire organisation through perspectives. The model pushes collective efforts and shared goals to the forefront. A matrix organisation is challenging, but it has shaped the company into an agile and flexible player with a flat hierarchy. The strategy is implemented as a matrix organisation through cooperation between the four perspectives and the functional organisation.

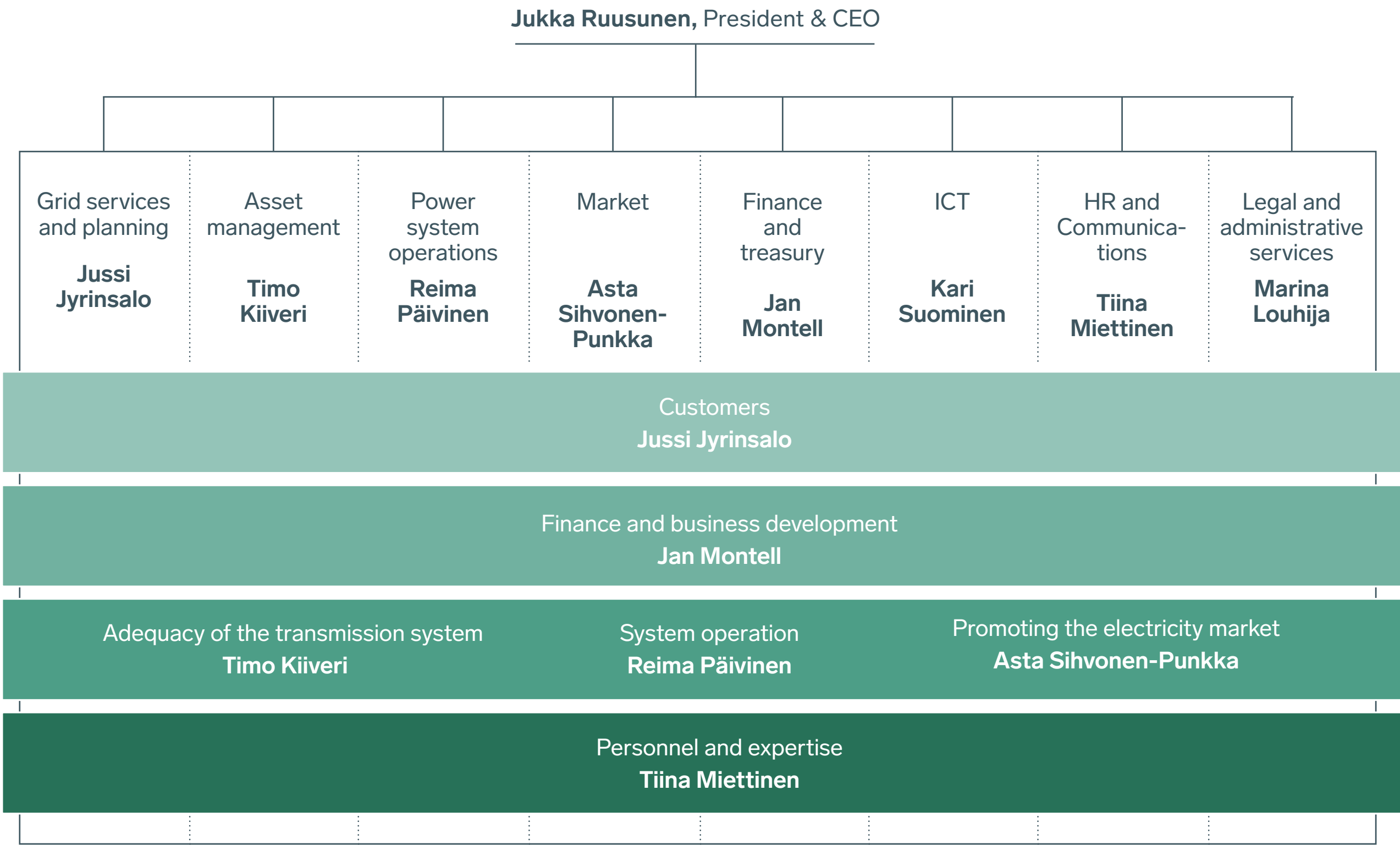
The personnel resources are allocated according to the functions such that managers are in charge of the annual planning and budgeting of the tasks in their respective areas of responsibility and of implementing the action plans according to the business targets set forth in the strategy.

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.

VALUE CREATION

Through its business, Fingrid creates significant shared value for its customers, employees, shareholders and the whole of Finnish society. Fingrid is a significant player in Finland's security of supply during societal states of emergency and in the mitigation of climate change.

Fingrid's matrix organisation



- > Review by the President & CEO
- > Operating environment and business model
- > **Strategy**
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

Value created by Fingrid

03

IMPACTS

- › Enabling a climate-neutral energy system
- › Reliable electricity for society and business
- › Well-functioning electricity market
- › Promoting Finland's competitiveness
- › Developing the electricity sector and expertise
- › Financial benefits for stakeholders
- › Employment impact and other local benefits from large capex projects
- › Local changes in land use and the environment and energy losses in electricity transmission



04

CREATION OF VALUE

- › Fingrid's nationwide main grid creates a platform for a clean powersystem. Around 140 kilometres of new grid transmission lines and 10 new or expanded substations.
- › Electricity transmission reliability 99.99992%.
- › The wind power connected to the main grid, 743 megawatts, will reduce future annual indirect emissions by 213,000 CO₂ equivalent tonnes. Reliability of cross-border transmission connections 99.1%
- › Top cost-effectiveness in European energy regulators' comparison study. Third cheapest in ENTSO-E's European price comparison. Customers perceive that Fingrid works for the benefit of the whole of society (4.3/5).
- › Personnel feel their work is meaningful and are ready to recommend their employer (eNPS 67). LTIF 9.1. Absences from work 1%. Number of training days on average 3/ employee.
- › One of Finland's largest corporate income tax payers (EUR 34 mill.). Payments to providers of capital EUR 147 mill.
- › Investments in the main grid approx. EUR 168 mill. Fingrid personnel's person-years 391 and service suppliers' person-years 703.
- › Direct CO₂ emissions and indirect emissions due to the company's own electricity consumption and losses 142,000 CO₂ equivalent tonnes. Waste utilisation rate 99% and recycling rate 78%.

Fingrid promotes in particular these UN's Sustainable Development Goals



- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > **Fingrid's reputation, customers and stakeholders**
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

04

Fingrid's reputation, customers and 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 and development 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. Reputation is

measured regularly among the key stakeholders and operations are developed based on the feedback.

In 2021, T-Media studied Fingrid's reputation and the respondents' awareness of Fingrid's activities among policymakers, Fingrid's customers, technology and engineering 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, Fingrid is unknown to the public at large, and this leads to challenges in recruitment, for example. The trust of the surveyed stakeholders in the company has remained at a good level. Stakeholder support for Fingrid has also remained excellent.



BUSINESS REVIEW

> Review by the President & CEO

> Operating environment and business model

> Strategy

> Fingrid's reputation, customers and stakeholders

> Finance and treasury

> Operations

> Personnel

> Internal control and risk management

> Research and development

> Glossary

CUSTOMERS

Fingrid's operations are largely based on performing statutory duties. We perform this duty with a maximum customer focus, on impartial and equal terms. Fingrid provides grid services and electricity market services to its customers: network operators, electricity-consuming industry and other electricity market operators. The goal is to continuously develop Finland's competitiveness by improving Fingrid's services for the different

needs of customers. The customer base has expanded in recent years, and the sector has also seen the emergence of entirely new types of customers.

FINGRID'S SERVICES

Grid services secure reliable transmission of electricity in the main grid in accordance with the needs of utility companies and energy intensive industry. Fingrid's value proposition is to offer reliable and affordable electricity trans-

Successful customer work makes a difference:

- Our customer and stakeholder satisfaction remains at a high level and Fingrid is considered to work for the benefit of the whole of society. People listen to Fingrid and its word is trusted.
- The impact of disturbances on customers and the impact of transmission restrictions remain at a level that corresponds with the needs of customers and society.
- The price level of services remains cheap on a European scale and the company is considered to be a cost-effective player.
- The services meet customer needs. The personnel participate extensively in the production and development of services.
- Fingrid builds the grid connections needed for the energy transformation and develops its grid and the electricity market. Finland is an even more attractive investment to customers.

CASE

Good score for Fingrid in reputation surveys

The reputation survey conducted by the research company T-Media showed that Fingrid has an excellent reputation among customers. The eight-part survey gave Fingrid an overall score of 4.04 (on a scale of 1–5).

In addition, the survey looked into Fingrid's reputation among the sector's employees and students, policymakers and Finnish nationals. Fingrid's score in these areas was also good (3.72 and 3.59 and 3.23).

The trust of the surveyed stakeholders in the company has remained at a good level. Fingrid is seen as a company where it is good to work and that is worth investing in.



BUSINESS REVIEW

> Review by the President & CEO

> Operating environment and business model

> Strategy

> Fingrid's reputation, customers and stakeholders

> Finance and treasury

> Operations

> Personnel

> Internal control and risk management

> Research and development

> Glossary

mission to customers. 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 exceptional circumstances. We carefully plan our maintenance activities and transmission outages in advance to minimise any disturbance they may cause to our customers.

The number of enquiries about wind power connections remains high as the unit size of the connected wind turbines increases – Finland has become more attractive for investors in onshore wind energy. We have received more and more enquiries concerning the connecting of offshore wind power to the grid. An occasional lack of connection capacity may occur from time to time, but we have actively sought out new solutions to speed up the connections. In 2021,

we were successful in accomplishing our promise to offer customers reliable and affordable electricity transmission. The reliability of electricity transmission was good and our grid service fees were among the most affordable in Europe.

Significant quantities of wind power capacity are currently under planning and construction. We received some 300 new enquiries concerning connecting to the grid, which corresponds to more than 50,000 megawatts. Altogether, we have received close to a thousand connection enquiries, mostly to do with wind power, and their total power comes to 140,000 megawatts. We saw an acceleration in the number of enquiries from customers looking to connect new types of electricity consumption sites, such as data centres, hydrogen production and battery storage, directly to the main grid.

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. In accordance with its value proposition, Fingrid is the most market favourable TSO. Through its strong main grid, we ensure that Fin-

land remains a single price area. With our cross-border transmission connections, we offer access to the European electricity markets and give the markets the largest possible transmission capacity. The key grid investment projects serving the electricity market are the Forest Line connection, consolidating the north–south transmission capacity and the Aurora Line connection between Finland and Sweden. The market rules are being developed and electricity market data is published openly and free-of-charge. More details on electricity market development projects can be found in the Annual Report's electricity market section.

The company maintains and develops the marketplaces for reserve and balancing power. We settle the power balances and supply the 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. Another of our subsidiaries, Finextra Oy, provides services related to guarantees of origin (GO) by granting GO certificates for renewable forms of energy and in future also nuclear power.

ACTIVE INTERACTION – SATISFIED CUSTOMERS

Fingrid develops its services openly in collaboration with its customers, to be able to account for the different needs of customers. The upcoming changes in the power system are communicated and discussed openly with customers early on in the process. The most market-based solutions are sought for the changes.

In addition to being able to offer services that meet customer needs, Fingrid values openness, trust and active interaction with its customers. The company's personnel are trained to provide better customer service, and customers are involved in developing the operations, for example, through the advisory committee, grid committee and market committee. According to the 2021 customer satisfaction survey, our customers' trust in Fingrid remains good. Customers consider a particular strength of the company to be its work for the benefit of customers and the whole of society, while the tight schedule of the Datahub project was considered to be a challenge. Our customers gave us a Net Promoter Score (NPS) of 41, a good result for a natural monopoly in a business-to-business industry.

FINGRID

ANNUAL REPORT 2021

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > **Fingrid's reputation, customers and stakeholders**
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

The company's objective is effective information exchange and self-service through online services. Customers are offered the My Fingrid service portal where they can view various metrics such as transmission metering, invoicing and reactive power data, as well as disturbance and transmission outage data. The service was developed further in 2021, and new functionalities have been added continuously based on customers' needs and wishes. The most significant new functionalities in 2021 were the reporting concerning emergency and restoration of the electricity network, the 15-minute imbalance settlement period monitoring service for the shift into the 15-minute system and introducing connection point fault currents to the service. Improvements have been made in, among other things, user management, reactive power notifications and grid connections.

During the year, we organised two major Fingrid Current 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.

FINGRID HAS MANAGED TO MAINTAIN ITS COMPETITIVE PRICING

Based on the latest European comparison, Fingrid's transmission fees are the second most affordable in a peer group of some 20 countries. Fingrid's objective is to remain among the most affordable transmission system operators, and thus also do our part in offering a competitive advantage to companies operating in Finland.

We will raise the electricity transmission fees in the main grid by an average of two per cent in 2022. This increase is based especially on the surge in market-based reserve costs. Reserves ensure the power system's balance of electricity production and consumption.

ADVISORY- AND CUSTOMER COMMITTEES

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's task is to provide insight on the company's operating environment, and business and services from the customer viewpoint. It does not make formal decisions. The issues it handles concern the services produced by Fingrid and the pricing of the services, electricity market regulation, grid investments, developing the electricity markets and issues concerning the use of the grid.

The advisory committee convened four times during 2021. The topics addressed by the advisory committee in its meetings included the management of system security in Finland and other Nordic countries, the main grid investment plan and the company's finances, the scenarios of Fingrid's grid vision and joint Nordic electricity market development projects. Customers' presentations on current topics were also on the agenda in each meeting.

Members

- Kristian Gullsten, Napapiirin Energia ja Vesi Oy
- Mikko Halonen, S-Voima Oy
- Jarkko Kohtala, Elenia Oy
- Markus Lehtonen, Helen Sähköverkko Oy
- Mikko Lepistö, SSAB Europe Oy
- Simon-Erik Ollus, Fortum Oyj (Chair)
- Heikki Peltomaa, wpd Finland Oy
- Jouni Pylvänäinen, Kymenlaakson Sähköverkko Oy
- Jukka Toivonen, Vantaan Energia Oy
- Ilkka Tykkyläinen, Pohjolan Voima Oyj
- Esa Ukkonen, Stora Enso Oyj
- Antti Vilkuna, Suomen Voima Oy

Members from Fingrid

- Jukka Ruusunen
- Jussi Jyrinsalo
- Rami Saajoranta (secretary)

ADVISORY- AND CUSTOMER COMMITTEES

Grid committee

The task of the grid committee is to generate ideas, insight and experiences for developing Fingrid's grid services. Grid services secure reliable transmission of electricity in the main grid in accordance with the needs of utility companies and energy intensive industry.

During 2021, the Grid Committee's meetings focused on the various subareas in grid services, and the committee members provided their views on how the services could be developed. The meetings also included statements prepared by customers on what the sector's operating environment looks like from the perspective of different parties.

Members

- Mikael Heikkilä, Fortum Oyj
- Petri Hyyryläinen, UPM Communication Papers Ltd
- Sakari Kauppinen, Alva Sähköverkko Oy
- Anne Kärki, Outokumpu Stainless Oy
- Hannu Parkkonen, Kuopion Energia Oy
- Jyri Tiuraniemi, Rovakaira Oy
- Mikko Rintamäki, Kokkolan Energia Oy
- Timo Torvela, Tuike Finland Oy
- Erik Trast, CPC Finland Oy
- Kari Vessonen, Caruna Oy
- Katja Virkkunen, Oulun Energia Oy (chair)
- Jarno Virtanen, Nivos Energia Oy

Members from Fingrid

- Jussi Jyrinsalo
- Petri Parviainen
- 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.

In 2021, its meetings dealt with, among other things, the Datahub go-live, Nordic balance management and other key electricity market change projects, adoption of transmission rights products, the shared wind power and sector integration strategy of the Nordic TSOs, and development work on smart grids and flexibility 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 Technologiens Finland Oy
- Tero Karhumäki, Kuoreveden Sähkö Oy
- Juha Keski-Karhu, Väre Oy (chair)
- Elina Lehtomäki, Caruna Oy
- Reima Neva, EPV Energia Oy
- Teija Pelkonen, UPM Energy Oy
- Ville Pesonen, Gasum Oy
- Harri Sirpoma, HELEN Oy
- Matti Supponen, ELFI ry
- Ville Väre, Liikennevirta Oy / Virta

Members from Fingrid

- Asta Sihvonon-Punkka
- Meri Viikari (secretary)

> Review by the President & CEO

> Operating environment and business model

> Strategy

> Fingrid's reputation, customers and stakeholders

> Finance and treasury

> Operations

> Personnel

> Internal control and risk management

> Research and development

> Glossary

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 corporate responsibility 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 the company's stakeholders information about corporate responsibility work in more detail in the [Corporate Responsibility and Sustainable Development Report included in our Annual Report](#).

CASE

An increasingly electrified Finland is an excellent investment

Fingrid's long-term and proactive grid development work promotes Finland's carbon neutrality objectives and creates opportunities for new investments. The carbon neutrality objectives, a secure supply of electricity, expanding energy production and a safe operating environment boost Finland's attractiveness in international competition for new business ventures.

The need for electricity will grow in the future. Finland's conditions are excellent for increasing electricity production and its main grid is already in excellent condition. Fingrid develops its grid and the electricity markets in the long term, anticipating the most significant future changes in electricity production.

Fingrid's long-term grid development work involves the creation of a grid vision, a main grid development plan and an investment

programme that will materialise as a physical grid and customer connections. All of these measures increase Finland's attractiveness in the eyes of international companies and investors.



BUSINESS REVIEW

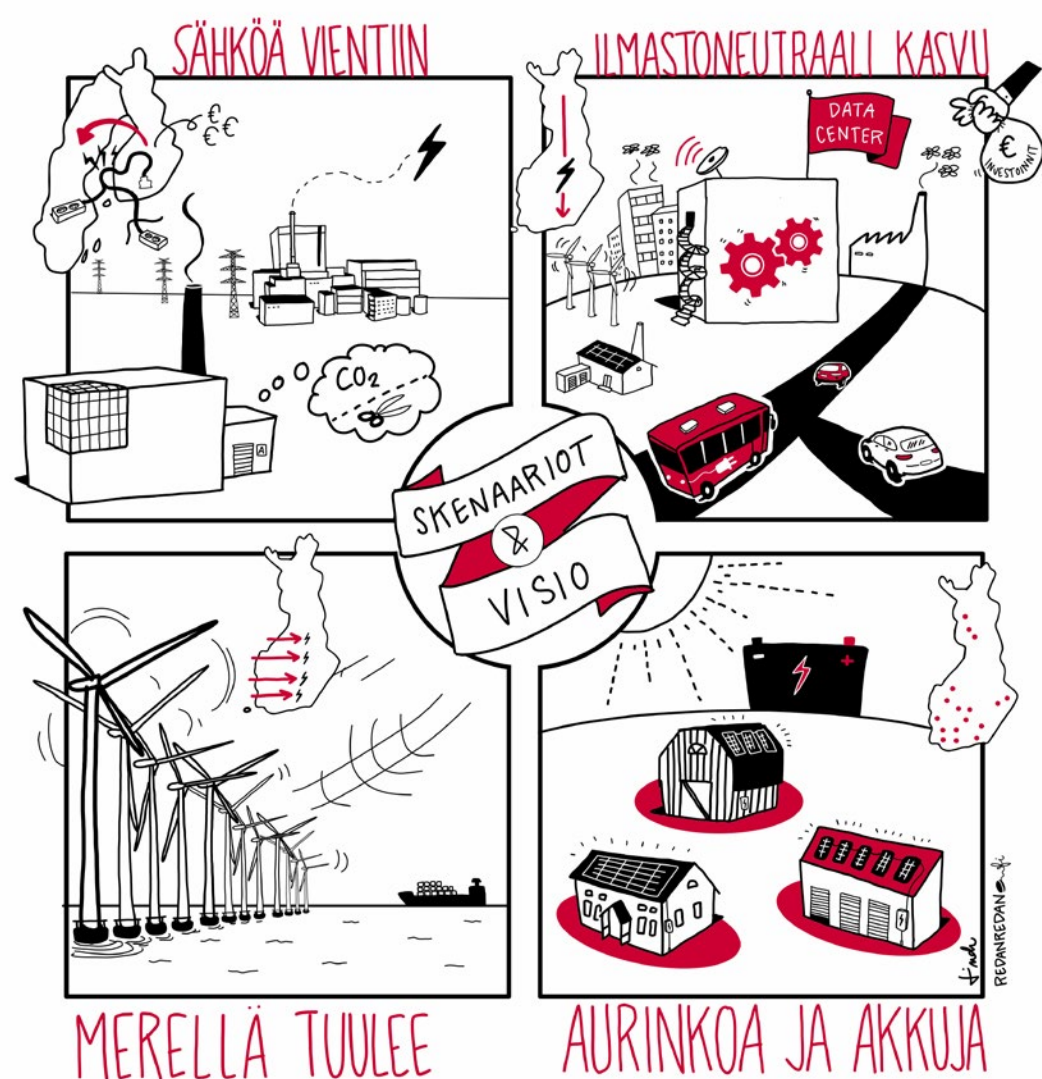
- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

CASE

Fingrid's grid vision increases understanding of the future power system

In 2021, Fingrid released its grid vision on long-term development needs and solutions for the main grid. Planning of the main grid anticipates the changes and developments that will take place in the future. This is why grid investments required in the future can be implemented cost-effectively and the reliable operation of the power system can be secured also when the operating environment changes.

According to the grid vision, the 2035 carbon neutrality target set for Finland requires investments of approximately three billion euro in the main grid within the next 15 years. In addition, in all of the grid vision's scenarios, north–south electricity transmission needs will grow significantly. As a consequence, the north–south trans-



mission capability must be multiplied by building new transmission lines and adopting smart solutions. The objective of the measures is to keep Finland as a single price area in electricity trading, enabling a single market price for electricity in the whole country.

CASE

Discussing and envisioning the future power system

Fingrid Current is Fingrid's event concept for discussing the hot topics of the electricity and energy sector. In 2021, Fingrid organised two customer events.

April's Fingrid Current focussed on the power system of the future, based on the scenarios devised by Fingrid. The topic of November's event was 'Electricity markets supporting Finland's competitiveness'.



- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > **Finance and treasury**
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

05

Finance and treasury

Finance and treasury

- The company's transmission system operations are second most affordably priced in Europe.
- In 2020, we were Finland's 19th 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 136 million in dividends.
- Fingrid has significantly grown its volume of green financing: In 2021, it signed a EUR 300 million revolving credit facility tied to the responsibility targets and a EUR 70 million green investment loan.

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 allowed financial result in the regulatory methods for electricity grid operations over four-year regulatory periods (2020–2023).



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

Transmission grid 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 grid 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. One can calculate the required amount of turnover by adding operating expenses to the result.

Fingrid's turnover mainly constitutes from the pricing of the transmitted electricity, based on both the production and consumption of electricity 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 as European regulation provides an upper limit for production fees. The com-

pany 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. In addition, the company receives congestion income resulting from area price differences. The congestion income is excluded from regulatory calculations. The congestion income is used, in line with EU regulation, mostly for grid investments to eliminate transmission congestion.

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 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 regu-

latory 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 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.

FINGRID

ANNUAL REPORT 2021

BUSINESS REVIEW

- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

Fingrid's world-class efficiency



COST-EFFECTIVE OPERATIONAL ACTIVITIES

Cost-effectiveness is based on an operating model where we focus on our basic task and combine 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 is centralised. We make increasing 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.

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

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. Grid service 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 2021, the grid service fee accounted for an average of 1.9 per cent of the consumer's total bill (for household consumers whose consumption is approximately 5,000 kWh/year).

Fingrid's grid pricing generally applies for 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

and generally occurs on a quarterly basis. This reflects the nature of these services and the need to respond to changes more quickly.

The company has consistently achieved high rankings in the annual international comparison studies on the cost-effectiveness and quality of TSOs (ITOMS and ITAMS), in addition to which it has been granted the international certification for the management of physical assets (ISO 55001). This is proof of the cost-effectiveness of the operations and effective management of costs and expense 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.

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 regu-

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Cost-effectiveness is based on an operating model where we focus on our basic task and combine our core competence with the best players in the industry.

latory 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 financial ratio 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 capital structure, which supports 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.

BUSINESS REVIEW

- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

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 long term loan agreements with 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. The interest rate margin of Fingrid's revolving credit facility is tied to the company's key corporate responsibility targets. The company's objective is to increase the amount of green financing in its total financing. More detailed information on green financing is available in the [Corporate Responsibility and Sustainable Development Report contained in our Annual Report](#).



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

Financial result for 2021

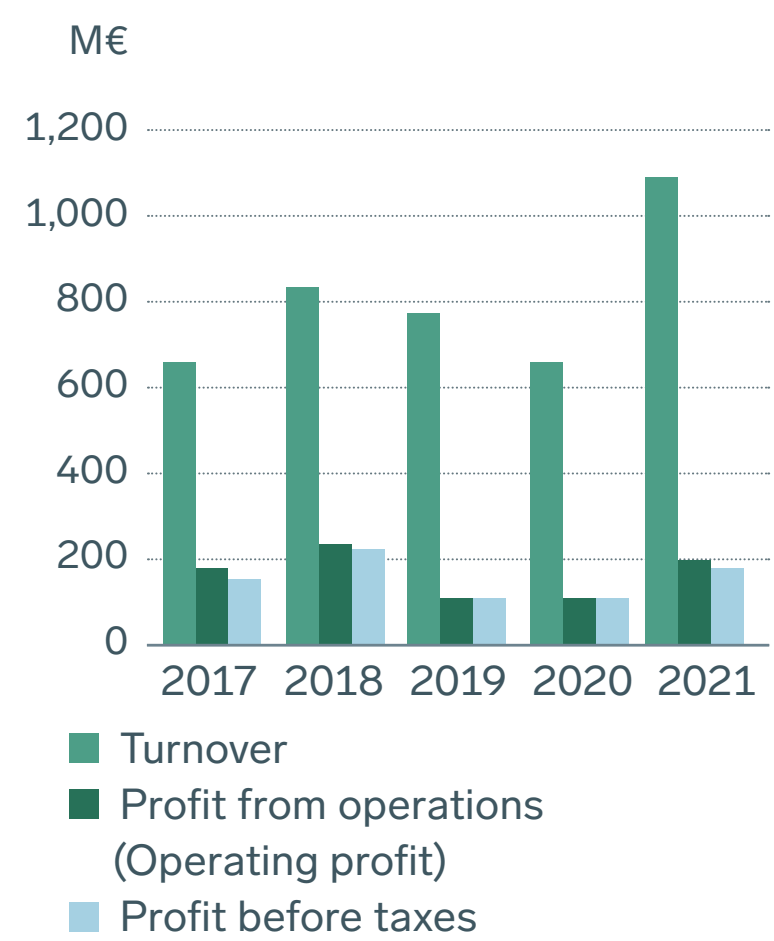
From the financial point of view, Fingrid's 2021 exceeded expectations. Electricity transmission prices were lowered by an average of eight per cent starting from 1 January 2019, and the prices were maintained in 2020 and 2021. For 2022, the electricity transmission prices were increased by an average of two per cent, especially due to the increase in market-based costs. Fingrid's own calculations indicate a roughly EUR 15 million surplus for 2021 compared to the result allowed by the regulation. The company's credit rating remained high, reflecting our strong overall financial situation and debt service capacity.

Fingrid is still one of the TSOs with the 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 financial 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 1090.9 (682.5) million. Grid service revenue grew to EUR 394.3 (373.6) million, which was due to the higher energy consumption resulting from the colder winter months compared to the previous year.

Turnover and profit from operations 2017–2021, M€

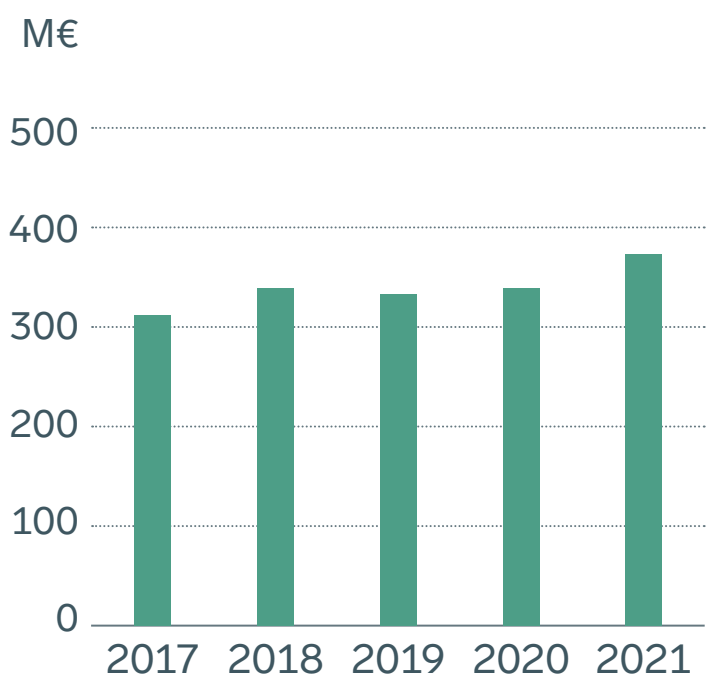


Finland's electricity consumption totalled 86.7 (81.7) terawatt hours in 2021. Imbalance power sales increased year-on-year, to EUR 600.5 (260.8) million, due to the exceptionally high electricity prices. The cross-border transmission income for the connection between Finland and Russia increased to EUR 34.4 (6.9) million. This was due to the increase in transmission volume arising as a consequence of the higher area price compared to the prices in northwest Russia. As a result of the transmission situation in the Baltic Sea region, ITC income increased to EUR 22.6 (17.1) million. Other operating income rose to EUR 64.9 (5.2) million., with the growth attributed to the rise in the fair value of derivatives related to business operations.

The Group's total costs amounted to EUR 945.0 (569.5) million. Imbalance power costs rose, due to high electricity prices, and totalled EUR 569.5 (234.4) million. Loss power costs amounted to EUR 65.6 (52.6) million. The volume of loss power stayed at the previous year's level, while the price of loss power procurement rose. The realised average price of loss power pro-

curement was EUR 41.34 (33.23) per megawatt hour. The cost of reserves to safeguard the transmission system security increased to EUR 83.7 (63.5) million, mainly due to the increased hours procured for frequency restoration reserves (FRR). Depreciation amounted to EUR 99.9 (98.5) million and grid maintenance costs to EUR 19.9 (22.9) million. Personnel costs increased to EUR 33.6 (31.2) million because of the higher headcount in response to a growing workload, both domestically and in international cooperation.

Total costs (without imbalance power) 2017–2021, M€



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

The Group's net financial costs were EUR 23.2 (4.0) million, including EUR 0.7 million in interest expenses on the lease liabilities booked into the balance sheet. Fingrid's financial capital con-

sists of equity and liabilities, in other words debt financing. In 2021, equity amounted to 25.3% and liabilities amounted to 74.7% of the consolidated balance sheet total. Equity accor-

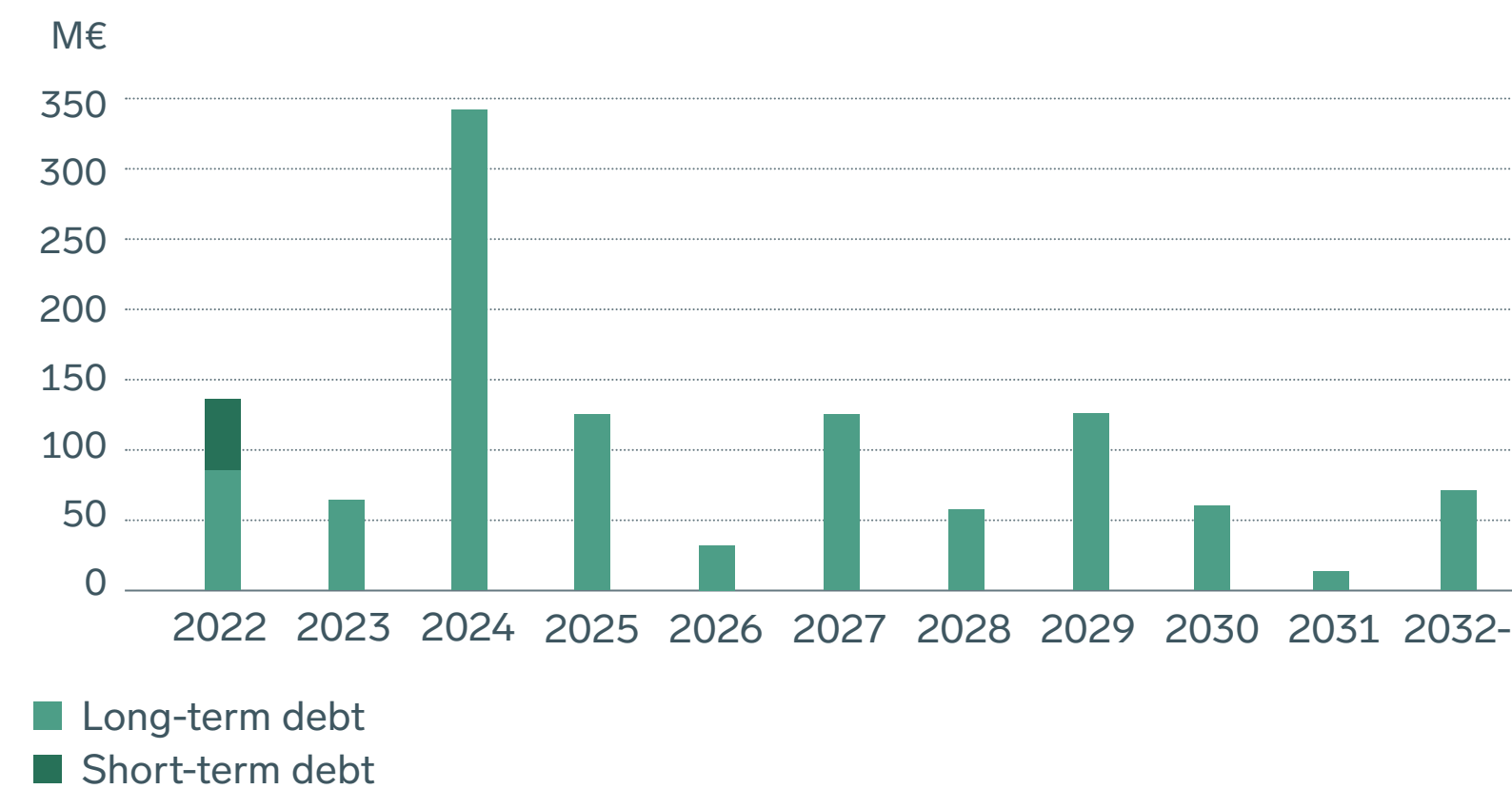
ding to the regulatory balance sheet as required by the Energy Authority was 62.2% and the corresponding liabilities 37.8% in 2021.

Interest-bearing borrowings totalled EUR 1,158.1 (1,174.9) million, of which non-current borrowings accounted for EUR 1,022.6 (1,032.8) million and current borrowings for EUR 135.5 (142.1) million.

The company's liquidity remained good. Cash and other financial assets totalled EUR 219.6 (125.9) million on 31 December 2021. The company additionally has an undrawn committed revolving credit facility of EUR 300 million (until 30 November 2026) and a total of EUR 90 million in financing arrangements with banks to secure liquidity. The counterparty risk arising from derivative contracts relating to financing was EUR 16.7 (26.2) million. Fingrid's foreign exchange and commodity price risks were hedged.

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

Debt maturity profile, M€



RESPONSIBILITY TARGETS FURTHERED BY REVOLVING CREDIT FACILITY

In November 2021, Fingrid signed a revolving credit facility agreement of EUR 300 million tied to the company's responsibility targets. The company's goal is to achieve the following responsibility targets:

- Target 1: Connection of wind power to the grid (megawatts)
- Target 2: Reducing greenhouse gas emissions in electricity transmission losses (tCO₂e)
- Target 3: Reduction in combined lost time injury frequency (own personnel and service providers), (LTIF)

Fingrid's goal is to further mitigate the negative impacts of climate change. The company plays a central role as the grid operator and creates a platform for Finland's clean power system. Fingrid's main goal is to boost emission-free energy production and facilitate Finland's transition towards an emission-free energy system. This financing arrangement supports the national objective of achieving carbon neutrality by 2035.

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > **Operations**
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

06

Operations

MAIN GRID

Key points:

- Wind power is being planned and built at a record pace. A scarcity of connection capacity can occur locally.
- The unit size of wind farms has increased and the construction of offshore wind power has become part of the conversation.
- Alongside electricity production, the connection of large electricity consumers to the grid requires cooperation.
- The significance of cross-border transmission capacity and reliability has grown.

The prerequisites for developing the transmission grid are customers' future needs and promoting the functioning of the Baltic Sea region's electricity markets. As society becomes more electrified and the forms of electricity production shift towards renewable energy, the challenge becomes securing sufficient transmission capacity while also managing the aging grid cost-effectively. Grid investments must be carried out in a cost-effective and financially profitable manner. Confidential interaction with customers and other key stakeholders, accounting for the development needs of the electricity markets, and generating the forecasts and creating the analyses required for planning together with customers and other grid organisations are an important part of developing the main grid. Customer cooperation is highlighted in grid planning, construction and maintenance. Challenges in using the grid during construction and managing outages have grown. The number of uncertain capex projects is large, and a delayed grid investment can, in the worst-case scenario, result in financial losses for the customer. Securing transmission capacity guarantees customers sufficient and

high-quality electricity transmission, and the reliable operation of the electricity markets. We apply the European grid dimensioning principles and planning practices in our planning work.

Fingrid's asset management has been certified according to ISO 55001:2014. The certification was granted to Fingrid for the first time in 2016, and again by Lloyd's Register Verification Limited in autumn 2019. During 2021, a follow-up visit in accordance with the ISO 55001:2014 requirements was conducted and the standard was recertified.

In the first half of the year, Fingrid published a vision of the long-term development needs and solutions of the main grid. [This grid vision](#) is based on scenarios of the future electricity production and consumption structure. The report indicates that, in order for Finland to reach its carbon neutrality objective, grid investments amounting to billions of euros will be necessary over the next 15 years.

Investments in Finland's grid networks and substations will come to more than

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > **Operations**
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

two billion euros this decade. The main grid will be reinforced significantly because achieving the goal of a climate neutral Finland by 2035 means a considerable increase in emission-free electricity production and consumption. The foundation for grid 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 growth of wind power production. Grid planning takes place in close cooperation with the

customers and the other TSOs in Europe and the Baltic Sea region. Capabilities are being built for future needs by using environmental studies and land acquisition and equipment procurement options.

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 mainten-

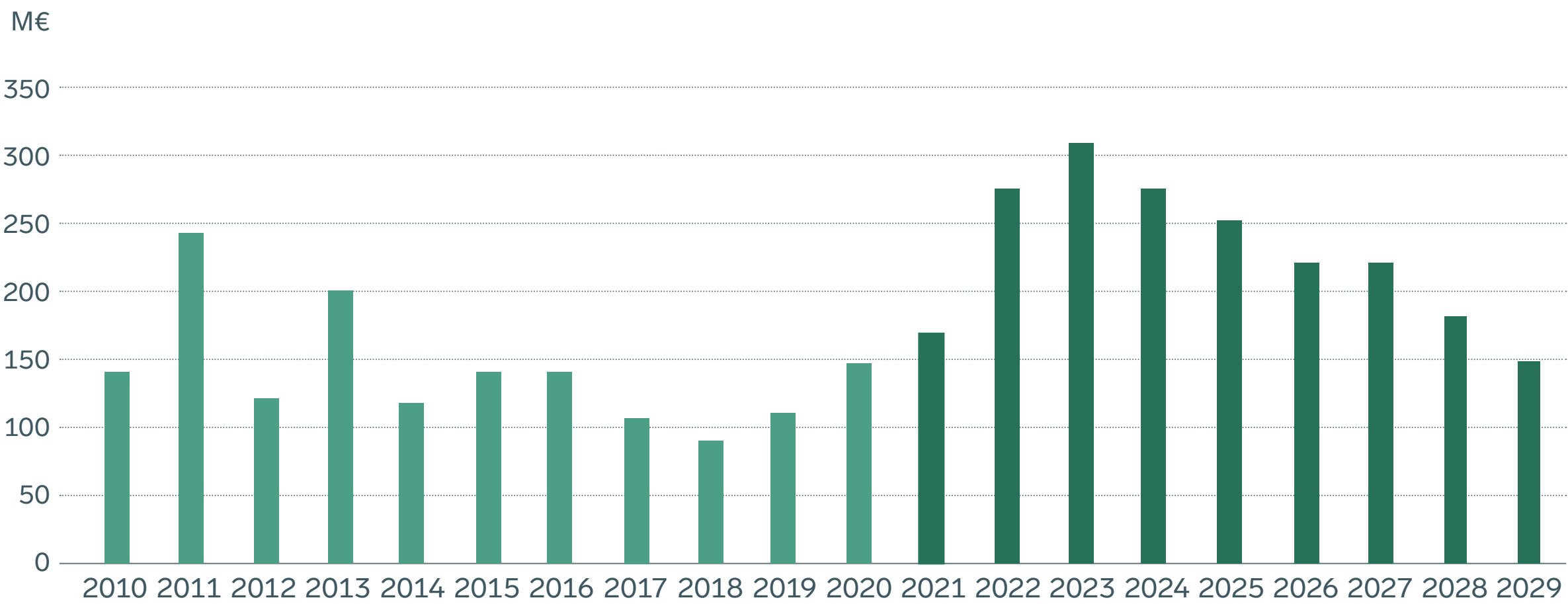
ce and outage management going on simultaneously with grid construction projects; new operating models have been developed to address them.

The increasing of the north-south transmission capacity is continuing at a strong rate. Increasing the cross-border transmission capacity calls for significant investments and new technological solutions. As regards major transmission projects, the Forest Line and Lake Line II, as well as the Aurora Line connection to

Sweden, constitute a significant part of the electricity network infrastructure that Finland needs to become carbon neutral.

In 2021, we built transmission lines and substations extensively throughout Finland. Around 50 substation and transmission line projects were underway. Of the substation projects ten were completed in 2021. Twenty substations will be completed in 2022. Altogether 600 kilometres of transmission line projects were underway in 2021, and 710 kilometres were under general planning. The total length of the alternative transmission line routes considered in Fingrid's EIA procedures was almost 1,100 kilometres, a new record.

Fingrid's capital expenditure in the main grid



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

SUBSTATION PROJECTS, COMPLETED

- 1 Expansion of the 220/110/20-kV Isoniemi substation
- 2 Kokkosniva 220 kV protection upgrade
- 3 Expansion of the 400/220/110/20-kV Pyhänselkä substation
- 4 The new 110-kV Simojoki switching station
- 5 Relocation of a 110-kV transmission line at Toivila (Forest Line)
- 6 The new 110-kV Utanen switching station
- 7 Addition of a new reactor and refurbishment of Yllikkälä transformer substation
- 8 Switched busbar circuit-breaker at Puumala
- 9 Refurbishment of the 110-kV Pernoonkoski switching station
- 10 Addition of 110-kV field in Siikajoki

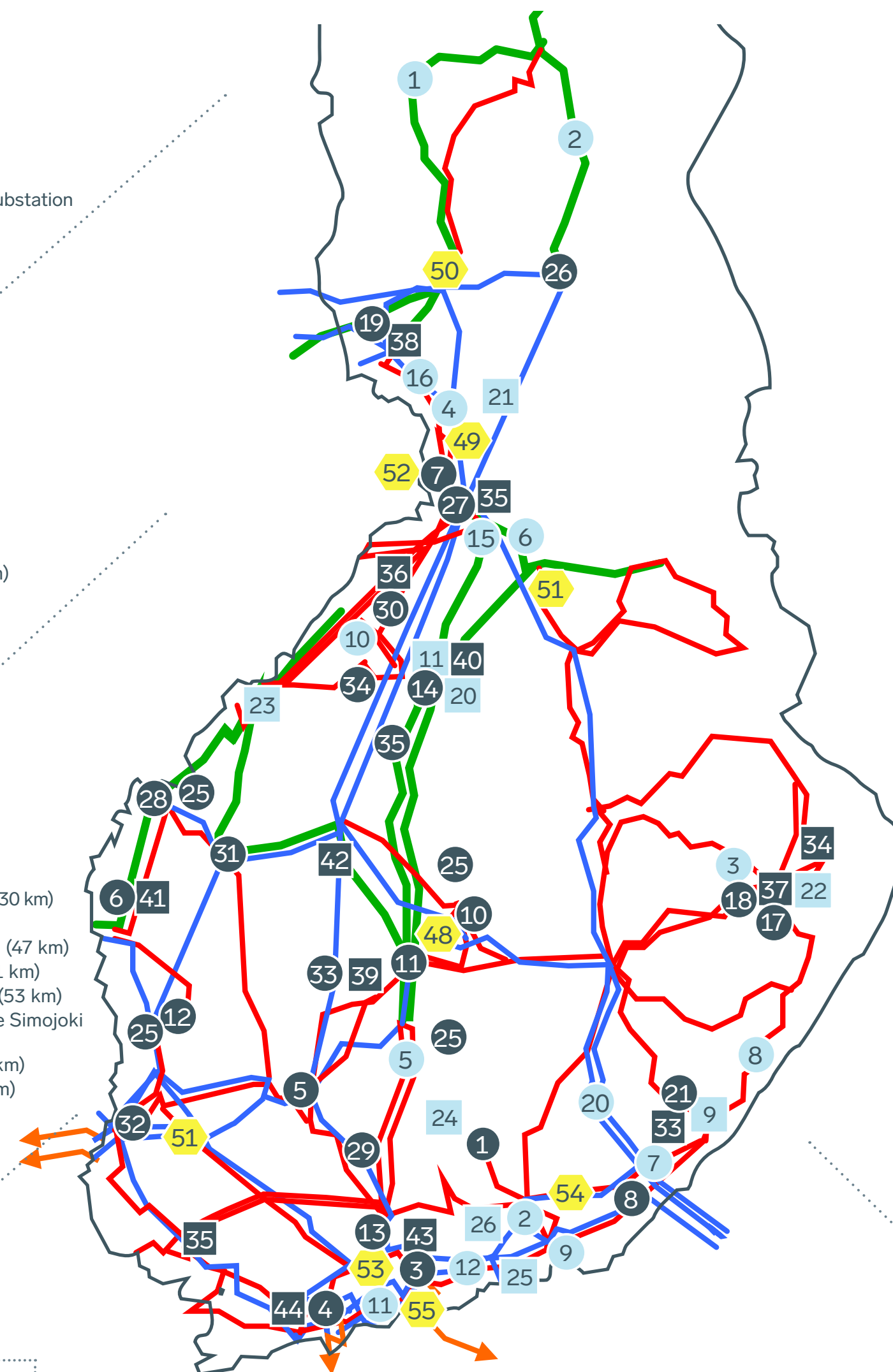
TRANSMISSION LINE PROJECTS, COMPLETED

- 20 Modifications to the 400-kV transmission lines at Pysäysperä
- 21 Modifications to the 110-kV transmission lines at Simojoki (0.9 km)
- 22 Modernisation of the 110-kV Kontiolahti–Uimaharju transmission line (53 km)
- 23 Modifications to the 400/110-kV transmission lines at Jylkkä (2.4 km)
- 24 Modifications to the 110-kV transmission lines at Jämsä (0.2 km)
- 25 Modifications to the 110-kV transmission lines at Toivila
- 26 Modifications to the 400-kV transmission lines at Askisto (1 km)

TRANSMISSION LINE PROJECTS, ONGOING
(IN TOTAL APPROX. 600 KM UNDER CONSTRUCTION)*

- 33 Modernisation of the 110-kV Imatra-Juva-Huutokoski transmission line (130 km)
- 34 Kontiolahti-Palojärvi 110-kV (53 km)
- 35 The new 400+110-kV Pyhänselkä–Nuojuankangas transmission line (47 km)
- 36 Modifications to the transmission lines at Pyhäkoski-Pyhänselkä (9.1 km)
- 37 Modernisation of the 110-kV Kontiolahti-Palojärvi transmission line (53 km)
- 38 Relocation of the 110-kV Isohaara-Raasakka transmission line to the Simojoki substation (1.6 km)
- 39 400-kV Petäjävesi-Pyhänselkä transmission line (Forest Line) (300 km)
- 40 Modifications to the 400-kV transmission lines at Pysäysperä (0.9 km)
- 41 Modifications to the 400-kV transmission lines at Kärppiä (1.6 km)
- 42 Modifications to the 400-kV transmission lines at Alajärvi (1.2 km)
- 43 Modifications to the 400-kV transmission lines at Tammisto (0 km)
- 44 Modifications to the 400-kV transmission lines at Virkkala (0.2 km)

- 440-kV transmission line
- 220-kV transmission line
- 110-kV transmission line
- Cross-border connections



SUBSTATION PROJECTS, ONGOING*

- 1 Modernisation of the 110-kV Heinola switching station
- 2 Modernisation of the 110-kV Isohaara switching station
- 3 The 110-kV Julmala substation
- 4 Third transformer at Jylkkä
- 5 Refurbishment of the 400/110-kV Kangasala switching station
- 6 The new 400/110-kV Kärppiö transformer substation
- 7 Modernisation of the 110-kV Leväsuo switching station
- 8 Modernisation of the 110-kV Luukkala switching station
- 9 Hoikansalmi series capacitor station (Forest Line)
- 10 Pihlajaranta series capacitor station (Forest Line)
- 11 400/110-kV transformer at Petäjävesi (Forest Line)
- 12 The new 110-kV Nuojuankangas switching station
- 13 The new 110-kV Palojärvi substation
- 14 The new 400/110-kV Pysäysperä transformer substation
- 15 Modernisation of the 110-kV Tammisto switching station
- 16 Expansion of the 110-kV Virkkala switching station
- 17 Happola connection station
- 18 Hovinpaikka connection station
- 19 Keminmaa substation protection refurbishment
- 20 Konkapelto stand-by upgrade
- 21 Tainionkoski stand-by upgrade
- 22 Vihtavuori substation stand-by upgrade and expansion of 110-kV switching station
- 23 Expansion of the 400-kV and refurbishment of the 110-kV Alajärvi switching stations
- 24 The new 400/110-kV Arkkukallio transformer substation
- 25 Installation of 20-kV capacitor (Arkkukallio, Kangasala and Tuovila)
- 26 The new 220/110-kV Kellarijänkä transformer substation
- 27 Demolition of 220/110-kV Pyhäkoski substation
- 28 Second 400/110-kV transformer at Jylkkä
- 29 Vanaja stand-by upgrade
- 30 The new 400/110-kV Valkeus substation
- 31 Modernisation of the 110-kV Seinäjoki switching station and addition of 2nd transformer
- 32 Modernisation of the Rauma substation
- 33 Expansion of the 110-kV Lavianvu
- 34 The new 110-kV Teikkoperä station
- 35 Expansion of the Uusnivala series compensation

UNDER GENERAL PLANNING (APPROX. 710 KM)*

- 48 Hämeenlahti–Hännilä (98 km)
- 49 Aurora Line 400-kV (200 km) Pyhänselkä–Viitajärvi-Tornio-joki
- 50 Järvilinja I. 400-kV (288 km) Nuojuankangas-Alapitkä-Huutokoski
- 51 Huittinen-Forssa (70 km)
- 52 Leväsuo-Isokangas (26 km)
- 53 Furubacka-Arkkukallio (7 km)
- 54 Kaupunginhaka-Sannainen (6 km)
- 55 Helsingin kaapelihanke (12 km)

Also several 110-kV–400-kV substation transmission line modifications in general planning

* the point is at the start of the transmission line

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

BUSINESS REVIEW	BUSINESS REVIEW >	REPORT OF THE BOARD OF DIRECTORS	FINANCIAL STATEMENTS	GOVERNANCE	REMUNERATION REPORT	CORPORATE RESPONSIBILITY
	<p>KEY TRANSMISSION LINE PROJECTS 2021</p> <ul style="list-style-type: none"> The Forest Line connection is a 400-kilovolt transmission link consisting of several parts, with a length of some 300 kilometres, which runs in the place of or alongside current transmission lines. The route runs from Petäjävesi to Muhos via Haapavesi. Of the construction work, the foundation work for the connection is close to being finalised. Assembly of the transmission line towers and work on the conductors have progressed according to their original schedule, and the Forest Line will be completed in its entirety in autumn 2022. The reinforcement of the Lake Line from Oulu to Lappeenranta has proceeded from the environmental impact assessment to the general planning phase. The transmission line is more than 290 kilometres long. The new 400/110 kilovolt transmission line is being planned primarily alongside the current transmission lines. In the northernmost section of the connection, the old transmission line will be replaced. Based on the plans, construction work on the Lake Line will 	<p>begin in winter 2023/2024, and the transmission link is due for completion in 2026.</p> <ul style="list-style-type: none"> In cooperation with Svenska Kraftnät, Fingrid is planning a new transmission connection from Messaure in northern Sweden to Pyhänselkä, south of Oulu. The estimated cost of the approximately 380-kilometre-long connection line, called the Aurora Line, is EUR 270 million, and it is expected to be completed in 2025. The transmission line will even out the electricity price differences between the countries and improve the availability of electricity in Finland. Early in the year, Fingrid and Svenska Kraftnät agreed to continue using the Fenno-Skan 1 connection until 2040. The power system and cross-border connections, such as Fenno-Skan 1, play a key role in mitigating climate change in the Baltic Sea region. The connections enable strong market integration, improve the security of electricity supply and bring flexibility to the power system. Extending the lifetime of the Fenno-Skan 1 link is a cost-effective 		<p>solution for maintaining the cross-border transmission capacity between Finland and Sweden.</p> <ul style="list-style-type: none"> Fingrid is modernising the old electricity transmission network and substations in North Karelia. The project involves the modernisation of 112 kilometres of 110 kilovolt power lines in total. The project includes the modernisation of two substations, in addition to which one entirely new substation will also be built. So far, the Kontiolahti substation and the Kontiolahti–Uimaharju section of the transmission line have been completed. The Kontiolahti–Palojärvi section of the transmission line and the Palojärvi substation are still under construction. The gradually implemented modernisations of the Oulujoki grid are proceeding on schedule. In addition to updating the ageing transmission network, the region is expecting new wind power capacity worth several hundred megawatts. The upgrades will change the regional grid voltage from 220 to 110 kilovolts. The first stage, to be completed in 2019–2022, will include 	<p>the construction of the transmission line section between the Pyhänselkä substation, in Muhos, and the Nuojua substation, in Vaala. At this stage, the Pyhänselkä substation will be expanded and the Nuojua (new substation Nuojuankangas) and Utase substations will be upgraded. A new, approximately 45-kilometre-long transmission line will be built between Pyhänselkä and Nuojuankangas, with most of this right-of-way situated west of the current transmission lines. The transmission line will be completed with 400 + 110-kilovolt structures. It is an important long-term component in reinforcing the planned 400-kilovolt transmission line towards eastern Finland, the so-called Lake Line.</p> <ul style="list-style-type: none"> In transmission line projects, a decision was made to invest in the modernisation of the 110-kilovolt transmission line between Hämeenlahti in Jyväskylä and Hännilä in Joroinen, which has reached the end of its service life. 	<p>KEY SUBSTATION PROJECTS 2021</p> <p>In connection with the Forest Line transmission line, construction on the Petäjä-</p>

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

vesi, Pysäysperä and Toivila substations and the Hoikansalmi and Pihlajaranta series capacitor stations is under way.

In addition to those mentioned above, the Pyhänselkä, Kärppiö, Tammisto, Jylkkä, Kellarijätkä and Kangasala substations are under construction in various parts of Finland. The reason behind building new substations and the need for expansion is largely the increased wind power production and enabling its transmission from production to consumption.

SEVERAL SUBSTATION INVESTMENT DECISIONS WERE MADE DURING THE PERIOD UNDER REVIEW:

- An investment decision was made on the construction of the Valkeus substation in Northern Ostrobothnia to promote wind power investments. The total costs of the substation, due for completion in 2023, are estimated at roughly EUR 30 million.
- The Imatra–Huutokoski transmission line, which secures electricity transmission in South Savo and South Karelia, is being modernised. The original 110 kV transmission line, which was taken into

use in 1934, has reached the end of its service life. The new transmission line will guarantee Fingrid's electricity transmission reliability in South Savo and reinforce the main grid's transmission capability in different operational situations in South Karelia. A new transmission line spanning 130 kilometres will be built, and the project will be completed during 2023.

- Fingrid is expanding the Alajärvi substation in South Ostrobothnia. Electricity generated by wind power can be transmitted for consumption once Fingrid expands and modernises substation equipment at the Alajärvi substation, which is important in terms of wind power projects. The intention is to connect close to 2,000 megawatts of new production capacity to the station in the coming years. The construction work in the substation contract will mainly be carried out by the end of 2021. Electrical equipment installations will take place in 2022.

The Virkkala substation in Lohja is being modernised using a new, climate-friendly, SF6-free gas technology. The project is part of Fingrid's decision to system-

atically eliminate SF6 dielectric gas at its substations and to transition to using environmentally friendly dielectric gas in new sites, as applicable.

- Several new wind power projects are currently under way south of Kristiinankaupunki. Fingrid made an investment decision concerning the Arkkukallio substation to be built in the municipality of Isojoki. Of the wind power projects to be connected to Arkkukallio's 400/110 kV substation, the plan is to connect some 500 megawatts to the substation by the end of 2024, and roughly 800 megawatts by the end of 2028. Due to the large number of connections, the Arkkukallio station will be built as a larger substation than normal, with two 400 MVA main transformers.
- Fingrid is expanding the Tuovila substation near Vaasa to meet the area's growing electricity production and consumption. The underlying reason for the investment is the area's growing wind power production and the battery material plant that is planned for Vaasa. Major changes in electricity production and consumption demand reinforcing the grid and improving its system se-

curity. The expanded substation will be commissioned sometime in 2023.

- During 2021, new investment decisions were made to modernise the Rauma, Seinäjoki and Uusnivala (Nivala) substations, and the Kauppila substation located in Kangasniemi.

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. We have digitalised our asset management one step at a time. Using digital condition monitoring, we can obtain better and more up-to-date data on the condition of equipment, allowing for condition-based maintenance. The goal is to have 25 per cent of the company's substations covered by digital condition monitoring by the end of 2022, and have an autonomous maintenance system in use in 2025 to communicate to our staff, with the help of ar-

BUSINESS REVIEW

- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

tificial intelligence (AI), what types of preventive maintenance the transmission system needs.

As the outcome of the company’s technical innovation work, Fingrid will significantly increase the electricity transmission capacity between northern and southern Finland by increasing voltage support. The additional transmission capacity of hundreds of megawatts will be achieved quickly, cost effectively and in an environmentally friendly manner. The solution will benefit all of Finland, as it will enable the electricity generated in northern Finland to be transmitted for consumption in the south, while also ensuring that Finland remains a single wholesale electricity price area.

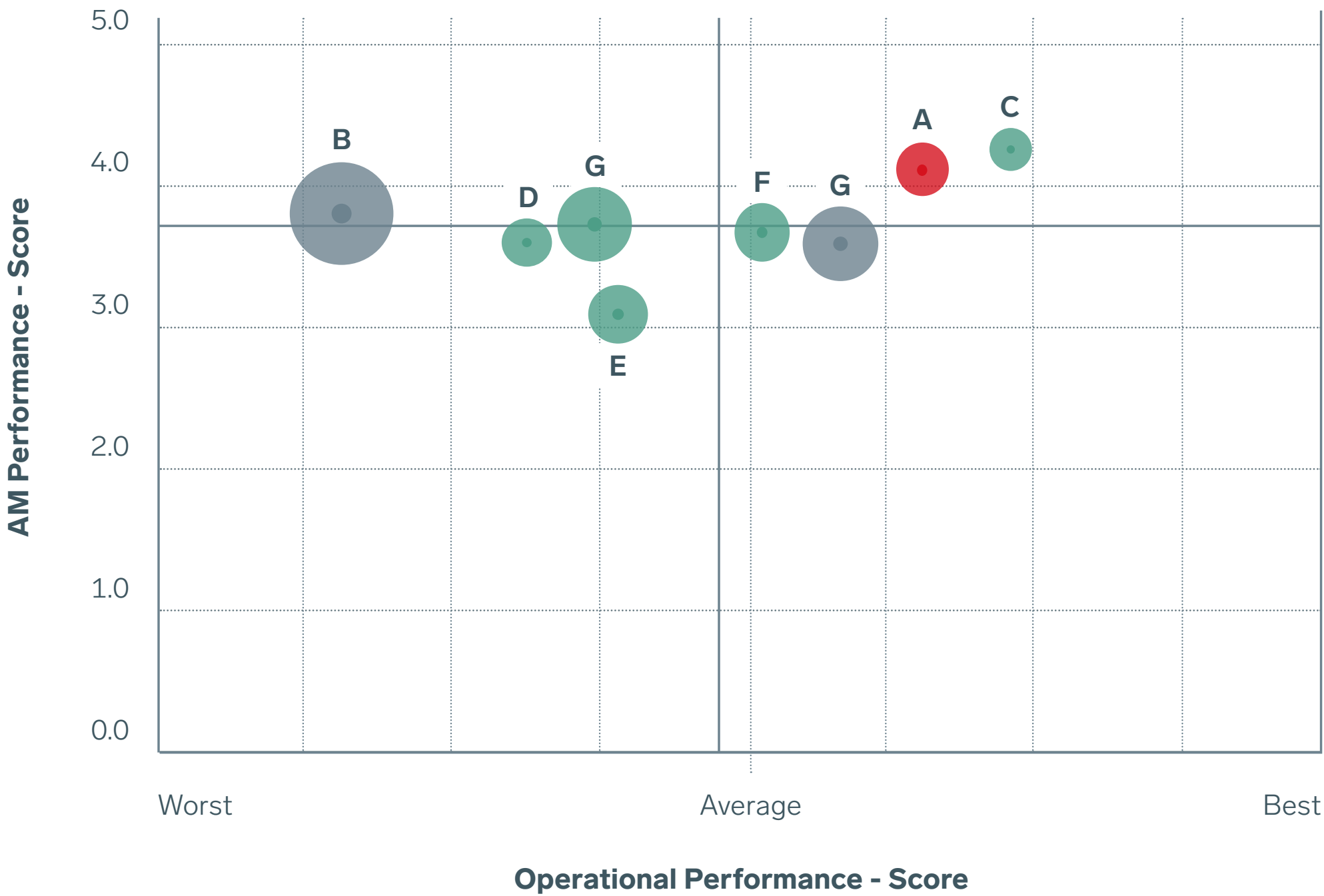
In May, Fingrid ranked second in an international asset management survey that assesses the tactical level of TSOs’ asset management. The International Transmission Asset Management Study (ITAMS) has now been carried out six times, and Fingrid has received a top ranking each time.

RESERVE POWER PROVIDES SECURITY IN DISTURBANCES

Fingrid owns ten reserve power plants that help to secure a reliable supply of electricity for our customers and society. Reserve power plants are rarely started up, but their preparedness is maintained continuously. When the need arises, Fingrid has roughly a 900-megawatt capacity reserve ready to be started up within 15 minutes.

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. Reserve power plants are maintained and developed also in case of the unlikely, but nevertheless possible event of a major disturbance, or a blackout. Furthermore, the reserve power plants are developed to compensate for the reactive power generated in the power system.

AM Performance vs. Operational Performance vs. OPEX (EUR)/ Total Circuit Length



* Grey scores indicate that some of the KPIs are missing or considered invalid.

Source: UMS Group

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

CASE

A substation can be beautiful
The Imatra substation and its transmission lines have won several international awards for architecture. Completed in August 2020, the site includes the substation building and the landscape towers and portals. Finland's largest hydroelectric power plant is connected to the substation with four 110-kilovolt transmission lines, as is a local steel mill.

The substation lies in the historical environment of the Imatrankoski rapids. The Imatra hydroelectric power plant was completed in the 1920s, and was Finland's first major public project since the country's independence. It is the birthplace of the electricity system of Finland.

According to the juries of international architectural competitions, the substation is an architectural gem. It has received praise in particular for its long bricks set in a zigzag pattern and its conical landscape towers.



BUSINESS REVIEW

- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

CASE

Preparing for the worst in transmission line fault repair exercises

Fingrid arranges regular fault repair exercises for its employees and service providers. The basic task of the grid operator Fingrid is to provide its customers and society with disturbance-free electricity. Fingrid wishes to ensure through the exercises that even major faults can be repaired quickly and safely.

In October, Fingrid organised in Porvoo a line fault repair exercise that was the most extensive in years. More than 60 people participated in the exercise which involved different types of fault scenarios. When a transmission tower is damaged, we need to be prepared to protect the area, clear the area, repair the tower structures or erect a new tower, for example.

The electrification of society is accelerating. Additionally, extreme weather conditions are increasing, making preparedness all the more important. Fingrid is focusing

increasingly on preventive maintenance and service. We also need to be prepared for various threat scenarios and major accidents.



CASE

Myriad of improvements to occupational safety of substations

Fingrid's and the service providers' shared goal is zero accidents per year. The large number of projects and hazards characteristic to the construction of the electricity grid create challenges to occupational safety, however.

Over the past year, Fingrid has improved occupational safety in several ways. Safety walks and worksite audits help worksites to operate more safely. Equipment is improved continuously based on employees' observations and experiences. Training is arranged and guidance is given for working at height and other work involving hazards. In addition, trial climbs are held regularly to discover safe ways to use structures. Different campaigns such as a safety observation campaign and the 'Think before you act' campaign are organised to collect improvement areas and ideas, and increase awareness of occupational safety.



- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

POWER SYSTEM

Key points:

- We will maintain the current good level of system security.
- We are efficient and trust the markets.
- We develop the Nordic power system as a coherent whole and are working closer with Baltic Sea region countries in particular.
- The company maintains strong grid operation expertise.

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. The power system now includes more harder-to-regulate wind and solar power. System security must be ensured in changing operational situations where electricity transmission situations vary rapidly. Maintenance of the operating system is prepared for transmission management challenges in situations where the country's domestic transmission capability is not always sufficient.

Countertrades are expected to increase in number compared to previous years. Planning transmission outages must be carried out more carefully than ever in collaboration with the grid planning, and interruptions must be considered in the construction of new projects and maintenance work. Also the wind power situation impacts the timing and implementation of transmission outages.

Vital societal functions are increasingly reliant on electricity. This consequently increases the significance of a distur-

bance-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 targets and preparedness for various exceptional circumstances are also factors affecting Fingrid's operations.

The development of technology and new innovations have introduced new possibilities and ways of managing the power system. More precise forecast systems have been developed for control centres' needs, which are used by operators in their work. New methods have been created for real-time situational awareness. The objective is to plan new Nordic and national technical and market-ba-

sed solutions to secure varying electricity production situations.

Clean energy will require a higher demand response. The energy transformation will increasingly call for demand response. 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.

COMMISSIONING OF JOINT OPERATIONAL PLANNING SERVICES PROGRESSES

The operational planning office (Regional Security Coordinator, RSC) of the four Nordic transmission system operators is situated in Copenhagen. RSC coordinates the joint Nordic operational

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

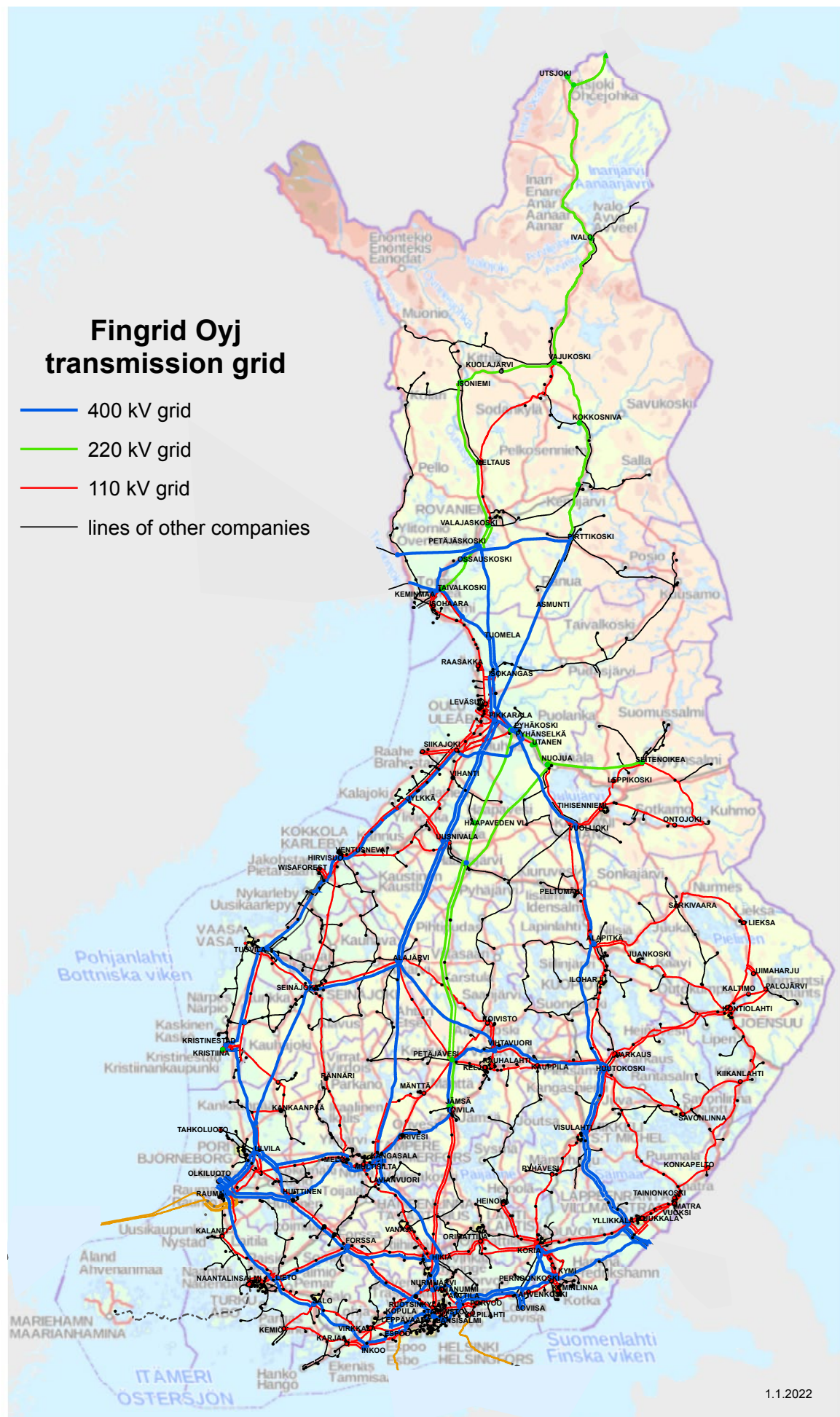
planning. RSC has received five statutory tasks: the calculation of cross-border transmission capacity, system security analyses and risk identification, coordination of cross-border transmission outages, maintenance and development of joint grid models, and regional short-term electricity sufficiency reviews.

In 2021, 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. RSC will become its own company in summer 2022, Regional Coordination Centre (RCC).

THE CONSUMPTION OF ELECTRICITY INCREASED IN 2021, LEVEL OF SYSTEM SECURITY REMAINED HIGH

In 2021, Finland's electricity consumption rose by roughly seven per cent compared to the previous year. Underlying the rise in consumption is a colder winter than in the previous year, and the normalisation of industrial consumption compared to the previous year's uncertain situation resulting from the pandemic. The total consumption was 86.7 (81.7) terawatt hours. We transmitted a total of 72.9 (68.4) terawatt hours of electricity in Fingrid's grid, representing 77.3 (77.2) per cent of the transmission volume in Finland (consumption and inter-TSO).

The electricity consumption peaked at 14,267 (12,388) MWh/h on 18 February between 9 and 10 a.m., with Finland's electricity production contributing 11,191 MWh/h and the remaining 3,076 MWh/h being imported. The area price of electricity on the day-ahead market in Finland was €86.75/MWh during the peak consumption hour. The electricity supply was not in jeopardy during



BUSINESS REVIEW

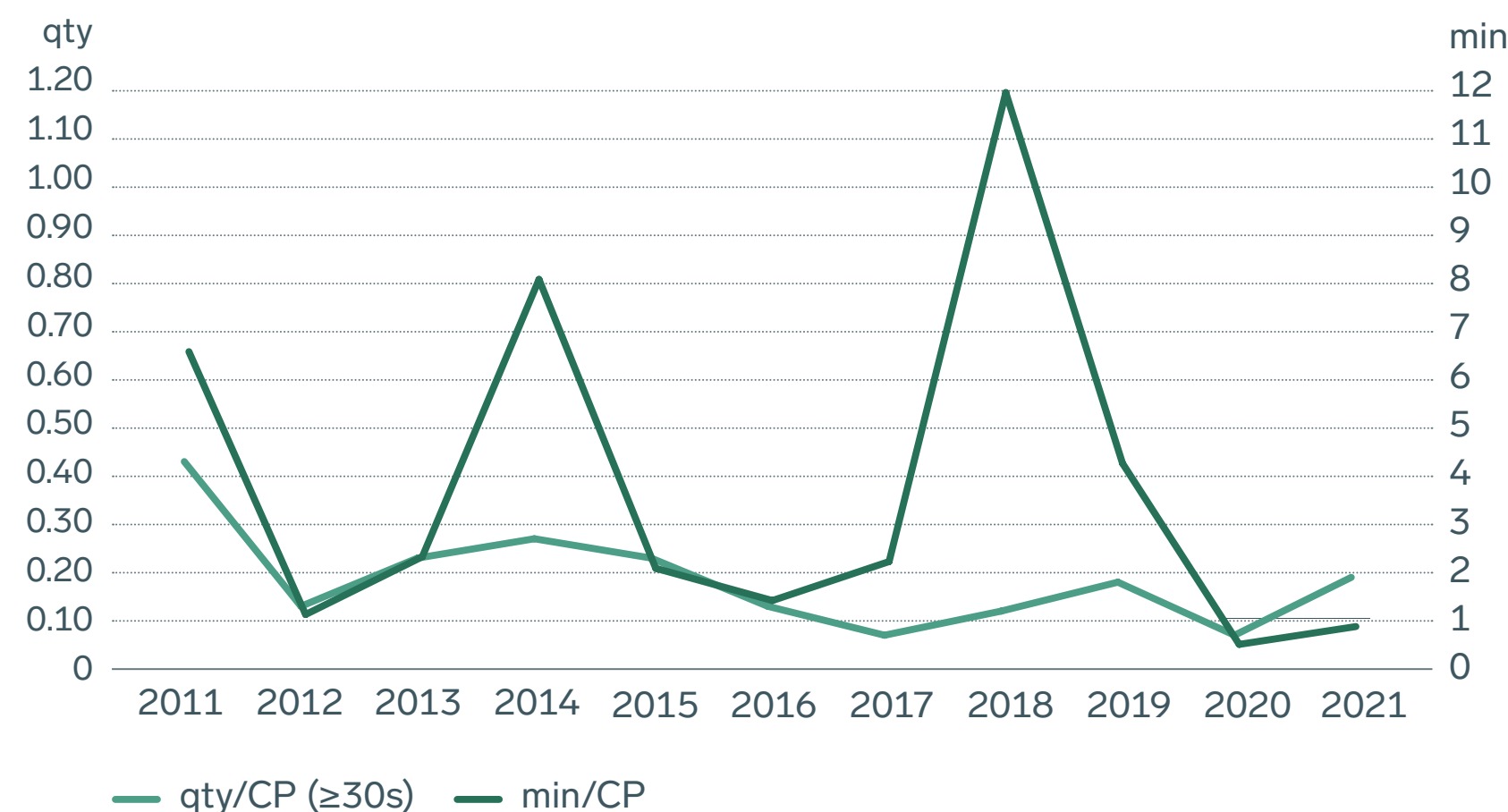
- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > **Operations**
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

the peak consumption hour. An almost equally large consumption of 14,239 MWh/h was measured on 15 January, and it was, perhaps, slightly more challenging for the management of the power system as there was around 1,000 megawatts less wind power available, for example.

Finland's main grid operated reliably in 2021, at a high transmission reliability rate. During the year under review, one occasion called for raised disturbance-clearing readiness on 11 January, when the weather was poor. 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.

The transmission reliability rate during the review period was 99.99992 (99.99995) per cent. Disturbances in connection with capex projects caused by human error increased from the previous year. An outage in a connection point in the main grid caused by a disturbance in Fingrid's transmission system lasted an average of 0.9 (0.5) minutes.

Interruptions at connection points due to grid disturbances

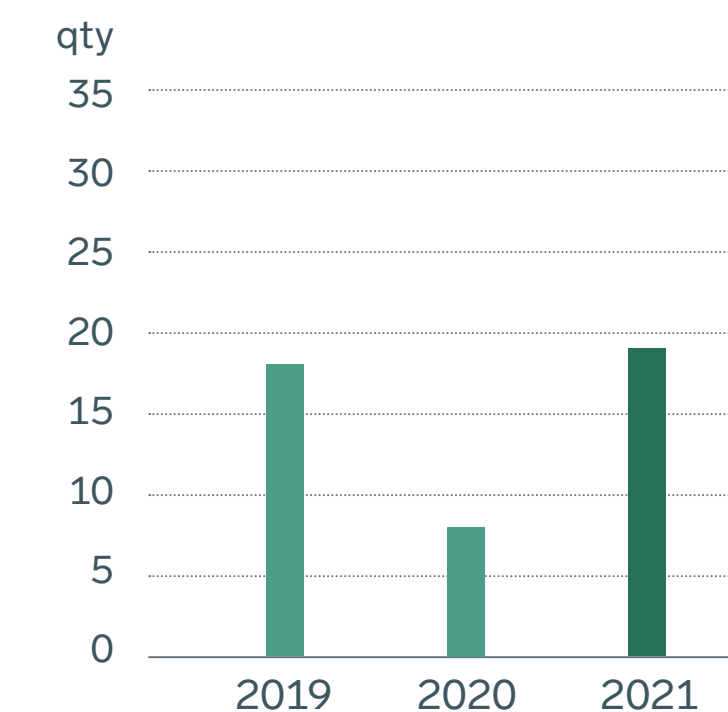
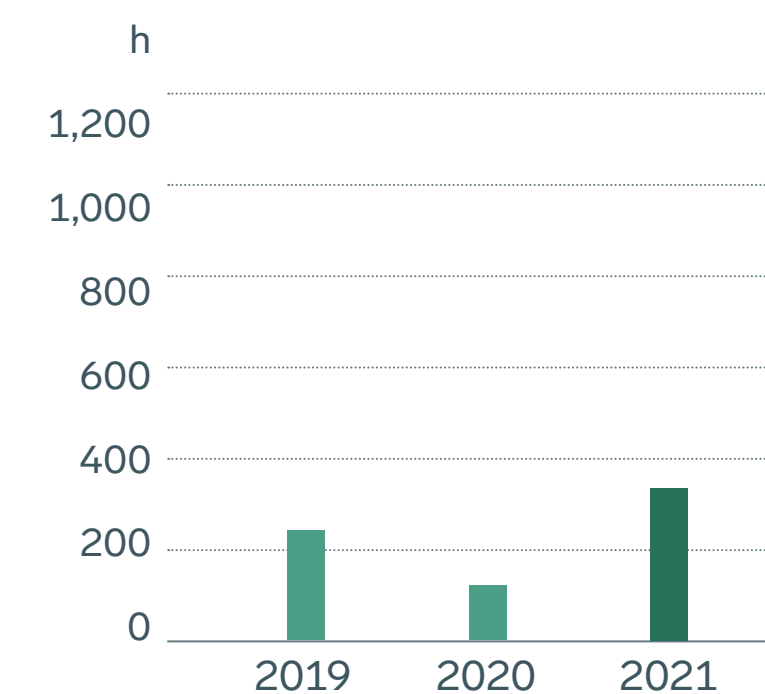


The cost of the disturbances (regulatory outage costs) was EUR 2.3 (0.9) million, and including the quick reclosures, EUR 5.8 (3.2) million.

The usability and reliability of Fingrid's DC connections have been at a good level, but there were more short-term disturbances than in the previous

year. The total duration of the disturbances was increased in particular by the challenging and long-lasting fault in the Fenno-Skan 1 connection. Disturbance-clearing and fault elimination measures were highly successful, and the connections were quickly restored and made available to the market.

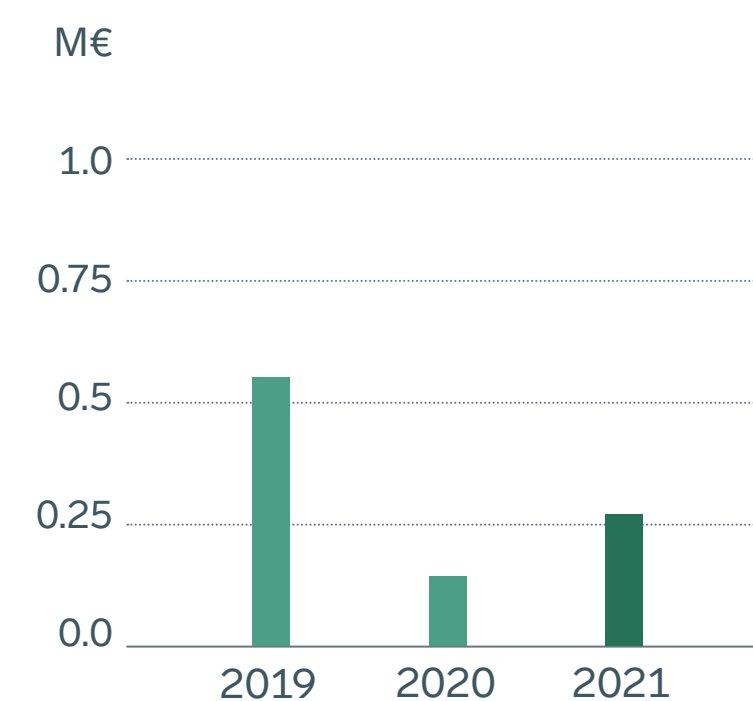
HVDC disturbances, total duration and quantity



BUSINESS REVIEW

[Review by the President & CEO](#)[Operating environment and business model](#)[Strategy](#)[Fingrid's reputation, customers and stakeholders](#)[Finance and treasury](#)[Operations](#)[Personnel](#)[Internal control and risk management](#)[Research and development](#)[Glossary](#)

Countertrade costs caused by HVDC disturbances



Countertrade costs have risen year-on-year, amounting to EUR 2.5 (0.7) million. The costs were raised by, among other things, disturbances in DC connections and countertrade resulting from local transmission outages around Finland. 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 disturbances in power plants or in the grid.

Some transmission outages in connection with capex projects took place throughout Finland. The focus has been on northern Finland and Ostrobothnia, where a large number of wind power

projects are 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 spring flooding season. Floods also hit northern Finland in the autumn, which restricted the availability of hydropower plants for maintaining the reserves. Electricity consumption and grid energy storage participate increasing-

ly actively in various reserve resources, particularly in the frequency-controlled disturbance reserve and the Fast Frequency Reserve (FFR). Frequency-controlled reserves were sold to Sweden, as in the previous year.

The Nordic TSOs increased the hours required for maintenance of the automatic Frequency Restoration Reserve, and the procurement costs for the reserve type correspondingly increased compared to the previous year. Read more about the reserves [in the electricity market section](#).

The volume of transmission losses in the main grid remained at the level of the previous year, 1.5 (1.5) terawatt hours. This was 2.0 per cent of Fingrid's transmission volume, which was 72.9 terawatt hours. The losses are affected by the quantity of the electricity consumed and transferred.

Countertrade	1-12/21	1-12/20	10-12/21	10-12/20
Countertrade between Finland and Sweden €M	0.3	0.1	0.0	0.0
Countertrade between Finland and Estonia €M	0.2	0.2	0.1	0.0
Countertrade between Finland's internal connections €M	2.0	0.4	0.5	0.3
Total countertrade €M	2.5	0.7	0.6	0.3

BUSINESS REVIEW

- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

Power system operation	2021	2020	2019
Electricity consumption in Finland, TWh	86.7	81.7	86.1
Fingrid's transmission volume, TWh	72.9	68.4	68.7
Fingrid's loss power volume, TWh	1.5	1.5	1.3
Electricity transmission Finland-Sweden			
Exports to Sweden, TWh	0.9	0.3	0.5
Import from Sweden, TWh	15.9	18.8	16.3
Electricity transmission Finland-Estonia			
Exports to Estonia, TWh	6.7	6.6	3.8
Import from Estonia, TWh	0.1	0.0	0.3
Electricity transmission Finland-Russia			
Exports to Russia, TWh	0	0	0
Import from Russia, TWh	9.2	3.0	7.5
Electricity transmission Finland-Norway			
Exports to Norway, TWh	0.0	0.0	0.1
Import from Norway, TWh	0.3	0.3	0.2



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

CASE

Finland's grid transmission reliability is world-class

Finland's main grid experiences as many as 350 disturbances annually, of which the majority are solved automatically. If necessary, a patrol can visit the site of the fault and check the reason for the disturbance. Substations' 24/7 secondary stand-by service has also begun to be used in disturbance-clearing. This means that the control centre can contact a specialist responsible for, for example, protection and other secondary systems, who will begin to clear the faults. This has sped up and improved fault clearing.

Fingrid's transmission lines mostly use travelling wave location, which is why the control room quickly receives notice of a disturbance. The control centre is notified of a fault within a few minutes of it occurring.

The majority of disturbances result from natural phenomena

and weather conditions, such as thunder, wind, crown snow-load, freezing rain or birds hitting transmission lines. Disturbances can happen year-round.



CASE

Fingrid implements the 24-hour capability required by network codes and under-frequency protection

According to Fingrid's report, the under-frequency protection concerning emergency and restoration of the electricity network and required by European network code, and which will be implemented in distribution networks and industrial consumption sites, is already progressing at a good pace. However, there is still much to do for Fingrid's customers in implementing the 24-hour capability required for major blackouts in a major disturbance. The modernisations must be completed by December 2022. The

under-frequency protection is an emergency measure that automatically disconnects large quantities of electricity consumption from the power system in order to maintain balance.

Fingrid conducted a situational survey on the implementation of the 24-hour capability with the sector players that the network code primarily applies to. Based on the received responses, the implementation is well on its way, or at least in the planning stage, on the part of several parties.

Fingrid will make an effort to communicate on the matter by continuing its webinars and one-on-one discussions.



- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

ELECTRICITY MARKETS

Key points:

- Electricity production, consumption, storage and the use of the electricity transmission system are guided by pricing.
- Market-based approaches enable the cost-effective transition to a clean power system.
- Well-functioning electricity markets support security of supply.
- The construction of wind power is continuing strongly. We receive enquiries concerning the construction of offshore wind power.

Fingrid maintains and develops the electricity market. By maintaining a strong main grid, we make sure that Finland forms a unified price area. With our cross-border transmission connections, we offer the market parties access to the European electricity markets. Transmission outages are planned so that they cause minimal harm to the functioning of the markets. The largest possible transmission capacity is made available to the markets at every moment. The market rules are being developed and electricity market data is published openly and free-of-charge. The marketplaces for re-

serve and balancing power are maintained and developed continuously. We settle the power balances and supply the imbalance power to the balance responsible parties. In the near future, Fingrid Datahub Oy will offer an effective information exchange platform for retail market parties.

ELECTRICITY MARKET OUTLOOK

As economic recovery continues, growing demand and elevated fuel and emissions trading prices raised the price of electricity at the very start of the year under review. With hydropower equal-

ly scarce throughout the Nordic countries, 2021 became a year of record-high electricity prices. In the latter half of the year under review, high prices across Europe launched talk of an electricity crisis.

The area price of electricity on the day-ahead market in Finland peaked on 7 December 2021 at EUR 1,000 per megawatt hour, which was the highest price seen on the markets in over a decade. On the balancing power market, on 26 November 2021, the highest prices ever were seen in Finland, Sweden and northern Norway, when balancing power cost EUR 5,000 per megawatt hour.

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 larger quantity of electricity was transmitted from Russia to Finland than in 2020 due to the significantly higher price of Nordic electricity.

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 the Finland price 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 price differences between the Nordic countries, which were large at times, resulted above all 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. Area prices diverge in situations where the transmission capacity between bidding areas is insufficient to meet the demand.

The year 2021 was characterised by the cross-border transmission capacity limitations caused by the transmission grid's congestion in Sweden, impacting several surrounding bidding areas. The most significant in terms of Finland was the limitation of electricity exports from Finland to Sweden using the Fenno-Skan link. Technically, our cross-border transmission connections functioned extremely reliably, however.

BUSINESS REVIEW

[Review by the President & CEO](#)[Operating environment and business model](#)[Strategy](#)[Fingrid's reputation, customers and stakeholders](#)[Finance and treasury](#)[Operations](#)[Personnel](#)[Internal control and risk management](#)[Research and development](#)[Glossary](#)

The situation in Finland during the year under review was also affected by the increase of electricity imports from Russia, due to the more expensive electricity prices in the Nordics. There were substantial intraday variations in the quantities of electricity imported from Russia due to price variations within the day which are impacted, for example, by the volume of wind power. 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 and September. Maintenance-, investment- 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 du-

rations 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.

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 called the Aurora Line. The increased transmission capacity will help to decrease the price disparities between the countries. The transmission link is due to be completed by 2025 at the latest. The Forest Line connection to be built between Central Finland and Oulu-

joki 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 is due for completion in 2022, a record achievement. After the Forest Line, we will build more north–south transmission capacity by reinforcing the Lake Line connection between Lappeenranta and Oulu. The project's environmental impact assessment (EIA) was completed in 2021. The targeted construction start for the Lake Line is in 2023 and it 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 lower the threshold for various players to participate in the electricity market.

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. The market environment and its rules must be developed in order to successfully connect all renewable capacity, such as wind power, to the electricity system, making it increasingly cleaner.

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 development. The above-mentioned projects moved forward during 2021, but much remains to be done in the coming years.

The Nordic Balancing Model progressed on a broad front in 2021.

Electricity market	2021	2020	2019
Day-ahead system price, €/MWh	62.31	10.93	38.94
Area price Finland, average €/MWh	72.34	28.02	44.04
Congestion income between Finland and central Sweden (SE3), €M	76.7	70.6	53.9
Congestion hours between Finland and central Sweden (SE3), %	28.5	44.5	37.0
Congestion income between Finland and northern Sweden (SE1), €M	365.4	174.8	77.1
Congestion hours between Finland and northern Sweden (SE1), %	59.6	62.8	40.1
Congestion income between Finland and Estonia, M€	125.5	48.1	14.97
Congestion hours between Finland and Estonia, %	40.0	32.9	11.8

45

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

A key task of TSOs is the real-time balancing of 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 Finland, 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 single balance model and a 15-minute imbalance settlement period (ISP) in the Nordic countries. The single balance model was adopted on 1 November 2021, and, as a result, separate balances for production and consumption were phased out. The 15-minute imbalance settlement period go-live has been confirmed, based on a decision by the Energy Authority, to be 22 May 2023.

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.

The changes to the power system make it necessary for the Nordic TSOs to significantly modify their IT systems and to upgrade their process automation. In addition, they will increase the need for automatically activated reserves in balancing the power system. The availability of automatic reserves is ensured on the joint Nordic capacity market. On these markets, some of the cross-border connections are reserved for the use of the automatic Frequency Restoration Reserves, if it is profitable with regard to the overall financial situation.

on. The maximum amount of reserved capacity is ten per cent of the available cross-border transmission capacity. Performing the capacity calculation in line with European regulation is a prerequisite for the reservation. In the Nordic countries, this type of situation will not be imminent until at the earliest in the final quarter of 2022.

Datahub's go-live and production test runs were practiced during 2021. The centralised information exchange platform for the retail market of electricity, Datahub, is scheduled to go live on 21 February 2022. Datahub will contain data from about 3.8 million accounting points in Finland.

Datahub's go-live and production test runs were practiced several times during 2021. In June and September, we successfully completed, together with the sector, two production test run periods. The dress rehearsal for the go-live was successfully completed in December 2021. Things also moved forward on the administrative side of things. The Energy Authority approved the complete set of the Datahub service agreements in its decision of 12 August 2021,

and the agreements in question were signed together with sector companies by 1 November 2021. A second milestone was when the government issued a new decree on the electricity supply settlement and measurement. The decree provides more detailed provisions on the changes brought about by the introduction of the Datahub, on electricity supply settlement. The third milestone was achieved towards the end of the period under review when parliamentary proceedings began concerning the legislative amendments on the adoption of Datahub. The amendments were approved on 27 October 2021 and they took effect on 1 November 2021. The amendments kicked off the Datahub go-live period.

The flexibility markets are approaching the pilot stage. As the energy transformation accelerates, new market-based solutions are needed 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 EU legislation, in relation to which an amendment was proposed for



the Finnish Electricity Market Act in the second half of 2021. 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

INTERFACE and OneNet projects funded from the EU’s Horizon2020 research programme. [Read more in Research and development.](#)

The reserve markets improved preparedness for future challenges. The changing needs of the power system require new kinds of properties from the reserves supporting the use of the system. In Ja-

nuary 2021, the Nordic TSOs published a proposal on the renewal of the technical requirements for frequency-controlled reserves for comment by stakeholders. In June, we launched a pilot project to look into the success of the new technical requirements together with market parties. Towards the end of 2021, we additionally started up an entirely new reserve product – a frequency-control-

led disturbance reserve down-regulation product acquired for over overfrequency disturbances – procurement for 2022. Down-regulation refers to a decrease in generation or increase in consumption. The need for a new down-regulation product can occur, for instance, in a situation in which a fault occurs in the cross-border transmission connection when exporting a large quantity of electricity from the Nordic countries to continental Europe. The disturbance reserves intended for down-regulation prevent, in the situations in question, disturbances caused by overfrequency in the Nordic power system. Overfrequency can cause problems, for example, for power plants’ and industry’s large rotating electrical equipment.

Finland’s and Estonia’s transmission system operators initiated a collaboration for trade in automatic Frequency Restoration Reserve (aFRR) from Estonia to Finland. The first offers came from Estonia in August of 2021. The automatic Frequency Restoration Reserve will become increasingly important as renewable and variable forms of electricity generation account for a greater share of the power system. The partici-

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid’s reputation, customers and stakeholders
- > Finance and treasury
- > **Operations**
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

pation of Estonian market parties increases the offering and competition in the automatic Frequency Restoration Reserve hourly market in Finland.

A new operating model using intra-day markets was developed for the transmission management during cross-border transmission disturbances. The pilot stage of the model was started up on 26 November 2021. In the new operating model, the objective is to correct the regional surplus resulting from the loss of the exporting connection with intraday market sales.

Flow-based capacity calculation methodology is used to improve the effectiveness of transmission capacity allocation. A flow-based capacity calculation methodology will be adopted in the Nordic countries to improve the allocation of transmission capacity available to the markets. The development of the method entered a new phase during the review period when the calculation system required by the new method was trialled in May. In the new method, the capacity calculations are the responsibility of the Regional Security Coordinator (RSC) for the Nordic TSOs in Copenhagen, to which each TSO sends the input data required for the calculations. Introduction

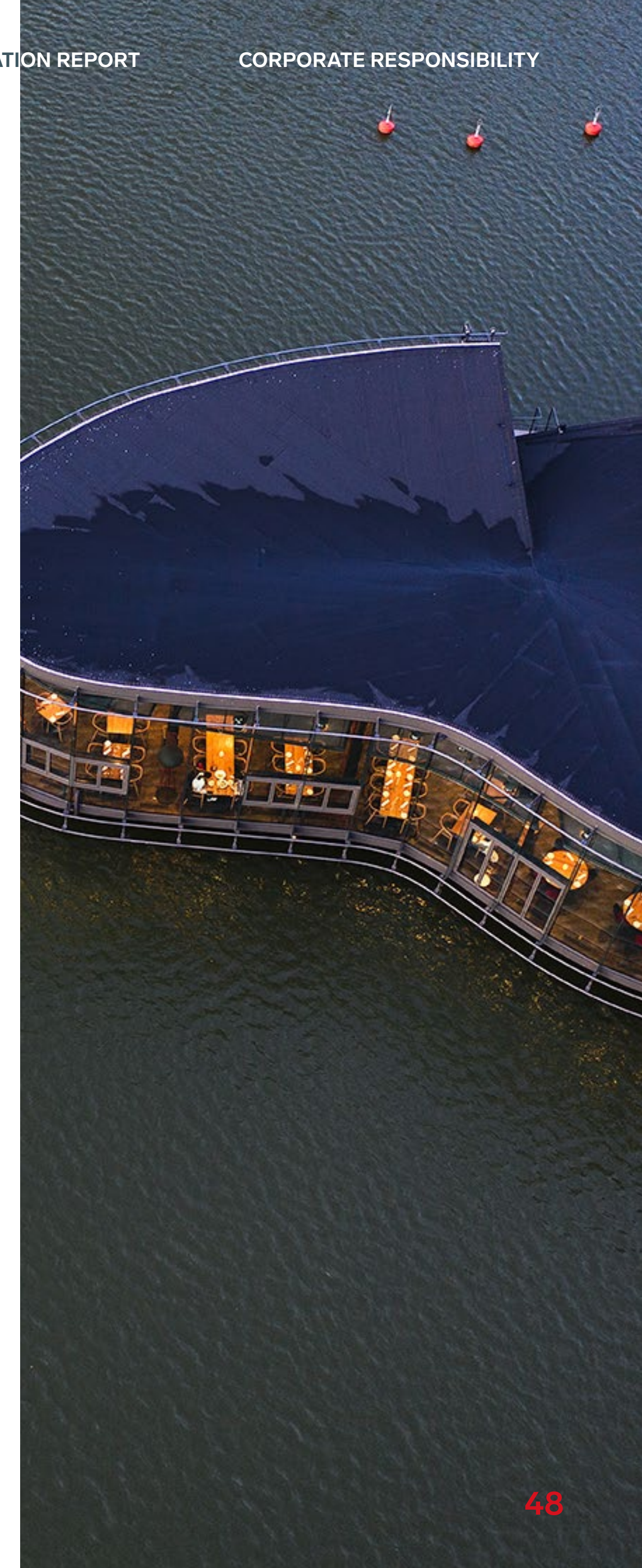
of the new method will take place in early 2023 at the earliest.

Sector integration refers to the integration of the *energy sectors* and the *energy vectors*, both on the system level and on 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 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 2021, 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.



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

CASE

Grid energy storage supports the energy transformation

Grid energy storage means versatile power system reserves. The grid energy storage can cover short-term production scarcity, and electricity suppliers can temporarily take electricity from the grid energy storage battery. Renewable forms of energy are more dependent on weather conditions than coal is, in which case the supply of electricity can be secured through the grid energy storage. Also the electricity

supply during grid faults can be ensured using a battery.

Finland currently has some 50 megawatts of grid energy storage capacity, and more is being built all the time. The prices of batteries have fallen and Fingrid is helping new players to enter the market. Fingrid does not, for example, charge a separate grid connection fee for connecting the grid energy storage to the customer's connection point.



CASE

Balancing power price reached record-high level in November

In November, the price of balancing power was momentarily record-high, up to EUR 5,000 per megawatt hour.

The temporary rise in the price resulted from multiple factors. Due to the freezing cold temperatures, electricity consumption was higher than expected and simultaneously the calm weather reduced wind power production. The high price of electricity contributed to electricity suppliers' higher sales to consumers and reduced the volume of balancing power that ended up on the electricity markets. Balancing power is needed to keep electricity production and consumption in balance. This is called the power balance. The power balance of the electricity system did not experience problems due to the high prices.

Fingrid maintains the balance power markets together with other Nordic transmission system operators.



- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > **Personnel**
- > Internal control and risk management
- > Research and development
- > Glossary

07

Personnel

Key points:

- Our corporate culture is based on an open, collaborative, renewing and high-performing work community.
- We are at the leading edge of change and we are prepared for the future with our world-class expertise.
- We are an excellent and responsible employer who attracts and retains the best employees.

Fingrid's personnel is strongly committed to the company's vision and basic task. 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.

Fingrid employees have plenty to do in the energy transformation, which has launched monumental grid construction investments in the company. Construction of the main grid – the transmission lines and substations – will come to cost two billion euros over the next decade. This, and the continuing international cooperation, have contributed to a significant increase in the number of personnel. The company needs more and more people, for example, substation project managers, ICT specialists, grid developers and electricity market project specialists.



BUSINESS REVIEW

[Review by the President & CEO](#)[Operating environment and business model](#)[Strategy](#)[Fingrid's reputation, customers and stakeholders](#)[Finance and treasury](#)[Operations](#)[Personnel](#)[Internal control and risk management](#)[Research and development](#)[Glossary](#)

Along with the increased workload, the personnel's ability to tolerate uncertainties is being tested with the speed of change and variability in the operating environment. The personnel are also subject to many other demands. The productivity of work needs to increase in order for us to maintain cost-effective operations. The customer base is changing and expanding, which means that employees need to have interactive and negotiation skills.

The HR strategy is designed to meet the challenges posed by the operating environment. The company highlights three separate goals: a professional and collaborative Fingrid culture, a multi-skilled Fingrid and bold management.

Number of employees	2021	Men	Women	2020	Men	Women	2019	Men	Women
Permanent	400	301	99	363	281	82	338	261	77
	89%	75%	25%	89%	77%	23%	89%	77%	23%
Temporary	51	31	20	45	32	13	42	28	14
	11%	61%	39%	11%	71%	29%	11%	67%	33%
Full-time	418	316	102	376	292	84	359	277	82
	93%	76%	24%	92%	78%	22%	94%	77%	23%
Part-time	33	16	17	32	21	11	21	12	9
	7%	48%	52%	8%	66%	34%	6%	57%	43%
Total	451	332	119	408	313	95	380	289	91
Average	440			400			384		

Personnel by location	2021	2020	2019
Helsinki	382	346	322
Hämeenlinna	18	17	16
Oulu (previously Oulunsalo)	16	14	13
Jyväskylä (previously Petäjävesi)	13	14	14
Rovaniemi	4	2	1
Vaasa	4	3	2
Varkaus	14	12	12

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At Fingrid, everybody is the CEO of their own work.

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

PROFESSIONAL AND COLLABORATIVE FINGRID CULTURE

Our values guide the work of our professional community and simultaneously lay a solid foundation for our corporate culture. Fingrid's intent, in line with its values, is an open, fair, efficient and responsible work community. For Fingrid's employees, that means being at the leading edge of change and preparing for the future with our world-class expertise. The members of the work community are responsible result achievers and go-getting team players. Thanks to an excellent employer image, we are able to attract the best experts for our team.

Our values say a lot about our operating methods, which are aimed at achieving a group culture, in particular. In a team culture, cooperation, listening to others and helping are valued highly. A systematic approach and responsibility are some of the company's basic tasks because of our societal impact. That is why the company is careful to have clear processes and operating guidelines in place.

The company's goal is to be a forerunner for electricity network operations, which

primarily means efficient and profitable operations, even though monopolies do not have direct competitors. Efficient operations compared internationally to other TSOs make us acceptable in the eyes of policymakers and supervisory authorities. The company's objective is continuous renewal and innovation. We do this with a positive and enthusiastic attitude.

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 for strengthening one's own skills. In this sense, all of the employees are the CEOs of their own work.

Being the CEO of one's own work involves responsibility and freedom, but also helping others and working as a team. The team aspect has 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. Shared development work is, inevitably, also more challenging when done remotely.

Even during the exceptional circumstances, the goal is to maintain a community spirit. Joint events, such as the President & CEO's briefings were organised regularly throughout 2021, and employees were encouraged to participate in the discussions. Campaigns boosting the community spirit were arranged through the intranet and Teams. To get to know each other better, our intranet has a 'The Fingrid community' section. It is a collection of personnel blogs, vlogs and stories about Fingrid employees and the Fingrid life. In the autumn of 2021, we were able to get together in larger numbers when Fingrid's Coaching Day was organised in the outdoor Bolt Arena. The day involved a specialist lecture and greetings from the management, as well as a selection of sports to try and casual hanging out, without forgetting Covid safety.

MULTI-SKILLED FINGRID

Fingrid is 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 know-how is retained.

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 performance reviews, which are held twice a year with each permanent Fingrid employee. The employee, together with their supervisor, is responsible for the implementation of the measures agreed on in the development plan.

In 2021, Fingrid Academy offered coaching for supervisors, project management coaching, language training, and unit-specific coaching mainly related to change, work community and emotional

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > **Personnel**
- > Internal control and risk management
- > Research and development
- > Glossary

skills. Specialists also had access to the Loikka training programme for increasing communication and engagement skills, and to customer service coaching on the company's services and communicating on them.

The company invests more than a million euros annually to develop both the

work community and the personal development of each employee. In addition to shared training provided by the company, personnel can take the initiative by proposing specific training to boost their knowhow. In 2021, each Fingrid employee received an average of 3 (3) days of training, and the training costs amounted to EUR 1.0 (1.1) million.

Education level of permanent personnel	2021	2020	2019
Basic and secondary education	22	20	18
Lowest level of tertiary education	32	31	31
Bachelor's degree	134	126	118
Master's degree	203	176	159
Post-graduate degree	9	10	8

Training hours by employee group and gender	2021	2020	2019
Training hours, women	23	31	48
Training hours, men	21	23	31
Training hours, total	9,609	9,832	
Training hours per person	21	25	
Training days per person	3	3	5

BOLD MANAGEMENT

Fingrid's management is based on a strong cooperative matrix model, in which the strategy and organisation are an inseparable pair. The company's strategy, all of the management structures and the company's internal communications rest on four perspectives. The company's business operations are steered with an eye to customers' needs, ensuring sufficient profits for the owners and taking care of smooth internal processes, personnel's well-being and competence. The objective of decision-making is not just financial benefit, but to view things also based on customers, employees and the functioning of internal processes.

The personnel are involved in developing the business, strategy, culture and changes. Everyone has the responsibility and the opportunity to make an impact. The management style is inclusive and empowering. The organisational structure is very flat and a significant number of specialists have extensive decision-making powers. The goals for the positions are derived together from the strategy each year through the 'Our and My Strategy'

discussions, and they are the basis for remuneration. The planning of resources and competence is also carried out based on the strategy.

Strategic leadership that rewards and inspires employees, makes use of individual competence, is open to change and is future-oriented protects against burnout. Furthermore, it increases employees' motivation, commitment, the building of trust and work satisfaction.

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. Supervisors are trained for their responsible role regularly each year through separate supervisor development days and the quarterly Info & Inspiration briefings.

The 'Coaching & productive supervisor' theme for 2021 highlighted the management of peoples' differences, and understanding their potential and strengths, as well as the effect these have on the company's profitability. Supervisors

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > **Personnel**
- > Internal control and risk management
- > Research and development
- > Glossary

were given resources to lead their teams towards the shared goal, to boldly, efficiently and profitably manage performance, and spar and inspire individuals and the team with a coaching approach.

An open, collaborative, renewing and high-performing corporate culture has

had an impact on personnel's well-being. Fingrid has long careers and few absences due to illness, in addition to being in the lowest pension contribution category. For the second year running, Fingrid was chosen as Finland's Most Responsible Employer and the feedback from personnel surveys was excellent.

What our personnel has to say about our corporate culture:

- "The organisation's openness is very successful. We talk about things and information is shared with everyone. For example, strategy processes are transparent and both good and bad things are communicated clearly to personnel."
- "The management communicates actively and clearly: for example blog posts from the executive management group's meetings. That creates trust in the management."
- "A flat and unassuming organisation, with inspiring and wise colleagues."
- "The atmosphere is good. We have a really nice bunch of people at work!"

CASE

Summer employees are an integral part of Fingrid's work community

In 2021, Fingrid once again took part in the Responsible Summer Job campaign, aimed at offering young people successful summer job experiences of high quality. This year, Fingrid hired 54 summer employees who worked in different jobs around Finland.

The summer jobs offered by Fingrid included tasks in electrical engineering, the environment, ICT and infor-

mation management. Based on the Responsible Summer Job survey, Fingrid is considered to be a company that treats its summer employees fairly and equally. It offers interesting jobs, enables employees to do work that corresponds with their skills and listens to the summer employees' opinions.

Summer employees are an integral part of Fingrid's work community. Furthermore, several summer employees have continued to work at Fingrid while completing their theses or in a longer-term employment relationship.



- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

08

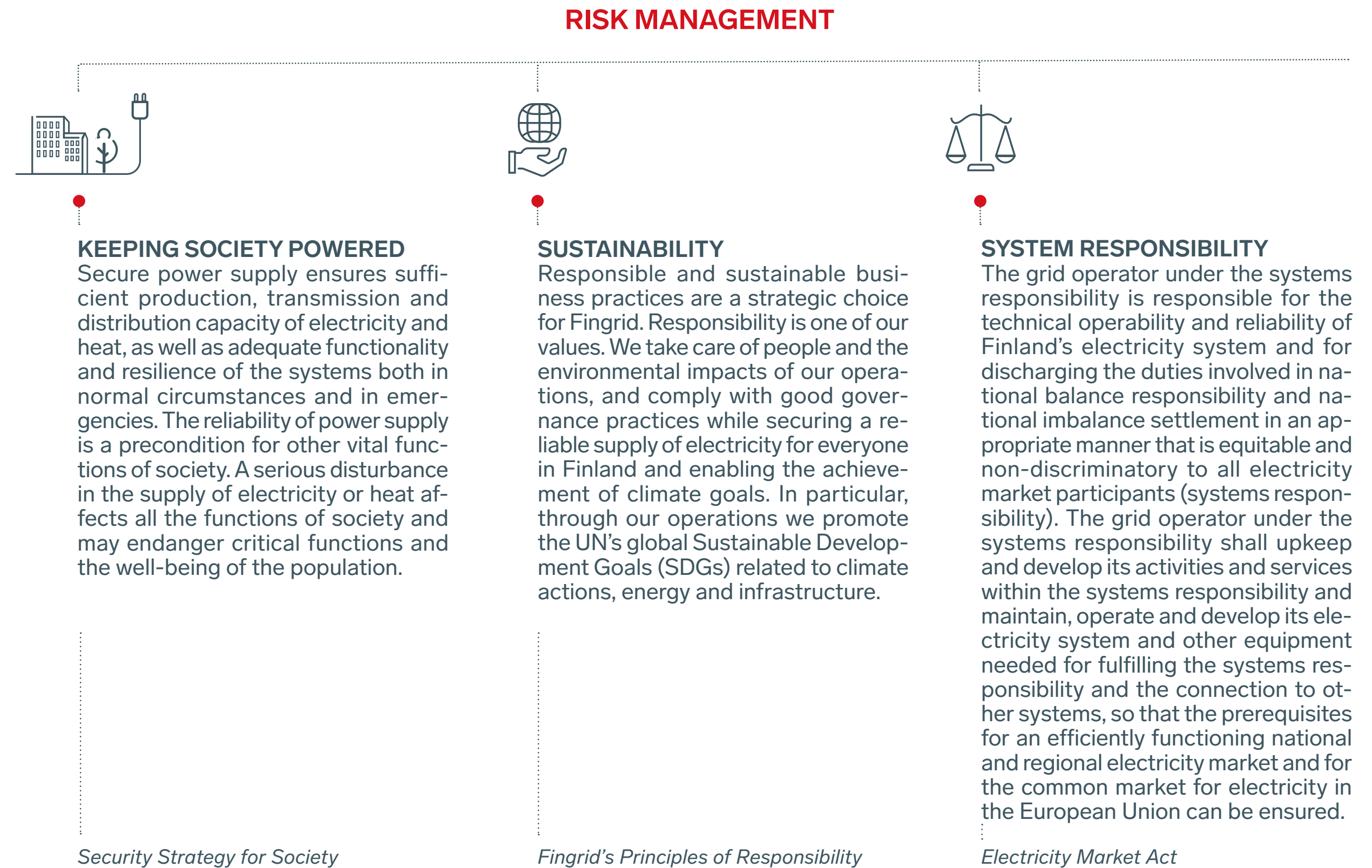
Internal control and risk management

RISK MANAGEMENT GOVERNANCE

Fingrid's risks are managed according to the internal control and risk management principles approved by the Board of Directors.

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.

Fingrid's societal responsibility as the foundation for risk management



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

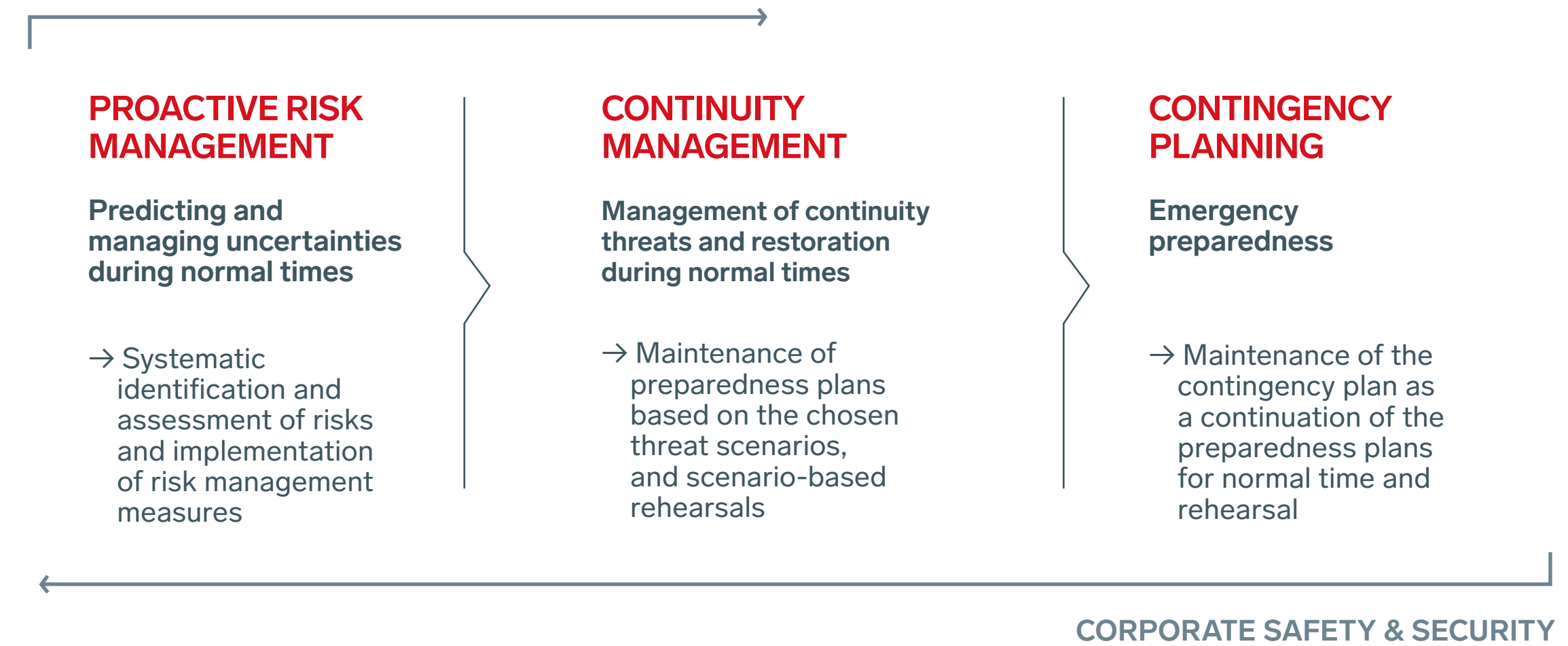
Risk management is planned and governed holistically. The objective is to comprehensively identify, assess and monitor various threats and risks that the company's operations, environment, personnel and property are subjected to and which also have societal implications, and to be protected against them. Ensuring systematic corporate safety & security is a part of risk management.

Continuity management is included in comprehensive risk management. Its objective is to improve the organisation's readiness and to prepare, in the 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 states of emergency as required of a company with duties critical to the national security of supply.

Key elements of Fingrid's risk management

COMPREHENSIVE RISK MANAGEMENT



FINGRID

ANNUAL REPORT 2021

BUSINESS REVIEW

- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

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 and recorded in the risk management system where their implementation is also monitored regularly.

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 contracts, insurance, derivatives or similar means,
- risk factors that are deemed moderate in terms of their impacts and which the company can manage through clear controls and other practical measures, and
- risk factors deemed minor in terms of their impacts but which require monitoring.

Risk management process

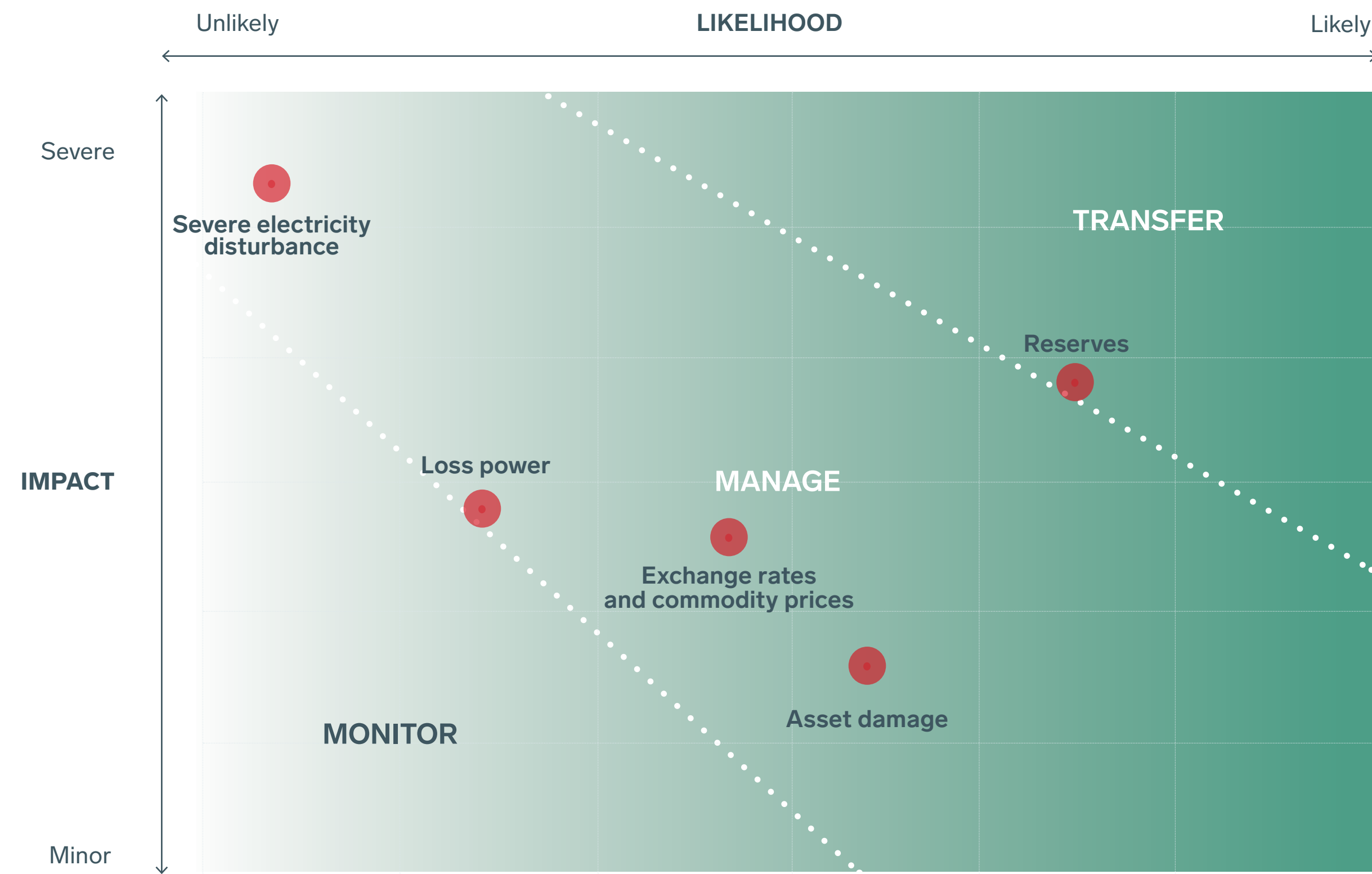


- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

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.

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.

Fingrid's risk matrix



FINGRID

ANNUAL REPORT 2021

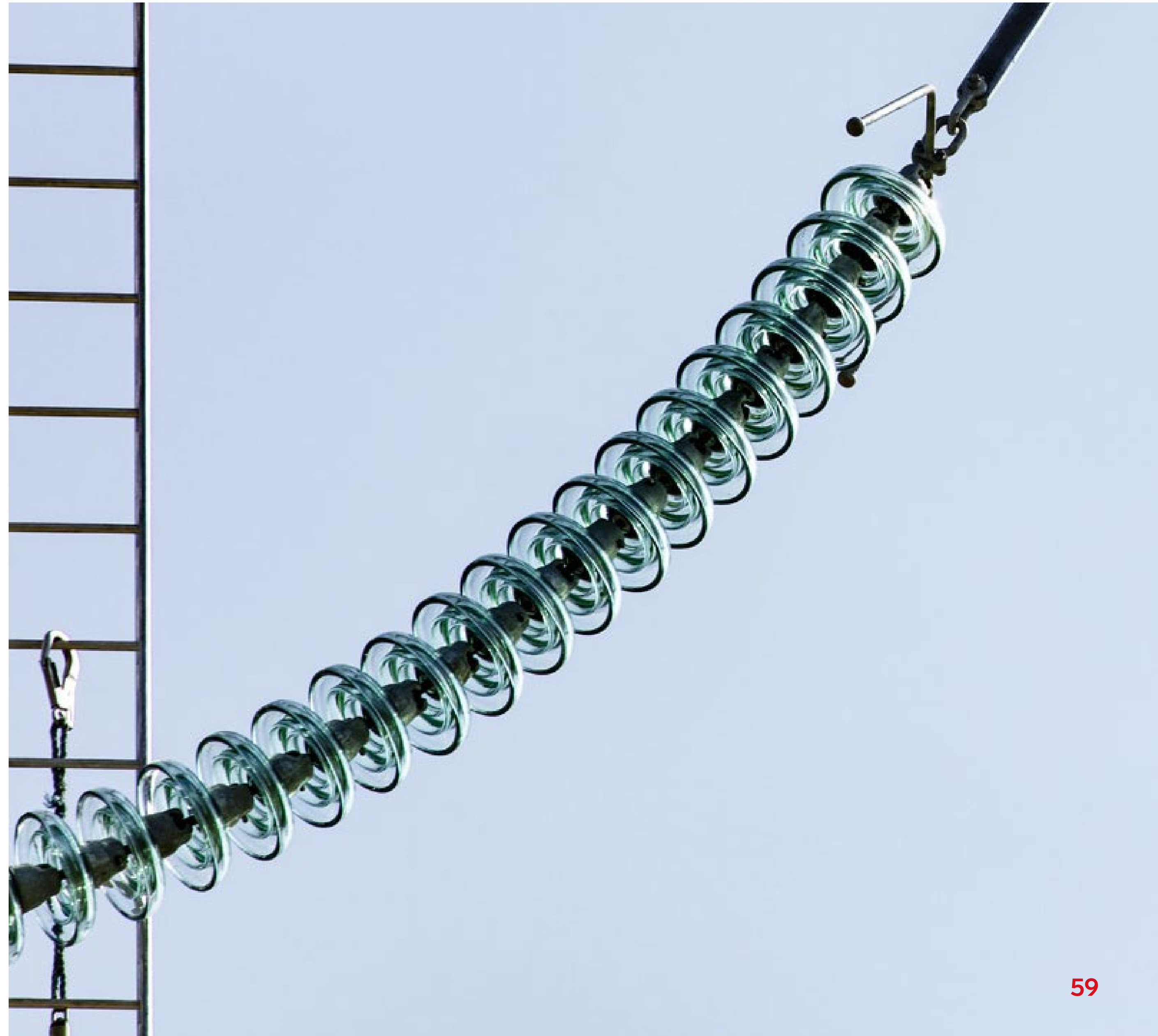
BUSINESS REVIEW

- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

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.



- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

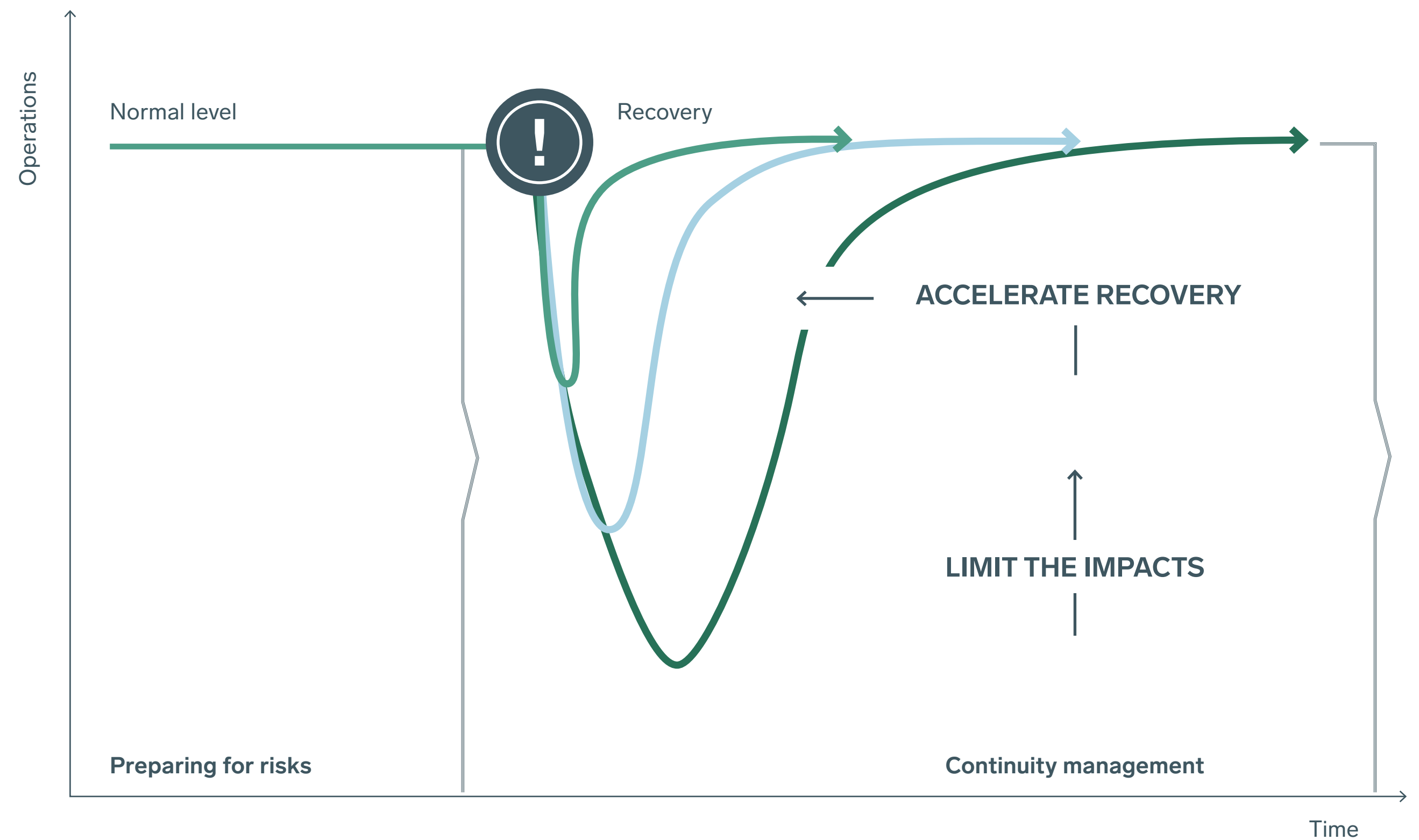
CONTINUITY MANAGEMENT

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 and extreme weather conditions.

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. The necessary recovery plans are drawn up and the implementation of the plans is rehearsed

Objectives of continuity management



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

for the most significant continuity threats. The rehearsals are planned together with the company's preparedness unit.

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 participates diversely in the authorities' and Finnish industries' joint Power and District Heat Pool coordinated by the National Emergency Supply Agency. In recent years, the Pool has invested in extensive regional preparedness rehearsals 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 safe-

ty 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](#).

CASE

Covid-19 tested Fingrid's preparedness

Covid-19 has taught many companies the importance of preparation and scenario work. Covid-19 also proved that Fingrid's preparedness has a strong foundation. Thanks to the good preparedness, Fingrid has been able to carry out its activities successfully during the pandemic.

Like at other companies, Fingrid employees began to work remotely in spring 2020, which meant that Fingrid's main grid control centre in Helsinki, which monitors the grid, adopted a decentralised operating model in several localities. Fingrid's in-house personnel worked remotely, which showed that the company's IT infrastructure operates reliably and can handle the load. Webinars for stakeholders were also held successfully using the messaging and collaboration platform Teams. Some exercises were postponed due to Covid-19.

When the Covid-19 pandemic began, a charting of situational awareness was begun immediately. Maintaining situational awareness was extremely important as the continuity of maintenance and construction work had to be resolved especially at the early stages of the pandemic. Plenty of non-Finnish workers and specialists take part in maintenance work and their possibility to work during the Covid crisis caused some concerns. Our goal was to prevent the risk of all of our specialists working in critical tasks falling ill at the same time.

Grid maintenance has remained on schedule during the pandemic, as have grid construction work and refurbishments. No maintenance backlog was created during the Covid crisis. Making it through the exceptional circumstances created by Covid-19 proves that preparing for different disturbances is worthwhile. We have thought about threat scenarios and practiced in preparation for them.

FINGRID

ANNUAL REPORT 2021

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > **Research and development**
- > Glossary

09

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 2021, a total of EUR 3,0 (4.5) million was used for Fingrid's own research and development. Connecting the ever-growing volume of wind power to the grid and the resulting grid investments, together with our statutory tasks, have limited our opportunities, in the form of a resource deficit, to focus on R&D as in previous years.

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. We have intensified our cooperation with Finnish universities to guarantee and develop competence. This includes Fingrid's specialist who is

currently Professor of Practice at Aalto University and Fingrid's membership in the steering group for LUT University's professorship for a flexible and safe electrical energy system of the future. In addition, Fingrid was involved in supporting a project by the University of Oulu and the Oulu University of Applied Sciences, which developed an energy, electricity and building service learning environment.

The number of ongoing R&D projects in 2021 was roughly 50. Close to 70 per cent of the project costs were external costs, which means that internal work largely involves steering projects, as well as theses. Eight theses were completed at Fingrid, for the most part master's theses. Most of the projects focussed on three of the company's six development themes: 1) *Preparedness for renewable energy and flexible solutions*,



FINGRID

ANNUAL REPORT 2021

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > **Research and development**
- > Glossary

2) Power system management, and 3) Digitalisation to boost the efficiency of grid development and maintenance management.

The **Preparedness for renewable energy and flexible solutions** development theme focussed on methods for increasing market flexibility. Two more extensive projects, INTER-**INTERFACE** and OneNet, were underway, both of which have been funded from the EU's Horizon 2020 programme. The **INTER-INTERFACE** project's platform enabling the coordination of flexibility of TSOs and DSOs had proceeded to the demonstration stage towards the end of 2021. A Finnish DSR service provider also joined the project's trials. Within the OneNet project, Fingrid has focussed on developing a more extensive flexibility market framework, as well as the identification of the flexibility needs of the next few years and studying possible solutions for them. A thesis was completed on the topic during the year, developing a method for determining flexibility needs. Additionally, development work has been performed on the

transmission needs during planned outages in areas dominated by wind power. The project's trials will take place during 2022 and 2023. The first test trial involves the use of the intraday market in transmission management during disturbances.

The electricity markets are being developed on many fronts at the national, Nordic and European levels. Read more about development projects related to the markets in the ['Electricity market'](#) section.

In the **Power system management** development theme, grid operations are digitalised in the Valvomo 2023 project, for example, in which new methods and tools are developed to manage the challenges resulting from a changing power system. The focal point was the Tiihannekuva project begun in 2021, which, when completed, will provide operators and stakeholders with improved situational awareness through a single system instead of several separate ones. Another focal area of the Valvomo 2023 project was the 'digitalisation of the switch-

ing process', the opportunities of which were looked into in a thesis on the topic.

In addition, the new technical requirements of the frequency-controlled reserves were developed further based on feedback from stakeholders. The pilot stage was begun in the summer of 2021, testing the requirements with real reserve units. The pilot project involves seven reserve providers and 11 reserve units in Finland. The Nordic TSOs have additionally developed new tools for analysing frequency restoration in the power system of the future.

The focal point of the **Digitalisation to boost the efficiency of grid development and maintenance management** development theme is the maintenance management digitalisation project, which reached a level in 2021 where traditional time-based measurements could be replaced with digital monitoring solutions at the main sites selected on a risk basis. This is a long-term development project that involves the development of monitoring solutions, in addition to changes in the asset mana-

gement processes and policies. These are used to guarantee significantly more detailed and comprehensive condition data to secure the system security and availability of growing, renewing and developing assets and to support optimal life-cycle management cost-effectively. Digital development will continue as the further deepening of intelligent condition data for existing solutions, supported by AI models, and as the development of new IoT monitoring solutions. Simultaneously, use of the monitoring solutions will be expanded gradually at the substations to achieve production benefits. Currently, limited monitoring solutions are available at around ten Fingrid substations.

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

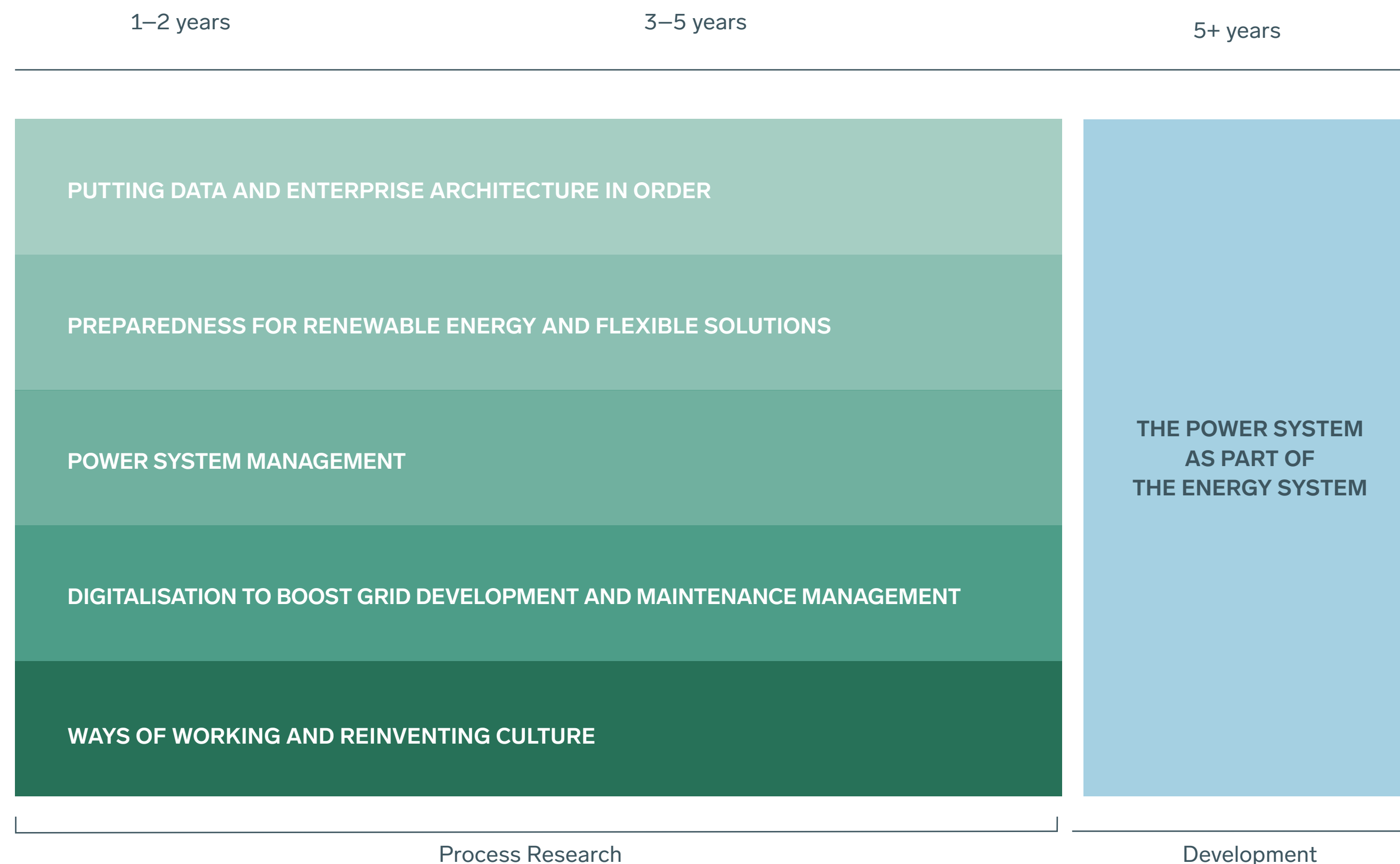
BUSINESS REVIEW

- > [Review by the President & CEO](#)
- > [Operating environment and business model](#)
- > [Strategy](#)
- > [Fingrid's reputation, customers and stakeholders](#)
- > [Finance and treasury](#)
- > [Operations](#)
- > [Personnel](#)
- > [Internal control and risk management](#)
- > [Research and development](#)
- > [Glossary](#)

through the capability to process energy in the most optimal form in each stage of production, transfers and consumption, such as electricity, heat, gas or liquid. From Fingrid's point of view, sector integration brings to the table both challenges and opportunities. Preparing for these will require development work with other energy sector players on the national, Nordic as well as the European level. Sector integration is part of the company's strategic development theme: The power system as part of the energy system. A concrete example of development projects promoting sector integration is Fingrid's and Gasgrid's joint project looking into how the electricity and hydrogen grid should be developed as the hydrogen economy grows. [More information.](#)

Read more about the results of completed R&D projects on [Fingrid's website](#).

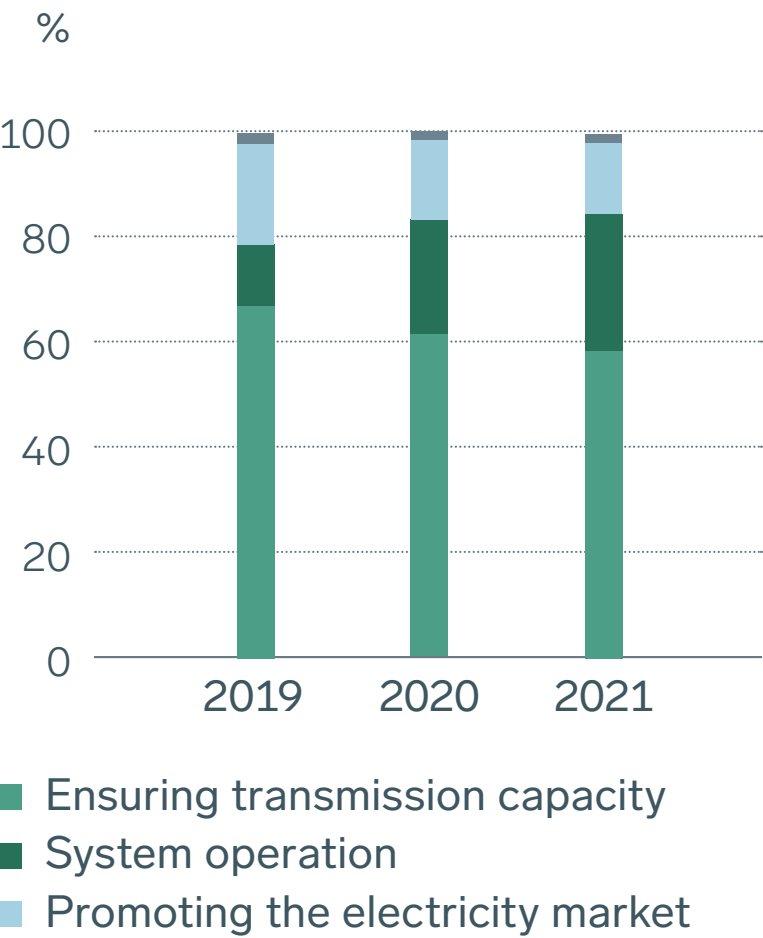
Fingrid's strategic development themes



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > **Research and development**
- > Glossary

Breakdown of R&D costs



CASE

Fingrid developed a new solution for increasing transmission capacity
Fingrid has developed a fast innovation based on shunt compensation, which increases the transmission capacity of electricity by up to some 500 megawatts. This is close to the amount of power generated by one of Loviisa power plant's nuclear reactors.

The cost-effective and eco-friendly solution will increase transmission capacity between northern and southern Finland. The additional equipment required by the solution can be installed in connection with existing grid transformers, which makes it more environmentally friendly and cheaper than other existing options.

The need for new power transmission solutions results from the northward shift in the geographical focus of electricity



production in Finland, whereby the north's increased electricity production must be transmitted to the south without disturbances.

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

10

Glossary

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.

The European Green Deal: The goal is to transform the EU into a modern, resource-efficient and competitive economy, which will no longer cause net emissions of greenhouse gases by 2050, economic

growth has been decoupled from resource use and no person and no place will be left behind.

Fit For 55: The European Commission's legislative package published in 2021. It aims for a 55% reduction in greenhouse gas emissions in the EU from 1990 levels by 2030. The newly proposed legislative package provides the means to upgrade the current EU reduction target of 40% to the level proposed by the Commission in September 2020.

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.



BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > Glossary

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. This will make the substation condition management more effective and reduce 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, the 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.

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

FINGRID

ANNUAL REPORT 2021

BUSINESS REVIEW

- > Review by the President & CEO
- > Operating environment and business model
- > Strategy
- > Fingrid's reputation, customers and stakeholders
- > Finance and treasury
- > Operations
- > Personnel
- > Internal control and risk management
- > Research and development
- > [Glossary](#)



sumption. **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.

Invasive species: An invasive species is a species that has spread beyond its natural range, crossing its natural dispersal barrier through human intervention, either unintentionally or intentionally. Invasive species classified as harmful have been found to pose a threat to the original ecosystem and biodiversity.

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
ANNUAL REPORT 2021

FINGRID

Report of the board of Directors

FINGRID

REPORT OF THE BOARD
OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

Table of Contents



1. FINANCIAL RESULT AND FINANCING3

2. OPERATIONS6

 Strategy6

 Customers8

 Main Grid8

 Power system9

 Electricity market 11

3. PERSONNEL 13

4. CORPORATE RESPONSIBILITY..... 15

5. INTERNAL CONTROL AND RISK MANAGEMENT 18

 Organisation of internal control 18

 Foremost risks.....20

6. BOARD OF DIRECTORS AND CORPORATE MANAGEMENT21

7. SHARE CAPITAL21

8. EVENTS AFTER THE REVIEW PERIOD AND ESTIMATE OF FUTURE OUTLOOK.... 22

9. BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT..... 23

10. ANNUAL GENERAL MEETING 2022..... 24



18 INTERNAL
CONTROL
AND RISK
MANAGEMENT

- > **Financial result and financing**
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

01

Financial result and financing

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 2020, taking into account more detailed instructions on the application of the IAS38 Intangible Assets standard.

The Group's turnover was EUR 1,090.9 (682.5) million. Grid service revenue grew to EUR 394.3 (373.6) million, which was due to the higher energy consumption resulting from the colder winter months compared to the previous year. Electricity consumption in Finland totalled 86.7 (81.7) terawatt hours during the year. Imbalance power sales increased year-on-year, to EUR

600.5 (260.8) million, due to the exceptionally high electricity prices. The cross-border transmission income for the connection between Finland and Russia increased to EUR 34.4 (6.9) million. This was due to the increase in transmission volume arising as a consequence of Finland's larger area price compared to the prices in northwest Russia. As a result of the transmission situation in the Baltic Sea region, ITC income increased to EUR 22.6 (17.1) million. Other operating income rose to EUR 64.9 (5.2) million, with the growth attributed to the rise in the fair value of derivatives related to business operations.

The Group's total costs amounted to EUR 945.0 (569.5) million. Imbalance power costs rose, due to high electricity prices, and totalled EUR 569.5 (234.4) million. Loss power costs amounted to EUR 65.6 (52.6) million. The volume of loss power



REPORT OF THE BOARD OF DIRECTORS

> [Financial result and financing](#)

> [Operations](#)

> [Personnel](#)

> [Corporate responsibility](#)

> [Internal control and risk management](#)

> [Board of Directors and corporate management](#)

> [Share capital](#)

> [Events after the review period and estimate of future outlook](#)

> [Board of Directors' proposal for the distribution of profit](#)

> [Annual General Meeting 2022](#)

stayed at the previous year’s level. The high price of electricity raised the price of loss power procurement. The realised average price of loss power procurement was EUR 41.34 (33.23) per megawatt hour. The cost of reserves to safeguard the transmission system security increased to EUR 83.7 (63.5) million, mainly due to the increased hours procured for frequency restoration reserves (FRR). Depreciation amounted to EUR 99.9 (98.5) million and grid maintenance costs to EUR 19.9 (22.9) million. Personnel costs increased to EUR 33.6 (31.2) 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 210.8 (118.4) million. To recognise changes in the fair value of electricity derivatives and the currency derivatives related to capital expenditure and other operating expenses, EUR 62.2 (3.0) million was recorded in operating profit. The Group’s profit before taxes was EUR 187.6 (113.3) million. Profit for the financial year was EUR 150.1 (94.0)

million. The equity ratio was 25.3 (27.4) per cent at the end of the year.

Fingrid’s total capital expenditure in 2021 amounted to EUR 199.2 (169.7) million. This included a total of EUR 166.1 (137.3) million invested in the transmission grid and EUR 2.4 (9.6) million for reserve power. ICT investments amounted to EUR 28.5 (21.1) million. Of the individual ICT investments, the largest was the Datahub system, a centralised information exchange system for the retail market, which went live in February 2022. A total of EUR 3.0 (4.5) million was used for R&D projects during the year under review.

The parent company’s turnover was EUR 1,091.1 (679.8) million, profit for the financial year EUR 133.5 (136.0) million and distributable funds EUR 184.6 million.

Based on the company’s own calculations, the result according to the regulatory model that governs grid operations amounts to a surplus of around EUR 15 million for 2021.

Turnover and other operating income, € million

	Jan-Dec/21	Jan-Dec/20	July-Dec/21	July-Dec/20
Grid service revenue	394.3	373.6	185.9	173.7
Sales of imbalance power	600.5	260.8	388.4	139.9
Cross-border transmission income	34.4	6.9	16.9	5.4
Peak load capacity income*	10.8	12.9	3.6	3.6
ITC income	22.6	17.1	12.4	9.0
Other turnover	28.3	11.1	18.0	7.5
Other operating income	64.9	5.2	64.2	4.8
Turnover and other income total	1,155.9	687.7	689.4	343.8

**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.*

REPORT OF THE BOARD OF DIRECTORS

> Financial result and financing

> Operations

> Personnel

> Corporate responsibility

> Internal control and risk management

> Board of Directors and corporate management

> Share capital

> Events after the review period and estimate of future outlook

> Board of Directors' proposal for the distribution of profit

> Annual General Meeting 2022

Costs, € million

	Jan-Dec/21	Jan-Dec/20	July-Dec/21	July-Dec/20
Purchase of imbalance power	569,5	234,4	379,0	128,2
Loss power costs	65,6	52,6	38,1	28,1
Depreciation	99,9	98,5	50,6	49,4
Cost of reserves	83,7	63,5	48,1	30,1
Personnel costs	33,6	31,2	16,6	14,9
Grid maintenance costs	19,9	22,9	11,8	12,2
Cost of peak load capacity*	10,4	12,6	3,5	3,5
ITC charges	13,6	10,8	7,1	6,1
Other costs	48,9	42,9	24,4	24,1
Costs total	945,0	569,5	579,0	296,5
Operating profit excluding the change in the fair value of commodity derivatives	148,6	115,4	49,3	44,5
Operating profit of Group, IFRS	210,8	118,4	105,9	63,2

*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.

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 23.2 (4.0) 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 12.6 (13.3) million. The change in the fair value of financial derivatives was EUR 9.4 million negative (EUR 3.8 million positive).

Interest-bearing borrowings totalled EUR 1,158.1 (1,174.9) million, of which non-current borrowings accounted for EUR 1,022.6 (1,032.8) million and current borrowings for EUR 135.5 (142.1) million. At the end of the year, the company's interest-bearing borrowings included a total of EUR 31.1 million in lease liabilities, consisting of EUR 2.6 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 219.6 (125.9) million on 31.12.2021. On 30 November 2021, Fingrid signed a revolving credit facility agreement of EUR 300

million tied to the company's sustainability goals, to secure liquidity. The loan period for the revolving credit facility is five years, in addition to which Fingrid has two one-year extension options. In addition, the company has a total of EUR 90 million in overdraft limits with banks to secure liquidity.

The counterparty risk arising from derivative contracts relating to financing was EUR 16.7 (26.2) 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 2021 remained high and were as follows:

- S&P's rating for Fingrid's unsecured senior debt and long-term company credit rating at 'AA-' and the short-term company credit 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.

- > Financial result and financing
- > **Operations**
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

02

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. Fingrid produces grid and electricity market services for its customers. 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 the transmission grid operations.

The business model describes the most important material and immaterial resources 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's website.



REPORT OF THE BOARD OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

Vision:

We are 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:

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: Customers & Society, Finance, Internal Processes, and Personnel & Expertise. According to the approach chosen by Fingrid for implementing its strategy, all four perspectives 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.

From the customers' perspective the company secures reliable electricity and a well-functioning electricity market. We offer services and affordable prices to meet customer needs.

The objective of the **Finance perspective** is to operate cost-effectively and create value for shareholders. The **perspective of Internal Processes** consists of the company's three operational processes:

- Ensuring transmission capacity: We carry out investments and maintenance safely and efficiently, in a timely fashion.

- System security management: We operate the main grid proactively and reliably.
- Promoting the electricity market: We actively maintain and develop the electricity market.

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.

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, putting customers' and society's interests first.

World-class expertise

- The necessary core competencies

are maintained in-house and Fingrid cooperates with the best partners. Employees' own expertise is developed through a coaching style of management. Fingrid innovatively utilises the best technologies.

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. Fingrid actively promotes the integration of the electricity markets in Europe and the Baltic Sea region, while also taking into account Finland's best interests.

Efficiency of operations

- We keep our operations cost-effective as a whole. We anticipate changes using joint situational awareness; we share clear goals, prioritise and measure our operations.

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.

REPORT OF THE BOARD OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022



CUSTOMERS

Fingrid provides grid services and electricity market services to its customers: network operators, electricity producers, electricity-consuming industry and other 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. Significant quantities of wind power capacity were under planning and construction in 2021. We received some 300 new enquiries concerning

connecting to the grid, which corresponds to more than 50,000 megawatts. Altogether, we have received close to a thousand connection enquiries, mostly to do with wind power, and their total power comes to 140,000 megawatts. We saw an acceleration in the number of enquiries from customers looking to connect new types of electricity consumption sites, such as data centres, hydrogen production and battery storage, directly to the grid.

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 2021, 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 has not met the demand. The price differences between the Nordic countries, which were large at times, resulted above all from a different production mix and limited transmission capacity.

Based on the latest European comparison, Fingrid's transmission fees are the second most affordable in a peer group of some 20 countries. Fingrid's objective is to remain among the most affordable transmission system operators, and thus also do our part in offering a competitive advantage to companies operating in Finland. We will raise the electricity transmission fees in the main grid by an average of two per cent in 2022. This increase is based especially on the surge in market-based reserve costs. Reserves ensure the power system's balance of electricity production and consumption.

According to the 2021 customer satisfaction survey, our customers' trust in Fingrid remains good. Our customers gave us a Net Promoter Score (NPS) of

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

Two major Fingrid Current customer events and several info sessions and webinars targeted at smaller audiences were arranged in 2021.

MAIN GRID

Investments in Finland's main grid will come to more than two billion euros this decade. The goal of a climate neutral Finland by 2035 means a significant increase in emission-free electricity production and consumption. The grid investments are based on long-term planning, cost-effectiveness, and by meeting the needs of society and the customers. Investments will be required especially due to the stronger growth of wind power production. Grid planning takes place in close cooperation with the customers and the other

REPORT OF THE BOARD OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

TSOs in Europe and the Baltic Sea region.

Altogether 600 kilometres of transmission line projects were underway in 2021, and 710 kilometres were under general planning. The total length of the alternative transmission line routes considered in Fingrid’s EIA procedures was almost 1,100 kilometres, a new record.

The increasing of the north-south transmission capacity continued during the year under review. As regards major transmission projects, the Forest Line and Lake Line II, as well as the Aurora Line connection to Sweden, constitute a significant part of the electricity network infrastructure that Finland needs to become carbon neutral. In 2021, around 50 substation and transmission line projects were underway. Of the substation projects ten were completed in 2021. In 2022, 20 substations will be completed.

Digitalisation has made maintenance of the grid easier. Using digital condition monitoring, we can achieve better and more up-to-date data on the condition of equipment, allowing for condi-

tion-based maintenance. The goal is to have 25 per cent of the company’s substations covered by digital condition monitoring by the end of 2022, and have an autonomous maintenance system in use in 2025 to communicate, with the help of artificial intelligence (AI), what types of preventive maintenance the transmission system needs.

Fingrid owns ten reserve power plants, whose available power is a total of 927 megawatts. Reserve power plants are used only in larger power system disturbances and reserve power plants are not used for commercial electricity production.

In May 2021, Fingrid ranked second in an international asset management survey that assesses the tactical level of TSOs’ asset management. The International Transmission Asset Management Study (ITAMS) has now been carried out six times, and Fingrid has received a top ranking each time.

POWER SYSTEM

In 2021, Finland’s electricity consumption rose by roughly six per cent compared to the previous year. Underlying the rise in consumption is a colder win-

ter than in the previous year, and the normalisation of industrial consumption compared to the previous year’s uncertain situation resulting from the pandemic. Electricity consumption in Finland amounted to 86.7 (81.7) terawatt hours in 2021. Fingrid transmitted a total of 72.9 (68.4) terawatt hours of electricity in its grid, representing 77.3 (77.2) per cent of the total transmission volume in Finland (consumption and inter-TSO).

The electricity consumption peaked at 14,267 (12,388) MWh/h on 18 February between 9 and 10 a.m., with Finland’s electricity production contributing 11,191 MWh/h and the remaining 3,076 MWh/h being imported. The area price of electricity on the day-ahead market in Finland was €86.75/MWh during the peak consumption hour. The electricity supply was not in jeopardy during the peak consumption hour.

Electricity transmissions between Finland and Sweden consisted mostly of large imports to Finland. In 2021, 15.9 (18.8) terawatt hours of electricity was imported from Sweden to Finland, and 0.9 (0.3) terawatt hours was exported

from Finland to Sweden. The electricity transmissions between Finland and Estonia were dominated by exports from Finland to Estonia, totalling 6.7 (6.6) terawatt hours. Electricity transmission from Russia to Finland amounted to 9.2 (3.0) terawatt hours. The increase in transmission was due to the significantly higher price of Nordic electricity compared to the previous year. In 2021, 0.3 (0.3) terawatt hours of electricity was imported from Norway to Finland.

The transmission reliability rate during the review period was 99.99992 (99.99995) per cent. Disturbances in connection with capex projects caused by human error increased from the previous year. An outage in a connection point in the main grid caused by a disturbance in Fingrid’s transmission system lasted an average of 0.9 (0.5) minutes. The cost of the disturbances (regulatory outage costs) was EUR 2.3 (0.9) million, and including the quick reclosures, EUR 5.8 (3.2) million.

The usability and reliability of Fingrid’s DC connections have been at a good level, but there were more short-term disturbances than in the previous year. The total duration of the disturbances was

REPORT OF THE BOARD OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

increased in particular by the challenging and long-lasting fault in the Feno-Skan 1 connection.

The volume of transmission losses in the main grid remained at the level of the pre-

vious year, 1.5 (1.5) terawatt hours. This was two per cent of Fingrid’s transmission volume, which was 72.9 terawatt hours. The losses are affected by the quantity of the electricity consumed and transferred.

Power system operation	Jan-Dec/21	Jan-Dec/20	July-Dec/21	July-Dec/20
Electricity consumption in Finland TWh	86.7	81.7	42.4	39.7
Inter TSO transmission in Finland, TWh	7.6	7.0	4.2	3.5
Transmission within Finland, TWh	94.3	88.6	46.6	43.2
Fingrid's transmission volume TWh	72.9	68.4	36.9	34.2
Fingrid's electricity transmission to customers, TWh	65.2	61.3	32.6	30.6
Fingrid's loss power volume TWh	1.5	1.5	0.8	0.8
Electricity transmission Finland - Sweden				
Exports to Sweden TWh	0.9	0.3	0.5	0.2
Imports from Sweden TWh	15.9	18.8	8.2	9.5
Electricity transmission Finland - Estonia				
Exports to Estonia TWh	6.7	6.6	3.7	3.3
Imports from Estonia TWh	0.1	0.0	0.0	0.0
Electricity transmission Finland-Norway				
Imports from Norway TWh	0.3	0.3	0.2	0.2
Electricity transmission Finland - Russia				
Imports from Russia TWh	9.2	3.0	4.8	1.8

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 spring flooding season. Floods also hit northern Finland in the autumn, which restricted the availability of hydropower plants for maintaining the reserves. Electricity consumption and grid energy stora-

ge participate increasingly actively in various reserve resources, particularly in the frequency-controlled disturbance reserve and the Fast Frequency Reserve (FFR). Frequency-controlled reserves were sold to Sweden, as in the previous year. Countertrade costs arise from, among other things, transmission grid disturbances and problem situations. Countertrade costs amounted to EUR 2.5 (0.7) million.

Counter trade	Jan-Dec/21	Jan-Dec/20	July-Dec/21	July-Dec/20
Counter-trade between Finland and Sweden, €M	0.3	0.1	0.0	0.0
Counter-trade between Finland and Estonia, €M	0.2	0.2	0.2	0.1
Counter-trade between Finland's internal connections, €M	2.0	0.4	0.7	0.3
Total counter-trade, €M	2.5	0.7	0.9	0.4

REPORT OF THE BOARD OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

ELECTRICITY MARKET

As economic recovery continued, growing demand and elevated fuel and emissions trading prices raised the price of electricity during the year under review. Record-high electricity prices were seen in the second half of the review period throughout Europe. The high energy price level and the scarcity of hydropower caused electricity prices to rise to a new all-time high throughout the Nordics. The average market price of spot electricity on the power exchange (Nordic system price) was EUR 62.31 (10.93) per megawatt hour. The area price of electricity on the day-ahead market in Finland peaked on 7 December 2021 at EUR 1,000 per megawatt hour, which was the highest price seen on the markets in over a decade. On the balancing power market, on 26 November 2021, the highest prices ever were seen in Finland, Sweden and northern Norway, when balancing power cost EUR 5,000 per megawatt hour.

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 has been insufficient to meet the demand. The cross-border transmission capacity limitations caused by the Swedish transmission grid's congestion impacted several surrounding bidding areas. The most significant in terms of Finland was the limitation of electricity exports from Finland to Sweden using the Fennoskan link. Technically, our cross-border transmission connections functioned extremely reliably.

Fingrid's congestion income from cross-border transmission lines totalled EUR 283.8 (146.7) million, of which the cross-border transmission lines between Finland and Sweden accounted for EUR 221.0 (122.7) million. The links between Finland and Estonia generated EUR 62.7 (24.0) million in congestion revenue. A total of EUR 488.7 million in congestion income remained unused at the end of 2021. The congestion income is used, in line with EU regulation, mostly for grid investments to eliminate transmission congestion.

	Jan-Dec/21	Jan-Dec/20	July-Dec/21	July-Dec/20
Electricity market				
Nordic system price, average €/MWh	62.31	10.93	42.03	10.53
Area price Finland, average €/MWh	72.34	28.02	47.45	23.23
Congestion income between Finland and Sweden, € million*	442.1	245.4	345.9	141.4
Congestion hours between Finland and Sweden %**	60.1	62.8	62.3	63.8
Congestion income between Finland and Estonia, € million*	125.5	48.1	100.8	27.4
Congestion hours between Finland and Estonia %	40.3	32.9	53.3	32.0

*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.

REPORT OF THE BOARD OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

To increase the cross-border transmission capacity between Finland and Sweden, a third AC connection, the Aurora Line, 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.

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 company has several ongoing projects for developing the electricity market. Key projects include the Nordic Balancing Model, the centralised information exchange system, i.e. Datahub, flexibility market solutions for the transmission

grid, and transmission capacity calculation development. The above-mentioned projects moved forward during 2021, but much remains to be done in the coming years.

The Nordic countries will adopt a single balance model and a 15-minute imbalance settlement period (ISP). The single balance model was adopted in November 2021, and, as a result, separate balances for production and consumption were phased out. The 15-minute imbalance settlement period go-live has been confirmed, based on a decision by the Energy Authority, to take place in May 2023.

A centralised information exchange platform for the retail market of electricity, Datahub, went live in February 2022. Datahub will contain data from about 3.8 million accounting points in Finland.

As the energy transformation accelerates, new solutions are needed on market terms to maintain the power system. The flexibility markets are approaching the pilot stage. 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 EU legislation, in relation to which an amendment was proposed for the Finnish Electricity Market Act in the second half of 2021.

The changing needs of the power system require new kinds of properties from the reserves supporting the use of the system. In January 2021, the Nordic TSOs published a proposal on the renewal of the technical requirements for frequency-controlled reserves for comment by stakeholders. In June, we launched a pilot project to look into the feasibility of the new technical requirements together with market parties. Towards the end of 2021, we started up the procurement of an entirely new reserve product for 2022 – a frequency-controlled disturbance reserve down-regulation product acquired for overfrequency disturbances.

Finland’s and Estonia’s transmission system operators initiated a collaboration for trade in automatic Frequency Restoration Reserve (aFRR) from Estonia to Finland. The first offers came from Estonia in August of 2021.

A flow based capacity calculation methodology will be adopted in the Nordic countries to improve the allocation of transmission capacity available to the markets. The development of the method entered a new phase during the review period when the calculation system required by the new method was trialled in May 2021.

In 2021, 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 led strategy work to create a joint vision for the Nordic TSOs and a roadmap on the development of sector integration on the Nordic level. 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 electricity, heat, gas or liquid.

- > Financial result and financing
- > Operations
- > **Personnel**
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

03

Personnel

The main grid's sizable investment programme and ever-increasing international cooperation have contributed to a significant increase in the number of personnel in recent years. The company needs more and more people, for example, substation project managers, ICT specialists, grid developers and electricity market project specialists.

Fingrid Oyj employed 451 (408) persons, including temporary employees, at the end of the year. The number of permanent personnel was 400 (363) and the average age was 44 (44). At the end of the year, 26 (23) per cent of the personnel were women and 74 (77) per cent were men.

Despite the exceptional circumstances due to the pandemic, our personnel's well-being was very good, with

few people falling ill, which was ensured by organising the FitGrid campaign together with the Finnish Institute of Occupational Health. Fingrid participated in the Great Place to Work Finland survey and was once again awarded the Great Place to Work® certification, with an overall Trust Index score of 87. Ninety-four per cent of our employees considered Fingrid as a whole to be a good place to work. The company's employees gave us a net promoter score (eNPS) of 67.

Fingrid is 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 critical skills are maintained. Measures such as work rotation and swapping tasks within a team, as well as further education are



FINGRID

ANNUAL REPORT 2021

REPORT OF THE BOARD OF DIRECTORS

- > Financial result and financing
- > Operations
- > **Personnel**
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

employed to ensure the important know-how is retained. 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. In 2021, each Fingrid employee received an average of 3 (3) days of training, and the training costs amounted to EUR 1.0 (1.1) million.

Fingrid's goal is zero accidents and zero serious occupational safety deviations. The main grid must be safe for all and it does not cause accidents or health impacts to those living and working in the vicinity of the grid. Occupational health and safety management is steered by Fingrid's occupational health and safety policy and goals and 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, maintenance and reserve power plants. The Occupational Safety and Health Act requires an action plan for occupational health and safety, which applies to Fingrid's entire personnel. In 2021, Fingrid's own personnel had 0 (2) lost-time accidents

and service providers' personnel 17 (14). Among the lost-time accidents, 1 (5) led to an absence from work of more than 30 days and was classified as serious. The service providers' and Fingrid's combined lost time injury frequency (LTIF) increased from the previous year to 9.1 (11.1) per million worked hours.

”
The company's employees gave us a net promoter score of 67



- > Financial result and financing
- > Operations
- > Personnel
- > **Corporate responsibility**
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

04

Corporate responsibility

Fingrid is charged with a mission of high responsibility and great societal significance. The company secures reliable electricity for Finns and invests in the main grid, enabling the clean power system of the future. In 2021, a record number of substation projects to connect wind power to the main grid were underway. The greatest societal impacts of Fingrid's operations are related to mitigating climate change, the security and safety of the power system and a well-functioning electricity market. All of these issues are material topics in terms of responsibility, and are also at the core of the company's strategy. The company's responsibility targets are divided into environmental responsibility, social responsibility and good governance based on the ESG model (Environment, Social, Governance). Targets for 2025 and 2035 have been set for each key

factor, with which the implementation of corporate responsibility is steered. Responsibility also impacts the remuneration of the President & CEO and the company executives. Corporate responsibility and compliance management are integrated with the management system and risk management practices. Fingrid's Board of Directors approves the company's Code of Conduct and monitors the achievement of the goals. The President & CEO is responsible for arranging corporate responsibility management and its integration into business operations. The President & CEO and the heads of functions are each responsible for compliance management and corporate responsibility ESG targets within their areas of responsibility.

Since 2016, Fingrid has committed to the United Nations' Global Compact in-



FINGRID

ANNUAL REPORT 2021

REPORT OF THE BOARD OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

initiative. The company’s Code of Conduct is in line with the principles of this global corporate responsibility initiative on human rights, labour, environment and anti-corruption. In the 2021 personnel survey, 96 per cent of the respondents felt that Fingrid employees comply with responsible practices. The company’s customers gave us a net promoter score (cNPS) of 41. Fingrid’s Code of Conduct includes a requirement to promote diversity in all activities. The company guarantees equal opportunities, rights and treatment to all employees and complies with the principles of non-discrimination, equality and diversity in its personnel policy. 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 addition-

ally applied to the use of subcontractors and workforce, and to occupational safety and environmental matters. Fingrid promotes through its operations particularly the UN’s global Sustainable Development Goals (SDGs) related to climate actions, energy and infrastructure.

Achieving Finland’s climate goals requires that the transmission grid under Fingrid’s responsibility has sufficient geographical coverage and transmission capacity. 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

99

In 2021, a record number of substation projects to connect wind power to the main grid were underway.

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. Fingrid’s carbon dioxide emissions in 2021 totalled approximately 165,000 carbon dioxide equivalent tonnes. In 2021, the total wind power capacity connected to Fingrid’s main grid amounted to roughly

743 megawatts, which will indirectly cut emissions worth around 213,000 carbon dioxide equivalent tonnes in the coming years. In addition, during the year, Fingrid concluded agreements on connecting a total of approximately 1,500 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 438,000 million carbon dioxide equivalent tonnes. A real-time factor for electricity consumed (average of 91 g CO2/kWh in 2021) is used 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 main 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. An environmental

REPORT OF THE BOARD OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

impact assessment (EIA) procedure was underway during 2021, covering the environmental impacts of three projects. No significant environmental deviations occurred in grid building and maintenance. The total volume of waste was approximately 8,900 (10,800) tonnes, of which 99 (95) per cent was utilised in some way and 78 (62) per cent was recycled. Fingrid’s reserve power plants have an ISO 14001 environmental certification. A total of 5,344 (5,000) units (tCO2) of emission allowances were returned, 100 per cent of which consisted of purchased emission right units. In 2021, compliance with environmental requirements, occupational safety and contractor obligations was verified in a total of 13 of Fingrid’s worksites or maintenance operations. In international goods sourcing, altogether 11 third-party sustainability audits were carried out.

Fingrid makes a commitment and expects its contractual partners to make a commitment to responsibility and good governance in line with the company’s values. Even during the exceptional circumstances of the Covid-19 pandemic in 2021 the company was not made

aware of any significant deviations having occurred in the compliance with the company guidelines and good governance. The company significantly grew the volume of green financing in its total financing and signed a revolving credit facility agreement of EUR 300 million tied to the company’s responsibility targets. In addition, the company was issued a EUR 70 million green investment loan. Fingrid reports on its tax footprint and refrains from any special arrangements to minimise taxes. Fingrid was Finland’s 19th largest corporate income tax payer in 2020. Fingrid does not provide any support to political activities. Fingrid’s Code of Conduct includes a prohibition on money laundering and corruption, such as blackmail and bribery. The personnel and external stakeholders have a confidential and independent whistle-blower channel available to them, and one report of suspected overcharging was made through it in 2021. An inspection of the invoicing and approval chains did not yield any suspicious results and no more information was forthcoming from the reporter. No breaches of anti-competition laws, incidents of bribery or oth-

er corruption, human rights violations or discrimination incidents occurred in Fingrid’s operations. One complaint was directed at the company concerning the privacy of private individuals, which resulted in corrective actions.

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 2021, we prepared for the global standardisation of corporate responsibility reporting by adding the contents of the industry-specific SASB (Sustainability Accounting Standards Board) standard to our reporting. Additionally, we looked into developing reporting in accordance with the EU’s Taxonomy Regulation. The reporting obligation under this regulation concerning the financing of climate and eco-friendly projects is not, so far, obligatory for Fingrid, but the company reports in compliance with the regulation on a voluntary basis. The taxonomy’s classification system defines electricity transmission to be part of sustainable economic activity, with technical assessment criteria in place for assessing

compliance with the taxonomy. In terms of climate change mitigation, the transmission of electricity has been defined as an enabling activity with which other sectors’ greenhouse gas emissions can be significantly reduced. In terms of adapting to climate change, the criteria concern the electricity transmission’s preparedness for the risks related to physical changes in the climate system.

More information on corporate responsibility work is available in the Corporate Responsibility and Sustainable Development Report to be published on 23 March 2022.

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > **Internal control and risk management**
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

05

Internal control and risk management

Fingrid's risks are managed according to the internal control and risk management principles approved by the Board of Directors.

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 as well as the quality thereof, 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



REPORT OF THE BOARD OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

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 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 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 the authority to carry out reviews and to access all information that is essential to the audit. Fingrid’s internal audit

FINGRID

ANNUAL REPORT 2021

REPORT OF THE BOARD
OF DIRECTORS

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022



carries out risk-based auditing on the company’s various processes.

FOREMOST 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 sys-

tem can be caused by a technical malfunction, an extreme weather event, human error, an accident or vandalism. A blackout can paralyse society’s functions and cause major damage to Finnish business and industry.

A significant negative change in regulation constitutes a material strategic risk for the company’s operations. Financial regulation directly impacts

shareholder value, financing and credit ratings.

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 5.2 and 5.3 of the consolidated financial statements. No substantial risks were realised in 2021.

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > **Board of Directors and corporate management**
- > **Share capital**
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

06

Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on the 7th of April 2021. The members of the Board of Directors in 2021 were Juhani Järvi (Chair), Päivi Nerg (Deputy Chair), Hannu Linna, Sanna Syri and Esko Torsti.

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 members of the audit committee were Hannu Linna (Chair as of 7 April 2021), Sanna Syri (Chair until 7 April 2021), Juhani Järvi and Päivi Nerg.

The remuneration committee consisted of Juhani Järvi (Chair), Hannu Linna (until 7 April 2021), Sanna Syri (as of 7 April 2021) 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 Covid-19 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 to remote work as needed.

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.

07

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.



- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > **Events after the review period and estimate of future outlook**
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

08

Events after the review period and estimate of future outlook

Fingrid Group's profit for the 2022 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to decrease somewhat compared to 2021. 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. The company has analysed the risks linked to the Ukraine conflict from the perspective of the company and Finland's power system. Based on the analysis, the direct

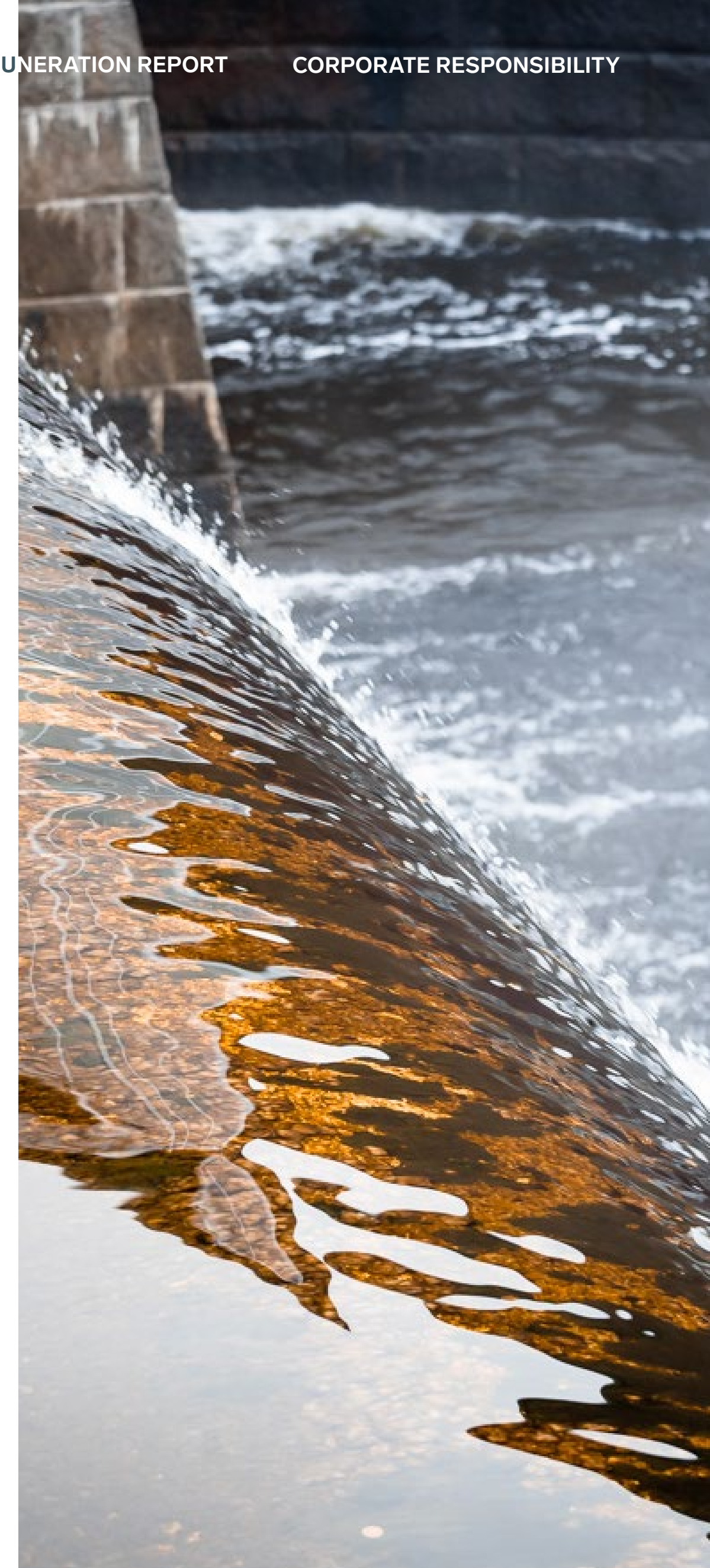
risks to Fingrid are minimal, and Finland is not dependent on electricity imported from Russia.

Jukka Metsälä, M.Sc. (Tech.), MBA, was appointed on 7 February 2022 as Fingrid's new CFO and member of the executive management group as of 5 May 2022, and his area of responsibility is the company's finances and treasury, and business development and strategy. Tuomas Rauhala, D.Sc. (Tech.) was appointed on 24 February 2022 as Senior Vice President of Power System Operations and as a member of the executive management group as of 1 June 2022. Metsälä and Rauhala will report to the company's President & CEO Jukka Ruusunen.

A new company, Nordic RCC A/S was established on 18 January 2022 for the incorporation of the operational plan-

ning office (Regional Security Coordinator, RSC) of the four Nordic transmission system operators, located in Copenhagen. Nordic RCC A/S will start up its operations on 1 July 2022, when the RSC will terminate its activities.

On 26 January 2022, the European Union granted funding of EUR 127 million for the Aurora Line transmission link between Finland and Sweden. Fingrid's share will be approximately EUR 110 million. The granted funding is part of the Connecting Europe Facility funding instrument. The new AC connection between Finland and Sweden, to be completed in 2025, is the decade's most important grid investment, which had already previously been selected as an EU Project of Common Interest (PCI). The connection is considered to be of common interest for the whole of Europe.



- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > **Board of Directors' proposal for the distribution of profit**
- > Annual General Meeting 2022

09

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 133,493,880.81 and distributable funds in the financial statements total EUR 184,630,983.13. 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.

After 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 2021, a dividend of EUR 52,500.00 at maximum per share be paid for Series A shares and EUR 19,200.00 at maximum for Series B shares, for a total of EUR 133,037,400.00 at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 35,000.00 for each Series A share and EUR 12,800.00 for each Series B share, totalling EUR 88,691,600.00 in dividends, shall be paid on 4 April 2022. The second instalment of EUR 17,500.00 at maximum per share for each Series A share and EUR 6,400.00 at maximum per share for each Series B share, totalling EUR 44,345,800.00 at maximum in dividends, shall be paid according 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.

- > Financial result and financing
- > Operations
- > Personnel
- > Corporate responsibility
- > Internal control and risk management
- > Board of Directors and corporate management
- > Share capital
- > Events after the review period and estimate of future outlook
- > Board of Directors' proposal for the distribution of profit
- > Annual General Meeting 2022

10

Annual General Meeting 2022

Fingrid Oyj's Annual General Meeting is scheduled to be held on 30 March 2022 in Helsinki.

In Helsinki, on 1 March 2022

Fingrid Oyj
Board of Directors

Financial statements

FINANCIAL STATEMENTS

- > 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

Content

1. CONSOLIDATED KEY FIGURES	3
2. CONSOLIDATED FINANCIAL STATEMENTS (IFRS)	5
2.1 Income statement	8
2.2 Consolidated balance sheet	9
2.3 Consolidated statement of changes in equity	11
2.4 Consolidated cash flow statement	12
3. BENCHMARK FOR TSO OPERATIONS ..	14
3.1 General information about the Group and general accounting principles	15
3.2 The company's general risk management processes and policies	16
3.3 Formation of turnover and financial result	17
3.4 Revenue-related receivables and credit risk management	20
3.5 Operating expenses, liabilities and credit risk management for purchases	22
3.6 Inventories	25
3.7 Management of commodity risks	25
3.8 Personnel – the cornerstone of our operations	26
3.9 Taxes	27



14 BENCHMARK FOR TSO OPERATIONS (IFRS)

4. LONG-TERM INVESTOR (IFRS)	30
4.1 Grid assets	30
4.2 Tangible and intangible assets	34
4.3 Lease agreements	37

5. STRONG FINANCIAL POSITION (IFRS)	39
5.1 Capital management	40
5.2 The aims and organisation of financing activities and the principles for financial risk management	40
5.3 Financial liabilities, financial costs and managing financial risks	41
5.4 Cash and cash equivalents and other financial assets	53
5.5 Equity and dividend distribution	54
5.6 Summary of financial assets, financial liabilities and derivatives	58

6. OTHER INFORMATION (IFRS)	63
6.1 Group companies and related parties	64
6.2 Other notes	67

7. PARENT COMPANY FINANCIAL STATEMENTS (FAS)	70
7.1 Parent company income statement	70
7.2 Parent company balance sheet	71
7.3 Parent company cash flow statement	73
7.4 Notes to the financial statements of parent company	74

8. SIGNATURES FOR THE ANNUAL REVIEW AND FOR THE FINANCIAL STATEMENTS	96
--	----



OTHER
INFORMATION
(IFRS)

63



39

STRONG FINANCIAL
POSITION (IFRS)

- > [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

01

Consolidated key figures

CONSOLIDATED KEY FIGURES

		2021 IFRS	2020 IFRS	2019 IFRS	2018 IFRS	2017 IFRS
Extent of operations						
Turnover	MEUR	1,090.9	682.5	789.4	852.8	672.0
Capital expenditure, gross	MEUR	199.2	169.7	126.9	92.7	111.1
- % of turnover	%	18.3	24.9	16.1	10.9	16.5
Research and development expenses	MEUR	3.0	4.5	3.4	3.6	2.6
- % of turnover	%	0.3	0.7	0.4	0.4	0.4
Personnel, average		440	400	384	376	352
Personnel at the end of period		451	408	380	380	355
Salaries and remunerations total	MEUR	28.2	26.7	22.3	26.5	24.2
Profitability						
Operating profit	MEUR	210.8	118.4	115.5	241.6	184.8
- % of turnover	%	19.3	17.3	14.6	28.3	27.5
Profit before taxes	MEUR	187.6	113.3	105.8	229.0	163.7
- % of turnover	%	17.2	16.6	13.4	26.9	24.4
Return on investments (ROI)	%	11.7	7.0	6.4	13.2	10.0
Return on equity (ROE)	%	23.5	14.3	11.6	23.3	16.7

		2021 IFRS	2020 IFRS	2019 IFRS	2018 IFRS	2017 IFRS
Financing and financial position						
Equity ratio	%	25.3	27.4	32.0	36.6	37.8
Interest-bearing net borrowings	MEUR	938.5	1,049.0	1,037.2	974.3	998.9
Net gearing		1.5	1.7	1.5	1.3	1.3
Share-specific key figures						
Dividend/A shares	€	52,500.00*	53,500.00	58,500.00	67,650.00	68,470.00
Dividend/B shares	€	19,200.00*	19,600.00	21,400.00	24,750.00	25,050.00
Equity/share		194,573	190,210	206,213	232,310	240,017
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.

FINANCIAL STATEMENTS

- > 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

CALCULATION OF KEY FIGURES

Return on investment, %	=	$\frac{\text{Profit before taxes + interest and other finance costs}}{\text{Balance sheet total - non-interest-bearing liabilities (average for the year)}} \times 100$	Equity per share, €	=	$\frac{\text{Equity}}{\text{Number of shares at closing date}}$
Return on equity, %	=	$\frac{\text{Profit for the financial year}}{\text{Equity (average for the year)}} \times 100$	Interest-bearing net borrowings, €	=	Interest-bearing borrowings - cash and cash equivalents and financial assets
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$	Net gearing	=	$\frac{\text{Interest-bearing borrowings - cash and cash equivalents and financial assets}}{\text{Equity}}$
Dividends per share, €	=	$\frac{\text{Dividends for the financial year}}{\text{Average number of shares}}$			

- > 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

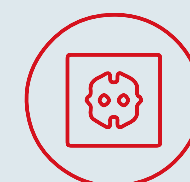
02

Consolidated financial statements (IFRS)

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



- > 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



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 grid operations, in other words the transmission of electricity in the nationwide grid owned by the company and system responsibility, 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 Fin-

grid's financial planning and pricing. One can calculate the required amount of turnover by adding operating expenses in the result. Fingrid's transmission grid operations' 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.

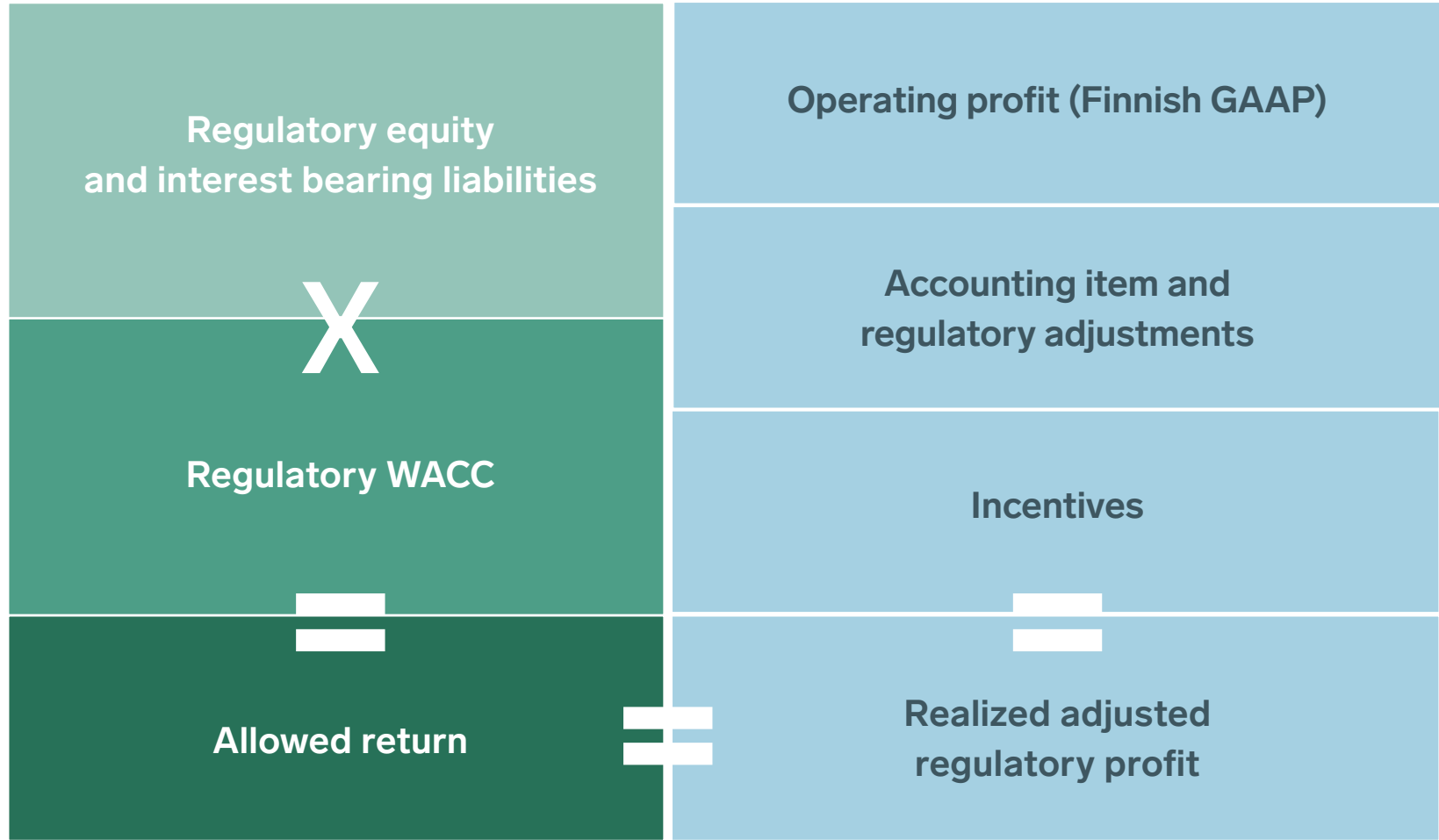
The so-called adjusted profit, realised in compliance with the regulation, is calculated by adjusting the parent company's operating profit according to the Energy Market Authority's regulation methods and by adding the impact of the incentives.

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.



FINANCIAL STATEMENTS

- > 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

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 realised regulatory profit for 2021. Fingrid’s aim is to achieve the allowed return during the regulatory period 2020–2023.

WACC (pre-tax) 2021 (2020)	Adjusted capital 2021 (2020)	Allowed financial result 2021 (2020)	Deficit(-)/Sur- plus(+) 2021 (2020)	Cumulative Deficit (-)/Surplus(+) 2020-2023
4.52% (4.89%)	Approx. EUR 3,100 (3,000) million	Approx. EUR 140 (145) million	Approx. EUR 15 (-30) million	Approx. EUR -15 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.



- > 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

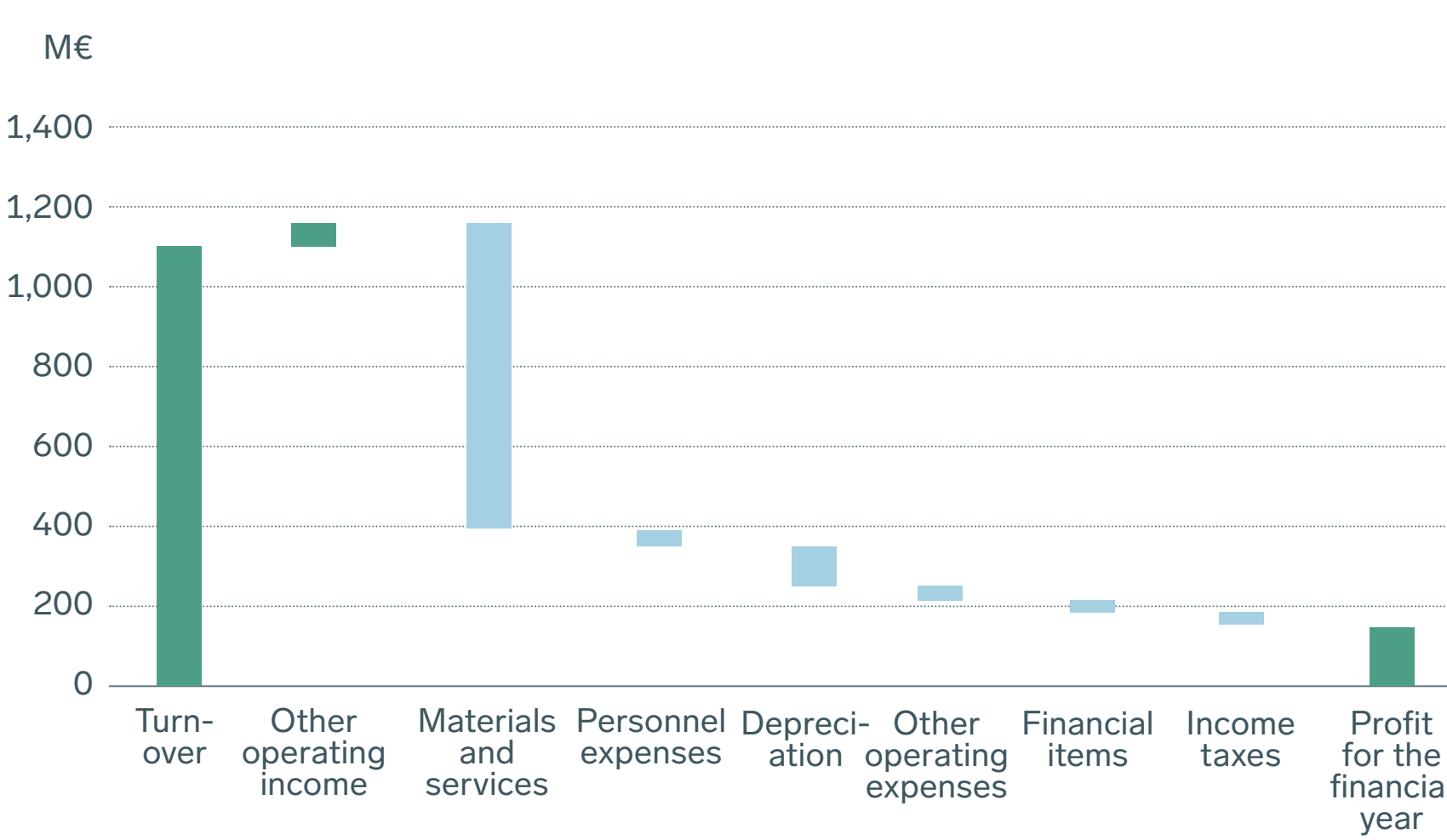
2.1 INCOME STATEMENT

Consolidated statement of comprehensive income

€ 1,000	Notes	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
TURNOVER	1	1,090,924	682,456
Other operating income	2	64,937	5,219
Materials and services	5	-773,553	-404,330
Personnel expenses	9	-33,633	-31,207
Depreciation	11, 12	-99,884	-98,459
Other operating expenses	6, 13	-37,990	-35,304
OPERATING PROFIT		210,801	118,376
Finance income	17	442	9,812
Finance costs	17	-23,660	-13,848
Finance income and costs		-23,217	-4,036
Share of profit of associated companies		48	-1,058
PROFIT BEFORE TAXES		187,631	113,283
Income taxes		-37,507	-19,287
PROFIT FOR THE FINANCIAL YEAR		150,124	93,996
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be transferred to profit or loss			
Translation reserve			1,040
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		150,124	95,036

€ 1,000	Notes	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
Profit attributable to:			
Equity holders of parent company		150,124	93,996
Total comprehensive income attributable to:			
Equity holders of parent company		150,124	95,036

Profit for the financial year 2021, M€



- > 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

2.2 CONSOLIDATED BALANCE SHEET

Assets

€ 1,000	Notes	31 Dec 2021	31 Dec 2020
NON-CURRENT ASSETS			
Intangible assets:	12		
Goodwill		87,920	87,920
Land use rights		100,868	100,771
Other intangible assets		54,988	35,954
		243,777	224,645
Property, plant and equipment:	11		
Land and water areas		20,406	19,873
Buildings and structures		268,983	250,279
Machinery and equipment		553,324	557,528
Transmission lines		706,077	727,577
Other property, plant and equipment		118	118
Prepayments and purchases in progress		235,206	147,346
		1,784,113	1,702,721
Right-of-use-assets	13	30,239	30,673
Investments in associated companies	24	2,041	2,369
Other long-term investments	22	6,753	9,604
Other long-term receivables	3	68	48
Derivative instruments	23	30,227	44,383
Deferred tax assets	10	27,109	27,504
TOTAL NON-CURRENT ASSETS		2,124,327	2,041,946

€ 1,000	Notes	31 Dec 2021	31 Dec 2020
CURRENT ASSETS			
Inventories	8	14,233	13,684
Derivative instruments	23	63,644	15,523
Trade receivables and other receivables	3,24	137,675	109,803
Other financial assets	20	120,330	80,243
Cash in hand and cash equivalents	19	99,280	45,645
TOTAL CURRENT ASSETS		435,161	264,899
TOTAL ASSETS		2,559,488	2,306,845

Notes are an integral part of the financial statements.

- > 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

Equity and liabilities

€ 1,000	Notes	31 Dec 2021	31 Dec 2020
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	21	55,922	55,922
Share premium account	21	55,922	55,922
Retained earnings	21	535,111	520,602
TOTAL EQUITY		646,956	632,447
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	106,528	102,938
Borrowings	14	994,173	1,003,855
Provisions	25	3,107	1,368
Derivative instruments	23	2,535	17,689
Lease liabilities	13,14	28,463	28,913
Accruals	7	369,342	214,792
		1,504,147	1,369,554

€ 1,000	Notes	31 Dec 2021	31 Dec 2020
CURRENT LIABILITIES			
Borrowings	14	132,879	139,817
Derivative instruments	23		3,640
Lease liabilities	13,14	2,603	2,328
Trade payables and other liabilities	7	272,903	159,059
		408,384	304,844
TOTAL LIABILITIES		1,912,532	1,674,398
TOTAL EQUITY AND LIABILITIES			
		2,559,488	2,306,845

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- > 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

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 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 December 2020	55,922	55,922	0	520,602	632,447
Balance on 1 Jan 2021	55,922	55,922	0	520,602	632,447
Comprehensive income					
Profit or loss				150,124	150,124
Other comprehensive income					
Total comprehensive income			0	150,124	150,124
Transactions with owners					
Dividend relating to 2020				-135,614	-135,614
Balance on 31 Dec 2021	55,922	55,922	0	535,111	646,956

Notes are an integral part of the financial statements.

FINANCIAL STATEMENTS

- > 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

2.4 CONSOLIDATED CASH FLOW STATEMENT

€ 1,000	Notes	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
Cash flow from operating activities:			
Profit before taxes		187,631	113,283
Adjustments:			
Business transactions not involving a payment transaction:			
Depreciation		99,884	98,459
Capital gains/losses (-/+) on tangible and intangible assets		69	498
Other adjustments		232	
Share of profit of associated companies		-48	1,058
Gains/losses from the assets and liabilities recognised in the income statement at fair value		-62,201	-10,248
Connection agreements		9,215	9,161
Finance income and costs		23,217	4,036
Impact from changes in the fair value of the investment		-45	47
Changes in working capital:			
Change in trade receivables and other receivables		-25,950	-14,377
Change in inventories		-549	-1,617
Change in trade payables and other liabilities		-6,806	-4,589
Congestion income		283,776	146,748
Change in provisions	25	-44	-26
Interests paid		-18,827	-21,981
Interests received		6,806	9,349
Taxes paid		-35,210	-40,716
Net cash flow from operating activities		461,150	289,085

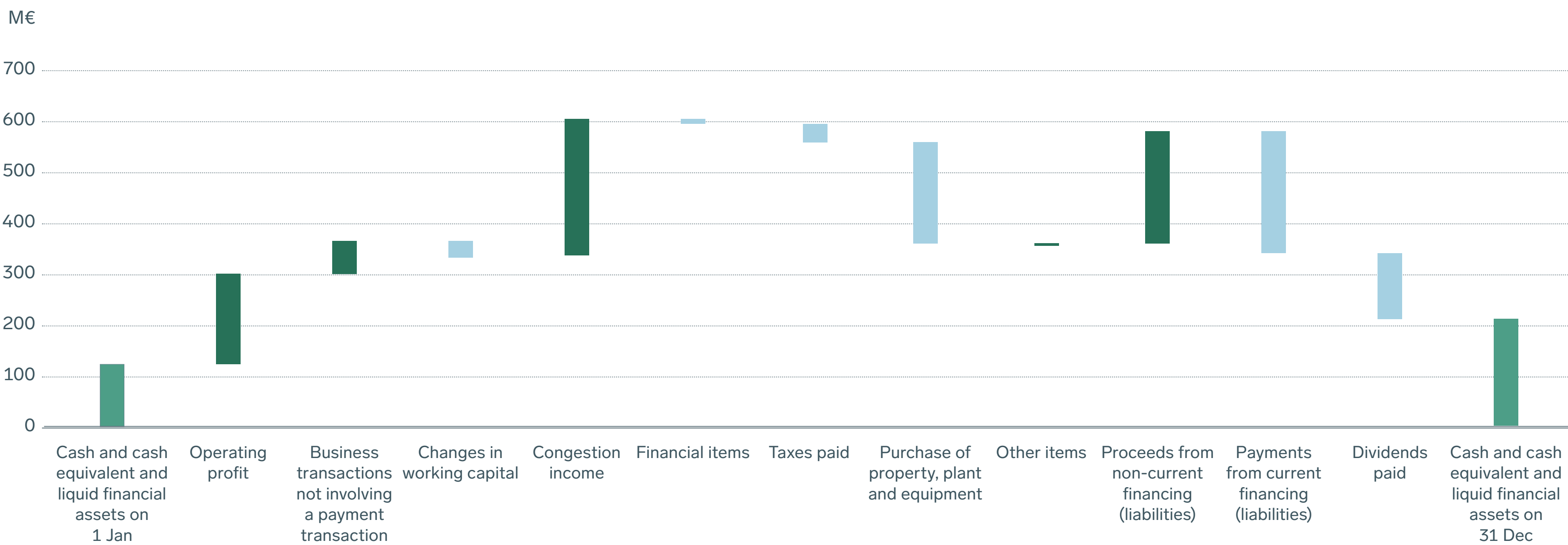
€ 1,000	Notes	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
Cash flow from investing activities:			
Purchase of property, plant and equipment	11	-178,090	-134,512
Purchase of intangible assets	12	-33,518	-23,455
Proceeds from sale of property, plant and equipment		1,206	840
Repayment of loan receivables		375	375
Dividends received		2,904	9,204
Capitalised interest paid	17	-2,582	-1,629
Net cash flow from investing activities		-209,704	-149,177
Cash flow from financing activities:			
Proceeds from non-current financing (liabilities)		35,000	164,667
Payments of non-current financing (liabilities)		-17,662	-67,662
Proceeds from current financing (liabilities)		195,413	50,000
Payments from current financing (liabilities)		-232,351	-93,161
Dividends paid	21	-135,614	-148,249
Principal elements of lease payments		-2,510	-2,429
Net cash flow from financing activities		-157,725	-96,834
Change in cash as per the cash flow statement			
		93,721	43,074
Opening cash as per the cash flow statement			
		125,889	82,815
Closing cash as per the cash flow statement			
	19, 20	219,609	125,889

Notes are an integral part of the financial statements.

FINANCIAL STATEMENTS

- > 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

Cash flow for the period 2021, M€



- > 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

03

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, in chapter 3.9.



FINANCIAL STATEMENTS

- > 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

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 Finland’s main grid. The nationwide main grid is an integral part of the power system in Finland. The main grid is the trunk network to which major power plants, industrial plants and electricity distribution networks are connected.

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 par-

ticipate 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 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 recognised 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
Assessment of use of additional options on leases	Chapter 4.3

FINANCIAL STATEMENTS

- > 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



Accounting principles

Fingrid’s consolidated financial statements have been drawn up in accordance with the same standards as in 2020, taking into account more detailed instructions on the application of the IAS 38 Intangible Assets standard.

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.

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.

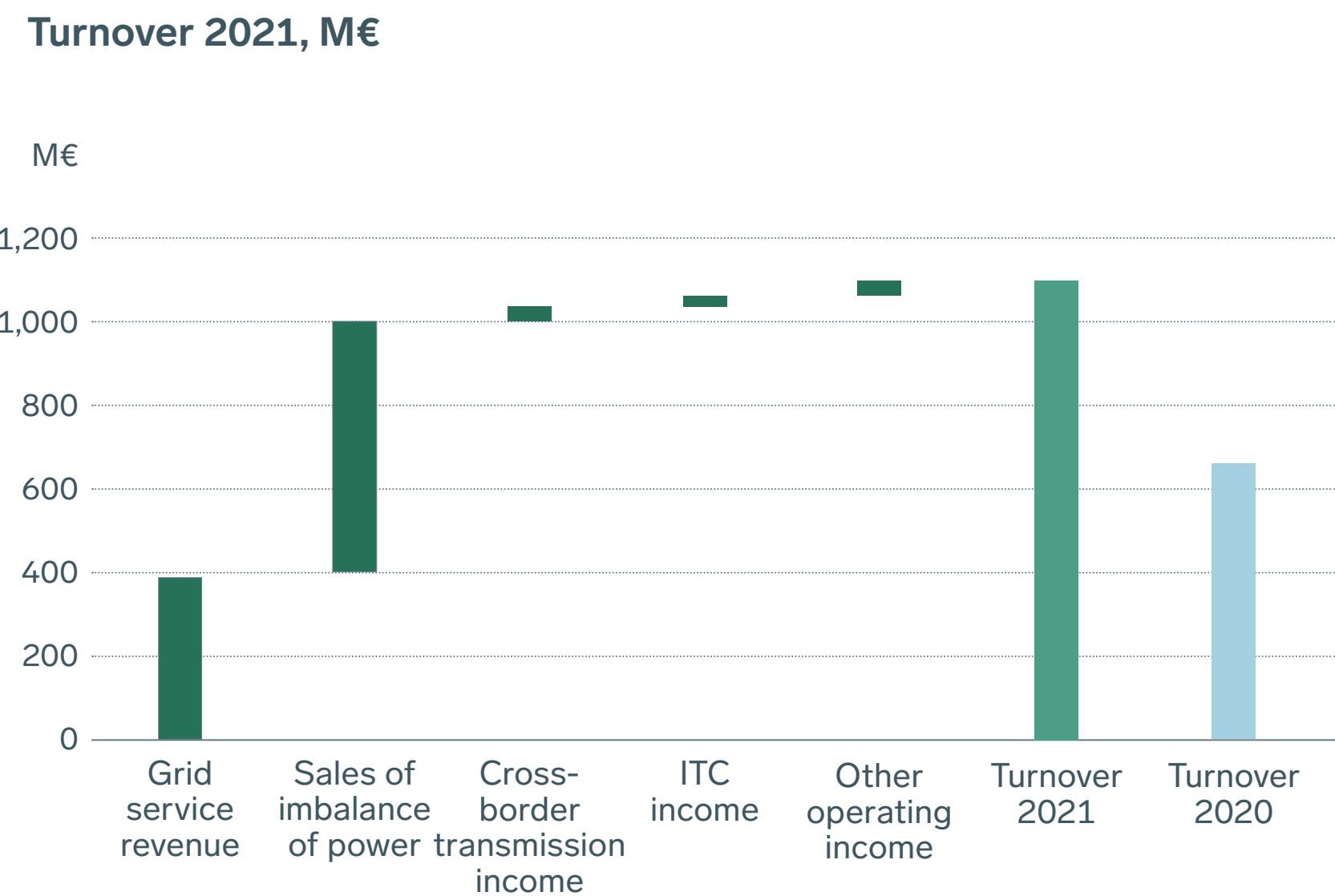
Risk management is planned holistically with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company’s operations, the environment, personnel and assets from various threats and risks. Due to the nature of the company’s basic mission, risks are also assessed from 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 annually on the major risks relating to the operations of the company and on the management of such risks.

- > 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

3.3 FORMATION OF TURNOVER AND FINANCIAL RESULT

Turnover consists of the following:



1. Turnover

€1,000	2021	2020
Grid service revenue	394,290	373,569
Sales of imbalance power	600,490	260,823
Cross-border transmission income	34,440	6,918
ITC income	22,633	17,147
Peak load capacity	10,755	12,923
Other operating income	28,317	11,075
Total	1,090,924	682,456

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 cus-

tomers obtain 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.

FINANCIAL STATEMENTS

- > 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

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 transmission 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

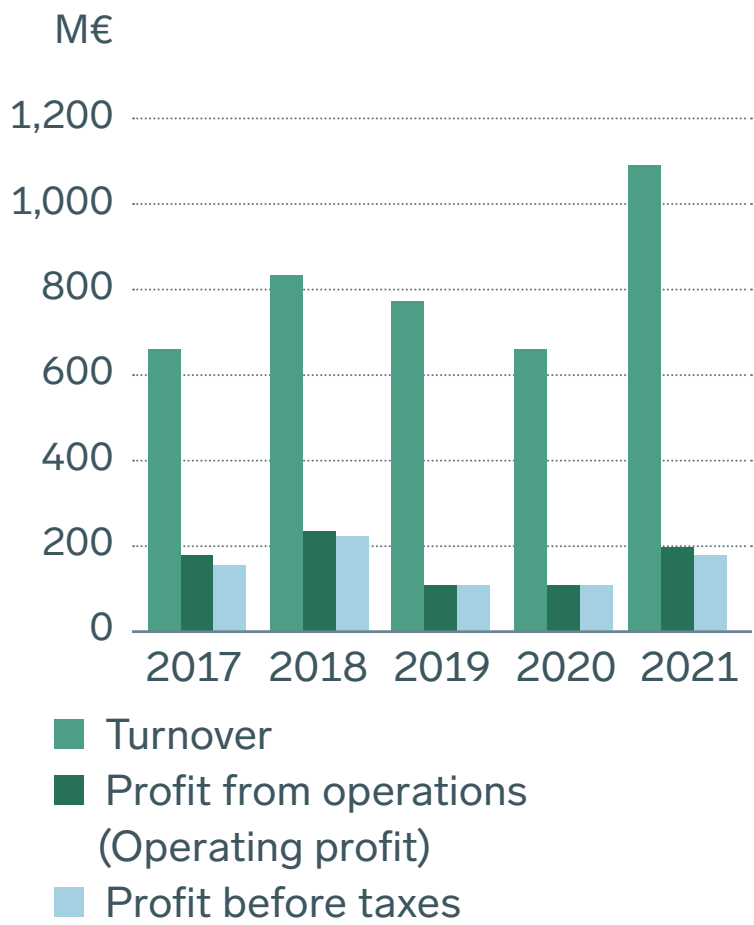
transmission service agreement, which is based on the agreements mentioned above. The contractual terms are equal and public. ITC compensation is, for Fingrid, income and/or costs which the transmission system operator receives for the use of its grid by other European transmission system operators and/or 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 electricity 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	2021	2020
Rental income	479	528
Capital gains on fixed assets	494	577
Contributions received	224	547
Gains from measuring derivatives at fair value	62,267	2,830
Other income	1,472	738
Total	64,937	5,219

Turnover and profit from operations 2017–2021, M€



FINANCIAL STATEMENTS

- > 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



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:

- Identify the customer contract(s)
- Identify the individual performance obligations
- Determine the transaction price according to the contract
- 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.

The company reviews the revenue recognition principles for new products or when the business models change.



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

centralised 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 2021 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.

FINANCIAL STATEMENTS

- > 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

3.4 REVENUE-RELATED RECEIVABLES AND CREDIT RISK MANAGEMENT

3. Trade receivables and other receivables

€1,000	2021	2020
Non-current:		
Other receivables	68	48
Total	68	48
Current:		
Trade receivables	104,139	80,940
Receivables from associated companies	385	5,720
Accrued income	30,614	19,060
Other receivables	2,537	4,083
Total	137,675	109,803
Total	137,742	109,851

Essential items included in short-term accruals	2021	2020
Accruals of sales	23,621	14,086
Accruals of purchases/prepayments	2,359	1,370
Interest receivables	3,625	3,573
Tax assets	1,009	29
Amortized personnel costs		1
Total	30,614	19,060

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 overdue 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.

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.

FINANCIAL STATEMENTS

- > 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

4. Netting of trade receivables and trade payables

€ 1,000	2021			2020		
	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	121,227	-17,088	104,139	101,823	-15,554	86,269
Trade payables	53,784	-17,088	36,696	53,579	-15,554	38,025



Accounting principles

Trade and other receivables

Trade receivables and other receivables are recognised initially at the transaction price; 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 6.1. The receivables from associated companies are recognised according to these same accounting principles.

FINANCIAL STATEMENTS

- > 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

3.5 OPERATING EXPENSES, LIABILITIES AND CREDIT RISK MANAGEMENT FOR PURCHASES

Reserve costs are one of the major cost items after imbalance power purchases and depreciation of fixed assets. Reserves are needed to maintain the grid’s frequency and system security. Reserves include power plants, demand facilities and energy storage facilities, which are able to adjust their power output as needed. There are many types of reserves and they are divided up based on their purpose. Frequency Containment Reserves are used for the constant control of the frequency, while the Frequency Restoration Reserves are intended to restore the frequency to its normal range, releasing the activated Frequency Containment Reserves back into use. In addition, the Fast Frequency Reserve is used for frequency containment in low inertia situations, in addition to the Frequency Containment Reserve. The frequency of the grid means the balance of electricity production and consumption, which is 50.0 Hz. The grid is

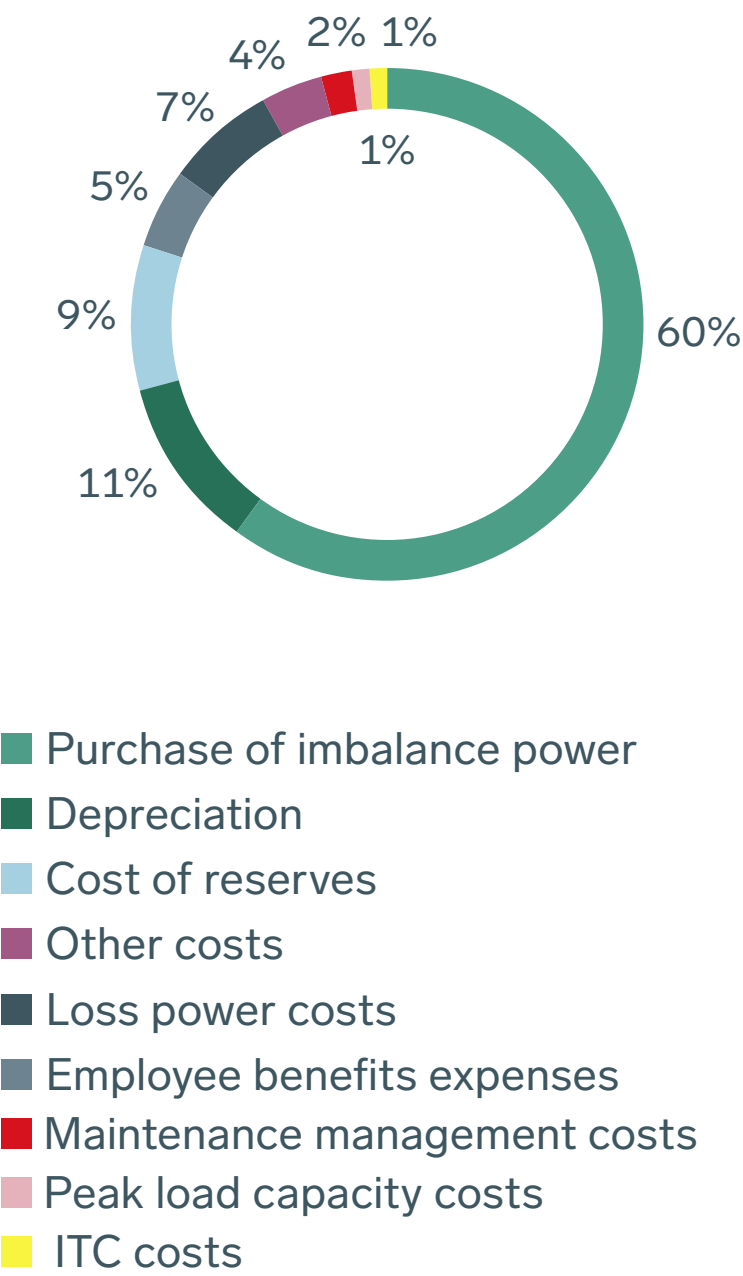
balanced when electricity production and consumption are equal.

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 2021 amounted to EUR 3.0 (4.5) million.

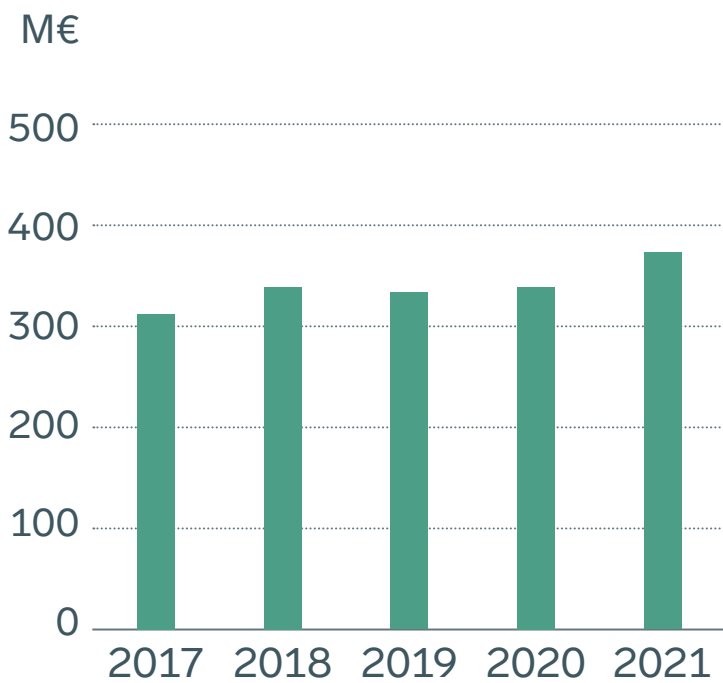
Information on loss power costs can be found in chapter 3.7.

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

Main cost items 2021



Total costs (without imbalance power) 2017–2021, M€



- > 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

5. Materials and services

€1,000	2021	2020
Loss power costs	65,591	52,590
Purchase of imbalance power	569,499	234,412
Cost of reserves	83,496	63,536
Peak load capacity costs	10,373	12,618
ITC costs	13,576	10,846
Maintenance management costs	19,414	21,958
Other materials and services	11,604	8,371
Total	773,553	404,330

6. Other operating expenses

€1,000	2021	2020
Contracts, assignments etc. undertaken externally	29,068	27,121
Gains/losses from measuring derivatives at fair value	66	-175
Other rental expenses	742	739
Other expenses	8,114	7,619
Total	37,990	35,304

Auditors' fees	2021	2020
PricewaterhouseCoopers Oy		
Auditing fee	141	120
Other fees	37	33
Total	178	153

Auditors’ fees are included in other operating expenses

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.

- > 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

7. Trade payables and other liabilities

€1,000	2021	2020
Non-current:		
Accruals: congestion income*	369,342	214,792
Total	369,342	214,792
Current:		
Trade payables	34,441	36,064
Trade payables to associated companies	2,254	1,961
Interest payable	12,320	12,576
Value added tax	18	9,780
Collaterals received		923
Electricity tax	899	4,251
Accruals	222,044	92,694
Other debt	926	810
Total	272,903	159,059
Total	642,245	373,851

Essential items included in short-term liabilities	2021	2020
Personnel expenses	8,899	7,536
Accruals of sales and purchases	93,770	80,116
Tax liabilities		708
Congestion income*	119,375	4,334
Total	222,044	92,694

**Information on the accrual and use of congestion income can be found in chapter 4.1*

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 2021: 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.

FINANCIAL STATEMENTS

- > 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

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	2021	2020
Materials and consumables		
Material stocks	9,066	8,636
Fuel stocks	5,167	5,047
Total	14,233	13,684

The use of inventories was entered as an expense of EUR 1.7 (3.0) million.



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 instru-

ments 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

FINANCIAL STATEMENTS

- > 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

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.

9. Personnel expenses

€1,000	2021	2020
Salaries and bonuses	28,244	26,669
Pension expenses - contribution-based schemes	4,386	3,635
Other additional personnel expenses	1,003	902
Total	33,633	31,207
Salaries and bonuses of top management	2,113	2,023

Personnel costs amounted to EUR 37.8 (34.1) million, of which EUR 4.2 (2.9) was capitalised to investment projects.

3.8 PERSONNEL - THE CORNERSTONE OF OUR OPERATIONS

Fingrid Oyj employed 451 (408) persons, including temporary employees, at the end of the year. The number of permanent personnel was 400 (363). Of the personnel employed by the company, 26 (23) per cent were women and 74 (77) per cent were men. The average age of the personnel was 44 (44).

In 2021, 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 17 December 2020. 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 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 relate. 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:	2021	2020
Personnel, average	440	400
Personnel, 31 Dec	451	408

- > 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



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

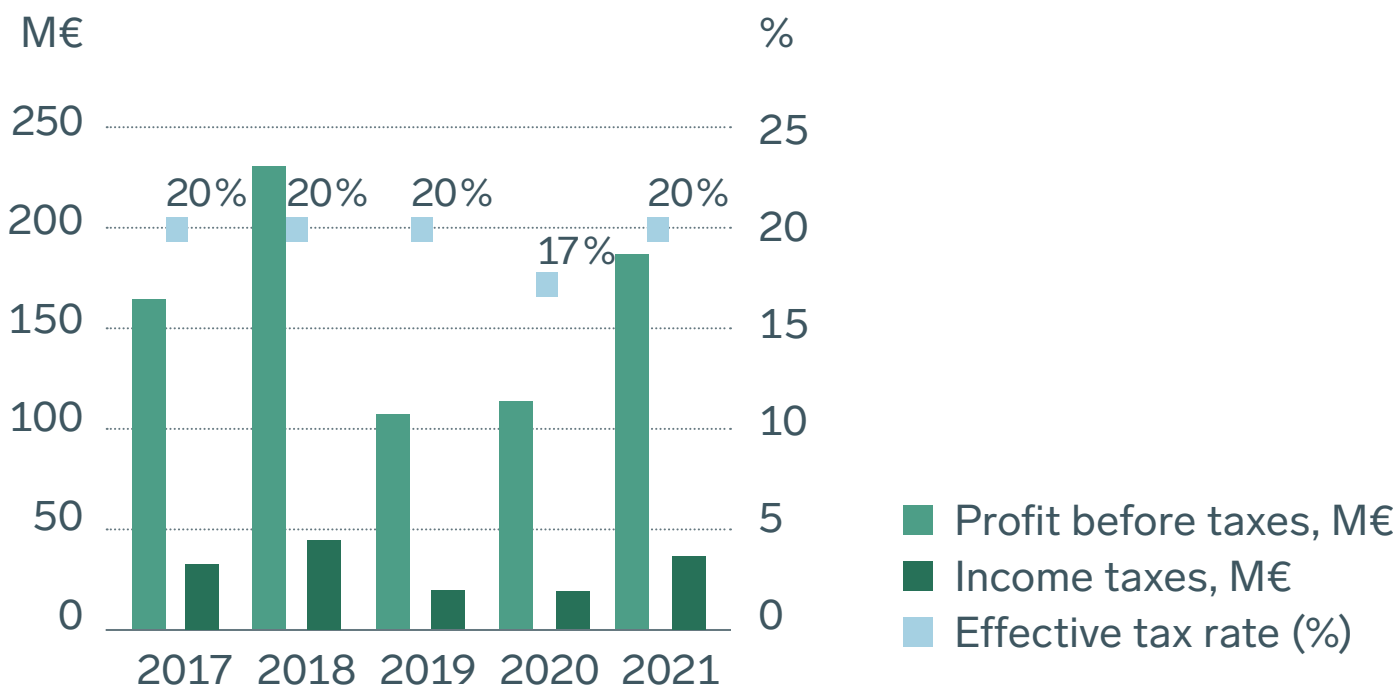
previous financial periods to all employees. Under defined contribution-based pension schemes, the Group pays mandatory, contractual or voluntary contributions into publicly or privately managed pension insurance policies. The Group has no other contribution obligations in addition to those payments. 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 -33.5 (-29.8) million and EUR -4.0 (10.4) million respectively. Fingrid’s effective tax rate is essentially comparable to Finland’s corporate tax rate of 20%. The table below describes the development of Fingrid’s effective tax rate.

Taxes 2017–2021



FINANCIAL STATEMENTS

- > 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

10. Deferred tax assets and liabilities, € 1,000*Changes in deferred taxes in 2021:*

Deferred tax assets	31 Dec 2020	Recorded in income statement at profit or loss	31 Dec 2021
Provisions	279	343	621
Trade payables and other liabilities	2,016	-44	1,973
Losses confirmed in taxation	1,784	275	2,059
Derivative instruments	4,427	-3,873	554
Congestion income	7,059	890	7,950
Connection fees (IFRS 15)	11,825	1,843	13,668
Lease liabilities (IFRS 16)	114	52	165
Property, plant and equipment, tangible and intangible assets		118	118
Total	27,504	-395	27,109

Deferred tax liabilities	31 Dec 2020	Recorded in income statement at profit or loss	31 Dec 2021
Accumulated depreciations difference	-59,779	4,000	-55,779
Property, plant and equipment, tangible and intangible assets	-31,065	-1,406	-32,471
Other receivables	1,076	557	1,633
Other financial assets	-220	9	-211
Borrowings	-1,702	44	-1,658
Derivative instruments	-11,248	-6,793	-18,041
Total	-102,938	-3,590	-106,528

Changes in deferred taxes in 2020:

Deferred tax assets	31 Dec 2019	Recorded in income statement at profit or loss	31 Dec 2020
Provisions	279		279
Trade payables and other liabilities	2,059	-43	2,016
Losses confirmed in taxation		1,784	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	27,504

Deferred tax liabilities	31 Dec 2019	Recorded in income statement at profit or loss	31 Dec 2020
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

FINANCIAL STATEMENTS

- > 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



Accounting principles

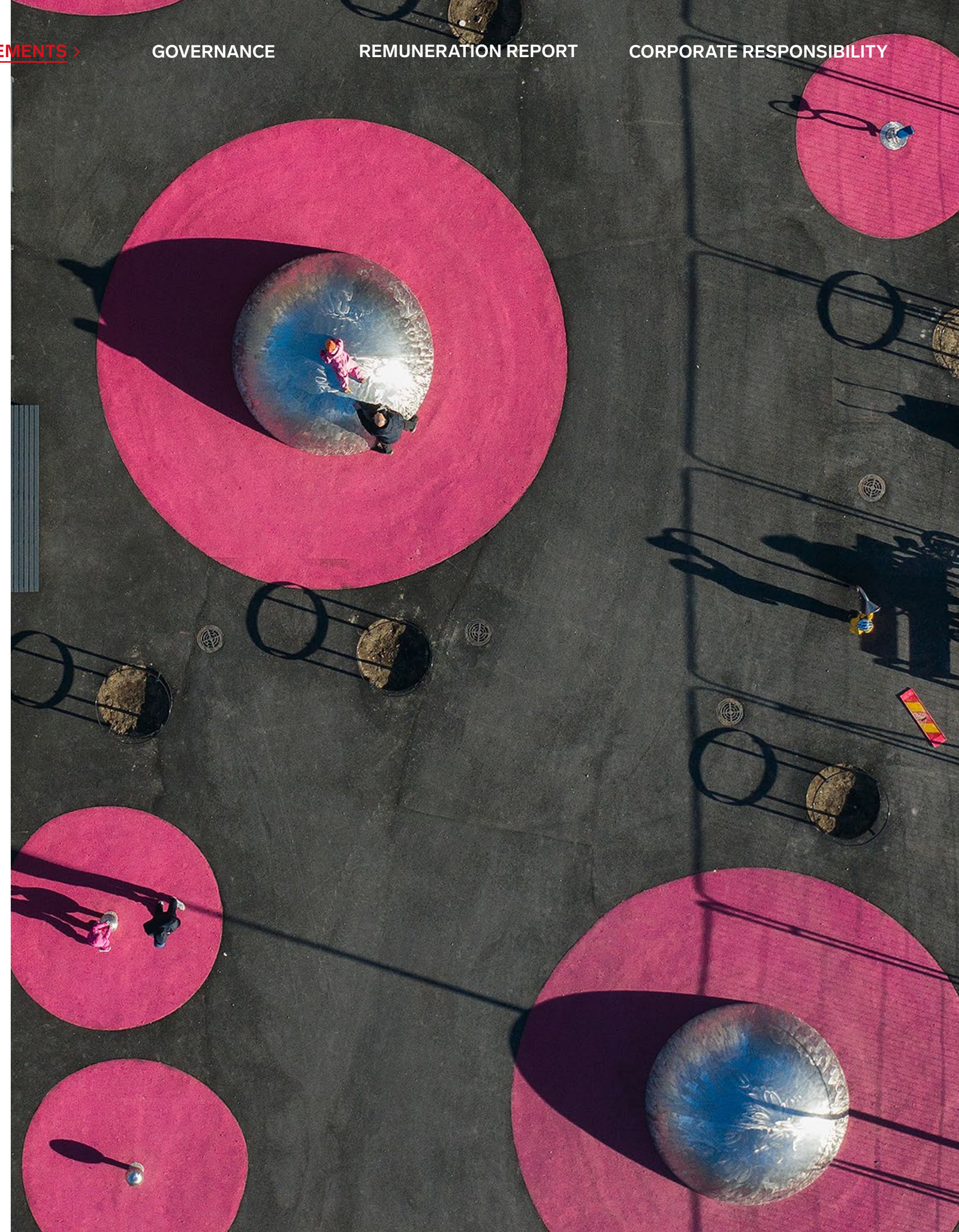
Income taxes

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. The deferred tax asset from temporary differences is recognised up to an amount which can likely be utilised against future taxable income.



- > 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

04

Long-term investor (IFRS)

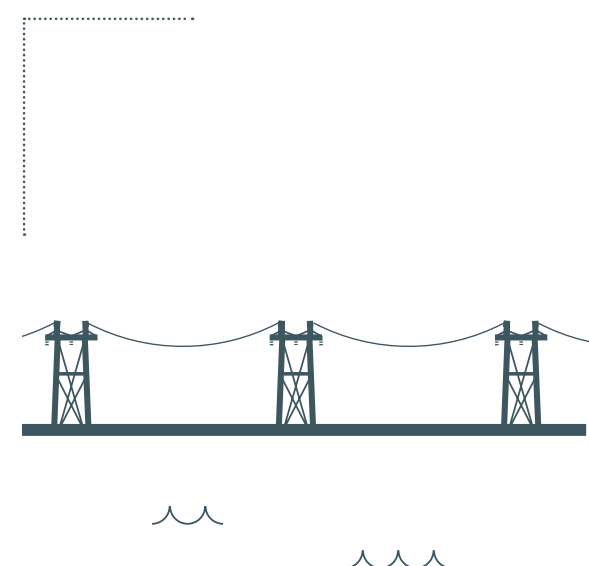
- This chapter focusses on Fingrid's assets, and above the most important ones: Grid assets and the indicators related to them.
- The chapter also takes a look at the company's goodwill and provides a description of other property, plant and equipment, and intangible assets.

4.1 GRID ASSETS

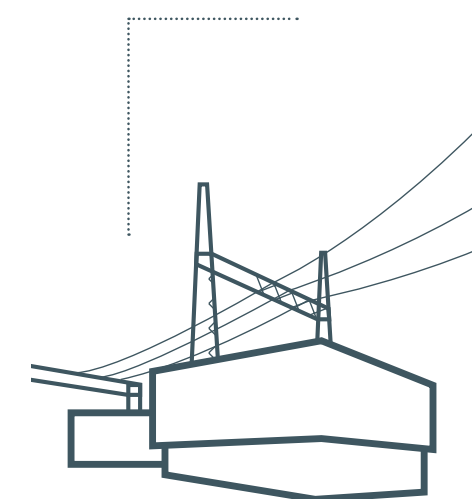
Fingrid's grid investment programme promotes the national climate and energy strategy, improves system security, increases transmission capacity and promotes the electricity markets. The annual capital expenditure in the grid has remained extensive.

Long-term investor

14,000 KM OF POWER LINES,
320 KM OF SUBMARINE CABLE

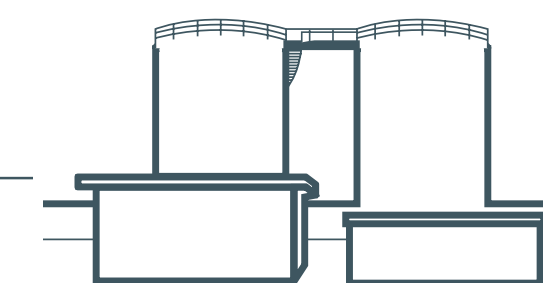


116 SUBSTATIONS



45,000
TOWERS

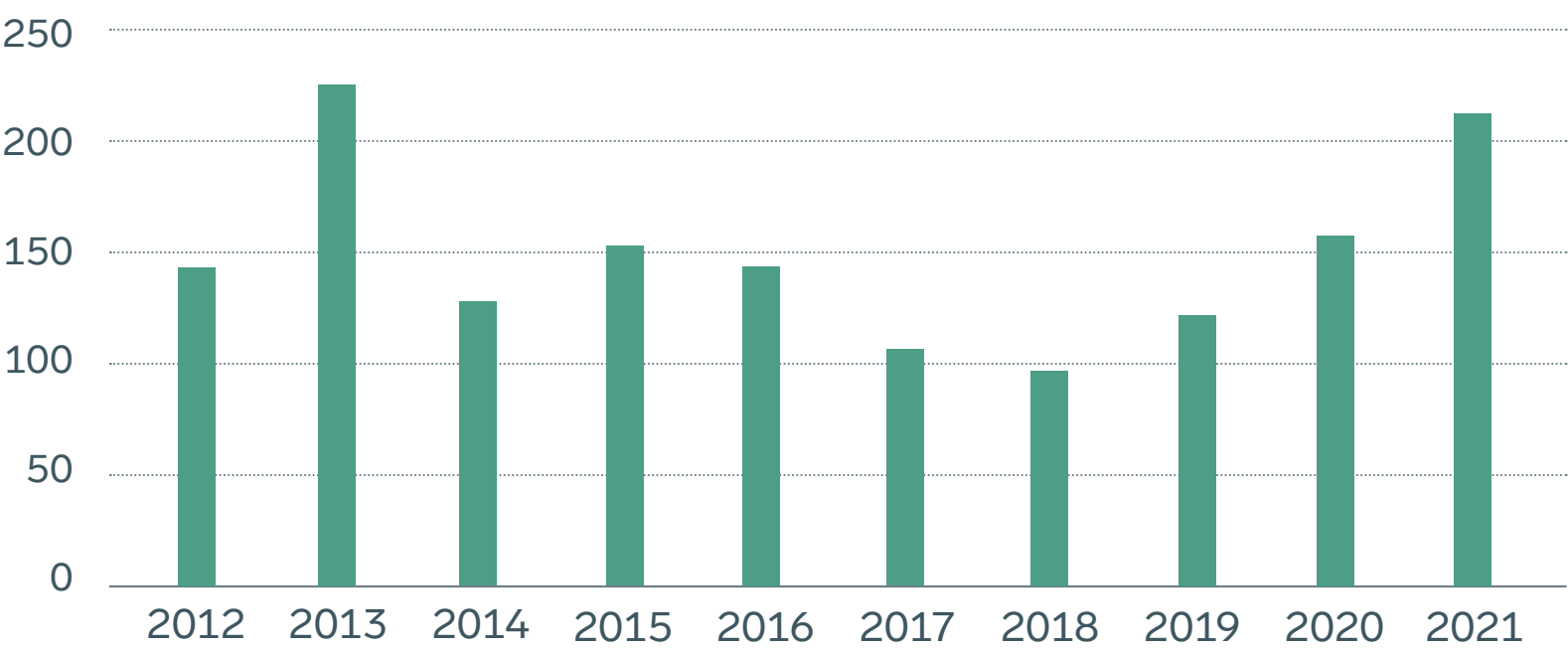
10 RESERVE POWER PLANTS AND
3 HVDC SUBSTATIONS



FINANCIAL STATEMENTS

- > 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

Total costs (without imbalance power) 2012–2021, MEUR



The company’s total capital expenditure in 2021 amounted to EUR 199.2 (169.7) million. This included a total of EUR 166.1 (137.3) million invested in the transmission grid and EUR 2.4 (9.6) million for reserve power. ICT investments amounted to EUR 28.5 (21.1) million and related mainly to the datahub project. A total of EUR 3.0 (4.5) million was used for R&D projects during the year under review. In 2021, around 50 substation and transmission line projects were underway. Of the substation projects ten were completed in 2021. 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. The transmission link is due for completion in 2025. 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.

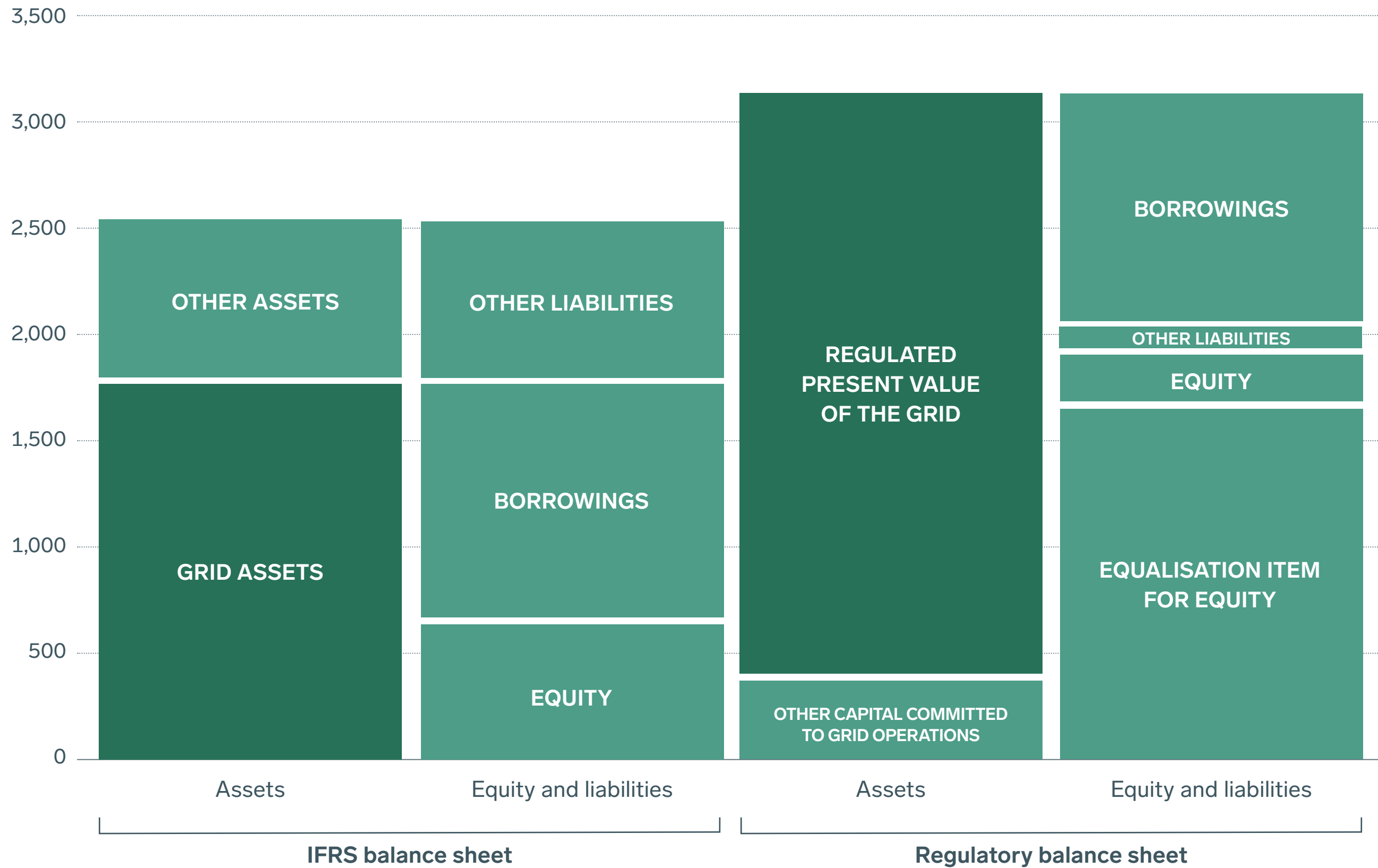


FINANCIAL STATEMENTS

- > 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

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.

IFRS balance sheet and regulatory balance sheet 2021, MEUR



FINANCIAL STATEMENTS

- > 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

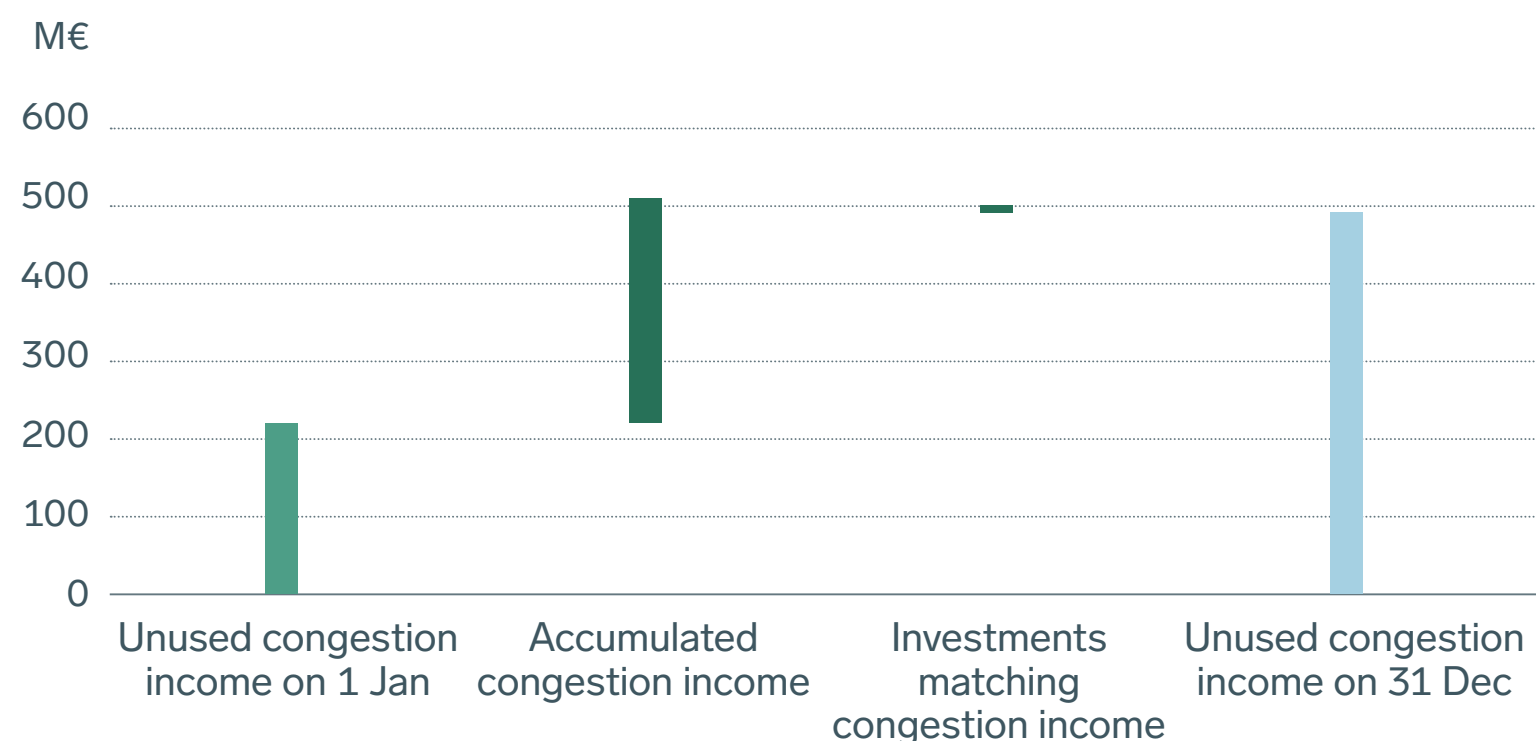


Congestion income

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.

Congestion income 2021, MEUR



Accounting principles

Congestion income

The congestion income is included 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. Fingrid reports the share to be used during the next year in short-term liabilities.

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.

Fingrid's congestion income from cross-border transmission lines totalled EUR 283.8 (146.7) million. EUR 488.7 (219.1) million in congestion income was left unused and will be used for future investments to improve the functioning

of the electricity market. The Energy Authority has approved the allocation of surplus congestion income for electricity market investments worth EUR 119.4 million during 2022.

FINANCIAL STATEMENTS

- > 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

4.2 TANGIBLE AND INTANGIBLE ASSETS

11. Property, plant and equipment

€ 1,000	2021	2020
Land and water areas		
Cost at 1 Jan	19,873	19,640
Increases 1 Jan - 31 Dec	620	234
Decreases 1 Jan - 31 Dec	-87	
Cost at 31 Dec	20,406	19,873
Carrying amount 31 Dec	20,406	19,873
Buildings and structures		
Cost at 1 Jan	350,125	332,015
Increases 1 Jan - 31 Dec	30,932	18,111
Decreases 1 Jan - 31 Dec	-3,015	
Cost at 31 Dec	378,042	350,125
Accumulated depreciation 1 Jan	-99,847	-88,947
Decreases, depreciation 1 Jan - 31 Dec	2,487	
Depreciation 1 Jan - 31 Dec	-11,700	-10,900
Carrying amount 31 Dec	268,983	250,279
Machinery and equipment		
Cost at 1 Jan	1,260,413	1,234,697
Increases 1 Jan - 31 Dec	39,946	28,154
Decreases 1 Jan - 31 Dec	-367	-2,439
Cost at 31 Dec	1,299,992	1,260,413
Accumulated depreciation 1 Jan	-715,526	-673,724
Decreases, depreciation 1 Jan - 31 Dec	343	1,364
Depreciation 1 Jan - 31 Dec	-43,718	-43,165
Carrying amount 31 Dec	541,091	544,887

€ 1,000	2021	2020
Transmission lines		
Cost at 1 Jan	1,353,330	1,345,479
Increases 1 Jan - 31 Dec	17,659	8,682
Decreases 1 Jan - 31 Dec	-1,135	-831
Cost at 31 Dec	1,369,854	1,353,330
Accumulated depreciation 1 Jan	-625,753	-588,270
Decreases, depreciation 1 Jan - 31 Dec	516	586
Depreciation 1 Jan - 31 Dec	-38,541	-38,070
Carrying amount 31 Dec	706,077	727,577
Capitalised interest on machinery and equipment and transmission lines		
Cost at 1 Jan	15,610	14,475
Increases 1 Jan - 31 Dec	154	1,134
Cost at 31 Dec	15,763	15,610
Accumulated depreciation 1 Jan	-2,969	-2,423
Depreciation on capitalised interest 1 Jan - 31 Dec	-561	-546
Carrying amount 31 Dec	12,233	12,640
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	147,346	50,540
Increases 1 Jan - 31 Dec	178,911	154,591
Decreases 1 Jan - 31 Dec	-232	
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-90,819	-57,785
Cost at 31 Dec	235,206	147,346
Carrying amount 31 Dec	235,206	147,346
Property, plant and equipment		
	1,784,113	1,702,721

FINANCIAL STATEMENTS

- > 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

12. Intangible assets

€1,000	2021	2020
Goodwill		
Cost at 1 Jan	87,920	87,920
Cost at 31 Dec	87,920	87,920
Carrying amount 31 Dec	87,920	87,920
Land use rights		
Cost at 1 Jan	100,707	100,301
Increases 1 Jan - 31 Dec	114	489
Decreases 1 Jan - 31 Dec	-84	-82
Cost at 31 Dec	100,737	100,707
Decreases, depreciation 1 Jan - 31 Dec	131	64
Carrying amount 31 Dec	100,868	100,771
Other intangible assets		
Cost at 1 Jan	85,594	70,016
Increases 1 Jan - 31 Dec	21,732	15,829
Decreases 1 Jan - 31 Dec	-103	-251
Cost at 31 Dec	107,223	85,594
Accumulated depreciation 1 Jan	-49,640	-46,547
Depreciation 1 Jan - 31 Dec	-2,595	-3,093
Carrying amount 31 Dec	54,988	35,954
Carrying amount 31 Dec	243,777	224,645

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 2,027.9 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 capital-

FINANCIAL STATEMENTS

- > 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

ised 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 recognised 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.

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 the transmission grid business and is tested annually for impairment. Impairment testing is carried out by comparing the regulatory fair value to the carrying amount of net assets included in the company's grid assets. Regulatory recognition at fair value is presented in chapter 4.1. and impairment is discussed in chapter 4.2.

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 6.2.

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

IAS 38 Intangible assets and treatment of costs linked to cloud services

The accounting principles have been updated based on the IFRIC 2021 decision on Configuration or Customisation Costs in a Cloud Computing Arrangement (Software as a Service arrangements). In 2021, EUR 0.7 million in costs were recognised in accordance with the updated practices.

FINANCIAL STATEMENTS

- > 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

4.3 LEASE AGREEMENTS

The Group’s leases mainly relate to of-
fice premises. The durations of the leas-
es vary, and they may include options
for extension and termination.
A right-of-use asset and a correspond-
ing 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	2021	2020
Right-of-use-assets:		
Right-of-use-assets, buildings and structures		
Cost at 1 Jan	30,673	32,574
Increases 1 Jan - 31 Dec	2,336	784
Deprecation 1 Jan - 31 Dec	-2,769	-2,685
Cost at 31 Dec	30,239	30,673
Carrying amount 31 Dec	30,239	30,673
Lease liabilities:		
Non-current	28,463	28,913
Current	2,603	2,328
Total	31,066	31,241
Amounts recognised in the income statement		
Depreciation of right-of-use assets – buildings	2,769	2,685
Interest costs	623	653
Costs related to short-term leases and leases of low-value assets	734	806

The outgoing cash flow from leases in 2021 totalled EUR 3.1 (3.1) million.

FINANCIAL STATEMENTS

- > 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



Accounting principles

Lease agreements

Fingrid Oyj mainly acts as a lessee, and most of the leases are for office premises. The lessee recognises all the leases as 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 length of the lease period is the time during which the agreement cannot be cancelled. Lease agreements may include extension options and these are taken into account in the length of the lease period, if the management considers it highly likely that they will be used.

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.



Judgements and estimates

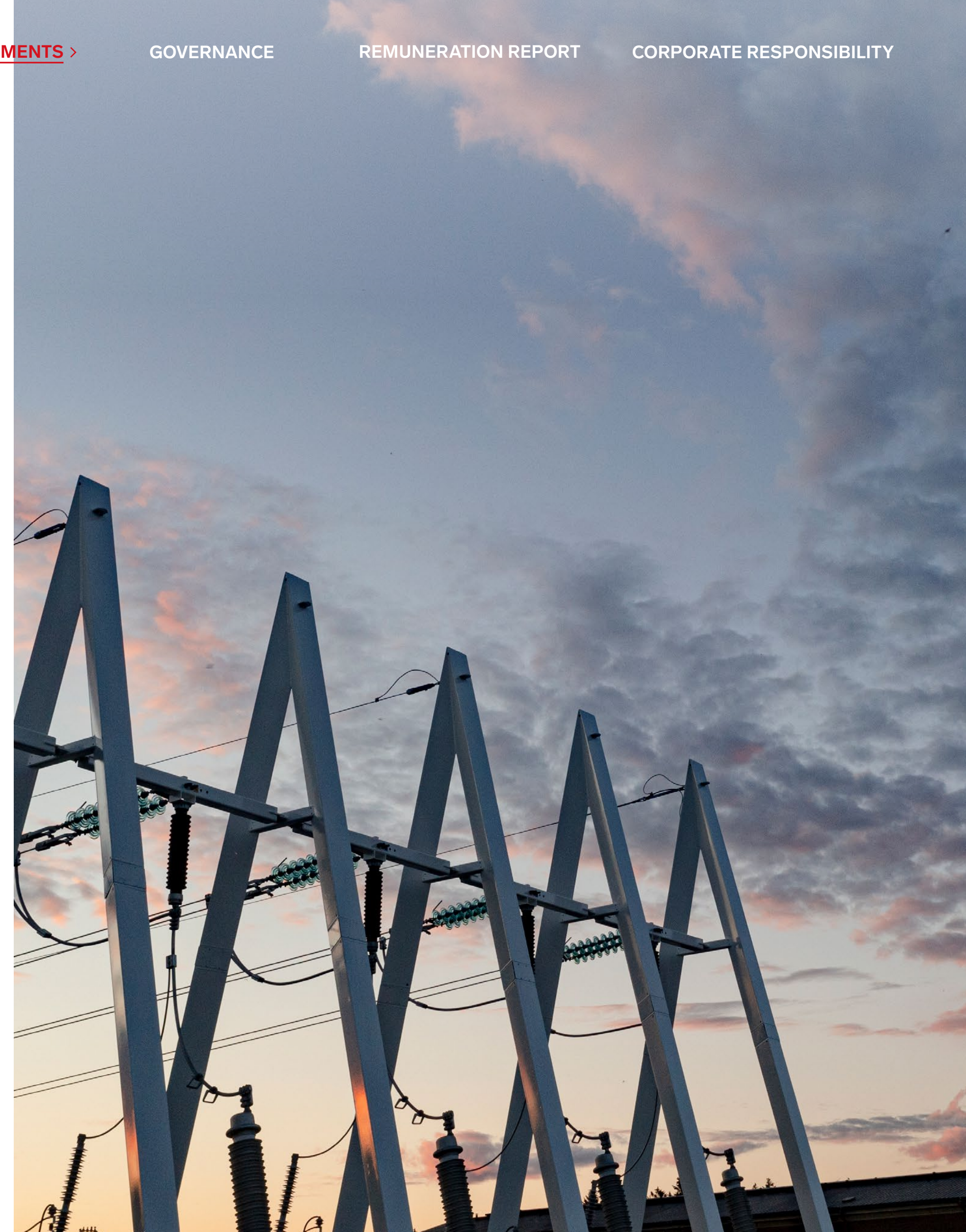
Lease agreements concerning right-of-use assets often include extension and termination options. The company's management has estimated how likely it is that the agreements will be extended. The lease period will be reassessed if the option is used or is not used.

- > 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

05

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 3.7.



FINANCIAL STATEMENTS

- > 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

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 Energy Authority’s transmission operations 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 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 financial ratio 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 2021. 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 2021 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.

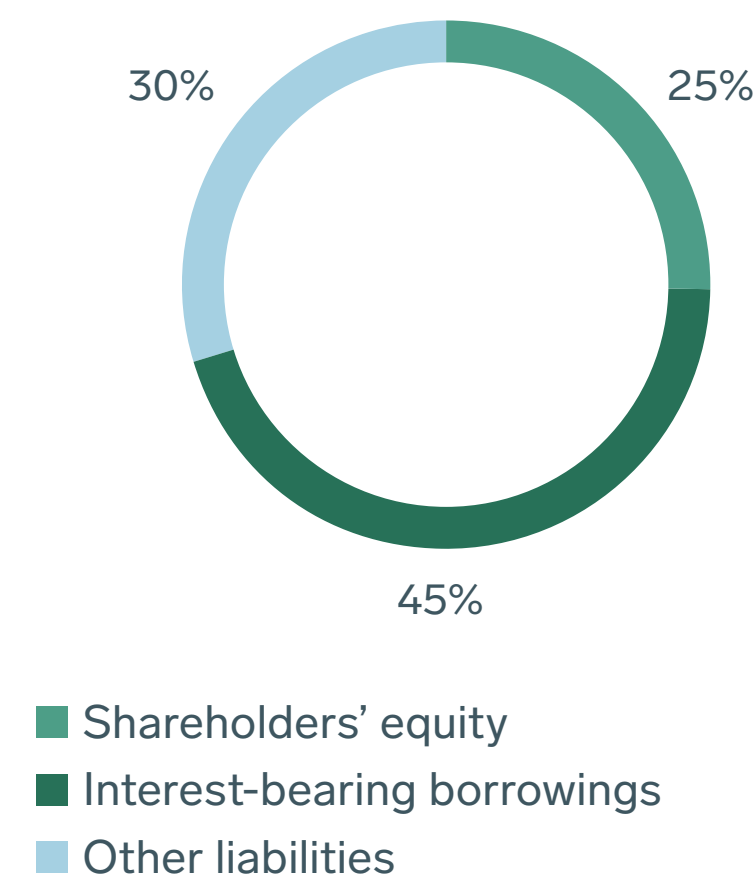
Fingrid’s financial capital consists of equity and debt financing. The share of equity from the balance sheet total was 25.3% and that of liabilities 74.7% in 2021. The IFRS 16 standard reduced the share of equity by 0.3% points. Regulatory equity was 62.2% and liabilities were 37.8% of the regulatory balance sheet in 2021.

FINANCIAL STATEMENTS

- > 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

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

Capital structure 2021



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 arranging overall risk management in the company, with a key role held by the operative risk management and reporting of financing in line with the company's Corporate Finance Principles and Treasury Policy. The CFO regularly reports to the President & CEO and the Board (audit committee) on the implementation of financing and risk management.

Risk management processes

The Treasury unit is responsible for the operative monitoring of risk management, for the risk system and models and methods used to assess, monitor and report on risks. As part of comprehensive risk management, the Treasury unit is in charge of operative management of the company's guarantee and insurance portfolio.

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 and 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.

FINANCIAL STATEMENTS

- > 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

- Fingrid has a domestic commercial paper programme totalling EUR 150 million.
- Furthermore, Fingrid has bilateral loan agreements 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.

On 30 November 2021, Fingrid signed a revolving credit facility agreement of EUR

300 million tied to the company's responsibility targets. The loan period for the revolving credit facility is five years, in addition to which Fingrid has two one-year extension options. The revolving credit facility agreement replaced the EUR 300 million revolving credit facility signed in 2015 and is available for use in the company's general financing needs.

Fingrid may benefit from the credit facility agreement's lower interest rate margin based on achieving the company's three material responsibility targets:

- **Target 1:** Connection of wind power to the grid (MW)
- **Target 2:** Reducing greenhouse gas emissions in electricity transmission losses (tCO₂e)
- **Target 3:** Reduction in combined lost time injury frequency (own personnel and service providers), (LTIF)

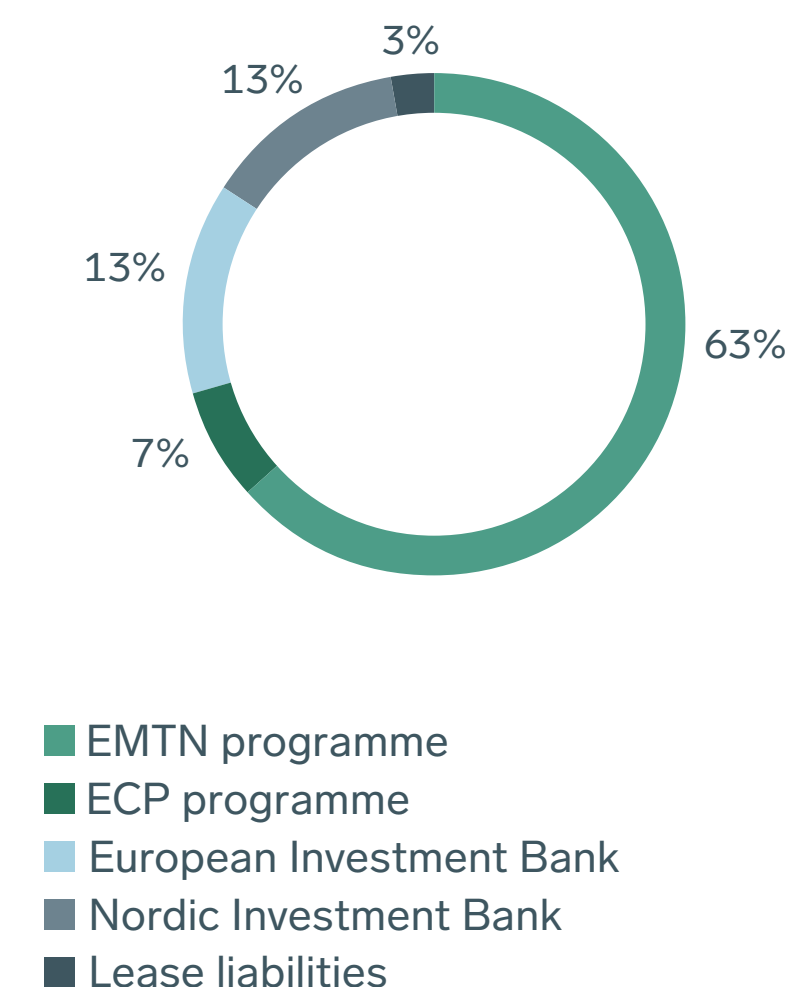
The company's responsibility targets are described in the Corporate Responsibility and Sustainable Development portion of the Annual Report.

During 2021, the Nordic Investment Bank (NIB) awarded Fingrid a 15-year green investment loan for financing the company's investment plan for 2021–2022. The granted EUR 70 million loan can be financed using NIB's green bonds. Green financing supports Fingrid's investments that increase the general reliability of the transmission grid in order to supply electricity to the whole of society and industry.

Fingrid's EMTN programme is listed on the Irish Stock Exchange (Euronext Dublin). As of the start of 2021, Fingrid's EMTN programme's was delisted from the London Stock Exchange. The company's debt issues listed at the end of 2020 are still listed on both the London and Irish stock exchanges. The company did not issue new bonds during 2021.

The graph below illustrates Fingrid's various sources of debt financing. Fingrid sources debt financing mainly from the international debt capital markets.

Sources of debt



- > 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

14. Borrowings

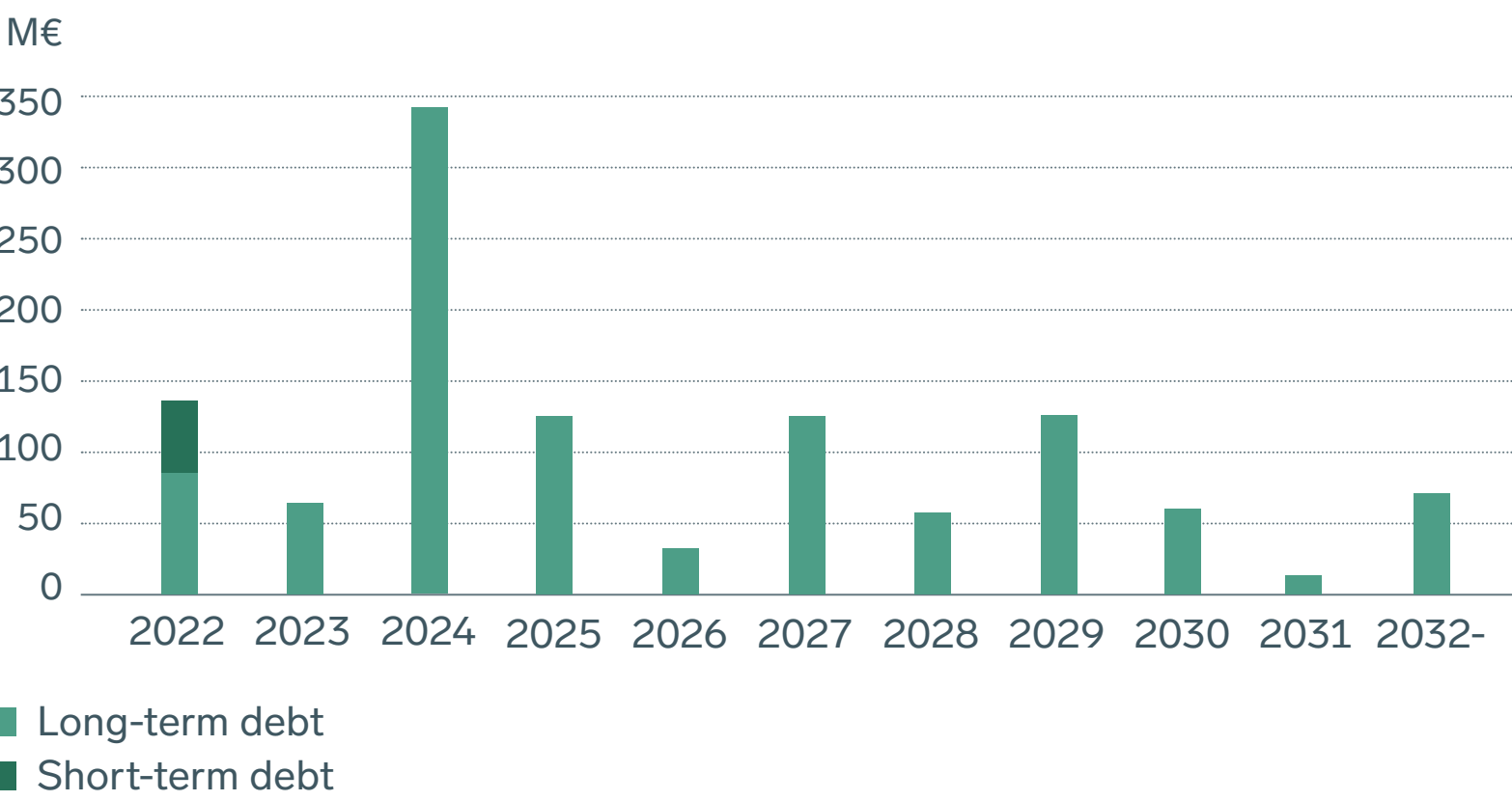
Borrowings are as follows:

€1,000	2021			2020			Hierarchy level
	Fair value	Balance sheet value	%	Fair value	Balance sheet value	%	
Non-current							
Bonds	766,333	704,281		822,574	731,301		Level 2
Loans from financial institutions	295,850	289,892		277,668	272,554		Level 2
	1,062,183	994,173		1,100,242	1,003,855		
Lease liabilities		28,463			28,913		
		1,022,636	88%		1,032,767	88%	
Current							
Bonds	30,110	30,000					Level 2
Loans from financial institutions	17,809	17,662		67,925	67,662		Level 2
Other loans/Commercial papers (international and domestic)	85,227	85,216		72,090	72,155		Level 2
	133,147	132,879		140,014	139,817		
Lease liabilities		2,603			2,328		
		135,481	12%		142,145	12%	
Total	1,195,330	1,158,118	100%	1,240,256	1,174,913	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. Borrowings denominated in foreign currencies are translated into euros at the fixing rate quoted by the ECB at the closing date.

- > 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

Debt maturity profile, M€



Non-current financial liabilities in the graph above include a total of EUR 31.1 million in lease liabilities in accordance with IFRS 16.

15. Bonds included in borrowings

€1,000				2021	2020
Currency	Nominal value	Maturity	Interest	Balance sheet value	
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%	299,649	299,502
EUR	70,000	7 May 2025	0.527%	70,000	70,000
EUR	100,000	23 Nov 2027	1.125%	99,565	99,494
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	2.888%	30,000	30,000
				674,214	673,996
NOK	100,000	16 Sep 2025	4.31%	10,011	9,551
NOK	500,000	8 Apr 2030	2.72%	50,056	47,754
				60,067	57,305
Bonds, long-term total				704,281	731,301
Bonds, short-term total				30,000	
Total				734,281	731,301

The company defines net debt as the difference between cash in hand, and the financial assets recognized in the income statement at fair value and borrowings as shown in the balance sheet. The development of net debt is actively monitored.

- > 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

16. Reconciliation of debt

€1,000	Borrowings due within 1 year	Borrowings due after 1 year	Total
Debt on 1 Jan 2020	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
Cash flow from financing activities	-54,601	35,000	-19,601
Exchange rate adjustments		2,762	2,762
Other changes not involving a payment transaction	275	-231	43
Transfer to short-term loans	47,662	-47,662	-0
Debt on 31 Dec 2021	135,481	1,022,636	1,158,118

Other changes are mainly made up of IFRS 16 impacts.

Reconciliation of net debt, € 1,000	2021	2020
Cash in hand and cash equivalents	99,280	45,645
Financial assets recognised in the income statement at fair value	120,330	80,243
Borrowings - repayable within one year	135,481	142,145
Borrowings - repayable after one year	1,022,636	1,032,767
Net debt	938,508	1,049,024

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

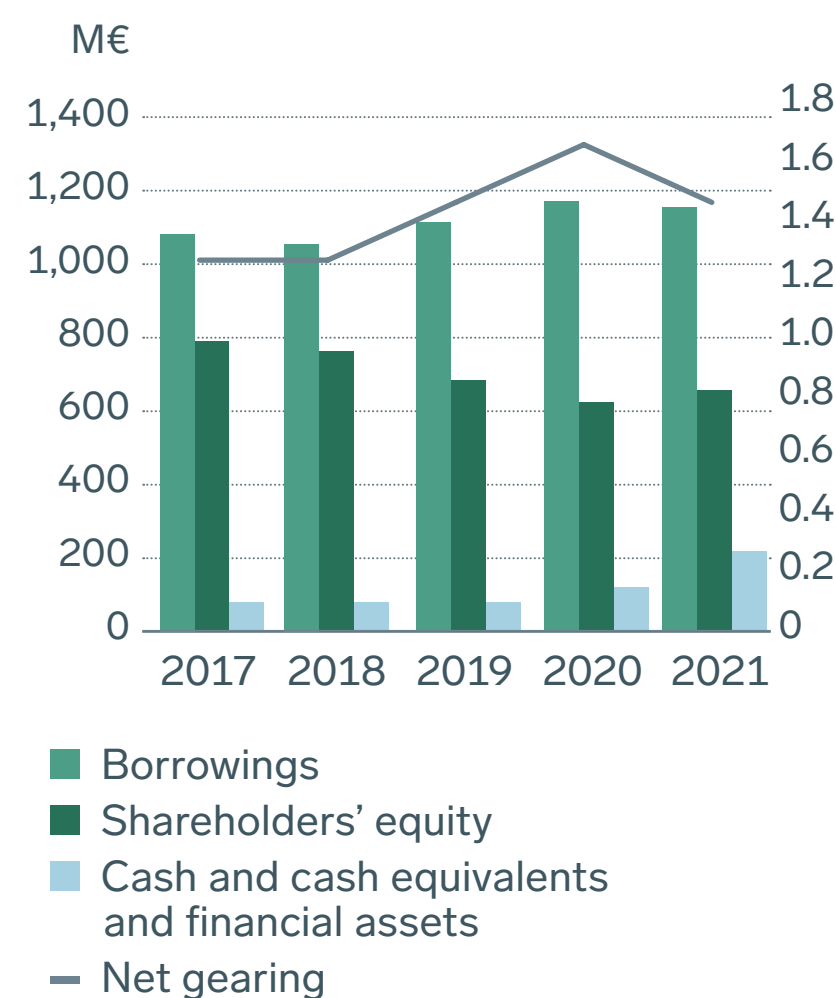
Financial assets recognised at fair value through profit and loss are liquid investments traded on active markets.

At the end of the year, the company’s borrowings included a total of EUR 31.1

(31.2) million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.6 (2.3) million in short-term liabilities, to be paid within a year, and EUR 28.5 (28.9) million in long-term liabilities, with a maturity date after more than a year.

FINANCIAL STATEMENTS

- > 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

Capital M€ and net gearing 2017–2021

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

17. Interest income and expenses from loans and other receivables

€1,000	2021	2020
Interest income on financial assets in income statement at fair value	326	185
Interest income on cash, cash equivalents and bank deposits	21	88
Profits from assets recognised at fair value through profit and loss	-2 850	415
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	42	767
Dividend income	2 904	8 357
	442	9 812
Interest expenses on borrowings	-18 665	-20 532
Net interest expenses on interest rate and foreign exchange derivatives	6 654	7 897
Gains/losses from measuring derivative contracts at fair value	-12 217	-1 286
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	-0	352
Interest expenses on lease liabilities (IFRS 16)	-623	-653
Other finance costs	-1 390	-1 254
	-26 242	-15 477
Capitalised finance costs, borrowing costs; at a capitalisation rate of 1.2 % (note 11)	2 582	1 629
Total	-23 217	-4 036

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.

FINANCIAL STATEMENTS

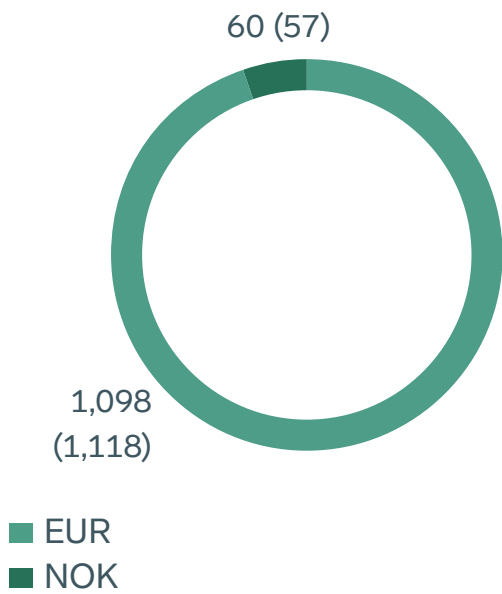
- > Consolidated key figures
- > Consolidated financial statements (IFRS)
- > Benchmark for TSO operations (IFRS)
- > Long-term investor (IFRS)
- > **Strong financial position (IFRS)**
- > Other information (IFRS)
- > Parent company financial statements (FAS)
- > Signatures for the annual review and for the financial statements

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, M€



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 in the next infobox) 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 2021. The interest rate risk inherent in

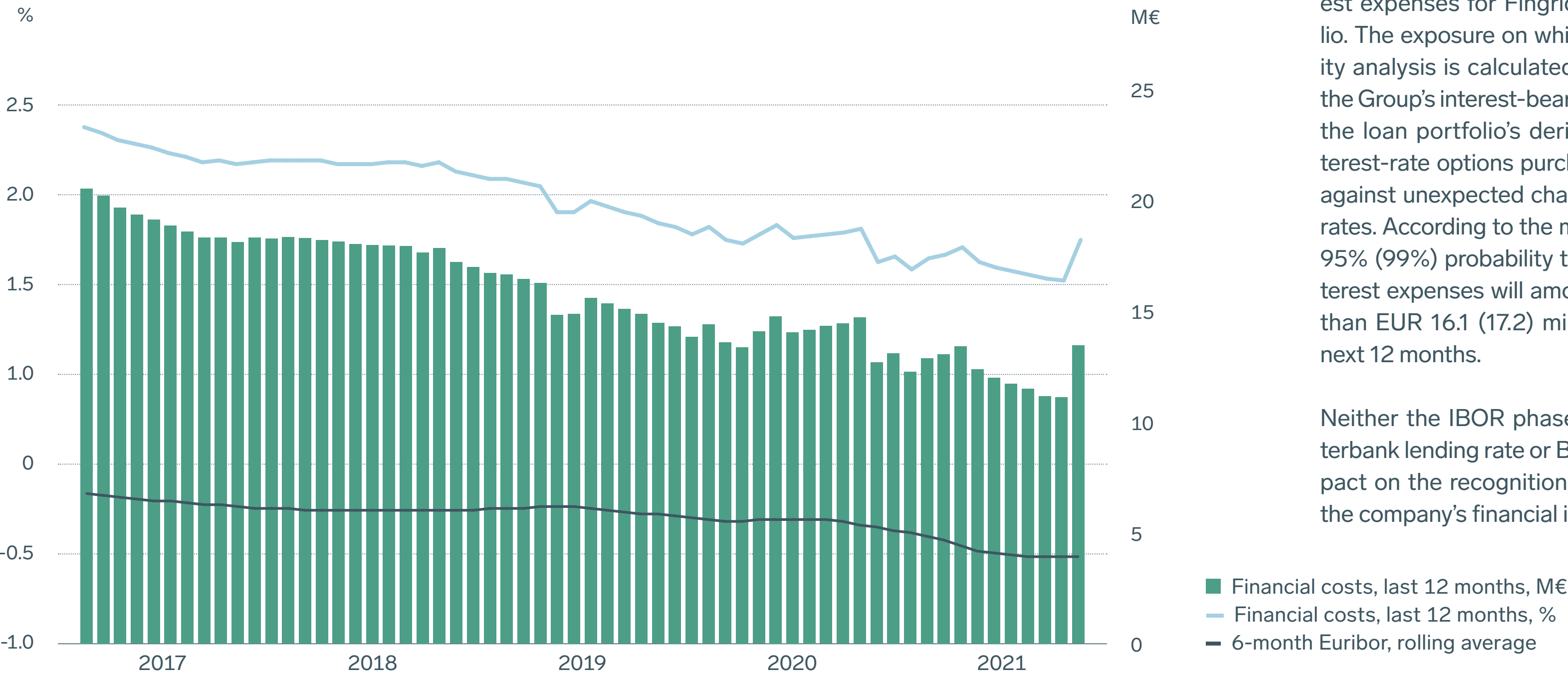
Fingrid’s business operations is caused by changes in the risk-free interest in the WACC model. If the risk-free interest rate rises/falls by one percentage unit, the post-tax WACC rises/falls by 0.9%.

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

FINANCIAL STATEMENTS

- > 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

Financial costs 2017–2021



The graph ‘Financial costs 2017–2021’ does not include IFRS 16 interest expenses.

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 (17.2) million during the next 12 months.

Neither the IBOR phase-out of the interbank lending rate or Brexit had an impact on the recognition or valuation of the company’s financial items in 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



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 rel-

ative values 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 cor-

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

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

WACC_{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:

$$WACC_{pre-tax} = \frac{C_E \times 0,5}{(1-ctr)} + C_D \times 0,5$$

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

R_{k,pre-tax} = pre-tax reasonable return, EUR
WACC_{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

WACC_{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

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

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

FINANCIAL STATEMENTS

- > 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

Cost of equity	
$C_E = R_f + \beta_{unlevered} \times (1 + (1 - t) \times D/E) \times (R_m - R_f) + LP$	
$C_E = \text{Finnish 10y bond} + 0.4 \times (1 + (1-20\%) \times 50/50) \times 5\% + 0.6\%$	
C_E = Finnish 10y bond + 4.2 %	
Cost of debt	
$C_D = R_f + DP$	
$C_D = \text{Finnish 10y bond} + 1.26\%$	
WACC (pre tax)	
$WACC_{post-tax} = C_E \times 50/100 + C_D \times (1 - t) \times 50/100$	
WACC_{post-tax} = Finnish 10y bond x 0.9 + 2.60%	
$WACC_{pre-tax} = \text{Finnish 10y bond} \times 1.125 + 3.26\%$	
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 (β _{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 30 November 2021. The maturity of the facility is five years. In addition to this, the company has two one-year extension options. The facility is committed and has not been drawn. Additionally, the company has at its disposal a total of EUR 90 million in overdraft limits with banks to secure liquidity.

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 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.

FINANCIAL STATEMENTS

- > 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

18. Payments under financing agreements in cash

31 Dec 2021

€1000		2022	2023	2024	2025	2026	2027-	Total
Bonds	- repayments	30,000	30,000	300,000	80,011		295,056	735,067
	- interests	18,831	18,831	18,018	7,518	6,717	18,259	88,174
Loans from financial institutions	- repayments	17,662	33,047	37,673	42,299	26,541	150,333	307,554
	- interests		110	666	1,013	955	7,422	10,167
Commercial papers	- repayments	85,000						85,000
Lease liabilities	- repayments	2,603	2,607	2,595	2,549	2,599	18,113	31,066
	- interests	588	540	492	443	393	1,376	3,831
Currency swaps	- payments	433	430	431	12,943	428	44,975	59,641
Interest rate swaps	- payments	227	227	228	118	10	20	830
Forward contracts	- payments	2,350	1,500	900				4,750
Total		157,694	87,293	361,003	146,893	37,643	535,554	1,326,081
Currency swaps	- receivables	1,793	1,793	1,793	11,804	1,362	55,502	74,047
Interest rate swaps	- receivables	5,130	4,529	4,260	1,997	1,628	1,955	19,499
Forward contracts	- receivables	2,387	1,534	926				4,847
Total		9,309	7,856	6,979	13,801	2,989	57,458	98,393
Total		148,385	79,437	354,023	133,092	34,653	478,097	1,227,688

FINANCIAL STATEMENTS

- > 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

31 Dec 2020

€1000		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

- > 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



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.

5.4 CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

19. Cash and cash equivalents

€1000	2021	2020
Cash assets and bank account balances	99,280	45,645
Total	99,280	45,645

20. Muut rahoitusvarat

€1000	2021	2020	Hierarchy level
Short-term fixed income funds	100,330	80,243	Level 1
Bank deposits, over 3 months	20,000	0	Level 1
Total	120,330	80,243	

FINANCIAL STATEMENTS

- > 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



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. In the cash flow statement, cash and cash equivalents also include other financial assets due to their fully liquid nature. 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 include current investments in short-term fixed income funds and bank deposits kept for more than three months. Financial assets recognised

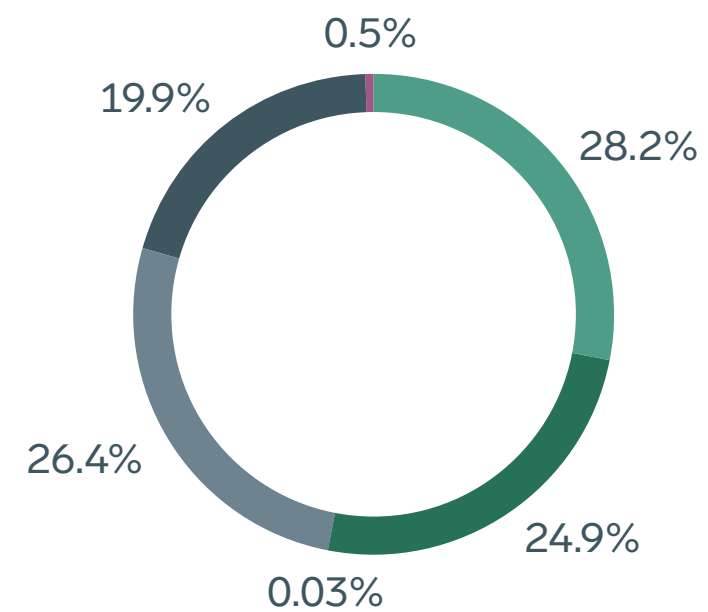
at fair value in the income statement are entered in the balance sheet at fair value at the settlement date. Subsequently, the financial assets are measured on each reporting day at fair value, and the change in their fair value is recognised in the income statement under finance income and costs. Derivatives are also included in this group but are presented in the balance sheet on their own lines. Accounting principles for derivatives are disclosed in 5.6.

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

5.5 EQUITY AND DIVIDEND DISTRIBUTION

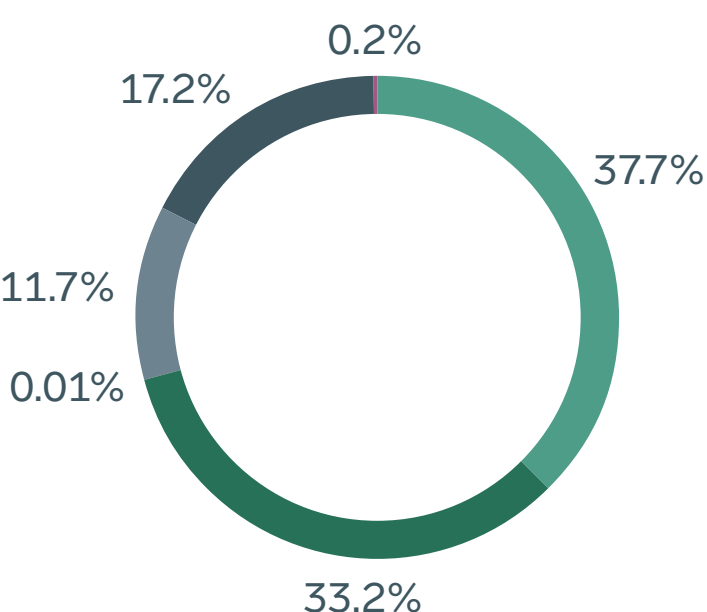
The shareholders' equity is composed of two share classes. The shareholder breakdown and voting rights are illustrated in the following graphs.

Shareholders (%)



- Republic of Finland, represented by the Ministry of Finance
- National Emergency Supply Agency
- The State Pension Fund
- Aino Holding Ky
- Mutual Pension Insurance Company Ilmarinen
- Other

Voting rights (%)



- Republic of Finland, represented by the Ministry of Finance
- National Emergency Supply Agency
- The State Pension Fund
- Aino Holding Ky
- Mutual Pension Insurance Company Ilmarinen
- Other

FINANCIAL STATEMENTS

- > 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

Shareholders by category 31 Dec 2021	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 2021	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 2020. 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 dis-

FINANCIAL STATEMENTS

- > 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

FINANCIAL STATEMENTS

> 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

tribution 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 reserve (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.

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 184,630,983.13. Based on the 2020 financial statements, EUR 135.6 million was paid in dividends (EUR 148.2). 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 2021, a dividend of EUR 52,500.00 at maximum per share be paid for Series A shares and EUR 19,200.00 at maximum for Series B shares, for a total of EUR 133,037,400.00 at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 35,000.00 for each Series A share and EUR 12,800.00 for each Series B share, totalling EUR 88,691,600.00, shall be paid on 4 April 2022. The second instalment of EUR 17,500.00 at maximum per share for each Series A share and EUR 6,400.00 at maximum per share for each Series B share, totalling EUR 44,345,800.00 at maximum in dividends, shall be paid subject to the Board's decision after the half-year re-

port 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.

21. Shareholders by category

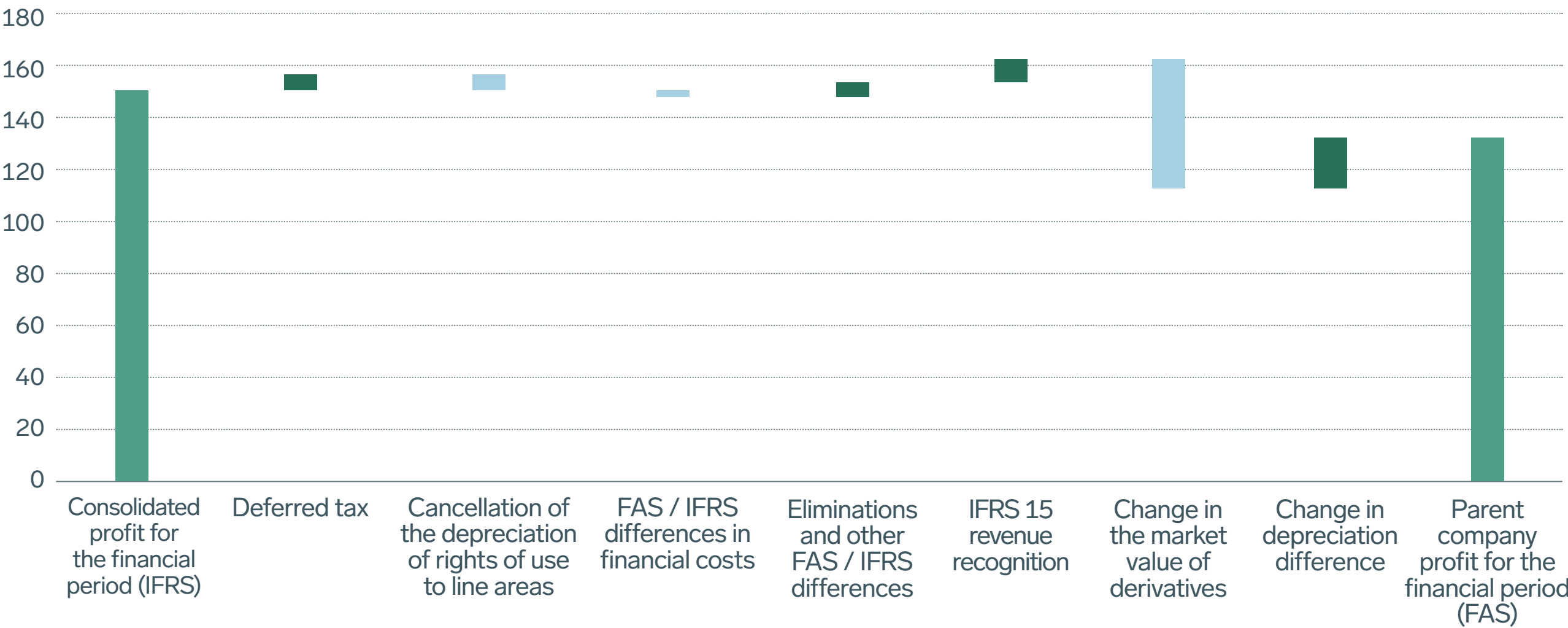
The share capital is broken down as follows	Number of shares	Of all shares %	Of votes %
Series A shares	2,078	62,50	83,33
Series B shares	1,247	37,50	16,67
Total	3,325	100,00	100,00

FINANCIAL STATEMENTS

- > 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

The graph below indicates the differences between the consolidated IFRS income statement and the parent company's FAS income statement.

Bridge calculation from consolidated IFRS result to parent company FAS result 2021, MEUR



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.

- > 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

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	Financial assets/liabilities measured at amortised cost	Total	Note
Balance sheet item 31 Dec 2021				
Other long-term investments				
Available-for-sale investments	6,753		6,753	
Interest rate and currency derivatives	15,460		15,460	23
Electricity derivatives	14,767		14,767	23
Loan receivables from associated companies		188	188	
Current financial assets				
Interest rate and currency derivatives	217		217	23
Electricity derivatives	63,427		63,427	23
Loan receivables from associated companies		375	375	24
Trade receivables and other receivables		131,395	131,395	3
Other financial assets	120,330		120,330	20
Cash in hand and cash equivalents		99,280	99,280	19
Financial assets total:	220,954	231,237	452,191	
Non-current financial liabilities:				
Borrowings		1,022,636	1,022,636	14
Interest rate and currency derivatives	2,422		2,422	23
Electricity derivatives	113		113	23
Current financial liabilities:				
Borrowings		135,481	135,481	14
Trade payables and other liabilities		142,787	142,787	7
Financial liabilities total	2,535	1,300,904	1,303,439	

FINANCIAL STATEMENTS

- > 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

€1,000	Assets/ liabilities recognised in income statement at fair value	Financial assets/liabilities measured at amortised cost	Total	Note
Balance sheet item 31 Dec 2020				
Other long-term investments				
Available-for-sale investments	9,604		9,604	
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:	149,754	150,527	300,281	
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	

FINANCIAL STATEMENTS

- > 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

At the end of the year, the company's borrowings included a total of EUR 31.1 (31.2) million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.6 (2.3) million in short-term liabilities, to be paid within a year, and EUR 28.5 (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 compa-

ny does not apply hedge accounting. Bi-lateral 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 16.7 (26.2) million in 2021.

The management of electricity price risk is described in chapter 3.7. The hedging of interest rate and foreign exchange risks is described in chapter 5.3.

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

€ 1,0002021					2020				Hierarchy level
Interest rate and currency derivatives	Fair value pos. 31.12.21.	Fair value neg. 31.12.21	Net fair value 31.12.21	Nominal value 31.12.21	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Nominal value 31.12.20	
Cross-currency swaps	5,067	-1,989	3,078	55,990	13,284	-9,911	3,373	55,990	Level 2
Forward contracts	77		77	3,335	117	-16	101	3,983	Level 2
Interest rate swaps	13,384	-567	12,817	305,000	28,258	-5,684	22,574	305,000	Level 2
Bought interest rate options	775		775	550,000	142		142	860,000	Level 2
Total	19,302	-2,556	16,746	914,325	41,801	-15,612	26,190	1,224,973	
	Fair value pos. 31.12.21.	Fair value neg. 31.12.21	Net fair value 31.12.21	Volume TWh 31.12.21	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Volume TWh 31.12.20	
Electricity derivatives									
Electricity forward contracts. NASDAQ OMX Commodities	78 193	-113	78 081	5.73	21 678	-5 865	15 813	5.51	Level 1
Total	78 193	-113	78 081	5.73	21 678	-5 865	15 813	5.51	

FINANCIAL STATEMENTS

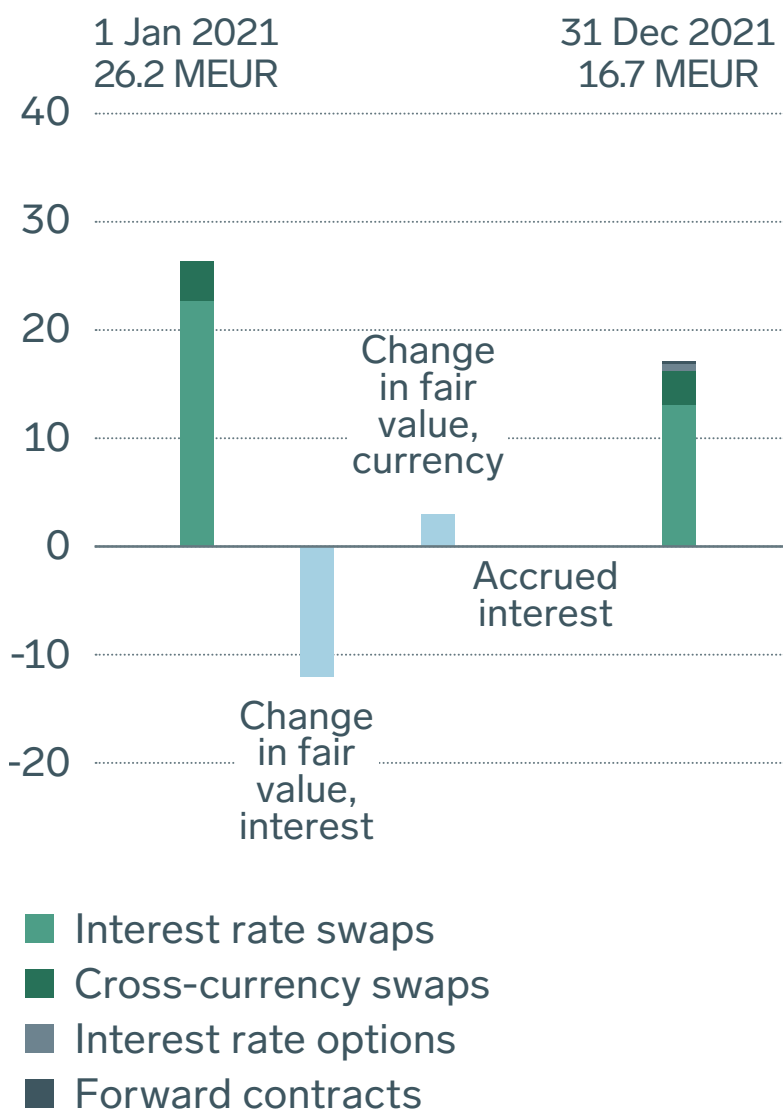
- > Consolidated key figures
- > Consolidated financial statements (IFRS)
- > Benchmark for TSO operations (IFRS)
- > Long-term investor (IFRS)
- > **Strong financial position (IFRS)**
- > Other information (IFRS)
- > Parent company financial statements (FAS)
- > Signatures for the annual review and for the financial statements

The net fair value of derivatives indicates the realised profit/loss if they had been closed on the last trading day of 2021. 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 2021.

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 62.3 positive (EUR

Change in the net fair value of financial derivates 2021

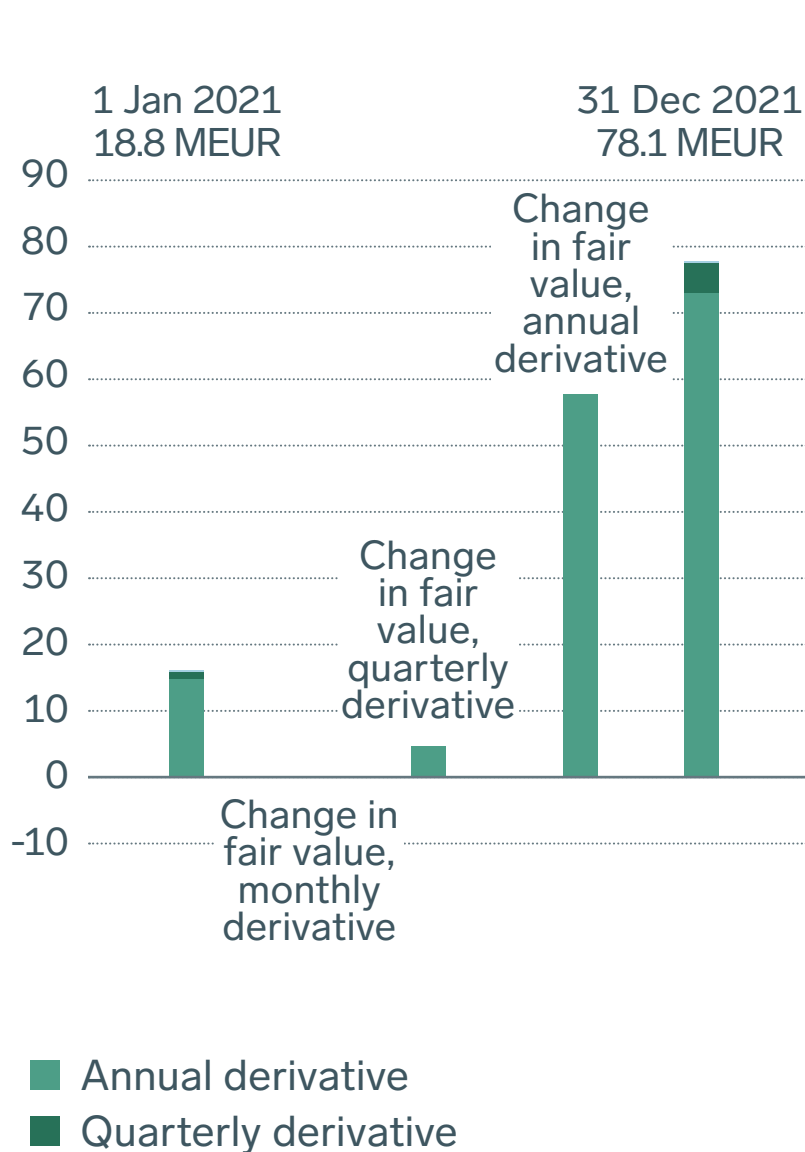


2.8 million positive). The volatility in the fair value of electricity derivatives can be significant. The positive impact on profit resulted from the effect of higher market quotations for electricity derivatives on the fair value of the electricity derivatives. Fingrid holds its bought derivatives 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 18.5 million/EUR –18.5 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 2021.

Change in the net fair value of electricity derivates 2021



FINANCIAL STATEMENTS

- > 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



Accounting principles

FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities

The Group classifies the financial as-sets 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 busi-ness model and the contract-based cash flows from the investments.

Financial assets

Other financial assets can include bank deposits of more than three months and investments in short-term fixed income funds.

Investments in short-term fixed in-come funds and bank deposits of more than three months have been classified and entered at fair value in the income statement.

The Group actively tests each in-strument for impairment and if the impairment criteria are met, the im-

pairment is entered in the income statement.

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. Cash and cash equivalents are recognised at amortised cost.

Financial liabilities

Financial liabilities consist of loans and derivative instruments. Loans are items recognised at amortised cost. Loans are recognised in accounting with transaction costs deducted, af-ter which the loans are measured at amortised cost using the effective interest rate method.

Other long-term investments

The company has recognised long-term investments at fair value. The value of the shares is determined by the company’s sole asset, i.e. the val-ue of Nord Pool AS’s shares. This has been calculated by using the most recent market value of the shares, which has been verified against the offers received during the planned sales process.



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-meas-ured at fair value. Changes in the fair value of derivatives are recognised in the income statement under fi-nance income and costs. The com-pany uses derivative contracts only for hedging purposes according to the Corporate Finance principles, the Treasury policy and the loss en-ergy policy.

Electricity derivatives

The company enters into electric-ity derivative contracts in order to hedge the price risk of electricity purchases in accordance with the loss power forecast.

Interest and currency derivatives

The company enters into derivative contracts in order to hedge loans’ interest rate and foreign exchange risk and the foreign exchange risk of purchases in compliance with the Corporate Finance Principles ap-proved by the Board of Directors.

The fair value of derivatives on the reporting date are based on cal-culation methods in line with mar-ket practice. Foreign exchange for-wards have been measured at the forward prices. Interest rate and currency swaps have been meas-ured at the present value on the ba-sis of the yield curve of each curren-cy. Interest rate options have been valued using generally accepted op-tion pricing models in the market.

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.

- > 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

06

Other information (IFRS)

- 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.



FINANCIAL STATEMENTS

- > 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

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 capacity 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 by 31 December 2021 consisted of a deficit of roughly EUR 80,000.

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 3.8 million electricity metering points. The information contained in the Datahub is used by approximately 100 electricity suppliers and over 80 distribution network companies serving electricity consumers. The go-live of the Datahub system was in February 2022.

The consolidated associated company is eSett Oy (ownership 25.0%). eSett manages the Nordic Balance Settlement (NBS).

The investments in associated companies included in the balance sheet are composed of the following:

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 0.6 (0.9) 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.

24. Investments in associated companies

€ 1,000	2021	2020
Non-current		
Interests in associated companies	1,854	1,806
Loan receivables from associated companies	188	563
Current		
Loan receivables from associated companies	375	375
Total	2,416	2,744

FINANCIAL STATEMENTS

- > 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

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 (%)
2021								
eSett Oy	5,953	750	131,157	128,945	7,469	158		25,0
2020								
eSett Oy	5,792	2,250	45,098	41,416	7,726	379		25,0

The Group's associated companies indicated in the tables are treated in the consolidated financial statements using the equity method of accounting.

Equity investments in associated companies

€ 1,000	2021	2020
Cost at 1 Jan	1,806	11,012
Increases	48	
Decreases		-9,189
Share of profit		-6
Translation reserve		-11
Carrying amount 31 Dec	1,854	1,806

Transactions with associated companies

€ 1,000	2021	2020
Sales	38	105
Expense adjustments	8	13
Purchases	1,991	2,178
Receivables	10	5,342
Liabilities	2,254	1,961
Loan receivables	563	938

There are no material temporary differences related to associated companies on which deferred tax assets or liabilities have been recognised.

The subsidiaries, associated company and parent company (Fingrid Oyj) described above are related parties of the Group. In addition, the shareholder entities mentioned in chapter 5.5 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. The company applies in its related party disclosures the practical relief as defined in IAS 24.25.

FINANCIAL STATEMENTS

- > 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



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 impair-

ment 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.

- > 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

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. Emission rights purchased in 2021 amounted to 5,105 units (tCO₂). Emissions trading had minor financial significance for Fingrid. CO₂ emissions included in emissions trading totalled 5,344 tonnes in 2021 (5,000).



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	2021	2020
Provisions for creosote-impregnated towers 1 Jan	1,368	1,393
Provision increases	1,784	
Provisions used	-44	-26
Provisions 31 Dec	3,107	1,368



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 discounting 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.

FINANCIAL STATEMENTS

- > 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

26. Commitments and contingent liabilities

€ 1,000	2021	2020
Pledges	483	490
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	532	681
Commitment fee for subsequent years	1,250	276
	1,820	994
Unrecognised investment commitments	230,799	200,141

The investment commitments consist of agreements signed by the company to carry out grid construction projects and to procure the datahub system.

Payment obligations from right-of-use agreements for reserve power plants:	2021	2020
In one year	8,535	8,810
In more than one year and less than five years	19,610	24,486
In more than five years	8,722	12,159
Total	36,867	45,456

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.

Events after the closing date

Fingrid Group's profit for the 2022 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to decrease somewhat compared to 2021. 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. The company has analysed the direct risks linked to the Ukraine conflict from the perspective of the company and Finland's power system. Based on the analysis, the risks to Fingrid are minimal, and Finland is not dependent on electricity imported from Russia.

Jukka Metsälä, M.Sc. (Tech.), MBA, was appointed on 7 February 2022 as Fingrid's new CFO and member of the executive management group as of 5 May 2022, and his area of responsibility is the company's finances and treasury, and business development and strategy. Tuomas Rauhala, D.Sc. (Tech.) was appointed on 24 February 2022 as Senior Vice President of Power System Operations and as a member of the executive management group as of 1 June 2022. Metsälä and Rauhala will report to the company's President & CEO Jukka Ruusunen.

FINANCIAL STATEMENTS

- > 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

A new company, Nordic RCC A/S was established on 18 January 2022 for the incorporation of the operational planning office (Regional Security Coordinator, RSC) of the four Nordic transmission system operators, located in Copenhagen. Nordic RCC A/S will start up its operations on 1 July 2022, when the RSC will terminate its activities.

On 26 January 2022, the European Union granted funding of EUR 127 million for the Aurora Line transmission link between Finland and Sweden. Fingrid’s share will be approximately EUR 110 million. The granted funding is part of the Connecting Europe Facility funding instrument. The new AC connection between Finland and Sweden, to be completed in 2025, is the decade’s most important grid investment, which had already previously been selected as an EU Project of Common Interest (PCI). The connection is considered to be of common interest for the whole of Europe.

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 1 March 2022. 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.

- > 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

07

Parent company financial statements (FAS)

7.1 PARENT COMPANY INCOME STATEMENT

€	Notes	Jan-Dec/2021	Jan-Dec/2020
TURNOVER	2	1,091,127,329.60	679,761,088.99
Other operating income	3	2,663,322.17	2,387,376.73
Materials and services	4	-764,768,389.00	-392,887,919.08
Personnel costs	5	-33,711,021.18	-31,288,465.38
Depreciation and amortisation expense	6	-99,923,012.18	-98,490,649.66
Other operating expenses	7,8	-39,991,155.47	-38,046,809.01
OPERATING PROFIT		155,397,073.94	121,434,622.59
Finance income and costs	9	-9,283,492.17	-3,755,056.47
PROFIT BEFORE APPROPRIATIONS AND TAXES		146,113,581.77	117,679,566.12
Appropriations			
Change in depreciation difference		20,000,000.00	50,000,000.00
Income taxes	10	-32,619,700.96	-31,665,202.54
PROFIT FOR THE FINANCIAL YEAR		133,493,880.81	136,014,363.58

Notes are an integral part of the financial statements.



FINANCIAL STATEMENTS

- > 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

7.2 PARENT COMPANY BALANCE SHEET

ASSETS, €	Notes	31 Dec 2021	31 Dec 2020
Intangible assets:			
Other intangible assets	12	65,738,210.44	68,449,068.80
		65,738,210.44	68,449,068.80
Tangible assets	13		
Land and water areas		20,407,442.48	19,874,372.86
Buildings and structures		268,923,781.58	250,216,480.78
Machinery and equipment		539,754,722.10	543,419,211.39
Transmission lines		692,247,023.19	713,280,864.76
Other property, plant and equipment		117,516.35	117,516.35
Prepayments and purchases in progress		232,037,080.05	146,605,500.10
		1,753,487,565.75	1,673,513,946.24
Interests in Group companies		843,310.86	843,310.86
Interests in associated companies		1,500,675.00	1,500,675.00
Other shares and interests		6,586,678.95	6,586,678.95
		8,930,664.81	8,930,664.81
TOTAL NON-CURRENT ASSETS		1,828,156,441.00	1,750,893,679.85

ASSETS, €	Notes	31 Dec 2021	31 Dec 2020
Inventories	15	14,232,769.37	13,683,632.00
Loan receivables from Group companies	16	57,064,069.33	34,569,737.78
Loan receivables from associated companies	16	187,500.00	562,500.00
Deferred tax assets	10	7,949,781.12	7,059,301.53
Other receivables	16	67,645.43	47,991.93
		65,268,995.88	42,239,531.24
Trade receivables		99,707,737.23	76,490,165.63
Receivables from Group companies	17	1,203,495.93	1,030,989.34
Receivables from associated companies	18	384,568.92	5,720,334.69
Other receivables		3,698,231.18	3,821,201.20
Prepayments and accrued income	19,20	30,023,870.00	19,569,147.32
		135,017,903.26	106,631,838.18
Financial securities	21	119,525,165.40	79,372,646.16
Cash in hand and bank receivables	21	99,279,656.50	45,645,221.78
TOTAL CURRENT ASSETS		433,324,490.41	287,572,869.36
TOTAL ASSETS		2,261,480,931.41	2,038,466,549.21

Notes are an integral part of the financial statement.

FINANCIAL STATEMENTS

- > 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

SHAREHOLDERS' EQUITY AND LIABILITIES, €	Notes	31 Dec 2021	31 Dec 2020
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		51,137,102.32	50,736,938.74
Profit for the financial year		133,493,880.81	136,014,363.58
TOTAL SHAREHOLDERS' EQUITY		296,475,954.23	298,596,273.42
ACCUMULATED APPROPRIATIONS	23	278,896,757.27	298,896,757.27
PROVISIONS FOR LIABILITIES AND CHARGES	30	3,107,000.00	1,367,646.78

SHAREHOLDERS' EQUITY AND LIABILITIES, €	Notes	31 Dec 2021	31 Dec 2020
LIABILITIES			
Non-current liabilities			
Bonds	24,25	700,989,990.71	730,989,990.90
Loans from financial institutions		289,891,774.84	272,554,112.51
Accruals	29	369,341,658.70	214,791,522.82
		1,360,223,424.25	1,218,335,626.23
CURRENT LIABILITIES			
Bonds	24	30,000,000.00	
Loans from financial institutions		17,662,337.71	67,662,337.71
Trade payables		28,626,829.35	26,471,817.91
Liabilities to Group companies	26	597,840.94	511,585.92
Liabilities to associated companies	27	2,254,468.07	1,961,280.55
Other liabilities	28	87,017,749.89	87,868,793.69
Accruals	29	156,618,569.70	36,794,429.73
		322,777,795.66	221,270,245.51
TOTAL LIABILITIES		1,683,001,219.91	1,439,605,871.74
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,261,480,931.41	2,038,466,549.21

Notes are an integral part of the financial statements.

FINANCIAL STATEMENTS

- > 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

7.3 PARENT COMPANY CASH FLOW STATEMENT

€	Note	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
Cash flow from operating activities:			
Profit before taxes		146,113,581.77	117,679,566.12
Adjustments:			
Depreciation		99,923,012.18	98,490,649.66
Capital gains/losses (+/-) on tangible and intangible assets		68,954.26	498,043.56
Interest and other finance costs		9,283,492.17	3,755,056.47
Changes in working capital:			
Change in trade receivables and other receivables		-27,111,697.50	-14,679,567.98
Change in inventories		-549,137.37	-1,616,774.14
Change in trade payables and other liabilities		-5,916,736.31	-12,271,967.87
Congestion income		283,775,995.54	146,748,285.71
Change in provisions		-44,400.00	-25,500.00
Interest paid		-20,784,954.35	-22,956,513.27
Interest received		6,805,836.61	9,347,852.85
Taxes paid	10	-35,219,463.12	-40,694,783.57
Net cash flow from operating activities		456,344,483.88	284,274,347.54
Cash flow from investing activities:			
Purchase of property, plant and equipment	13	-178,089,707.31	-134,512,015.15
Purchase of intangible assets	12	-12,500,171.24	-11,795,943.33
Proceeds from sale of property, plant and equipment	13	1,206,000.00	840,000.00
Loans granted		-21,500,000.00	-12,500,000.00
Repayment of loan receivables		375,000.00	375,000.00
Dividends received	9	3,014,393.53	9,375,264.20
Net cash flow from investing activities		-207,494,485.02	-148,217,694.28

€	Note	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
Cash flow from financing activities:			
Proceeds from current financing (liabilities)		195,413,049.53	227,337,686.48
Payments of current financing (liabilities)		-232,351,337.04	-270,498,378.92
Proceeds from non-current financing (liabilities)		35,000,000.00	164,666,785.78
Payments of non-current financing (liabilities)		-17,662,337.67	-67,662,337.66
Change in group account receivables and liabilities		130,626.32	1,374,855.93
Dividends paid	22	-135,614,200.00	-148,248,800.00
Net cash flow from financing activities		-155,084,198.86	-93,030,188.39
Change in cash and cash equivalents and financial assets			
		93,765,800.00	43,026,464.87
Cash and cash equivalents and financial assets 1 Jan		125,142,075.78	82,115,610.91
Cash and cash equivalents and financial assets 31 Dec	21	218,907,875.78	125,142,075.78

Notes are an integral part of the financial statements.

FINANCIAL STATEMENTS

- 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

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:

Goodwil **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 **3-5 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**

FINANCIAL STATEMENTS

- > 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

- 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.

Cash in hand, bank receivables and financial securities
Cash in hand and bank receivables include cash assets and bank balances. Financial securities are investments in short-term fixed income funds or time deposits in banks. 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 chapters 5.2 and 5.3 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.

FINANCIAL STATEMENTS

- > 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

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	2021	2020
Grid service income	403,504	382,730
Imbalance power sales	600,490	260,823
Cross-border transmission	34,440	6,918
ITC income	22,633	17,147
Other operating income	30,060	12,142
Total	1,091,127	679,761

3. Other operating income,

€1,000	2021	2020
Rental income	475	526
Capital gains of fixed assets	494	577
Contributions received	224	547
Other income	1,471	738
Total	2,663	2,387

4. Materials and services

€1,000	2021	2020
Purchases during the financial year	650,978	295,605
Loss energy purchases	65,591	52,590
Change in inventories, increase (-) or decrease (+)	-549	-1,617
Materials and consumables	716,021	346,578
Services	48,748	46,310
Total	764,768	392,888

FINANCIAL STATEMENTS

- > 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

5. Personnel expenses

€1,000	2021	2020
Salaries and bonuses	28,308	26,739
Pension expenses	4,397	3,660
Other personnel expenses	1,007	889
Total	33,711	31,288

Salaries and bonuses of the members of the Board of Directors and President and CEO, €1,000

	2021	2020
Juhani Järvi, Chairman (since 6 June 2014)	43	43
Päivi Nerg, Vice Chairman (since 28 March 2018)	36	26
Sanna Syri, Member of the Board (since 14 April 2015)	22	23
Esko Torsti, Member of the Board (since 22 March 2012)	22	22
Anu Hämäläinen, Member of the Board (until 20 March 2020)		7
Hannu Linna, Member of the Board (since 20 March 2020)	22	17
Jukka Ruusunen, President and CEO	506	504

Number of salaried employees in the company during the financial year:

	2021	2020
Personnel, average	417	382
Personnel, 31 Dec	428	389

6. Depreciation according to plan

€1,000	2021	2020
Other non-current expenses	6,565	6,958
Buildings and structures	11,697	10,896
Machinery and equipment	43,586	43,033
Transmission lines	38,074	37,603
Total*	99,923	98,491
* depreciation on the electricity grid (notes 12 and 13)	96,440	94,423

7. Other operating expenses

€1,000	2021	2020
Contracts, assignments etc. undertaken externally	25,009	23,651
Grid rents	241	255
Other rental expenses	3,498	3,384
Other costs	11,243	10,757
Total	39,991	38,047

8. Auditors' fees

€1,000	2021	2020
PricewaterhouseCoopers Oy		
Auditing fee	125	106
Other fees	37	33
Total	162	139

- > 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

9. Finance income and costs

€1,000	2021	2020
Dividend income from Group companies	110	
Dividend income from others	2,904	8,357
Interest income from Group companies	1,234	815
Interest income from associated companies	8	13
Interest and other finance income from others	6,756	10,097
	11,012	19,282
Interest and other finance costs to others	-20,296	-23,037
Total	-9,283	-3,755

10. Income taxes

€1,000	2021	2020
Income taxes for the financial year	33,522	29,760
Income taxes for the previous financial years	-12	-38
Changes in deferred taxes	-890	1,943
Total	32,620	31,665

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	2021	2020
On temporary differences from congestion income	7,950	7,059
Total	7,950	7,059

Deferred tax assets and liabilities of balance sheet, €1,000	2021	2020
Deferred tax assets		
On temporary differences	621	279
	621	279

Deferred tax liabilities	2021	2020
On temporary differences	529	186
On appropriations	55,779	59,779
	56,309	59,966
Total	55,687	59,687

FINANCIAL STATEMENTS

- > 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

11. Goodwill

€1,000	2021	2020
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	2021	2020
Cost at 1 Jan	176,916	175,780
Increases 1 Jan–31 Dec	3,975	1,469
Decreases 1 Jan–31 Dec	-188	-333
Cost at 31 Dec	180,704	176,916
Accumulated depreciation according to plan 1 Jan	-108,467	-101,572
Decreases, depreciation according to plan 1 Jan–31 Dec	67	64
Depreciation according to plan 1 Jan–31 Dec	-6,565	-6,958
Carrying amount 31 Dec	65,738	68,449
Accumulated depreciation difference 1 Jan	-45,400	-47,252
Changes in depreciation difference reserve 1 Jan–31 Dec	841	1,852
Accumulated depreciation in excess of plan 31 Dec	-44,559	-45,400

*Net capital expenditure in electricity grid, €1,000	2021	2020
Carrying amount 31 Dec	61,251	64,880
Carrying amount 1 Jan	-64,880	-68,679
Depreciation according to plan 1 Jan–31 Dec	4,122	4,108
Decreases 1 Jan–31 Dec	121	270
Total	614	579

FINANCIAL STATEMENTS

- > 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

13. Tangible assets

€1,000	2021	2020
Land and water areas		
Cost at 1 Jan	19,874	19,641
Increases 1 Jan–31 Dec	620	234
Decreases 1 Jan–31 Dec	-87	
Cost at 31 Dec	20,407	19,874
Buildings and structures		
Cost at 1 Jan	350,025	331,914
Increases 1 Jan–31 Dec	30,932	18,111
Decreases 1 Jan–31 Dec	-3,015	
Cost at 31 Dec	377,942	350,025
Accumulated depreciation according to plan 1 Jan	-99,808	-88,912
Decreases, depreciation according to plan 1 Jan–31 Dec	2,487	
Depreciation according to plan 1 Jan–31 Dec	-11,697	-10,896
Carrying amount 31 Dec	268,924	250,216
Accumulated depreciation difference 1 Jan	-13,538	-13,400
Changes in depreciation difference reserve 1 Jan–31 Dec	-1,047	-138
Accumulated depreciation in excess of plan 31 Dec	-14,584	-13,538
Machinery and equipment		
Cost at 1 Jan	1,256,286	1,230,589
Increases 1 Jan–31 Dec	39,946	28,135
Decreases 1 Jan–31 Dec	-367	-2,439
Cost at 31 Dec	1,295,864	1,256,286
Accumulated depreciation according to plan 1 Jan	-712,867	-671,198
Decreases, depreciation according to plan 1 Jan–31 Dec	343	1,364
Depreciation according to plan 1 Jan–31 Dec	-43,586	-43,033
Carrying amount 31 Dec	539,755	543,419

€1,000	2021	2020
Accumulated depreciation difference 1 Jan	-3,053	-29,213
Changes in depreciation difference reserve 1 Jan–31 Dec	10,532	26,160
Accumulated depreciation in excess of plan 31 Dec	7,479	-3,053
Transmission lines		
Cost at 1 Jan	1,334,769	1,326,918
Increases 1 Jan–31 Dec	17,659	8,682
Decreases 1 Jan–31 Dec	-1,135	-831
Cost at 31 Dec	1,351,293	1,334,769
Accumulated depreciation according to plan 1 Jan	-621,488	-584,471
Decreases, depreciation according to plan 1 Jan–31 Dec	516	586
Depreciation according to plan 1 Jan–31 Dec	-38,074	-37,603
Carrying amount 31 Dec	692,247	713,281
Accumulated depreciation difference 1 Jan	-236,906	-259,033
Changes in depreciation difference reserve 1 Jan–31 Dec	9,674	22,126
Accumulated depreciation in excess of plan 31 Dec	-227,232	-236,906
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	146,606	50,294
Increases 1 Jan–31 Dec	176,779	152,942
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-91,349	-56,631
Cost at 31 Dec	232,037	146,606
Tangible assets total*	1,753,488	1,673,514

FINANCIAL STATEMENTS

[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](#)

*Net capital expenditure in electricity grid, €1,000	2021	2020
Carrying amount 31 Dec	1,719,854	1,647,656
Carrying amount 1 Jan	-1,647,656	-1,589,030
Depreciation according to plan 1 Jan–31 Dec	92,318	90,315
Decreases 1 Jan–31 Dec	1,183	1,319
Total	165,699	150,260

Fingrid's reserve power plants are included in the property, plant and equipment of the transmission system.

14. Investments

€1,000	2021	2020
Interests in Group companies		
Cost at 1 Jan	843	843
Cost at 31 Dec	843	843
Interests in associated companies		
Cost at 1 Jan	1,501	8,087
Transfers between items 1 Jan–31 Dec		-6,587
Cost at 31 Dec	1,501	1,501
Other shares and interests		
Cost at 1 Jan	6,587	
Transfers between items 1 Jan–31 Dec		6,587
Cost at 31 Dec	6,587	6,587
Investments total	8,931	8,931

15. Inventories

€1,000	2021	2020
Materials and consumables at 31 Dec	14,233	13,684
Total	14,233	13,684

16. Other non-current receivables

€1,000	2021	2020
Loan receivables from Group companies	57,064	34,570
Loan receivables from associated companies	188	563
Deferred tax assets	7,950	7,059
Other non-current receivables	68	48
Total	65,269	42,240

17. Receivables from group companies

€1,000	2021	2020
Current:		
Trade receivables		138
Interest receivables	663	424
Other receivables	541	469
Total	1,203	1,031

FINANCIAL STATEMENTS

- > 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

18. Receivables from associated companies

€1,000	2021	2020
Current:		
Interest receivables	2	3
Loan receivables	375	375
Prepayments and accrued income	8	13
Other receivables		5,329
Total	385	5,720

19. Accrued income

€1,000	2021	2020
Interest and other financial items	4,411	4,577
Accruals of sales and purchases	24,612	14,992
Tax assets	1,001	
Total	30,024	19,569

20. Unrecorded expenses and par value differentials on the issue of loans included in accrued income

€1,000	2021	2020
Par value differentials	786	1,004

21. Cash and cash equivalents

€1,000	2021	2020
Short-term fixed income funds	99,525	79,373
Cash in hand and bank receivables	99,280	45,645
Bank deposits	20,000	
Total	218,805	125,018

22. Shareholders' equity

€1,000	2021	2020
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	186,751	198,986
Dividend distribution	-135,614	-148,249
Profit from previous financial years 31 Dec	51,137	50,737
Profit for the financial year	133,494	136,014
Shareholders' equity 31 Dec	296,476	298,596
Distributable shareholders' equity	184,631	186,751

FINANCIAL STATEMENTS

[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](#)

Number of shares	Series A shares	Series B shares	Total
1 Jan 2021	2,078	1,247	3,325
31 Dec 2021	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 divi-

dends 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	2021	2020
Accumulated depreciation from the difference between depreciation according to plan and depreciation carried out in taxation	278,897	298,897
Total	278,897	298,897

24. Bonds

€1,000				2021	2020
Currency	Nominal value	Maturity	Interest	Balance sheet value	
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	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	2,888%	30,000	30,000
				675,000	675,000
NOK	100,000	16 Sep 2025	4,31%	12,512	12,512
NOK	500,000	8 Apr 2030	2,72%	43,478	43,478
				55,990	55,990
Bonds, long-term total				700,990	730,990
Bonds, short-term total				30,000	
Total				730,990	730,990

FINANCIAL STATEMENTS

- > 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

25. Loans falling due in five years or more

€1,000	2021	2020
Bonds	288,478	288,478
Loans from financial institutions	150,333	146,073
Total	438,811	434,552

26. Liabilities to group companies

€1,000	2021	2020
Current:		
Other liabilities	598	512
Total	598	512

27. Liabilities to associated companies

€1,000	2021	2020
Current:		
Trade payables	2,254	1,961
Total	2,254	1,961

28. Other liabilities

€1,000	2021	2020
Current:		
Other loans/Commercial papers (international and domestic)	85,216	72,155
Value added tax	15	9,760
Electricity tax	899	4,251
Advances received		923
Other liabilities	887	779
Total	87,018	87,869

FINANCIAL STATEMENTS

- > 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

29. Accruals

€1,000	2021	2020
Non-current:		
Congestion income	369,342	214,792
Total	369,342	214,792
Current:		
Interest and other financial items	12,320	12,576
Salaries and additional personnel expenses	8,572	7,265
Accruals of sales and purchases	16,351	11,911
Tax debts		708
Congestion income	119,375	4,334
Total	156,619	36,794
Total	525,960	251,586

**Information on the accrual and use of congestion income can be found in note 34*

30. Provisions for liabilities and charges

€1,000	2021	2020
Creosote-impregnated and CCA-impregnated wooden towers, disposal costs	3,107	1,368
Total	3,107	1,368

- > 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

31. Derivative agreements

€1,000	2021				2020				Hierarchy level
Interest rate and currency derivatives	Fair value pos. 31.12.21	Fair value neg. 31.12.21	Net fair value 31.12.21	Nominal value 31.12.21	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Nominal value 31.12.20	
Cross-currency swaps	5,067	-1,989	3,078	55,990	13,284	-9,911	3,373	55,990	Level 2
Forward contracts	77		77	3,335	117	-16	101	3,983	Level 2
Interest rate swaps	13,384	-567	12,817	305,000	28,258	-5,684	22,574	305,000	Level 2
Bought interest rate options	775		775	550,000	142		142	860,000	Level 2
Total	19,302	-2,556	16,746	914,325	41,801	-15,612	26,190	1,224,973	
	Fair value pos. 31.12.21	Fair value neg. 31.12.21	Net fair value 31.12.21	Volume TWh 31.12.21	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Volume TWh 31.12.20	
Electricity derivatives									
	78,193	-113	78,081	5.73	21,678	-5,865	15,813	5.51	Level 1
Electricity forward contracts. NASDAQ OMX Commodities	78,193	-113	78,081	5.73	21,678	-5,865	15,813	5.51	
Total									

FINANCIAL STATEMENTS

- > 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

32. Commitments and contingent liabilities

€1,000	2021	2020
Rental liabilities		
Liabilities for the next year	3,640	3,471
Liabilities for subsequent years	32,019	33,299
	35,658	36,770
Right-of-use agreements		
Liabilities for the next year	8,535	8,810
Liabilities for subsequent years	28,332	36,645
	36,867	45,456
Pledges given as collateral for regulatory charges	483	490
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	532	681
Liabilities for subsequent years	1,250	276
	1,820	994
Unrecognised investment commitments	221,407	182,678

The investment commitments consist of agreements signed by the company to carry out grid construction projects.

33. 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 po-

wer 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 eSett 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.

FINANCIAL STATEMENTS

- > 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

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

- the basis of imputed debt

Income taxes

- based on result

The average number of personnel during 2021 was 8 (8). The operating profit was -0.4 (-1.4) per cent of turnover.

Management of balance operation, separated income statement

€1,000	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
TURNOVER	627,765	272,451
Materials and services	-627,991	-274,114
Personnel costs	-859	-751
Depreciation and amortisation expense	-504	-540
Other operating expenses	-984	-907
OPERATING PROFIT	-2,574	-3,861
Finance income and costs	8	13
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-2,566	-3,849
Appropriations	-59	-208
PROFIT/LOSS FOR THE FINANCIAL YEAR	-2,625	-4,057

- > 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

Management of balance operation, separated balance sheet

ASSETS, €1,000	31 Dec 2021	31 Dec 2020
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	707	278
Tangible assets		
Machinery and equipment	55	105
Investments		
Interests in associated companies	1,501	1,501
TOTAL NON-CURRENT ASSETS	2,263	1,884
CURRENT ASSETS		
Non-current		
Loan receivables from associated companies	188	563
Current receivables		
Trade receivables	16,547	3,891
Receivables from associated companies	10	5,332
Other receivables	13,200	1,044
	29,757	10,267
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	29,945	10,831
TOTAL ASSETS	32,208	12,714

SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31.12.2021	31.12.2020
EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	10,008	14,065
Profit for the financial year	-2,625	-4,057
TOTAL SHAREHOLDERS' EQUITY	7,700	10,326
ACCUMULATED APPROPRIATIONS	-551	-610
LIABILITIES		
Current liabilities		
Trade payables	2,921	822
Liabilities to Group companies	19,883	216
Liabilities to associated companies	2,254	1,961
	25,059	2,999
TOTAL LIABILITIES	25,059	2,999
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	32,208	12,714

FINGRID

ANNUAL REPORT 2021

FINANCIAL STATEMENTS

- > 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

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 de-

velopment 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, 2021	1 Jan - 31 Dec, 2020
TURNOVER	407	519
Other operating expenses	-194	-202
OPERATING PROFIT	213	317
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	213	317
Income taxes	-43	-63
PROFIT/LOSS FOR THE FINANCIAL YEAR	170	253

Development of information exchange, separated balance sheet

ASSETS, €1,000	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
CURRENT ASSETS		
Receivables from Group companies	160	
Other receivables	2	30
TOTAL CURRENT ASSETS	162	30
TOTAL ASSETS	162	30

Shareholders' equity and liabilities, €1,000	31 Dec 2021	31 Dec 2020
EQUITY		
Share capital	3	3
Profits/losses from previous financial years	-105	-358
Profit for the financial year	170	253
TOTAL SHAREHOLDERS' EQUITY	68	-103
LIABILITIES		
Current liabilities		
Trade payables	94	21
Liabilities to Group companies		112
	94	133
TOTAL LIABILITIES	94	133
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	162	30

FINANCIAL STATEMENTS

- > 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

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 data-hub 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

Separated income statement

	Transmission system operation	Other operation
€1,000	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2021
TURNOVER	1,088,921	2,207
Other operating income	2,663	
Materials and services	-764,768	
Personnel costs	-33,302	-409
Depreciation and amortisation expense	-99,923	
Other operating expenses	-38,194	-1,797
OPERATING PROFIT	155,397	0
Finance income and costs	-10,627	1,344
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	144,770	1,344
Appropriations	20,000	
Income taxes	-32,351	-269
PROFIT/LOSS FOR THE FINANCIAL YEAR	132,419	1,075

FINANCIAL STATEMENTS

- > 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

Separated balance sheet

	Transmission system operation	Other operation
ASSETS, €1,000	31 Dec 2021	31 Dec 2021
Intangible assets:		
Other intangible assets	65,738	
	65,738	
Tangible assets		
Land and water areas	20,407	
Buildings and structures	268,924	
Machinery and equipment	539,755	
Transmission lines	692,247	
Other property, plant and equipment	118	
Prepayments and purchases in progress	232,037	
	1,753,488	
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	1,827,313	843

	Transmission system operation	Other operation
ASSETS, €1,000	31 Dec 2021	31 Dec 2021
CURRENT ASSETS		
Inventories	14,233	
Receivables		
Non-current		
Loan receivables from Group companies		57,064
Loan receivables from associated companies	188	
Deferred tax assets	7,950	
Other receivables	68	
	8,205	57,064
Current		
Trade receivables	99,708	
Receivables from Group companies	57,286	1,203
Receivables from associated companies	385	
Other receivables	2,227	
Prepayments and accured income	31,495	
	191,100	1,203
Financial securities	119,525	
Cash in hand and bank receivables	99,280	
TOTAL CURRENT ASSETS	432,343	58,268
TOTAL ASSETS	2,259,656	59,111

- > 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

Separated balance sheet

	Transmission system operation	Other operation
SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31 Dec 2021	31 Dec 2021
EQUITY		
Share capital	55,920	3
Share premium account	55,922	
Profit from previous financial years	51,102	35
Profit for the financial year	132,419	1,075
TOTAL SHAREHOLDERS' EQUITY	295,363	1,113
ACCUMULATED APPROPRIATIONS	278,897	
PROVISIONS FOR LIABILITIES AND CHARGES	3,107	
LIABILITIES		
Non-current liabilities		
Bonds	700,990	
Loans from financial institutions	289,892	
Accruals	369,342	
	1,360,223	

	Transmission system operation	Other operation
SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31 Dec 2021	31 Dec 2021
Current liabilities		
Bonds	30,000	
Loans from financial institutions	17,662	
Trade payables	28,627	
Liabilities to Group companies		57,883
Liabilities to associated companies	2,254	
Other liabilities	87,007	11
Accruals	156,514	104
	322,065	57,998
TOTAL LIABILITIES	1,682,289	57,998
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,259,656	59,111

FINANCIAL STATEMENTS

- > 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

Other non-current assets included in the separated balance sheet for grid operations

Separated balance sheet

Transmission system operation	
ASSETS, €1,000	31 Dec 2021
Intangible assets:	
Other intangible assets	4,487
	4,487
Tangible assets	
Land and water areas	17,283
Buildings and structures	10,971
Machinery and equipment	2,615
Transmission lines	2,647
Other property, plant and equipment	118
Prepayments and purchases in progress	232,037
	265,670
TOTAL NON-CURRENT ASSETS	270,157

34. Congestion income in grid operations

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 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 488.7 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	2021	2020
Congestion income on 1 Jan	219,126	72,378
Accumulated congestion income	283,776	146,748
Investments matching congestion income	-14,186	
Congestion income on 31 Dec	488,716	219,126

FINANCIAL STATEMENTS

- > 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

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	2021	2020
Countertrade between Finland and Sweden	260	91
Countertrade between Finland and Estonia	209	226
Countertrade between Finland's internal connections	2,030	370
Total counter-trade	2,499	687

35. Emission rights

The use of emission rights had no impact on the financial result in 2021.

	2021	2020
Total CO ₂ -emissions tCO ₂	5,344	5,000

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 inter-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	2021	2020
TURNOVER	2,365	1,279
Personnel costs	-349	-189
Other operating expenses	-1,903	-1,029
OPERATING PROFIT	113	61
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	113	61
Income taxes	-25	-13
PROFIT/LOSS FOR THE FINANCIAL YEAR	88	48

- > 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

08

Signatures for the annual review and for the financial statements

Helsinki, 1 March 2022

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, 1 March 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila, APA

Corporate Governance Statement

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

Contents



1. GENERAL3

2. DESCRIPTION OF FINGRID'S ADMINISTRATIVE BODIES4

3. GENERAL MEETING.....5

Shareholders' Nomination Board6

4. BOARD OF DIRECTORS7

Duties of the Board of Directors 7

Board of Directors in 2021 8

Diversity of the Board of Directors 12

5. BOARD COMMITTEES13

Audit committee13

Remuneration committee..... 14

6. MANAGING DIRECTOR AND THE DEPUTY MANAGING DIRECTOR..... 15

7. COMPANY MANAGEMENT 15

Executive management group 16

8. ADVISORY COMMITTEE21

9. INTERNAL CONTROL AND RISK MANAGEMENT 22

Internal control and risk management principles22

Arrangement of internal control and risk management and distribution of responsibility.....23

Arrangement of internal control and risk management related to the financial reporting proces23



10. FINANCIAL AUDIT AND INTERNAL AUDIT 26

Financial audit 26

Internal audit 26

11. RELATED PARTY TRANSACTIONS27

12. MAIN PROCEDURES RELATING TO INSIDER ADMINISTRATION 28



- > **General**
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

01

General

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

The company's activities are primarily regulated by the Electricity Market Act. The Electricity Market Act stipulates that Fingrid's governance and its grid operations must be independent

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

Fingrid's corporate governance statement has been drawn up as a separate report from the annual review and has been processed by Fingrid's Board and the Board's audit committee. Fingrid's auditing organisation Pricewaterhouse-



Coopers 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.

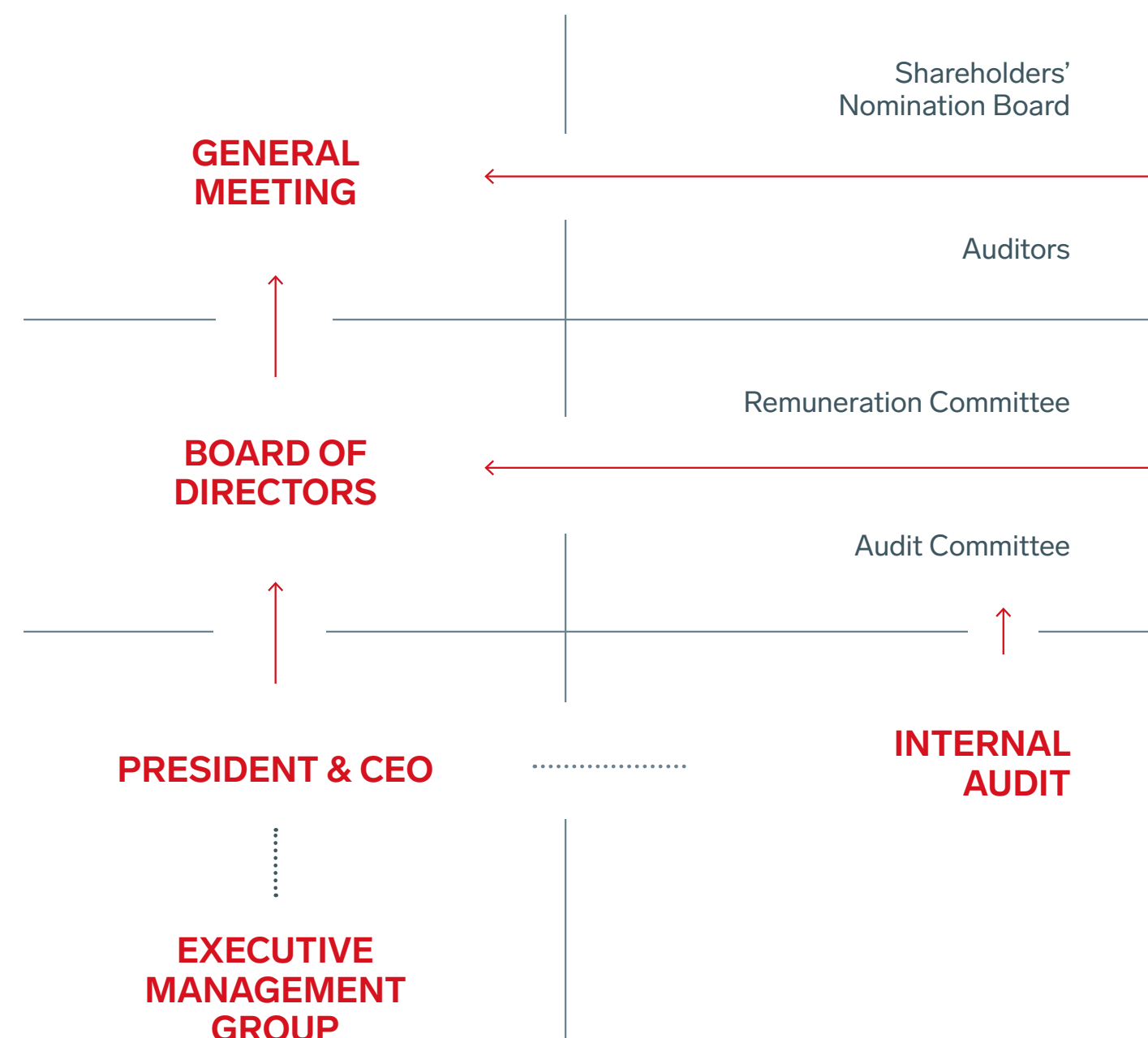
CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

02

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.



- > General
- > Description of Fingrid's administrative bodies
- > **General meeting**
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

03

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 (Osakeyhtiöla-ki, 324/2006) so requires.

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

shareholder to the address entered in the share register of the company.

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

- Proposals concerning the composition and remuneration of the Board and the auditors
- Remuneration report of the governing bodies
- Methods complied with while preparing the proposal for the election of the Board
- Information on the proposed Board members and an assessment of their independence
- Other proposals made by the shareholders and to be addressed by the general meeting

- Documents to be submitted to the general meeting
- Board proposals for decisions
- Procedure according to which the Board members are to be appointed in compliance with the articles of association

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

FINGRID

ANNUAL REPORT 2021

CORPORATE GOVERNANCE STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > **General meeting**
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

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 7th April 2021. 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 company's annual general meeting each year, and no later than the 31st of January preceding the next annual general meeting.

The members of the Shareholders' Nomination Board as of 7 April 2021 until 1 September 2021 were Karri Safo, Senior Government Adviser, 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 Erkkö Ryytänen, Director, OP, nominated by Aino Holdingyhtiö Ky, and as of 1 September 2021, Karri Safo, Senior Government Adviser, Ministry of Finance, nominated by the state of Finland; Mikko Räsänen, Senior Portfolio Manager, Ilmarinen, nominated by Mutual Pension Insurance Company Ilmarinen; and Erkkö Ryytänen, 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 2021, the Nomination Board convened three (3) times and the meeting attendance percentage was 100. The Nomination Board prepared a proposal on the number of members, the composition and remuneration of the Board of

Direc-tors to the annual general meet-ing and evaluated the activities of the Board of Directors.

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > **Board of Directors**
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

04

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 pres-

ent, 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 term 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



CORPORATE GOVERNANCE STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

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 executive management group members;
- Holds part of the meeting at least once a year without the presence of executive management;
- Holds part of the meeting at least once a year with the auditor without the presence of executive management;
- Assesses its own activities, work methods and efficiency once a year;
- Appoints from amongst its own members the audit committee and remuneration committee, including the chairs of these committees;

- Appoints an advisory committee whose task is to act as a link between the Board and the company management and customers. The advisory committee has 10–14 members who represent electricity producers, transmitters, sellers, users and other electricity market actors. The term of office is three (3) calendar years. The Board confirms the advisory committee's regulations; and
- Addresses other business which the Chair of the Board, a Board member or the President & CEO has proposed for inclusion in the agenda.

BOARD OF DIRECTORS IN 2021
The Board of Directors in 2021 was represented by Juhani Järvi (Chair), Päivi Nerg (Deputy Chair), Hannu Linna, Sanna Syri and Esko Torsti.

Of the Board's members, Juhani Järvi, 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

CORPORATE GOVERNANCE STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > **Board of Directors**
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

Fingrid's Board of Directors 2021

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 (11) times over the course of the year and approved the financial statements and annual review for 2020, and decided on Fingrid's strategy, the budget and annual action plan for 2022, the principles and goals of corporate social responsibility, the internal audit plan for 2021, the grid pricing for 2022, new investments in the main grid and ICT, the main grid development and maintenance management principles, the principles for promoting the electricity market, the principles for managing system security, the principles of internal control and risk management, as well as the insider guideline, 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 Swe-

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 from the company, non-independent from significant shareholders	11/11	Audit committee 4/4
Hannu Linna	1955	M.Sc. (Technology), eMBA	Board work, independent from the company and significant shareholders	11/11	Audit committee 3/4 (as of 7 April 2021) Remuneration committee 1/3 (until 7 April 2021)
Sanna Syri	1970	D.Sc. (Technology)	Aalto University, Professor, independent from the company, independent from significant shareholders	11/11	Audit committee 1/4 (until 7 April 2021) Remuneration committee 2/3 (as of 7 April 2021)
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

den and the 'Forest Line', extending the lifetime of the Fenno-Skan link, the progress made in the Datahub project, the company's grid vision and the impact of

the operating environment 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.

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > **Board of Directors**
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

BOARD MEMBERS 31 DEC 2021



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.

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration



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
- Pyhännän Rakennustuote Oy, IT Manager 1984–1990, Project Manager 1991
- Imatran Voima Oy, 1979–1984
- 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
- PRT-Forest Oy, Board member 2005–2014, deputy chair 2007–2009, chair 2010–2014
- Mellano Oy, Board member, 1995–2002
- 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 2016–2021

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 of the company and significant shareholders.

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

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > **Board of Directors**
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration



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 51 and 69 years.

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > **Board committees**
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

05

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, it is the audit committee's task to carry out its duties under the law and the tasks in line with the Corporate Governance Code's recommendation 16, and to 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 members of the audit committee were Hannu Linna (Chair and member as of 7 April 2021), Sanna Syri (Chair and member until 7 April 2021), Juhani Järvi and Päivi Nerg. The committee convened four (4) times in 2021. 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 financial statements, Report of the Board of Directors and the dividend proposal 2020, the half-year re-



CORPORATE GOVERNANCE STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

port, the auditor’s reports, the internal audit’s reports, the company’s strategic risks and risk management, processes and risks related to IT security, the main grid development and maintenance management principles and the principles of internal control and risk management, and the Corporate Governance Statement. The internal audit reports concerned i) the company’s reserve power plants’ asset management ii) archiving principles, information management and contract archive, and iii) the overall assessment of the capacity of Fingrid Datahub Oy’s data protection practices. The committee additionally prepared matters up for decision by the Board 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 remunera-

tion 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 the recruitment processes and successor planning, as well as planning remuneration for the rest of the personnel and organisational development.

The remuneration committee consisted of Juhani Järvi (Chair), Hannu Linna (until 7 April 2021), Sanna Syri (as of 7 April 2021) and Esko Torsti. In 2021, 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.

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

06

Managing Director and the Deputy Managing Director

The managing director, hereinafter referred to as the President & 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 & 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. Asta Sihvonen-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 has been Managing Director of Fingrid Datahub Oy in 2021.

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.

07

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 and other applicable national and EU legislation. 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 sepa-

CORPORATE GOVERNANCE STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

rate 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,
- 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 2021 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, LLM, 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 15 times in 2021.

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration



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 (Sähkömarkkina-keskus), 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.

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration



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.

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration



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-
 - ENTSO-E, Member of the Law and Regulatory Group 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, Head of Communications 2004-2007
 - The Finnish Real Estate Federation, Head of Communications 2003-2004
 - Akava ry - Confederation of Unions for Professional and Managerial Staff in Finland, Head of Communications 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.

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration



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.

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

08

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 main grid investment plan, the scenarios of Fingrid's grid vision and joint Nordic electricity market development projects. Customers' presentations on current topics were also on the agenda in each meeting.



Kari Suominen

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.

M.Sc. (Tech.), MBA, born in 1964

CIO since 2013, ICT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > **Internal control and risk management**
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

09

Internal control and risk management

INTERNAL CONTROL AND RISK MANAGEMENT PRINCIPLES

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 as well as the quality thereof, 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.



CORPORATE GOVERNANCE STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

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 and in the 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 oper-

ating 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 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.

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 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 steering system.

CORPORATE GOVERNANCE
STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

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

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

The internal control and risk management systems and procedures related to the financial reporting processes, de-

scribed 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 infor-

CORPORATE GOVERNANCE STATEMENT

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

mation security and data management. 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 an information security manager who is responsible for the management and development of data networks and information security, as well as for providing personnel with guidance concerning information 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.



- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > **Financial audit and internal audit**
- > Related party transactions
- > Main procedures relating to insider administration

10

Financial audit and internal audit

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 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 by the management.

The annual general meeting of 2021 elected authorised public accountants

PricewaterhouseCoopers Oy as the auditor of the company. Authorised public accountant Heikki Lassila serves as the company's responsible auditor. The general meeting decided that the auditor's fee and expenses are paid on the basis of a reasonable invoice accepted by the company.

Auditor's fees, EUR 1,000	2021	2020
Auditing fees	125	106
Other fees	37	33
TOTAL	162	139

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 2021, BDO Oy served as Fingrid's internal auditor and carried out a total of three (3) audits. The audits concerned i) the company's reserve power plants' asset management, ii) archiving principles, information management and contract archive, and iii) the overall assessment of the capacity of Fingrid Datahub Oy's data protection practices. The total fees paid to BDO Oy for auditing tasks amounted in total to EUR 85,513.86.

- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > **Related party transactions**
- > Main procedures relating to insider administration

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 the notes to 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.



- > General
- > Description of Fingrid's administrative bodies
- > General meeting
- > Board of Directors
- > Board committees
- > Managing Director and the Deputy Managing Director
- > Company management
- > Advisory committee
- > Internal control and risk management
- > Financial audit and internal audit
- > Related party transactions
- > Main procedures relating to insider administration

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 ex-

tended 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



- > Introduction
- > Fees paid to the Board of Directors
- > Remuneration of the President & CEO and deputy in 2021

Contents

1. INTRODUCTION.....3
Remuneration Principles4
Compliance with the Remuneration Policy
in 2021.....4
Composition of the remuneration
committee in 20215

**2. FEES PAID TO THE BOARD OF
DIRECTORS IN 20216**
Other financial commitments.....7

**3. REMUNERATION OF THE PRESIDENT &
CEO AND DEPUTY IN 20217**
Remuneration components7
Further employment terms
and conditions8
Short-term incentive schemes.....8
Long-term incentive schemes..... 10



6

FEES PAID TO
THE BOARD OF
DIRECTORS IN 2021.

- > Introduction
- > Fees paid to the Board of Directors
- > Remuneration of the President & CEO and deputy in 2021

01

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.



REMUNERATION REPORT

- > [Introduction](#)
- > [Fees paid to the Board of Directors](#)
- > [Remuneration of the President & CEO and deputy in 2021](#)

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. Remu-

neration 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, 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.

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

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		

- > [Introduction](#)
- > [Fees paid to the Board of Directors](#)
- > [Remuneration of the President & CEO and deputy in 2021](#)

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.

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 (Starting on 7 April 2021)
- Esko Torsti

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

Monthly fee €	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 of Fingrid Oyj and Fingrid Datahub Oy without indirect employer costs, divided by the average number of personnel during the year.*

- > Introduction
- > Fees paid to the Board of Directors
- > Remuneration of the President & CEO and deputy in 2021

02 Fees paid to 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
Chair	600



- > Introduction
- > Fees paid to the Board of Directors
- > Remuneration of the President & CEO and deputy in 2021

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

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.

03

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.

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 compo-

nents, 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.

- > Introduction
- > Fees paid to the Board of Directors
- > Remuneration of the President & CEO and deputy in 2021

ation 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

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.

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 respon-

sibility 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.

REMUNERATION REPORT

- > Introduction
- > Fees paid to the Board of Directors
- > Remuneration of the President & CEO and deputy in 2021

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
			maximum (President & CEO)
25 %	25 %	Personal performance	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
			between target and maximum (President & CEO),
25 %	25 %	Leadership, personnel survey results	target (Deputy)
			maximum (President & CEO)
25 %	25 %	Personal performance	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.

- > Introduction
- > Fees paid to the Board of Directors
- > Remuneration of the President & CEO and deputy in 2021

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 share-holders	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 share-holders	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.

Corporate Responsibility and Sustainable Development

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Table of Contents



1. FINGRID'S CORPORATE RESPONSIBILITY MANAGEMENT AND TARGETS – FINGRID DELIVERS. RESPONSIBLY.3

Strategic corporate responsibility management4

Corporate responsibility and the UN Sustainable Development Goals5

Material corporate responsibility topics and Fingrid's corporate responsibility targets ..6

Summary of achieved corporate responsibility targets in 2021.....8

2. ENVIRONMENTAL RESPONSIBILITY9

Climate..... 11

Circular economy and material efficiency...25

Protection of nature values biodiversity... 27

Fingrid's environmental responsibility indicators 31

3. SOCIAL RESPONSIBILITY..... 34

Personnel35

Economy – society 41

Stakeholders and customers48

Supply chain55

Occupational safety and the safety of the main grid 57

Fingrid's social responsibility indicators .. 63

4. GOOD GOVERNANCE 66

Openness 67

Information security and data protection 68

Code of Conduct 69

Compliance of the business operations ... 70

Managing risks and continuity 71

Finance – owners and financiers 72

Working for security of supply..... 72

Fingrid's indicators related to good governance 73

5. CORPORATE RESPONSIBILITY GRI AND SASB DISCLOSURES75

Reporting principles 75

Independent assurance statement..... 78

Corporate responsibility GRI disclosures.. 81

Reporting based on the SASB standard.. 92

9 ENVIRONMENTAL RESPONSIBILITY



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND
SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

01

Fingrid's corporate responsibility management and targets – Fingrid delivers. Responsibly.

Fingrid bears corporate responsibility in everything it does. Fingrid's basic task is to serve society and ensure that everyone in Finland gets their electricity, disturbance free. Society is increasingly dependent on electricity, and for this reason, ensuring system security is of the utmost importance. The cost of a nationwide transmission blackout to customers and society at large would be significant, in the region of EUR 100 million for each hour of outage. This figure is an important indication of what it means for Fingrid to succeed in its basic task.

Fingrid promotes the transition towards a clean power system. The transformation of the energy system 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 its stakeholders so that Finland can achieve its goal of climate neutrality by 2035.

Fingrid's most significant sustainability action is its climate change mitigation efforts. Its task is to ensure, proactively, 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 renewal of the electricity market, the balancing between production and consumption and increasing demand-side management.

The company's other key improvement areas impacting climate change and the environment are the reduction of the carbon dioxide emission impact of power losses resulting from electricity transmis-



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> **Fingrid's corporate responsibility management and targets**

> Environmental responsibility

> Social responsibility

> Good governance

> Corporate responsibility GRI and SASB disclosures



sion, and improving energy efficiency in the company's operations. In addition, the 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.

Fingrid bears its social responsibility in many ways, taking into account the personnel and stakeholders. We are proud of the relevance of our work, which forms the foundation for our work community's well-being. Our personnel is motivated and committed. Our work community has a good team spirit. Our employer

promise is to be one of Finland's best workplaces, and to promote diversity in everything we do.

Transmission system operators have a far-reaching impact on society and different stakeholders, all of which have expectations of the companies' operations. Being responsive to the expectations of personnel, customers, residents of areas adjacent to transmission lines and other stakeholders, and involving them, are an essential part of our responsible business practices. We work closely with stakeholders, engaging in continuous dialogue.

Our special standing in society obligates us to operate very cost-effectively. Our goal is for grid service fees to be among the most affordable in Europe, both today and in the future. Fingrid is a responsible taxpayer and a strong investor in Finland, employing hundreds of people each year, in addition to our own personnel. The company is responsible for the safety of the main grid and service providers. Fingrid complies with responsible practices in its procurements and operations – throughout the chain.

STRATEGIC 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. Therefore, corporate responsibility is highlighted in everything we do. Corporate responsibility and compliance management are integrated with Fingrid's strategy, management system and risk management practices.

The highest responsibility for sustainable development principles and promotion lies with the company's Board of Directors. The Board of Directors approves the company's Code of Conduct and the implementation of the goals. Corporate responsibility aspects are also included in the Board of Directors' decision-making process when making decisions concerning, for example, investments.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

The President & CEO is responsible for arranging corporate responsibility management and its integration into business operations. 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.

In terms of the corporate responsibility ESG targets, each environmental (E), social (S) and governance (G) target has a director appointed by the President & CEO from the executive management group. The appointed director is responsible for development and monitoring together with the General Counsel in charge of corporate responsibility.

Fingrid's corporate responsibility management

CORPORATE LEVEL RESPONSIBILITY	> Board of Directors
RESPONSIBILITY FOR CORPORATE ESG TARGETS	> A director nominated by the CEO responsible for each individual corporate ESG target
RESPONSIBILITY FOR EXECUTION OF EACH CORPORATE ESG TARGET	> Nominated director
RESPONSIBILITY FOR DEVELOPMENT AND MONITORING	> Nominated director together with the director responsible for corporate responsibility at Fingrid

We have described our administrative system in more detail in the Corporate Governance Statement for 2021, and in the Remuneration Statement for 2021 and the company's Remuneration Policy for Governing Bodies.

CORPORATE RESPONSIBILITY AND THE UN SUSTAINABLE DEVELOPMENT GOALS

In 2016, Fingrid signed the UN Global Compact initiative. The company is com-

mitted to its principles on human rights, labour, the environment and anti-corruption.

The company promotes 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. Through its business, Fingrid supports all in all nine of the sustainable development goals in particular, to which we ad-

ded during the year under review goal 16 'Peace, justice and strong institutions'.

Fingrid does not accept corruption or bribery and is a strong proponent of effective, responsible and transparent practices. Our updated insight into our concrete participation in the realisation of these SDGs is available in its entirety on our [website](#).

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

UN Sustainable Development Goal	SDG-linked indicator or target monitored by Fingrid
<div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div><div></div></div>	Transmission reliability in the grid, % Maintaining Finland as a single price area Connection of wind power to the grid, MW Development of costs in relation to the general price level
<div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div></div></div>	Grid projects' degree of completion, % Customer satisfaction, cNPS Affordable grid service fees, ENTSO-E price comparison
<div><div>13</div><div>CLIMATE ACTION</div><div></div></div>	SF6 emissions, % Carbon dioxide emissions of transmission losses, tCO ₂ e Energy efficiency, energy savings, MWh

The table below shows how Fingrid's corporate responsibility ESG targets and indicators are linked to the UN's sustainable development goals. Further below in each section of this corporate responsibility report, the SDG goals are linked to each of Fingrid's ESG targets, i.e. environmental responsibility, social responsibility and good governance.

MATERIAL CORPORATE RESPONSIBILITY TOPICS AND FINGRID'S CORPORATE RESPONSIBILITY TARGETS

Fingrid has identified the material corporate responsibility topics in its strategy and core operations. The company has set for them corporate responsibility ESG targets, which cover environmental responsibility (E), social responsibility (S) and good governance (G). The foundation for corporate responsibility, the materiality assessment, recognises the impacts of Fingrid's operations on the economy, people and the environment. The analysis also assesses the operating environment, issues raised by stakeholders, legislation and industry

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

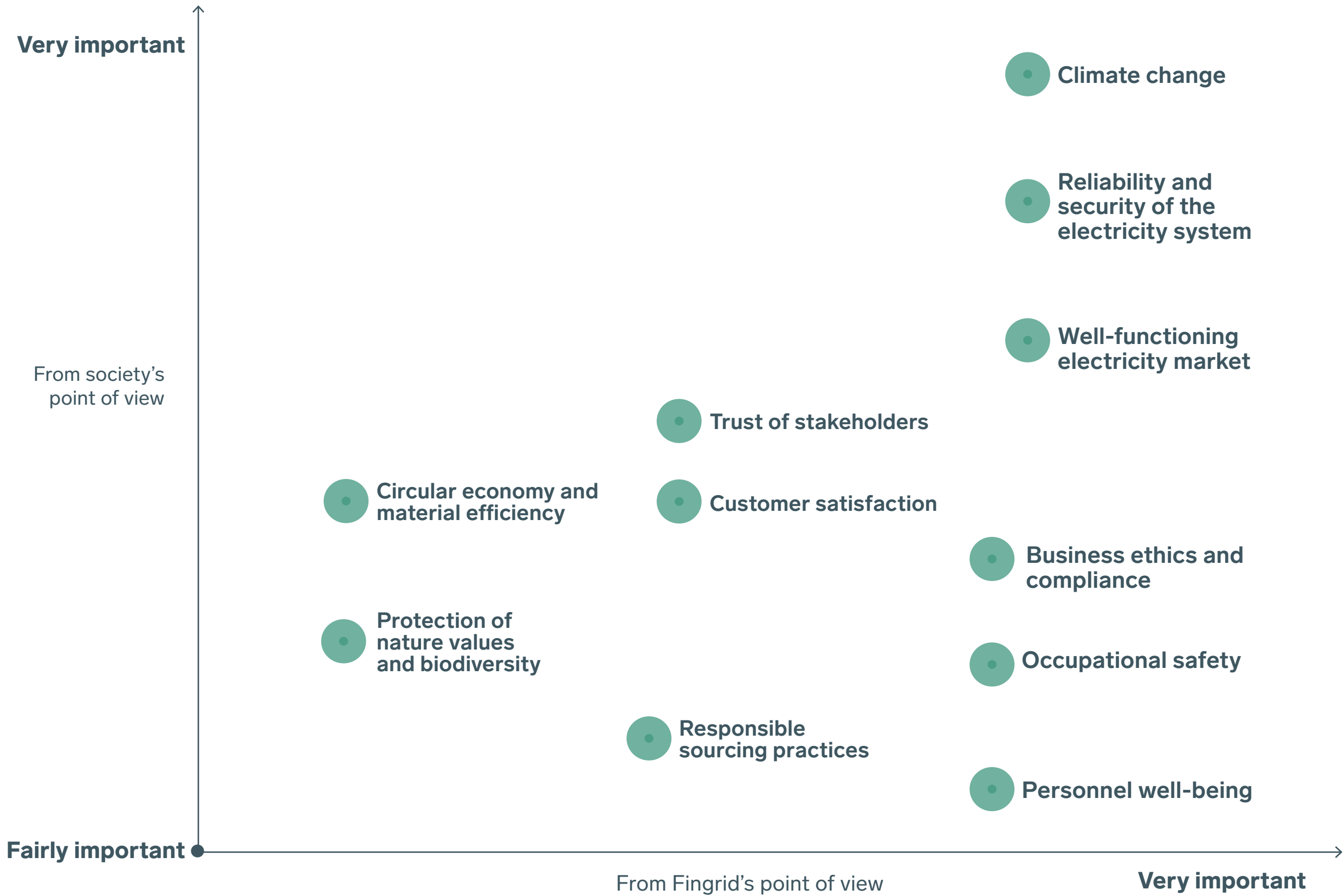
- > [Fingrid's corporate responsibility management and targets](#)
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

trends. The identified corporate responsibility areas have been prioritised based on the significance of the impacts of Fingrid's operations and the views of stakeholders.

We annually monitor the stakeholders' views on our corporate responsibility by carrying out reputation surveys among the different stakeholders, also asking for the respondents' views on Fingrid's responsibility. In the reputation survey, the questions of the corporate responsibility section particularly emphasise how the company takes society and the environment into account.

The greatest societal impacts of Fingrid's operations are related to mitigating climate change, the security and safety of the power system and a well-functioning electricity market. All of these issues are material topics in terms of responsibility, and are also at the core of the company's strategy. We promote the transition towards a clean power system by reinforcing the main grid and by ensuring that renewable energy has access to the market.

Material impacts of Fingrid's operations



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> [Fingrid's corporate responsibility management and targets](#)

> [Environmental responsibility](#)

> [Social responsibility](#)

> [Good governance](#)

> [Corporate responsibility GRI and SASB disclosures](#)

For each material topic, short-term targets have been set that extend to 2025 and long-term targets that extend to 2035. The achievement of the targets is monitored and is reported on using indicators, each of which has its own appointed director. The targets and the related indicators are described using the ESG categories used in our corporate responsibility reporting.

The corporate responsibility targets and the indicators are described in this report in connection with each main theme (environmental responsibility, social responsibility and good governance).

SUMMARY OF ACHIEVED CORPORATE RESPONSIBILITY TARGETS IN 2021

Promoting corporate responsibility is above all about everyday actions, listening to stakeholders and embracing responsible practices and models.

From the customers' perspective, the cost of electrical disturbances to the national economy was significantly low in 2021. At

the same time, customer satisfaction remained high and Fingrid was able to keep its grid service fees at a low level by international standards. We met the financial targets well: we ensured cost-effectiveness, exceeded the minimum credit rating levels and paid the owners a dividend income in line with 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. Unfortunately, we failed to meet our occupational safety target. Despite the exceptional circumstances due to the pandemic, our personnel's well-being was very good, with few people falling ill. The personnel's job satisfaction was high.

The results of the corporate responsibility targets and indicators are described in more detail in this report in connection with each ESG theme.

CORPORATE RESPONSIBILITY HIGHLIGHTS 2021:

- Record number of substation projects underway, which will enable Fingrid to connect wind power to the main grid.
- 11 responsibility audits in goods sourcing and 13 audits to ensure responsible practices at worksites.
- Ninety-four per cent of our employees consider Fingrid as a whole to be a good place to work. Personnel's eNPS score 67.
- Customer survey cNPS score 41.
- A revolving credit facility of EUR 300 million has been tied to the company's sustainability targets.
- Fingrid was Finland's 19th largest corporate income tax payer in 2020.
- Despite the exceptional circumstances of the Covid-19 pandemic, no significant deviations are known to have occurred in the compliance with the company guidelines and good governance.
- Ninety-six per cent of our employees feel that Fingrid employees comply with responsible practices.

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND
SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

02

Environmental responsibility

Fingrid's operations have a significant positive impact on the environment and climate as our carbon handprint is significantly larger than our carbon footprint. By reinforcing the grid for the needs of clean electricity production, we are enabling the transition to a clean power system. Our investments result in greenhouse gas emissions and negative environmental impacts, which we reduce in our business in line with Fingrid's land use and environmental policy. Key aspects include preparedness for environmental risks and a thorough environmental impact assessment (EIA), and mitigating the impacts already at the planning phase.



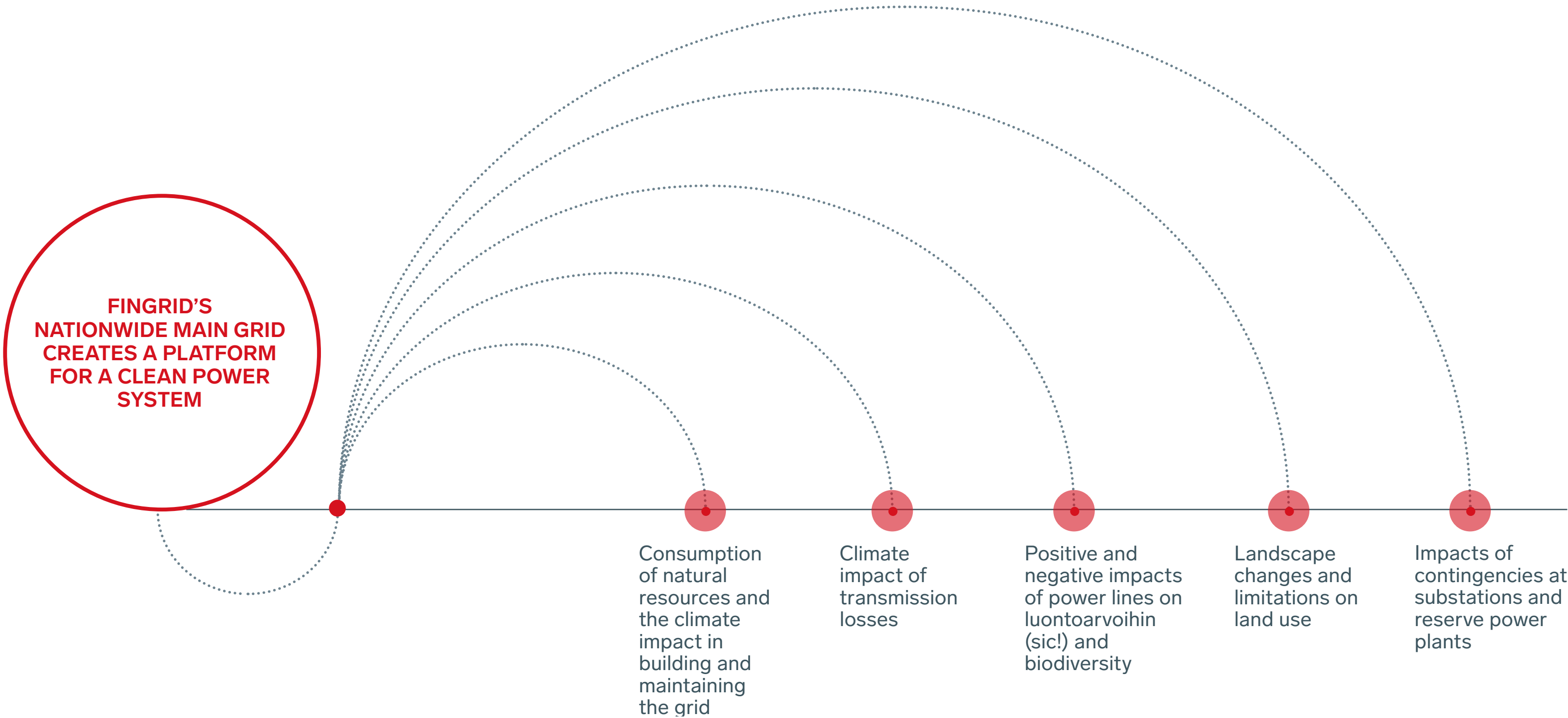
FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Fingrid's main environmental impacts



CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

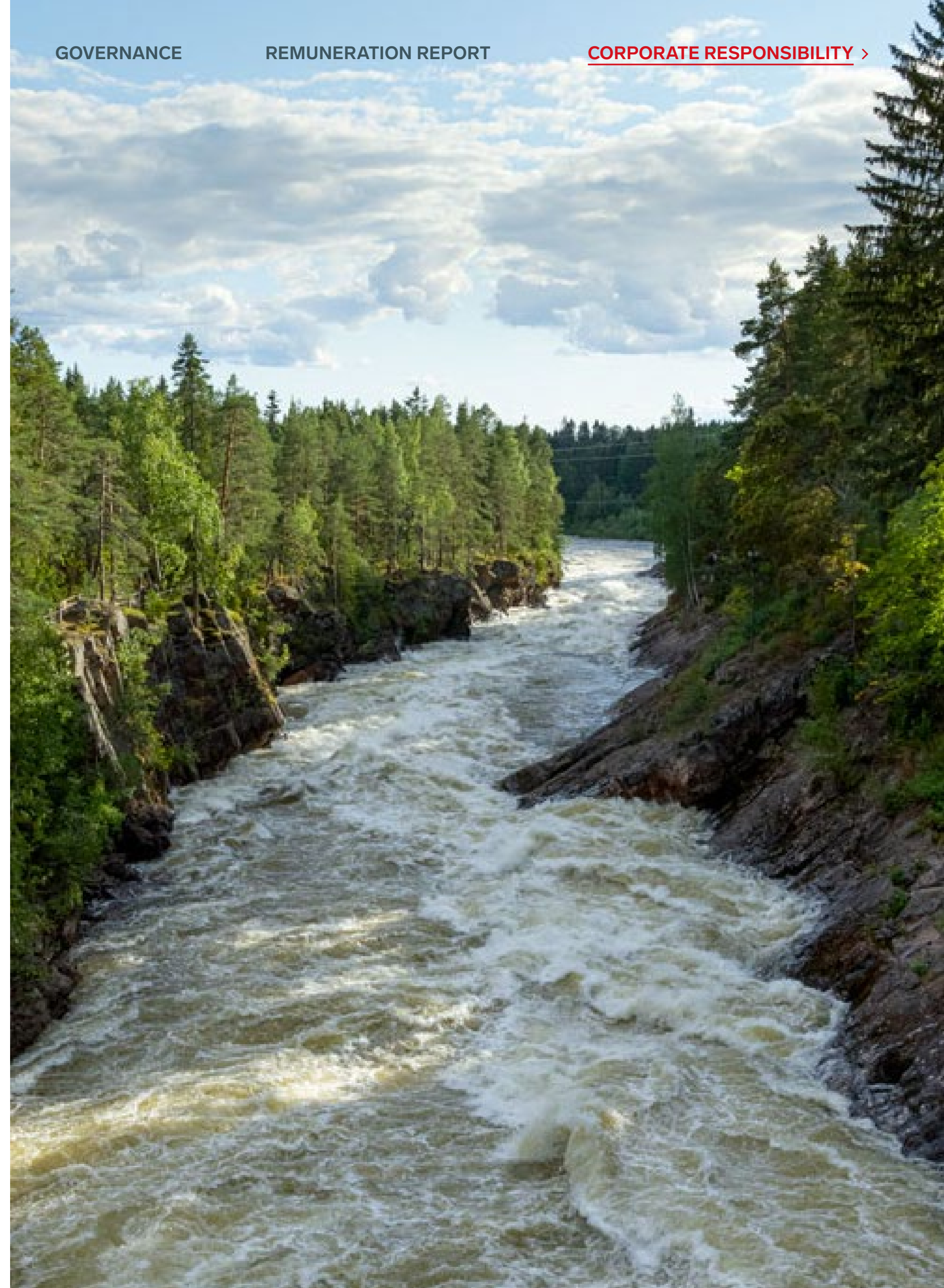
CLIMATE

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 transmission grid for the needs of clean electricity production, we enable Finland to achieve its climate objectives.

Fingrid is committed to operating in accordance with global climate targets and to limiting the rise in global temperature to 1.5 degrees. Fingrid does not produce electricity itself. It 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

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> <div><div>13CLIMATE ACTION</div><div>7AFFORDABLE AND CLEAN ENERGY</div><div>9INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div>



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> Fingrid's corporate responsibility management and targets

> Environmental responsibility

> Social responsibility

> Good governance

> Corporate responsibility GRI and SASB disclosures

Integrating new emission-free electricity production into the power system requires the strengthening of the main grid. We need more substations, transmission lines and enough transmission connections in order to integrate renewable energy production into the power system and to transmit the produced energy to electricity consumption.

Over the next decade, more than 3,000 kilometres of new transmission line will be built, 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 wholesale market price of electricity will remain the same throughout Finland.

The most important and topical projects for mitigating climate change are:

- Forest Line transmission line from Petäjävesi to Muhos via Haapavesi
- Development of the Oulujoki grid
- Lake Line transmission link between Vaala and Joroinen

- Aurora Line, third AC connection to Sweden
- Transmission line project between Rovaniemi and Vaala
- Numerous substation projects to enable the connection of wind power

Construction of the grid uses up EUR 200–250 million annually. Altogether, investments in the grid will come to around two billion euros this decade. A record number of substation modernisations and refurbishments are still being carried out. Wind power from Northern Finland and imported electricity from Sweden will be transmitted for consumption in Southern Finland along the Forest Line and the Lake Line.

In 2021, around 140 kilometres of new transmission lines and 10 new or expanded substations were completed. More than 600 kilometres of transmission lines and 50 substations were under construction. Around 710 kilometres of new transmission lines were in pre-construction planning. The total length of the alternative transmission line routes considered in Fingrid's EIA procedures was almost 1,100 kilomet-

res, a new record. More information on grid investments in 2021 is available in the Annual Report's Business Review.

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Around 1,500 megawatts worth of connection agreements were concluded in 2021.

How does connecting wind power to the grid promote climate change control?

The share of wind power in Finland's electricity consumption has been low for quite some time. The energy system transformation will cause a significant growth in the volume of wind power, some 1,000 megawatts, i.e. corresponding to what a nuclear power plant produces in a year. This growth will boost Fingrid's grid investments and schedules. We require dozens of new subst-

ations and hundreds of kilometres of transmission line quickly in order to get the wind power on the markets. What makes this challenging is the long planning, permit and construction processes, the availability of resources and the uncertainty of wind farm implementation. Fingrid's goal is to develop its main grid with possible new connection and transmission needs in mind.

QUESTIONS AND ANSWERS

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

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. So in order 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 2021, such as the 15-min imbalance settle-

ment project or projects to renew the reserve markets, is available in the Annual Report's Business Review.

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 essential for a functioning society. Fingrid transmits electricity in a secure and reliable way, while ensuring that the production and consumption of electricity are 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 5.8 million in 2021. 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.

CASE

Electricity network adjusted to suit the needs of a growing Helsinki

The city of Helsinki is planning new residential areas around Vihdintie and Huopalahdentie, as part of Haaga, Munkkiniemi and Pitäjänmäki. Upcoming construction will require the high-voltage overhead lines of Helen Sähköverkko to be moved from the area and the relocation of the Pitäjänmäki substation operations. These arrangements are made possible by the new underground cable connection from Länsisalmi in Vantaa to the carbon neutral Viikinranta area in Helsinki, planned by the transmission system operator Fingrid. As part of its plan, Fingrid will build a sizable stretch of the main grid underground for the first time in Finland. However, also in the future, using underground cables in the grid will be limited to substation areas and urban areas when it is not possible to use overhead cables due to a lack of physical space.

According to the plan, Fingrid will build a high-capacity 400-kilowatt

underground cable from Länsisalmi in Vantaa to the carbon-neutral Viikinranta area in Helsinki, where a new grid substation will also be built. Once the connection is completed, Helen Sähköverkko's substation can be relocated from Pitäjänmäki, and the overhead cables can be exchanged for underground cables, so that land areas can be freed up for the city to build new residential and office areas.

These solutions support the achievement of the carbon neutrality targets of the city of Helsinki and the Helen Group when the transition to renewable energy takes place.



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

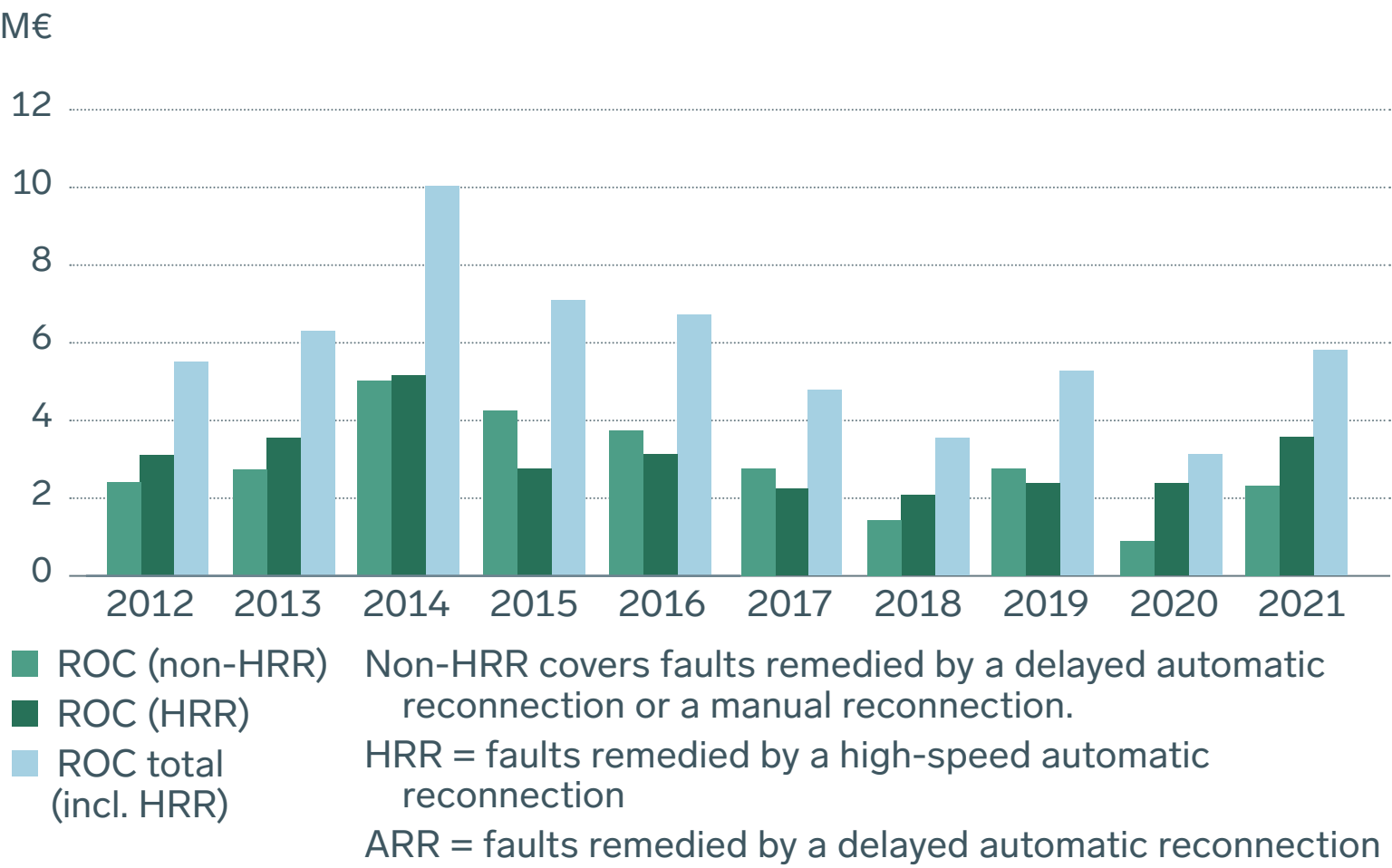
- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

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.

During the year under review, Fingrid made an investment decision to secure the power supply of four new substations that are key for the power system using backup power generators. This decision will make it easier to restore electricity in case of a major disturbance in the power system.

More information on power system management in 2021 is available in the Annual Report's Business Review.

Regulatory outage cost, ROC



99

The transmission reliability on the grid was 99.99992% in 2021.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

CASE

Working for the power system of the future

Connecting renewable energy vectors to the grid comes with some challenges, for which Fingrid is preparing with R&D projects. New solutions will ensure the supply security and cost-effectiveness of electricity in the global energy transformation. Currently, several innovative development paths are underway, the impetus for which came from the *MIGRATE research project funded by the European Commission. The MIGRATE project has looked into how the main grid should prepare for new electricity production forms such as solar and wind power.

In practical terms, it is a question of how much renewable electricity production can be connected to the electricity system using the current technologies before problems begin to occur. MIGRATE is also looking into what kind of new technology should be developed in case of a scenario where the majority of or all electricity production comes from renewable sources.



The challenges posed by renewable energy are related to, for instance, the stability of converters, the management of outages and the functioning of grid protection. Traditional synchronous power generating models naturally support the power system, but wind and solar power represent so-called converter-connected production. It naturally does not have the same characteristics that support power systems and its operation is based on programmed algorithms. As the share of converter-connected production increases, new ways to secure the grid's ability to function are needed. Otherwise, we could be facing a restriction of renewable energy production.

Electricity transmission losses and energy efficiency

Responsibility vision	Short-term target 2025	Long-term target 2035	Corporate responsibility viewpoint and UN's SDG
Emission-free transmission losses	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. Improved energy efficiency based on commitments.	In a climate neutral Finland, transmission losses do not cause any CO ₂ emissions. Fingrid is energy efficient in all of its operations.	Environment Climate change – transmission loss emissions and energy efficiency <div><div>13CLIMATE ACTION</div><div>7AFFORDABLE AND CLEAN ENERGY</div><div>9INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div>

Climate targets are promoted by moving into cleaner electricity production, by reducing power losses in electricity transmission and improving energy efficiency.

The annual variation of losses resulting in electricity transmission is affected

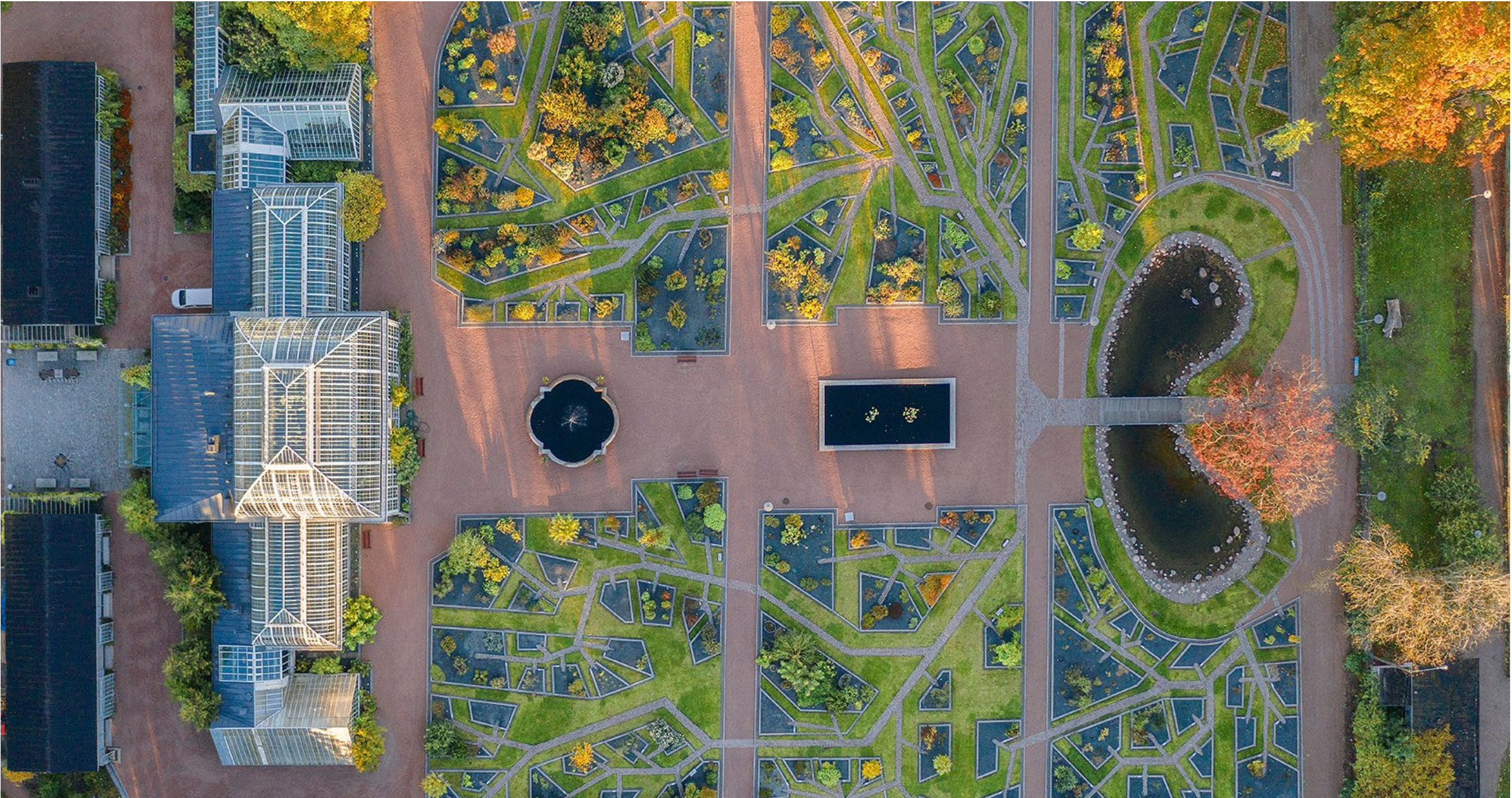
by the Nordic electricity production situation, such as the volume of hydropower. The majority of Fingrid's greenhouse gas emissions are caused by the production of the electricity acquired from the electricity market to replace power losses taking place during electricity transmission.

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures



The main method for reducing the carbon dioxide emissions caused by transmission losses is the cleaning of electricity production and building the grid to accommodate the needs of new clean production. The changes in the electricity production structure and the grid investments necessitated by the changes will result in a lower transmission loss carbon footprint. In 2021, the volume of transmission losses in the main grid remained at the level of the previous year, 1.5 terawatt hours. This was 2.0 per cent of Fingrid's transmission volume, which was 72.9 terawatt hours.

The greenhouse gas emissions due to transmission losses came to 132,000 carbon dioxide equivalent tonnes.

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 energy saving measures are the upgrading of the North Karelia grid (1.7 gigawatt hours per year) and the completion of the Forest Line (90 gigawatt hours per year). Reinforcements to the main grid will reduce the resistance of the grid, reducing power losses.

In 2021, several larger and smaller measures were carried out to improve energy efficiency, with total savings in the region of three gigawatt hours. These include, for example, the completion of the Hikiä–Ori-

mattila transmission line and the swapping of the Vanaja reserve power plant's air pressure regulating valve for a magnetic valve, and the modernisation of the lighting in the plant's external area. Extensive energy efficiency renovations were carried out at the Konkapelto, Särkivaara and Lieksa substation control room buildings, the reactors of the Inkoo substation were replaced and the lighting of five stations was renewed. In addition, the substation building specifications were updated to reduce the brightness requirements for the external areas when building new stations or renovating old ones. At the same time, changes were made to the heating of distribution cabinets in order to reduce their temperature. Energy efficiency was also improved when Fingrid's Jyväskylä location transferred to new, smaller premises.

Additionally, losses are minimised by making energy-efficient grid investments and equipment procurements, and by developing the power system for the addition of renewable electricity generation to the main grid. In 2021, we decided to, for example, give more consideration to losses in future reactor procurement.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Energy consumption		2021	2020	2019
Direct				
Light fuel oil	t	1,700	1,600	1,600
	GJ	71,900	67,800	68,800
Indirect				
Electricity transmission power losses	GWh	1,450	1,470	1,335
	GJ	5,218,000	5,290,000	4,810,000
Energy produced with the fuels consumed by leased reserve power plants	GWh	1.0	1.1	1.1
	GJ	3,600	3,900	4,000
Reserve power plants' auxiliary energy	GWh	13	12	10
	GJ	47,400	44,300	34,300
Reserve power plants' district heating	GWh	0.7	0.4	0.5
	GJ	2,500	1,300	1,700
Substation auxiliary energy	GWh	19.5	-	-
	GJ	70,200		
Electricity of Fingrid's own premises	GWh	2.6	2.6	2.8
	GJ	9,300	9,400	9,900
District heating of Fingrid's own premises	GWh	1.3	1.0	1.2
	GJ	4,600	3,500	4,200

The reporting encompasses the entire company. In the reporting for 2021, the substations' auxiliary energy has been reported as a separate item for the first time. The substations' auxiliary energy was earlier included in transmission losses.

Energy intensity		2021	2020	2019
Fingrid's total energy consumption divided by net sales	GJ/€1000	4.9	7.9	6.2

Why does Fingrid not compensate for the carbon dioxide emissions from electricity transmission power losses?

The faster we can add more clean electricity production to the main grid, the fewer carbon dioxide emissions will result from the power losses from electricity transmission. Always when electricity transmission increases, power losses also increase. Developing the transmission grid in order to connect renewable

energy to the main grid reduces carbon dioxide emissions even more as a whole, however. We are therefore looking for the greatest overall benefit, and our goal is for the electricity transmitted in the main grid to cause zero carbon dioxide emissions in 2035.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

CASE

Technical innovations effectively boost electricity transmission capacity
Fingrid's innovation work has resulted in a significant increase in the north-to-south electricity transmission capacity. The technology is known as shunt compensation, and it is a quick, cost-efficient and environmentally friendly way to increase the transmission capacity by hundreds of megawatts.

The electrification of society is increasing the need for electricity, especially in Southern Finland, while electricity generation is weighted towards the north. In recent years, wind power has accounted for a significantly larger share of the power system production. Wind power generation in Finland is weighted towards Northern Finland, so efficient north-to-south electricity transmission is required.

At present, four strong 400-kilovolt transmission lines pass through cross-section Central Finland in the electricity system of Finland, and

the transmission capacity of these lines is now being boosted with the help of shunt compensation connected to transformers, as well as series compensation. Technically, the electrical power that can be transmitted through cross-section Central Finland is constrained by an excessive decline in voltage. The outcome of the development work is that capacitors will be added to the substation transformers in the main grid to stabilise the voltage, thereby significantly increasing the transmission capacity through cross-section Central Finland.



Substations' SF6 gases

Responsibility vision	Short-term target 2025	Long-term target 2035	Corporate responsibility viewpoint and UN's SDG
Main grid does not cause SF6 emissions	Reducing SF6 gas emissions using modern technologies and preparing for adoption of new technologies. The roadmap for new technologies has been drawn up and a pilot project is underway. The grid's SF6 emissions are low compared with other TSOs.	SF6 gas emissions at a minimum, all new gas-insulated switching substations comply with the selected new technology and are SF6-free. The lowest SF6 gas emissions caused by a main grid in the world, when compared with other TSOs.	Environment Climate change – SF6 gas emissions <div><div>13CLIMATE ACTION</div><div>7AFFORDABLE AND CLEAN ENERGY</div><div>9INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div>

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 stee-

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid’s corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

red by the EU’s F-gas Regulation, which sets limits for leak monitoring and gas handling competence requirements.

At the end of 2021, substations contained altogether some 50 tonnes of SF6 gas. In 2021, Fingrid’s SF6 gas emissions came to around 400 carbon dioxide equivalent tonnes. This means 16 kilograms of gas and the leakage rate was 0.03%. 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 order to collect feedback from practical experience, Fingrid will carry out the first 110-kilovolt air-insulated switching station projects in Virkkala, Lohja between 2021 and 2022 and in Luukkala, Lappeenranta between 2022 and 2023. In addition, Fingrid will continue to monitor the development of new eco-friendly technologies and test new solutions entering the markets. The decision has also been made to build the Kauppila substation without SF6 gas, when the project is implemented between 2023 and 2024.

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Fingrid sets the pace for the deployment of SF6-free technology

CASE

SF6-free technology at Virkkala substation

The substation in the Virkkala area of Lohja is pioneering Fingrid’s substation renewal efforts – it is the first substation to operate without sulphur hexafluoride (SF6 dielectric gas) in its switchgear. The project is groundbreaking on an international scale, as it is Siemens Energy Europe’s largest delivery of SF6-free technology to date.

The process of eradicating SF6 dielectric gas from the energy sector is still in its infancy. The sector has long been seeking substitutes for the gas, but it is only in recent years that new substitutes have been successfully developed. These solutions will enable switchgear containing SF6 gas to be phased out systematically.

The solution in use in Virkkala is the Siemens Blue GIS technology, which uses clean air as a dielectric substance. The contract covers GIS



switchgear consisting of ten bays with the new technology, making it Siemens Europe’s largest Blue GIS delivery to date.

Fingrid has drawn up a roadmap for phasing out environmentally harmful SF6 dielectric gas whenever substations are modernised. The Virkkala substation is the first implementation on the roadmap.

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid’s corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Greenhouse gas impacts of Fingrid’s operations

The construction and operation of the main grid necessary for the achievement of the climate targets 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 in Finland (average in 2021: 91 g CO2/kWh) and started to use that in our emissions 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. The increase in the emission factor for electricity consumed in Finland from 2020 (72g CO2/kWh) can be explained by changes in electricity import and export, and by the increase in electricity production and consumption between 2020 and 2021. From the perspective of the power system and electricity markets, 2020 and 2021 differed from a typical year. However, the emission factor for electricity produced in Finland fell further, which

indicates positive progress in achieving Finland’s climate objectives.

Fingrid’s greenhouse gas emissions in 2021 totalled approximately 165,000 carbon dioxide equivalent tonnes. The majority of the emissions (approx. 80%) were caused indirectly by the electricity production required to replace power losses taking place during electricity transmission. Roughly 0.2 per cent of Finland’s greenhouse gas emissions are our emissions.

In 2021, altogether 743 megawatts of wind power were connected to Fingrid’s main grid, which will indirectly avoid emissions worth around 213,000 carbon dioxide equivalent tonnes in the coming years. In addition, during the year, Fingrid concluded agreements on connecting a total of approximately 1,500 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 438,000 million carbon dioxide equivalent tonnes.



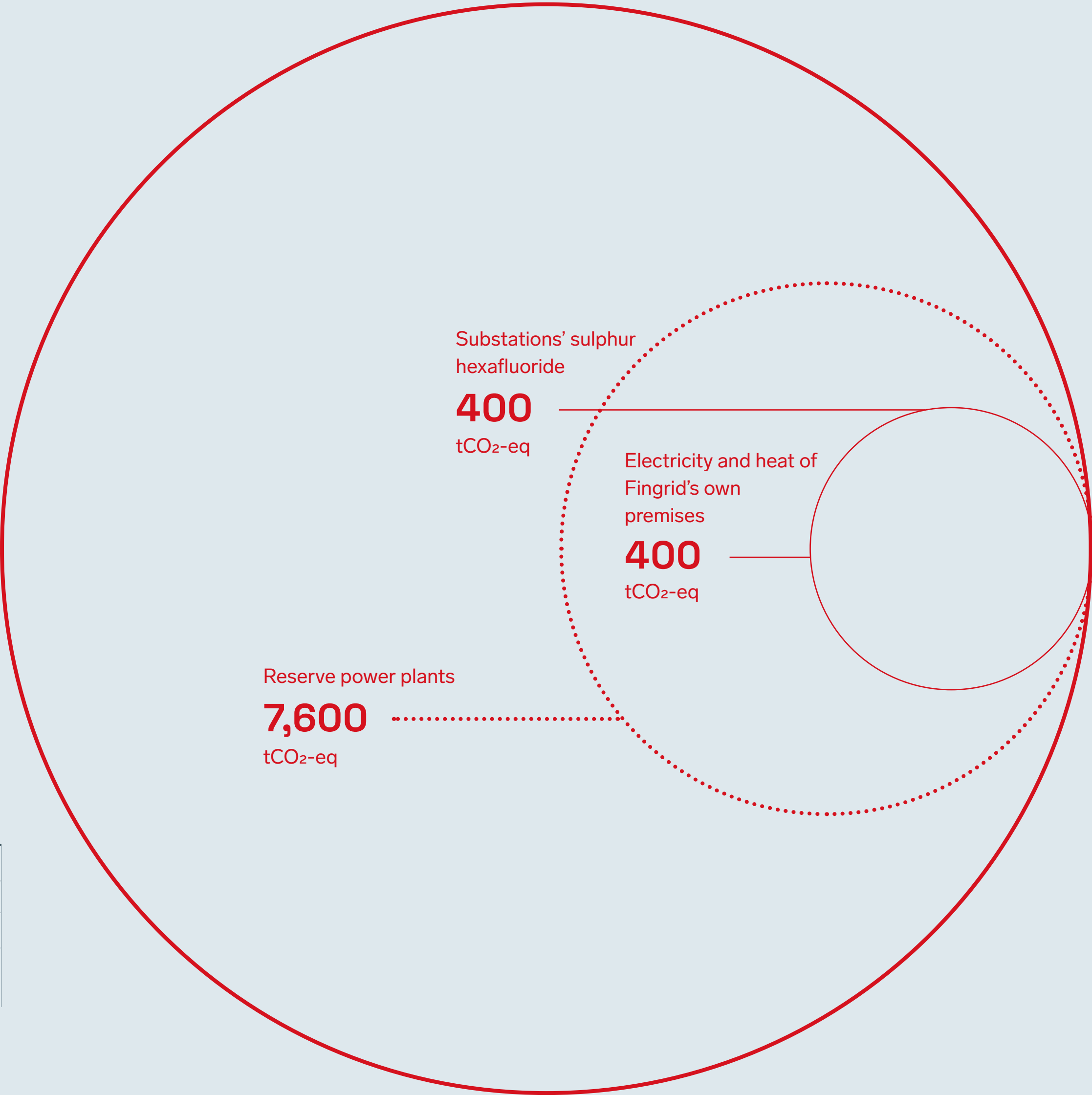
CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > **Environmental responsibility**
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Greenhouse gas emissions, tCO₂-eq

	2021	2020	2019
Transmission losses	132,000	106,000	135,000
Reserve power plants	7,600	7,100	7,200
Substations' sulphur hexafluoride	400	300	1,100
Electricity and heat of Fingrid's own premises	400	300	500

In its emissions reporting, Fingrid uses the real-time emission factor for consumed electricity (average of 91 g CO2/kWh in 2021).



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Fingrid's carbon handprint

Carbon handprint means the positive climate impacts, i.e. the emission reduction of activities.

The wind power connected to the main grid in 2021 will create, in future, an annual emission reduction of

213,000

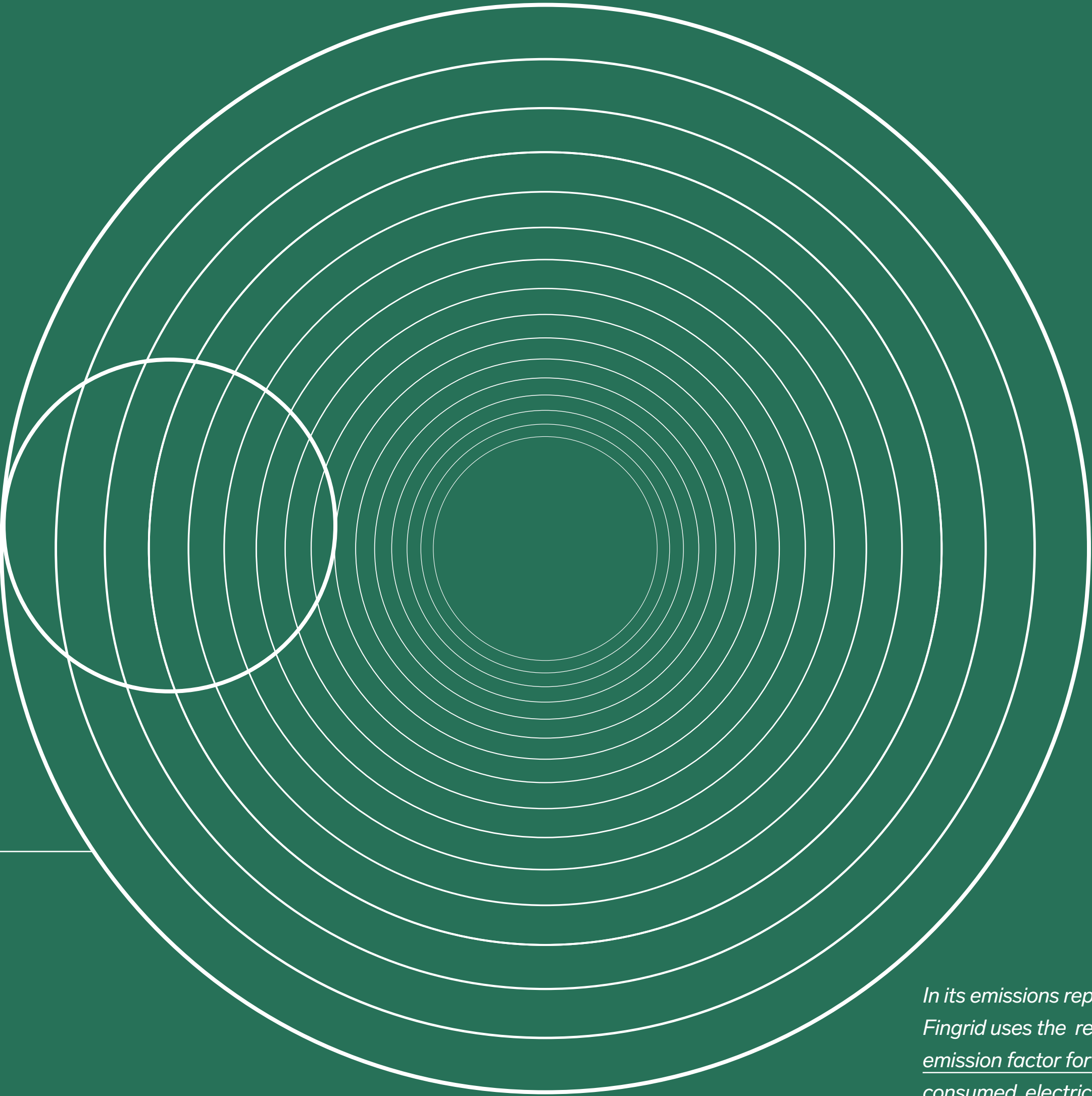
CO₂-equivalent tonnes

The agreements concluded in 2021 to connect wind power to the electricity grid will create, in future, an annual indirect emission reduction of

438,000

CO₂-equivalent tonnes

This equals the annual carbon footprint of some 44,000 Finns. A Finn's carbon footprint is approximately 10 CO₂ equivalent tonnes on average.



In its emissions reporting, Fingrid uses the real-time emission factor for consumed electricity (average of 91 g CO₂/kWh in 2021).

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Fingrid has been reporting on its climate impacts according to the Global Reporting Initiative (GRI) and the Greenhouse Gas Protocol (GHGP) since 2011. In 2021, we developed emissions reporting by separating the substations' auxiliary energy, which is required for the substations' process equipment and the heating and lighting of the substation buildings. 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 targets 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 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 transition to a clean power system, is being prepared for by building the main grid rapidly enough to achieve the climate targets, which means proac-

tive 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. The 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 consists largely of test runs, in the region of just around ten hours per year, as disturbances in the power system are rare. The greenhouse gas emissions of reserve power plants came to some 7,600 carbon dioxide equivalent tonnes in 2021. Also the plants' impacts on air quality were minor.

Fingrid's reserve power plants are included in the EU'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 5,344 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 trading period 2021–2030. Purchased emission right units amounted to 5,105 in 2021. Emissions trading had minor financial significance for Fingrid.

Our reserve power plants have an ISO 14001 environmental certification. Du-

ring the year, emergency drills were held at three plants. The drills are important for maintaining the skills required for preparing for accidents.

Other indirect emissions

The material procurements (towers, conductors and foundations) for the approximately 140 new transmission line kilometres taken into use in 2021, resulted in emissions of some 24,100 carbon dioxide equivalent tonnes. Other indirect emissions resulted from business travel, which has decreased significantly due to the Covid-19 pandemic, however.

Reserve power plants' sulphur dioxide and nitrogen oxide emissions

	2021*	2020	2019
Sulphur dioxide, SO ₂ , tonnes	0.6	0.4	0.3
Nitrogen oxides, NO _x , tonnes	25	23	27

*Figures for 2021 are preliminary. Final figures will be confirmed in regulatory reporting.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Greenhouse gas (GHG) emissions*		2021	2020	2019
Direct emissions (Scope 1), tCO ₂ e		6,000	5,000	6,000
Indirect emissions (Scope 2), tCO ₂ e		136,000	108,000	137,000
Total (Scope 1 and 2), tCO ₂ e		142,000	114,000	143,000
Other indirect emissions (Scope 3), tCO ₂ e*		24,000	4,000	41,000
Total (Scope 1, 2 and 3), tCO ₂ e		165,000	118,000	185,000
Direct emissions (Scope 1)				
	Reserve power plant fuels, tCO ₂ e**	5,000	5,000	5,000
	Substations' sulphur hexafluoride, tCO ₂ e	400	300	1,100
	Total, tCO₂e	5,000	5,000	6,000
Indirect emissions (Scope 2)				
	Transmission losses, tCO ₂ e	132,000	106,000	135,000
	Energy produced with the fuels consumed by leased reserve power plants, tCO ₂ e	1,000	1,100	1,100
	Reserve power plants' auxiliary energy, tCO ₂ e	1,200	900	1,000
	Reserve power plants' district heating, tCO ₂ e	100	100	100
	Substation auxiliary energy, tCO ₂ e***	1,800	-	-
	Electricity Fingrid's own premises, tCO ₂ e	200	200	300
	District heating of Fingrid's own premises, tCO ₂ e	200	100	200
	Total, tCO₂e	136,000	108,000	137,000
Other indirect emissions (Scope 3)				
	Business travel (flights and kilometre-reimbursed business trips), tCO ₂ e	300	300	800
	Purchased transmission line materials, tCO ₂ e	24,100	3,200	40,600
	Total, tCO₂e	24,000	4,000	41,000

*According to Statistics Finland, the total CO2 equivalent emissions in Finland in 2020 were 48.1 million carbon dioxide tonnes. The share of Fingrid's Scope 1 and 2 emissions of all Finnish CO2 emissions amounted to approximately 0.2% in 2020. 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 (2021: 91 kg CO2/MWh, 2020: 72 kg CO2/MWh and 2019: 101 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, 148 kg CO2/MWh, as the emission factor.

**The figure for 2021 is preliminary, the final figure will be confirmed in the emissions trading verification.

***Transmission losses' carbon dioxide emissions earlier also included substations' auxiliary energy emissions, which are now reported separately.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Greenhouse gas emissions intensity		2021	2020	2019
Fingrid's direct (Scope 1) and indirect (Scope 2) GHG emissions divided by amount of electricity transmitted	gCO ₂ e/kWh	1.9	1.7	2.1

Guarantee of origin for electricity

Fingrid Oyj is responsible for the electronic guarantee of origin (GO) register service in Finland. Fingrid Oyj has entrusted this task to its fully owned subsidiary Finextra Oy. Keeping of a register is an official task which is supervised by the Energy Authority. Finextra's GO register was taken into use on 1 January 2015.

GOs for electricity are certificates that can be used to verify that electricity has been produced from renewable energy sources or by high-efficiency cogeneration. As of the start of 2022, electricity produced from nuclear power can also be granted a guarantee of origin.

An electricity supplier that sells or uses renewable energy in its marketing must certify the origin of the electricity. In the same way, an electricity producer and user that, in its other business, gives its customers information about the origin of the electricity it uses, must verify the proportion of renewable energy sources. Verification takes place by cancelling an amount of guarantees of origin corresponding to the amount of electricity marketed as renewable.

Finextra is a member of AIB (Association of Issuing Bodies). Transfers of GOs between the electronic registers of different countries are carried out via the EECS Hub administered by AIB.

Circular economy and material efficiency

Responsibility vision	Short-term target 2025	Long-term target 2035	Corporate responsibility viewpoint and UN's SDG
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>	New solutions for the recycling and use of materials.	<p>Environment Circular economy and material efficiency</p> <div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>15 LIFE ON LAND</div> </div>

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

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

possible. In basic refurbishments, chemical safety and material efficiency are ensured. The reduction of the carbon footprint is taken into account by reducing, for example, travel to the site.

The largest material flows of Fingrid's operations result from investment projects, when new electricity transmission grid sections are built and the old structures are dismantled. The majority of the demolished materials are concrete from transmission line towers and substation foundations, steel scrap from transmission line towers and substation structures, and metal scrap containing aluminium and steel from the transmission line phase conductors. All of these can be recycled as materials. The number of decommissioned impregnated wooden towers is low and they are used as energy. In addition to investments, the maintenance of the main grid results in small volumes of decommissioned materials. The waste volumes for transmission line maintenance are low and are not yet included in reporting. Also the waste volumes resulting from office work and their significance is small for Fingrid, and waste volumes for office work are not reported.

Fingrid owns all of the decommissioned materials from substations, reserve power plants and transmission line work-sites and is responsible for arranging waste management for them. Waste management is arranged in a centralised manner with a single waste management provider. The same service provider that is in charge of transmission line maintenance in the area in question is also responsible for arranging waste management for the transmission lines.

Materials to be decommissioned and waste 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 is utilised increasingly in earthworks at the site.

In 2021, we commissioned a thesis on the further development of concrete utilisation at substations and reserve power plants. The total volume of waste during the year was approximately 8,900 tonnes, of which hazardous waste made up roughly 900 tonnes. Of the resulting

material, 78 per cent was recycled and 99 per cent was utilised in some way. We additionally improved the efficiency of sorting and recycling at our locations by providing guidance, releasing an induction video and by modernising the recycling points. Circular economy and material efficiency were also on the agenda at the environmental event held for the entire personnel. The goal of the event was to support Fingrid employees' environmental expertise and to increase awareness of current environmental issues, in particular. New information presented at the environmental event included ways to reduce consumption and new practices with which we will ensure the life cycle sustainability of the computers and other ICT equipment purchased for Fingrid personnel.

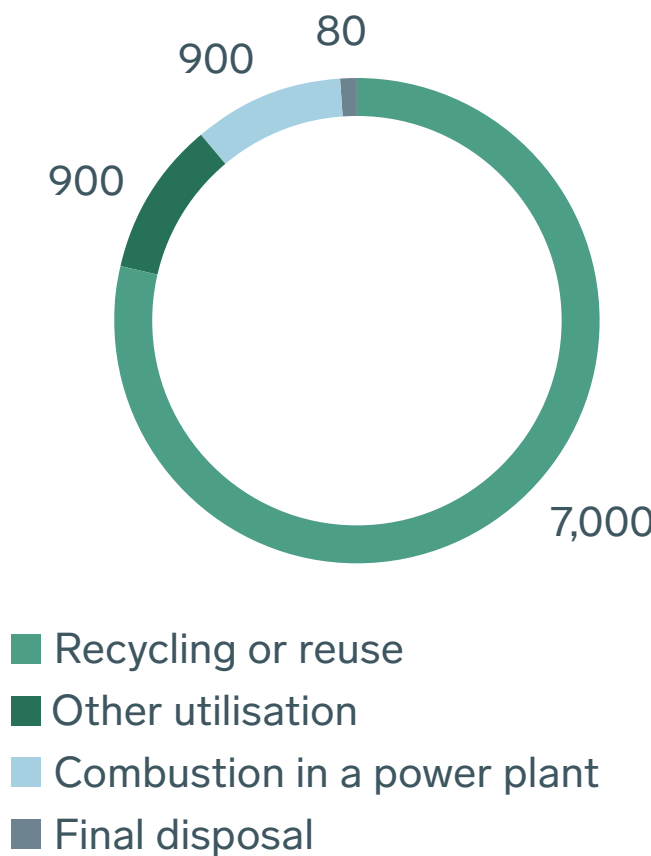
99%

UTILISATION RATE

78%

RECYCLING

Material volumes generated by Fingrid's operations in 2020, by tonnes



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Total weight of waste by type and disposal method	2021	2020	2019
total waste volume, tonnes	8,900	10,800	13,900
by type of waste:			
hazardous waste, tonnes	900	900	900
ordinary waste, tonnes	8,000	9,900	13,000
by disposal method:			
recycling and reuse, tonnes	7,000	6,700	12,400
other utilisation, tonnes	900	3,200	500
combustion in a power plant, tonnes	900	400	800
final disposal, tonnes	80	600	200
recycling rate, %	78	62	89
utilisation rate, %	99	95	98

Protection of nature values and biodiversity

Responsibility vision	Short-term target 2025	Long-term target 2035	Corporate responsibility viewpoint and UN's SDG
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> <div><div>17PARTNERSHIPS FOR THE GOALS</div><div>9INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>12RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>15LIFE ON LAND</div></div>

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Fingrid's goal is to be a forerunner in grid life cycle management. Land use and environmental impacts are incorporated 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 disposal 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.

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. Transmission line right-of-ways also offer an opportunity to promote natural diversity. The right-of-ways are cleared regularly to be open and light and they can act as a replacement habi-

tat 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. For projects with minor impacts, this is done by means of an environmental study. Using the data from the assessments, we can mitigate impacts and ensure the preservation of the environmental sites during the further planning and construction of the project. 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. In 2021, a decision was made to do away with the use of creosote-impregnated wood in transmission line maintenance when repairing old wooden towers. Fingrid has already phased out this effective but toxic wood preservation chemical in new construction in its capex projects. The majority of creosote compounds are hazardous to the environment or health.

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. Through active management, transmission line right-of-ways can be developed into valuable heritage environments in terms of biodiversity and the landscape. 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. 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 2021, we made heritage environment studies part of our transmission line project EIA procedures. We also installed around sixty insect hotels on our transmission line towers and offered Fingrid's own property for the collection of natural products. There is a shortage of organic natural products like berries, birch leaves, spruce sprouts, chaga mushrooms and birch sap in Finland. A transmission line right-of-way landowner can apply for organic certification for their area and sell the natural products at a higher profit than normal. This was tested in a joint experiment organised by the Finnish Forest Centre and Fingrid, looking into new solutions serving landowners. Birch leaves were collected for the needs of organic cosmetics from Fingrid's transmission line right-of-way with organic certification.

We piloted a plan for fighting invasive species at the substations. The spread of invasive species is a global threat to local biodiversity. Fingrid is aware of its responsibility in stopping the spread of invasive species in its operations. In 2021, practices for controlling invasive species were developed at the company's substation properties. Material on invasive species was created for the use of

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

experts and service providers, targeted specialist training was arranged, and the identification and control of invasive species was piloted at selected substations. Our operating model and guidelines will be supplemented based on this.

EIAs and environmental reports

The massive grid investment programme is directly reflected in the number of necessary environmental studies. Several grid projects designed to strengthen the main grid were in the planning stage at Fingrid in 2021. In order to take into account environmental impacts, environmental studies were drawn up on transmission line projects with minor impacts from Pyhärinta to Uusikaupunki and from Siikajoki to Liminka. Environmental issues were also incorporated into the investment planning for numerous new substations.

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. Key main grid transmission line projects are, usually, significant in terms of climate change mitigation, and also EIAs have begun to take climate impacts into account in a new way. In addition to climate change mitigation, an important issue is adapting to climate change. As a company critical for security of supply, Fingrid ensures the continuity of its operations through good risk management, which also includes adaptation to a changing climate.

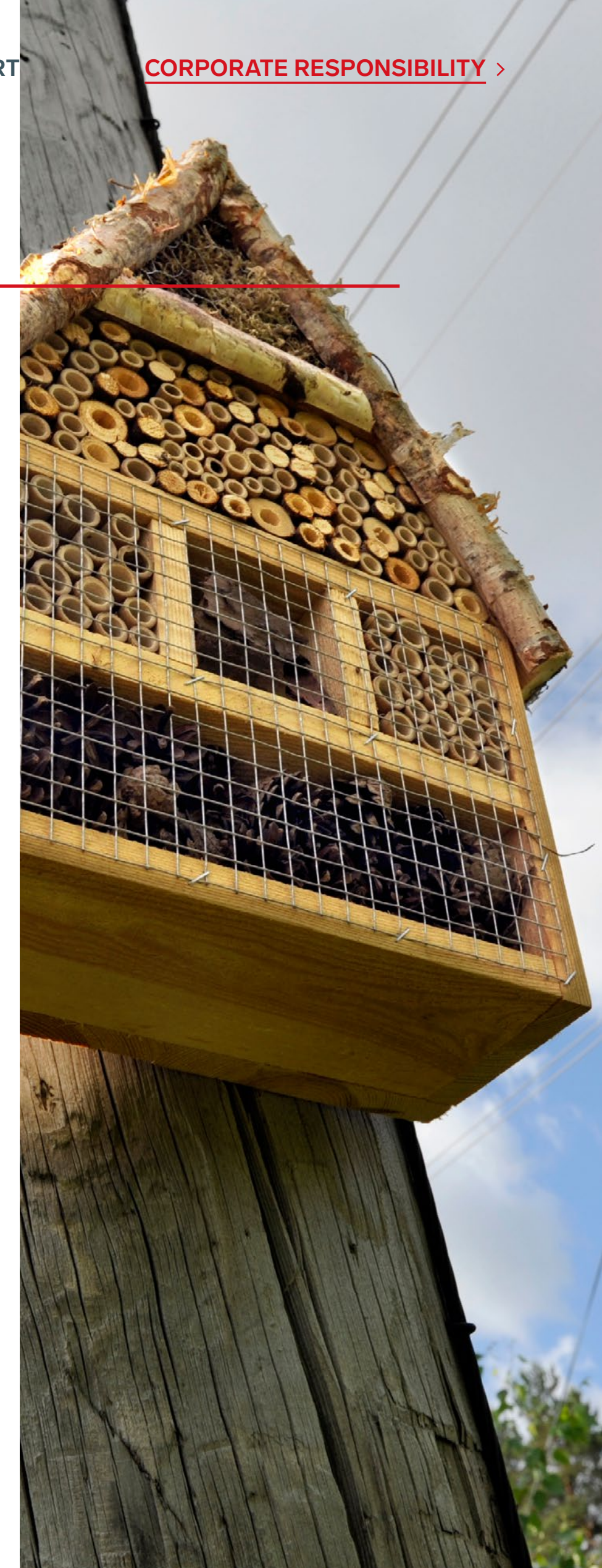
In 2021, an EIA report was completed for the transmission line project from Rovaniemi to Vaala. The EIA authority provided a reasoned conclusion for the Lake Line between Vaala and Joroinen. In addition, the company launched a new long transmission line project EIA procedure.

CASE

Fingrid installed insect hotels on transmission line towers

One of Fingrid's corporate responsibility targets is to improve biodiversity in its transmission line right-of-ways. This goal was furthered by installing artificial nests for pollinators, such as bumblebees and bees, on wooden transmission line towers. In 2021, around sixty insect hotels were installed within a ten-kilometre area in the Kouvola region.

The purpose of the artificial nests is to increase pollinator insect numbers. Approximately 75 per cent of the world's farmed plants require pollinators, and the decline in pollinating insects is a critical threat to food security. The artificial nests were put to good use as, based on inspections carried out by the company, pollinators had taken up residence in the hotels.



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

re from Jylkkä in Kalajoki to Alajärvi. In each EIA procedure, we continued to inform local residents beyond statutory practices through numerous local newspaper ads and hundreds of landowner letters. The EIA briefings presenting the projects reached many people and they were held remotely this year due to the Covid-19 pandemic.

Fingrid's goal is to use old transmission line routes in its transmission line projects, with the objective of reducing the land required by the transmission lines and the environmental impacts. Of the approximately 140 new transmission line kilometres taken into use in 2021, some 99% utilised current transmission line routes, while some 1% were located in entirely new terrain. Nevertheless, this goal also involves challenges and, for example, it was necessary to apply, for the implementation of the Lake Line transmission line project that relies on current transmission line routes, for three exemptions based on nature conservation legislation from the obligation to protect flying squirrels and an amendment to the decree on nature conservation on state-owned land and to nature conser-

vation on private land. A change to nature conservation on private land was granted for the transmission line arrangements between Espoo and Tammisto. In maintenance, we were issued with a national special permit for the removal of birds' nests from the main grid's structures to ensure system security and a permit to shoot ravens at one substation. Additionally, a special permit concerning flying squirrels was issued for the trimming of tree stock at the edges of transmission line right-of-ways in Jyväskylä.

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Through the EIA procedure, landowners and other stakeholders receive information and can impact the project.



- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

FINGRID'S ENVIRONMENTAL RESPONSIBILITY INDICATORS

Environmental responsibility: target indicators and target levels

Indicator	Description		2021-2025	Target monitoring: how we did in 2021
Climate target indicators and target levels		UN's SDG		
System security	Transmission reliability in the grid, %	7 AFFORDABLE AND CLEAN ENERGY	99.9995	99.99992% transmission reliability on the grid
Well-functioning markets	Maintaining Finland as a single price area	7 AFFORDABLE AND CLEAN ENERGY	yes	Finland only had one electricity wholesale market price area
Connecting emission-free production	Connection of wind power to the grid, MW	7 AFFORDABLE AND CLEAN ENERGY	+5,000 MW	Around 1,500 megawatts worth of connection agreements were concluded in 2021.
Third AC connection to Sweden	Project's degree of completion, %	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	100 in 2025	During the year under review, a cross-border transmission permit was issued by the government and an application was made to the EU concerning a grant. Target for completion unchanged.
North–South transmission: Forest Line	Project's degree of completion, %	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	100 in 2022	Construction ahead of schedule
North–South transmission: Lake Line II	Project's degree of completion, %	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	60 in 2025	General planning at an intense stage and target for completion unchanged.





CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Indicator	Description		2021-2025	Target monitoring: how we did in 2021
Climate target indicators and target levels		UN's SDG		
All markets in 15-min periods	Project's degree of completion, %	<div>9</div> <div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div>	100 in 2025	The go-live of 5/2023 will be postponed due to reasons independent of Fingrid, but the 15-min imbalance settlement period will be adopted according to schedule.
SF6 emissions	%, emissions/volume	<div>13</div> <div>CLIMATE ACTION</div>	0.1	SF6 emission leakage rate was 0.03%
Transmission losses, CO ₂ emissions	tCO ₂ e	<div>13</div> <div>CLIMATE ACTION</div>	According to Finland's goals	Transmission loss emissions were 132,000 tCO2e. The 2025 target is 84,000 tCO2e.
Energy efficiency	Energy savings, MWh	<div>13</div> <div>CLIMATE ACTION</div>	181,000	Measures carried out in 2021 saved 3,000 megawatt hours and altogether 92,000 megawatt hours have been saved during the entire agreement period.
Recycling of materials	Recycling rate, %	<div>12</div> <div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div>	90	The recycling rate was 78%
Utilisation rate of materials	Utilisation rate, %	<div>12</div> <div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div>	98	The utilisation rate was 99%.
Office waste to final disposal	kg	<div>12</div> <div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div>	0	New recycling points and instructions for improving sorting and recycling. No waste to final disposal.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Indicator	Description		2021-2025	Target monitoring: how we did in 2021
Climate target indicators and target levels		UN's SDG		
Completed biodiversity improving projects	qty		5	Installation of insect hotels on transmission line towers, using Fingrid's transmission line right-of-way for collecting natural products, and making heritage environment studies part of the EIA procedure for transmission line projects.
Utilising old transmission line routes	Utilisation rate (for new transmission line kilometres)		90	Utilisation rate was approx. 99%. Of the approximately 140 new transmission line kilometres taken into use in 2021, some 1% were located in entirely new terrain.
Positive environmental impacts of technical solutions	Number of adopted solutions increasing the transmission capacity of the existing grid		5	Investment decisions made for four series capacitors and 11 shunt capacitors, which increased the main grid's transmission capacity. Pilot of equipment for monitoring and forecasting the real-time, weather-dependent capacity of the transmission line.
Environmental deviations	Significant deviations, qty		0	No significant deviations detected

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND
SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

03

Social responsibility

The operations of transmission system operators impact many stakeholders and society. The aim is to maintain affordable transmission tariffs, thus boosting Finland's competitiveness. The operations are based on the values of openness, fairness, efficiency and responsibility. Through our close and long-term customer and stakeholder collaboration, we 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.



CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Personnel

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.	Fingrid's work community is productive, healthy and evolving, and has a diverse personnel structure.	Social responsibility Personnel
	Leadership: Fingrid among Finland's best workplaces.	We are a well-known and attractive workplace, whose supervisory work and leadership practices are second to none.	
	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 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 and our daily task of promoting the security of the

power system are relevant. Fingrid's personnel are well aware of this and strive to carry out their work responsibly and with care.

During 2021, Fingrid was involved in the Finnish company Oikotie's Responsible

Employer and Responsible Summer Job campaigns. The results of both campaigns are based on the scores given to their workplaces by the employees. Fingrid was chosen as the most responsible employer for the second time running. We placed 20th in the summer job campaign in the large companies series.

The Responsible Employer survey was conducted in March and April, with altogether 227 Fingrid employees providing responses. Our responsibility index was 4.25 in the large companies category, which is the best result among employers taking part in the study. The survey looked into the image of the employer's responsibility in six different topics: non-discrimination, flexibility and work-life balance, investing in managerial work, content and relevance of work, pay and remuneration, and applicant experience.

The relevance of work was highlighted in Fingrid's results, just like last year. This results at least partly from the responsibility inherent in the company's core mission. All in all, 97% of respondents feel that Fingrid has a positive impact on society. A similar proportion of respon-

dents feel that their own values are well aligned with Fingrid's values and they know what role they play in achieving the shared goals. The results also showed Fingrid's excellent opportunities for development: respondents felt that the employer enables professional development in their work. Of Fingrid's respondents, 93% said that they were proud of their employer because we solve sustainable development issues through our work.

Other areas that were highlighted in addition to the relevance of work were a good applicant experience and investing in managerial work. The respondents feel that the employer requires responsible leadership from supervisors and good managerial work. The respondents also saw that supervisors treat team members fairly and impartially. According to the survey, Fingrid employees feel that the employer encourages them to have a good work-life balance and that the employer is flexible in different life situations. According to the employees, it was easy to talk to supervisors or HR about combining work and private life.

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Based on summer employees' feedback, Fingrid values a good atmosphere and flexible practices. This is why summer employees were prepared to recommend us as an employer. Forty-four of our summer employees responded to the survey and our overall score was 3.64 (2020 3.75). The development areas were related to the meaningfulness of tasks, induction and guidance. Fingrid hired as many as 50 summer employees in the midst of the pandemic restrictions, which is more than ever before.

99

94% of personnel see Fingrid as a good place to work.

Healthy and happy personnel

Fingrid updated its employer promise to its employees during 2021. We carry out meaningful work by securing reliable electricity for Finland and enabling the clean electricity system of the future. We maintain a social and open work atmosphere that encourages development, where everyone can be CEOs of their own work. We promise that Fingrid will remain one of Finland's best places to work going forward.

Our promise to keep the company as one of the best workplaces also means a commitment to take care of our employees. We support the overall well-being of our employees and maintain a good work atmosphere and management, we take into account the needs of individuals and support personnel's recreational activities.

The work atmosphere and success of leadership are monitored through annual personnel surveys. Every other year, we take part in the Great Place to Work Finland survey, most recently in 2021. Fingrid once again received the Great Place to Work© certification. The recognition is

granted to organisations whose Trust Index total score is at least 65%. Fingrid's score of 87% clearly exceeded this limit. Based on the results, employees consider Fingrid to be a good place to work overall. Especially the workplace's good cooperation, engagement and experiences of impacting and participation in decision-making influenced this experience. In the open-ended answers, Fingrid was valued for the freedom and responsibility given for work, its community spirit, a good atmosphere and the opportunity to impact things. Identified development areas included curbing the sense of urgency, the better targeting of resources and putting aside time for both the actual work and development.

A good workplace is a value that the management chooses and its creation can be boosted through management practices. Supervisors are encouraged to communicate actively, 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 company has created a separate specialist career path towards this end. Overall, we

encourage everyone to develop and expand their expertise. We offer each specialist the possibility for 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. From a corporate responsibility perspective, a material part of our HR policy 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. We focus on preventive occupational healthcare by preventing illnesses before they occur. This 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.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

The occupational healthcare agreement and action plan are available to personnel on the company's intranet. Fingrid's occupational healthcare agreement also 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 303,491 (261,210) for the entire personnel. The number of absences due to illness has been remarkably low for many years now, with the percentage of absences due to illnesses at one in 2021, which was calculated for the entire personnel. The high age of retirement (65 in 2021 and 65 in 2020) and the lowest possible pension contribution category bear further testimony to the well-being of our employees.

Fingrid supports its employees' use of public transport by issuing a commuting benefit worth 300 euros. In order to promote the electrification of traffic, the company converted the parking spaces at its locations to enable low-power charging and heating. Employees can charge their electric cars for free.

CASE

Fingrid is again the Most Responsible Employer of the year!
Fingrid has been selected as the Most Responsible Employer of 2021 in Oikotie's 'Great working-life responsibility' survey. Fingrid received the Most Responsible Employer of the year award for the second time, as we ranked first also in 2020. The survey included a total of 35 organisations of different sizes, with a total of 6,058 respondents.

At Fingrid, responsibility is an integral part of the working day – after all, our basic task itself is responsible. We are responsible for ensuring that Finns have access to electricity at all times. A reliable transmission system is essential for society. We also play an important role in building a platform for a clean electricity system as Finland aims for climate neutrality by 2035.

In addition to our responsible basic task, Fingrid, as an employer, has for years invested resolutely in the

well-being and development opportunities of personnel, bold managerial work, and an open, communal and efficient work community. The results of long-term and determined work are also reflected in the responses to the Responsible Employer survey, which highlighted e.g. the relevance of work, good applicant experience, impartiality and equal treatment, and encouragement of work-life balance. According to the study, almost all of the Fingrid employees who responded to the survey would also recommend Fingrid as a workplace to their acquaintances and relatives.



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

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, gen-

der, 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 21 to 69. 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 att-

ract 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.

The company's current status in equal opportunity and non-discrimination issues is monitored annually during the HR reporting process. The surveys include various methods and channels, such as workplace atmosphere questionnaires, equal opportunity studies as well as feedback from management, supervisors and all employees.

Gender distribution* by employee group	2021	Men	Women	2020	Men	Women	2019	Men	Women
Board of Directors		3	2		3	2		2	3
Management		6	3		6	3		6	3
Senior salaried employees		294	87		274	70		254	64
Salaried employees		1	9		1	9		1	10

*The Board of Directors and personnel groups reported by gender and age distribution of permanent personnel (quantity).



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> [Fingrid's corporate responsibility management and targets](#)

> [Environmental responsibility](#)

> [Social responsibility](#)

> [Good governance](#)

> [Corporate responsibility GRI and SASB disclosures](#)

Age distribution of permanent personnel*	2021	2020	2019
Under 29 yrs.	43	30	29
30 – 39 yrs.	119	106	98
40 – 49 yrs.	117	109	101
50 – 59 yrs.	83	83	75
60 – 69 yrs.	38	35	35
Average age	44	44	44

Types of employment	2021	2020	2019
New permanent employment contracts	40	27	20
Number of expired employment contracts, incl. retired employees	13	10	19
Retired	3	4	3
Average retirement age	65	65	63
Average length of employment in years*	10	11	11
Number of persons made redundant	0	0	0
Incoming turnover rate	10%	7.4%	5.9%
Outgoing turnover rate	3.25%	2.8%	5.6%

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	2021	2020	2019
Under 29 yrs.	12	8	5
30 – 39 yrs.	16	9	8
40 – 49 yrs.	8	8	6
50 – 59 yrs.	4	2	1
60 – 69 yrs.	0	0	0

Expired permanent employment contracts, by age group	2021	2020	2019
Under 29 yrs.	0	0	3
30 – 39 yrs.	5	4	8
40 – 49 yrs.	3	1	4
50 – 59 yrs.	1	0	1
60 – 69 yrs.	4	5	3
Percentage of employees retiring within the next 5 years, %:	10		
Percentage of employees retiring within the next 10 years, %:	22		

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	2021	2020	2019
Man-years, Fingrid's personnel*	391	355	336
Man-years, service providers**	703	492	444
Man-years total	1,094	847	780

**Man-years do not include Fingrid Datahub Oy.*

***Reporting covers the service providers' working hours included in Fingrid's internal monitoring. In 2021, grid building and maintenance operations amounted to roughly 1,194,000 work hours, equalling 703 man-years. Service providers' man-years for 2020 restated based on the more accurate information.*

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

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 extensively. 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. The joint meeting was held three times during the year under review. Issues discussed included pay studies and the company's equal opportunity and non-discrimination plan.

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. During the year under review, the Personnel & Expertise steering group convened six times.

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, remunera-

tion 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. The company reserves two per cent of the payroll for incentive bonuses each year, and they are paid for good performance as part of 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 performance. In 2021, the shared indicators determined 60 per cent of the merit pay 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 2021 was 7:1, and the female-to-male annual median income ratio was 0.9:1.

”
Personnel are involved in decision-making and their opinions are heard.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Economy – society

Responsibility vision	Short-term target 2025	Long-term target 2035	Corporate responsibility viewpoint and UN's SDG
Owner of critical infrastructure and a major investor in Finland.	Implementation of a significant maintenance and investment programme, which benefits the whole of society.	Implementation of a significant maintenance and investment programme, which benefits the whole of society.	Social responsibility Economy – society  
The employment impact of investments and maintenance on cooperation partners and local communities.	Increasing the amount of green financing in the company's financing arrangements. Paying taxes without special arrangements.	Increasing the amount of green financing in the company's financing arrangements. Paying taxes without special arrangements.	
A responsible taxpayer.	Fingrid continuously improves its efficiency and productivity, and promotes Finland's competitiveness.	Fingrid continuously improves its efficiency and productivity, and promotes Finland's competitiveness.	

In our societally important basic task, and as a natural monopoly, sustainable and responsible finances are important. Fingrid's financial steering goals include good cost-effectiveness, responsible operations, continuous improvement of productivity, creation of shareholder value, in addition to a high credit rating.

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 the most recent comparison of transmission system operators, Fingrid's grid prices are the second 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 wholesale price of electricity is the same throughout Finland, which makes it possible to make electricity production and consumption 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 steering 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 2021, we paid approximately EUR 136 million in dividends.

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Generation of economic value

Fingrid's profits are channelled to the service and equipment suppliers, electricity market parties, personnel's 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. This 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. This way, our employment impacts are 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, operating models and low service costs resulting from innovations.

According to the study carried out by Gaia Consulting for Finnish Energy in 2021, the energy sector's biggest impact on employment comes from energy production and transmission, which employ around 80 per cent of the industry's personnel. The energy industry gives rise to a significant proportion of Finland's income tax and corporate tax revenues. The taxes collected from the sector are approximately one billion euros annually, including income, corporate and real estate tax. The total employment impact of the energy sector is some 42,000 man-years in Finland. The direct employment impact accounts for 23,300 and the indirect impact for 19,000 man-years. According to the study, Fingrid's employment impact is a total of 2,280 man-years.



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> Fingrid's corporate responsibility management and targets

> Environmental responsibility

> Social responsibility

> Good governance

> Corporate responsibility GRI and SASB disclosures

Direct economic value generated and distributed, €1,000		2021	2020	2019
Income from customers				
	Turnover	1,090,924	682,456	789,356
	Other operating income	64,936	5,219	4,221
	Profit from changes in the fair value of derivatives	-62,267	-2,830	4,221
	Contributions received	-224	-547	-290
	Dividend income	2,904	8,357	881
	Income from investments and loans	381	150	169
Total		1,096,655	692,806	794,337
Payments to service and equipment suppliers and electricity market parties				
	Purchases, materials and services	773,553	404,330	490,861
	Other costs	37,990	35,304	63,007
	Changes in fair value	-66	175	-26,585
	Voluntary additional personnel expenses and compensation for expenses (excl. training)	-1,552	-1,477	-1,469
	Real estate taxes	260	-453	-421
	Contributions	-11	-10	-10

Direct economic value generated and distributed, €1,000		2021	2020	2019
Total		810,173	437,869	525,383
Remuneration to personnel				
	Salaries, remunerations, social security contributions	37,810	34,094	31,129
	Voluntary additional personnel expenses and compensation for expenses (excl. training)	1,552	1,477	1,469
Total		39,363	35,571	32,598
Payments to providers of capital				
	Dividend*	133,037	135,614	148,249
	Finance cost	13,972	13,348	16,149
Total		147,009	148,962	164,398
Payments to government and community investment				
	Income tax for the financial year	33,522	29,722	34,957
	Real estate tax	-260	453	421
	Contributions and sponsoring	11	10	10
Total		33,273	30,185	35,389
Economic value retained for developing operations		66,837	40,219	36,569

*The dividend for 2021 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.

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> [Fingrid's corporate responsibility management and targets](#)

> [Environmental responsibility](#)

> [Social responsibility](#)

> [Good governance](#)

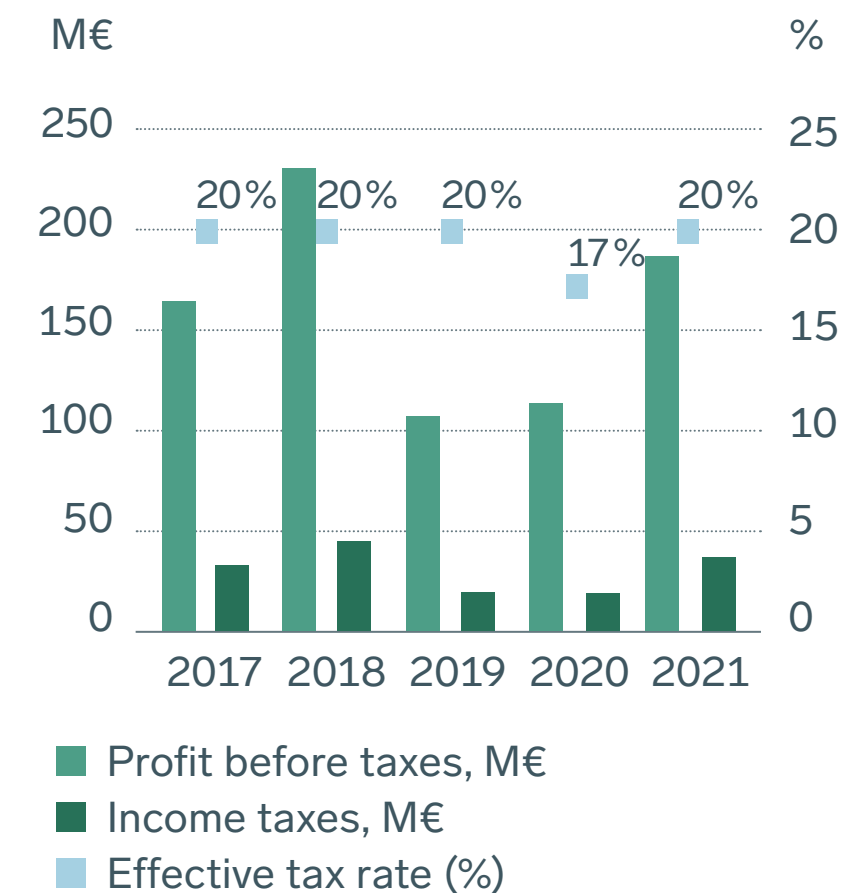
> [Corporate responsibility GRI and SASB disclosures](#)

Contributions received, €1,000	2021	2020	2019
EU: Horizon 2020 Framework Program	79	402	149
National Emergency Supply Agency	145	145	141
EU: Connecting Europe Facility (CEF Energy) grant	0	0	610
Total	224	547	900

Tax footprint

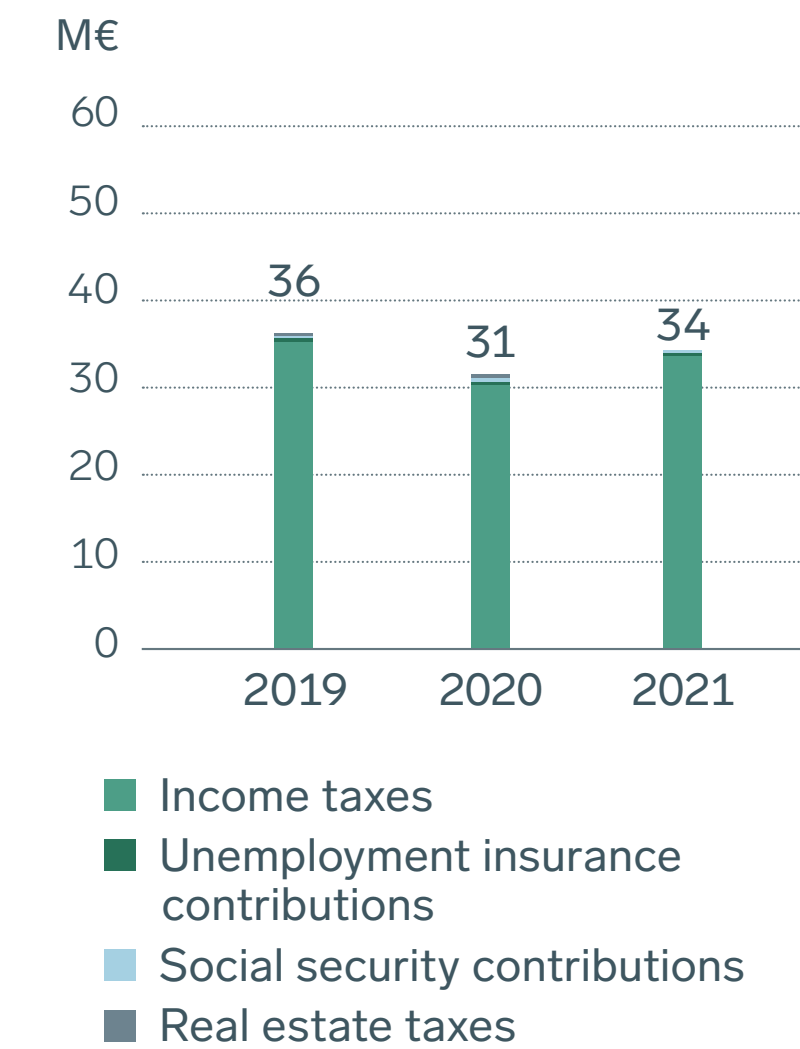
Fingrid is a responsible taxpayer. In 2021, we paid EUR 34 million in income tax. Our tax rate, i.e. the amount of tax to be paid on the company's earnings, corresponds to Finland's corporate income tax percentage (20%). In 2020, Fingrid was Finland's 19th largest corporate income tax payer, paying EUR 30 million in income tax. Fingrid annually reports on its tax footprint and refrains from any special arrangements to minimise its taxes.

Taxes 2017–2021

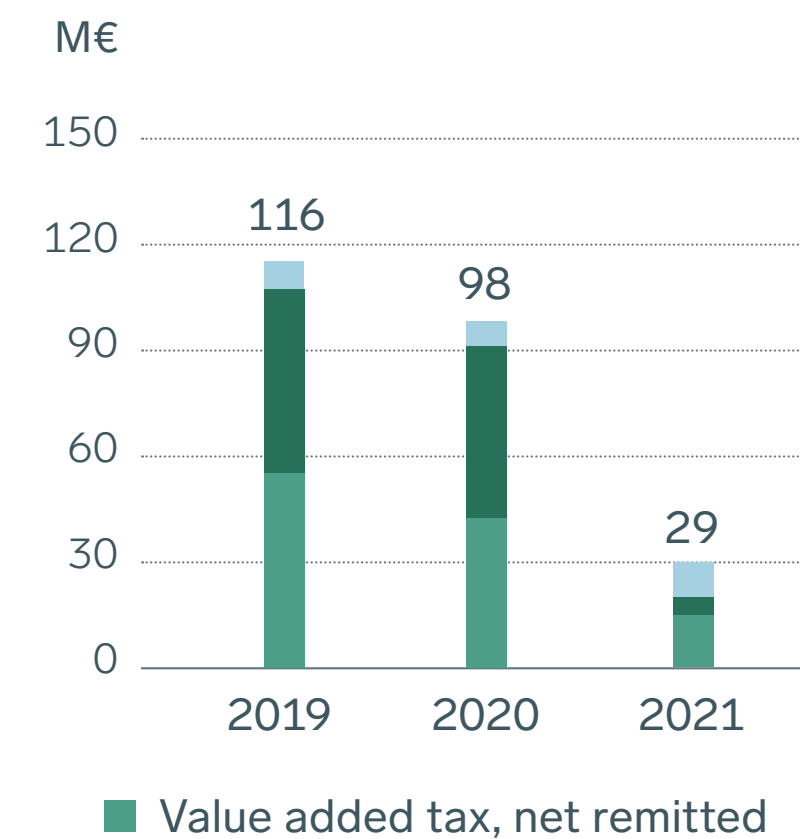


Fingrid's tax footprint

Taxes payable



Taxes to be collected and remitted



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

The table below describes Fingrid’s tax footprint for 2019–2021. 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 system operation’ directive. As a consequence, 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.

Fingrid’s tax foot print, MEUR	2021	2020	2019
Taxes payable			
income tax	33.52	29.72	34.96
unemployment insurance contributions	0.53	0.42	0.47
social security contributions	0.46	0.42	0.20
Real estate taxes	-0.26	0.45	0.42
taxes payable total	34.25	31.02	36.04
taxes to be collected and remitted			
value added tax, net remitted	15.58	41.66	55.29
electricity tax (incl. emergency-preparedness contribution)	4.81	48.50	52.13
tax prepayments	9.01	8.25	8.10
taxes to be remitted total	29.40	98.41	115.51

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Green financing

Fingrid's goal is to increase the amount of green financing in the company's total 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 report's emissions calculations have been verified by and independent third party.

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. Fingrid approved, 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.

In 2021, Fingrid significantly increased the share of green financing in the company's total financing. On 30 November 2021, Fingrid signed a revolving credit facility agreement of EUR 300 million tied to the company's sustainability goals. The loan period for the revolving credit facility is five years, in addition to which Fingrid has two one-year extension options. The revolving credit facility agreement replaces the EUR 300 million revolving credit facility signed in 2015 and is available for use in the company's general financing needs.

99

Amount of green financing up dramatically

Fingrid may benefit from the credit facility agreement's lower interest rate margin based on achieving the company's three material responsibility targets:

- Target 1: Connection of wind power to the grid (MW)
- Target 2: Reducing greenhouse gas emissions in electricity transmission losses (tCO₂e)
- Target 3: Reduction in combined lost time injury frequency (own personnel and service providers), (LTIF)

These sustainability targets of the company are described in more detail in the sections on environmental responsibility (targets 1 and 2) and social responsibility (target 3).

During 2021, the Nordic Investment Bank (NIB) awarded Fingrid a 15-year green investment loan for financing the company's investment plan for 2021–2022. The granted EUR 70 million loan can be financed using NIB's green bonds. Green financing supports Fingrid's investments that increase the general reliability of the transmission grid in order to supply electricity to the whole of society and industry.

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, which involves the assessment of the projects' environmental impacts, the responsibility audits of service and goods providers and requires suppliers to commit to the company's corporate responsibility requirements.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid’s corporate responsibility management and targets
- > Environmental responsibility
- > **Social responsibility**
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

CASE

Congestion income growing – used for developing the main grid

When the prices of different bidding areas differ on the electricity markets, this results in congestion income. Due to the electricity market transformation, the congestion income of the electricity transmission system is growing. In Finland, the resulting income must be used for maintaining and developing cross-border transmission capacity.

Congestion income is created when the transmission capacity between two bidding areas is not sufficient for the transmission need and the areas’ prices diverge. In this case, electricity suppliers operating in a lower priced area receive less for their power than what an electricity buyer pays for it in a higher priced area. Congestion income is allocated equally between the TSOs in whose cross-border connections the electricity transmission congestion has formed.

According to EU legislation, congestion income must primarily be used for maintaining and developing cross-border transmission capacity. If this is not fully possible, it can also be used to reduce tariffs, thus compensating grid users for electricity market disturbances caused by congestion.

As a rule, Fingrid uses, under the supervision of the Energy Authority, all of its congestion income for grid investments that maintain or increase the cross-border transmission capacity. The purpose of this is to reduce electricity market disturbances caused by congestion.



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 2021, the company supported, for example, child and youth work, children’s sports and electrotechnical studies with approximately EUR 20,000.

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.

Fingrid does not support religious or political activities.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

CASE

Giving back
Petteri Pakalén and Antti Hyttinen from Fingrid participated in 2021 in the international Team Rynkeby – God Morgon charity cycling event as part of Helsinki's team. The teams raise money for the treatment and support of treatment for Finnish children and youth with cancer. The young men decided to give their all for a good cause and convinced Fingrid to support the team.

Both Pakalén and Hyttinen are fairly enthusiastic cyclists.

Participating in the TRGM team combines sports, social activities and charity work. The majority of the money raised by TRGM comes from sponsors. All of the raised funds go to charity and the team members pay for their own cycling gear, travel costs, bikes and other expenses. In 2021, Fingrid took part in the fund-raising as a gold sponsor.



The cycling teams' season culminates each year in July with a week-long 1,200-km trip. The journey normally takes them from northern Germany to Paris, but this time, due to the Covid-19 pandemic, the trip took place in Finland.

Stakeholders and customers

Stakeholders and stakeholder cooperation

Responsibility vision	Short-term target 2025	Long-term target 2035	Corporate responsibility viewpoint and UN's SDG
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 <div><div>7AFFORDABLE AND CLEAN ENERGY</div><div>9INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>17PARTNERSHIPS FOR THE GOALS</div></div>

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. This entails the continuous development of our operations.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

We are also expected to provide reliable electricity transmission that meets customers’ needs. To keep the lights on in Finland and to ensure that the consumption and production of electricity in Finland’s electricity system are continuously 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 to ensure 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. First-class, respectful interaction must be the goal in all stakeholder engagement. Our employees are trained on how to interact with stakeholders. We make sure that every employee is aware of our stakeholders’ expectations and knows how to act responsibly.

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 2021.

The executive management group and Board of Directors regularly monitor the success of stakeholder interaction.

	Stakeholders expectations	Fingrid’s measures 2021
Owners and financiers	<ul style="list-style-type: none">Responsible business and good governanceImprovement in profitabilityPreservation of shareholder value and stable return developmentDebt service consistent with agreementsTransparent reporting	<p>The company was successful in creating shareholder value and paid owners the planned dividends.</p> <p>We continued systematic dialogue with the financiers and transparent financial communications on the company’s strategy, finances and business.</p>
Customers	<ul style="list-style-type: none">Reliable electricity and a well-functioning electricity marketServices that meet customers’ needsAffordable pricingPredictable operations	<p>Two large Fingrid Current events organised for customers and several webinars on projects to develop the electricity market and grid visions. Face-to-face meetings with different customer groups. Meetings with wind power facility owners and many 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. Specified Fingrid’s services and collected development ideas for them from customers. Customer communication took place through a newsletter and the customer magazine.</p>

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

	Stakeholders expectations	Fingrid's measures 2021
Personnel	<ul style="list-style-type: none">Equal treatment and rewardsWell-being in the work communityOccupational safetyProfessional development opportunitiesStable employment	Diverse training organised for the personnel at Fingrid Academy (Loikka III, O365, project management, language training, presentation skills coaching, supervisor coaching). Employees' well-being during the pandemic was supported with the FitGrid campaign, together with the Finnish Institute of Occupational Health. Induction programme for new employees updated. A training event was arranged on assessing the difficulty of employees' tasks.
Policymakers	<ul style="list-style-type: none">Reliable electricityShaping the clean and market-oriented power system of the futureWell-functioning electricity marketParticipation in the electricity market	Key energy policy policymakers were sent Fingrid's newsletter. A few concise energy sector newsletters were created together with MustRead for policymakers. We engaged in discussions on the electricity price situation, the proposed Act on guarantee of origin, peak load capacity, planned amendments to the Electricity Market Act, legislation concerning Datahub and the general outline of energy infrastructure with the Parliament's Committee of Economics?
Authorities and NGOs	<ul style="list-style-type: none">Promotion of common interestsClear, reliable and timely communicationExpertise	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 safetyResponsible treatment of suppliersPredictability and continuity	Meetings with all major service providers. Future, increased investment needs explained. Quality comparison scoring was renewed to increase the fairness of competitive tenders and promote the market entry of new suppliers. Study on the carbon footprint of steel production. The 'Think before you act' campaign in occupational safety.
Landowners and neighbours	<ul style="list-style-type: none">Responsible operating methods in land-use and environmental matters to reduce negative impactsProactive and reliable contact	Communications and direct contacts at different stages of transmission line projects and during maintenance. Events for the general public, letters to landowners and newspaper advertisements in EIA procedures. Feedback surveys for completed transmission line projects. Also electronic feedback system available.
Other partners	<ul style="list-style-type: none">ExpertisePromotion 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.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Customers

Responsibility vision	Short-term target 2025	Long-term target 2035	Corporate responsibility viewpoint and UN's SDG
Affordable for customers, fair partner to customers, most market favourable TSO	Customers are happy with Fingrid's services.	Customers are happy with Fingrid's services. Among the most affordable TSOs in Europe.	Social responsibility Customers <div><div>7 AFFORDABLE AND CLEAN ENERGY</div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>17 PARTNERSHIPS FOR THE GOALS</div></div>
	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.	
	Well-functioning electricity market and system security at a good level.	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.	

Transmission system operators have quite similar basic tasks in different countries, but these tasks can be managed in very different ways. Fingrid stands out from other transmission system operators (TSOs) through its customer focus. One of Fingrid's most important strategic choices is a focus on customers, which is ensured through a successful customer service operating model. We work for the benefit of our customers and society. Reliable electricity and a well-functioning electricity market are secured for society, and customers are offered affordable prices. 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. The quality of the services is maintained 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. Each year, the company ranks among the best in international comparison surveys that measure the cost-effectiveness and quality of our transmission system operations. Furthermore, the company has been granted international certification for the manage-

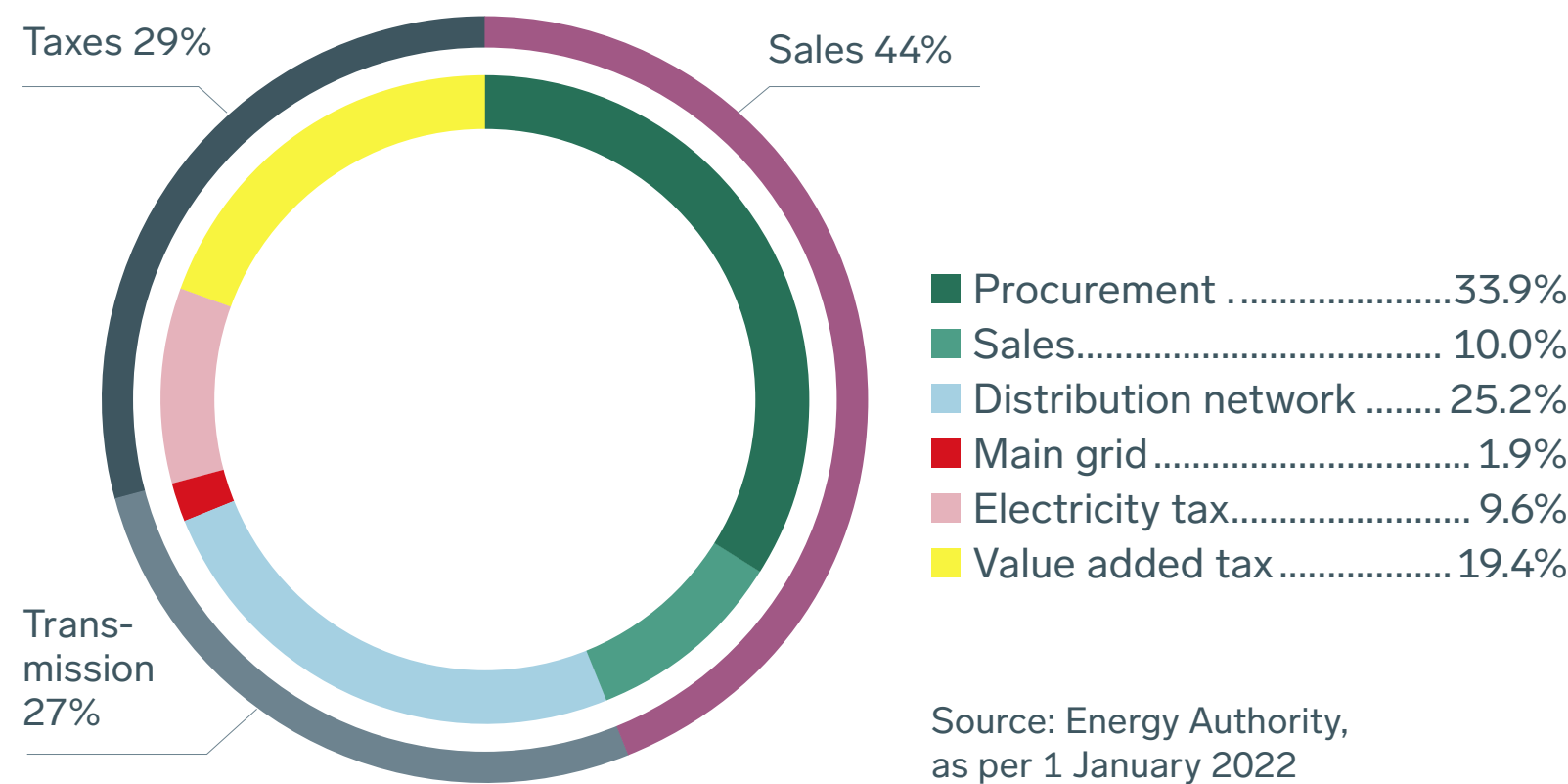
CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

ment of physical assets (ISO 55001). This is proof of the effective management of costs and other risks related to grid assets (such as expense risks).

In its benchmark group, Finland's main grid offers the second-lowest prices for electricity transmission in Europe. The European Network of Transmission System Operators for Electricity (ENTSO-E) compared electricity transmission in 36 countries. Nineteen of the countries are EU/EEA countries comparable with Finland, with large geographic areas and main grids operating at various voltages. The cheapest of these are Slovenia, Finland and Norway.

Household consumer's electricity price
Consumption 5,000 kWh/year

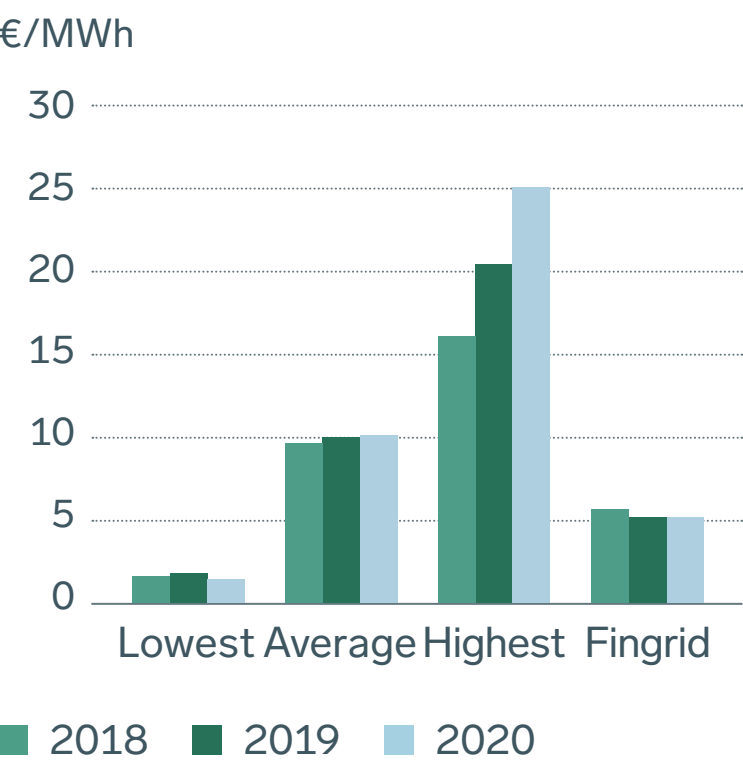


Fingrid will raise the electricity transmission fees in the main grid by an average of two per cent in 2022. This increase is based especially on the surge in market-based reserve costs. Reserves ensure the power system's balance of electricity production and consumption. Thanks to its cost-effective operations, 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.

The number of new wind power producers grew, as in previous years. During the year, around 1,500 megawatts worth of connection agreements were concluded. The challenge is to build the new connections and to simultaneously 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.

ENTSO-E transmission tariff comparison

European system operators



CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > **Social responsibility**
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Customer satisfaction

Understanding customers’ needs and challenges is important to Fingrid. 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. Customer satisfaction is one of the key indicators in the personnel’s merit bonus system.

All customer contacts and feedback are recorded in our CRM system, which provides us with an overall picture of customer satisfaction in order to develop our operations.

The traditional customer survey was carried out in late August and early September. Based on the survey, our customers are satisfied with Fingrid’s operations, and the majority of the results remained almost identical to last year’s. Customers’ trust in Fingrid has

remained strong. Our work for the benefit of society at large is considered a particular strength. A lowering of the score could be seen in the question concerning cost-effective solutions, where criticism was levelled in particular at the timeframe and costs of the Datahub project. The experience of working with Fingrid employees was considered a strength, and we received praise for our expertise in particular 4.5/5 (2020 4.5). Our score for service-mindedness was the same as in the previous year, i.e. 4.3/5 (2020 4.2). We had the most to improve in understanding customer needs, in which we scored 3.7/5. We also asked customers whether they would recommend Fingrid’s way of working with customers (Net Promoter Score, NPS). The NPS was +41, which is four units down from the previous survey.

More on our customer operations can be found in the Business Review included in the Annual Report.

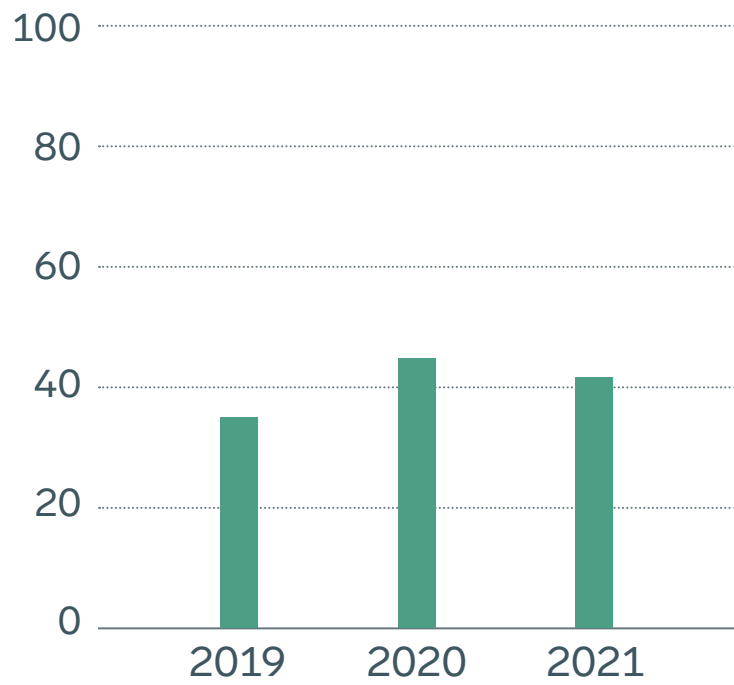
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Customer satisfaction is one of the key indicators in the personnel’s merit bonus system.

+41 NPS

NET PROMOTER SCORE 2021

Net Promoter Score from customers (cNPS)



CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

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 we constantly develop our ways of operating based on the feedback we receive.

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 a landowner survey on the Pamilo–Uimaharju transmission line project that ended in 2021, for which we received a score of 3.4 (on a scale of 1–5). The score was below our target (>4). The expectations for improvement expressed by the landowners focused on communications and the tracks left by work machinery.

In order to be able to build, operate and maintain a transmission line, Fingrid expropriates a right-of-use to the transmission line area. In 2021, an expropriation permit decision was given for the following transmission lines: Pyhänselkä–Raahe/Pyhänselkä–Leväsuo, Hämeenlahti–Kauppila and Isohaara–Simojoki/Simojoki–Raasakka. An expropriation permit application was drawn up for the Viitajärvi–Pyhänselkä, Torna–Lautakari, Kauppila–Hännilä and Leväsuo–Isokangas transmission line projects. The compensation process for compulsory purchase was concluded in the Pamilo–Uimaharju and Kontiolahti–Uimaharju

projects. No construction sites with existing buildings were bought.

Other key stakeholders

European legislation and regional solutions on market rules have a significant impact on the electricity markets. Fingrid actively participates in the preparation and implementation of EU legislation together with **European and regional authorities and other transmission system operators**. The idea is 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.

Fingrid works together with Finnish **political influencers and authorities** to strengthen the main grid in order to achieve Finland's climate neutrality goal and maintain the balance of the electricity system.

Financers, credit rating agencies and shareholders expect us to plan the

company's finances, capital expenditure, risk management and financing in the long term. The company's 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 of us are 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.

We regularly survey our stakeholders' views on the company. The surveys are

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

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	customer survey once a year, reputation survey spring 2021
	Polymakers	every 2–3 years, 2021 most recent
	Technology professionals The general public	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

SUPPLY CHAIN

Responsibility vision	Short-term target 2025	Long-term target 2035	Corporate responsibility viewpoint and UN's SDG
Fingrid is a responsible buyer of services and goods	Responsibility requirements included in all of the company's sourcing activities.	Extensive and comprehensive responsibility requirements included in all of the company's procurements.	Social responsibility Supply chain
	No significant deviations or problems in contractor obligation or employment relationship matters.	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.	Comprehensive and continuous auditing in the service provider field further down the 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.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

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, monitoring the technical implementation as well as the management of occupational safety and environmental issues at the work-site. Good operations impact the final score of the assessment, which is taken into account as quality scores in future competitive bids.

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.

Of Fingrid's direct contractual partners in the construction and maintenance of main grid transmission lines, the 15 biggest account for roughly 90 per cent of the contractual volume. Twenty-five of the suppliers have a contract portfolio of more than one million euros with Fingrid. 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 2021, 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 2021, a substantial number of non-Finnish workers worked mainly on transmission lines (from the Baltics, Poland and Spain), but to some extent also at substations, including from the Baltic countries.

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.

During 2021, 13 sites were audited, from capex project worksites to mainten-

ce operations. Responsibility audits are used to verify service providers' management of contractor obligations, occupational safety and environmental issues. The goal is to support the service provider in even safer and more eco-friendly ways of working. Despite the pandemic, we were able to carry out a record number of audits safely, which was partly enabled by the introduction of a helmet camera and using remote connections. The most typical deviations uncovered in the audits had to do with qualifications and work risk management, the processes for the hand-over inspections of machines and equipment, and fall protection plans. The auditing method was made more conversational and development-oriented in order to achieve the shared goal.

In international goods sourcing, Fingrid carries out very few direct material and equipment procurements, as the majority of the procurements are the responsibility of the main contractors. In 2021, third-party supplier audits were carried out at 10 production plants in altogether six countries, such as Turkey and Italy. The

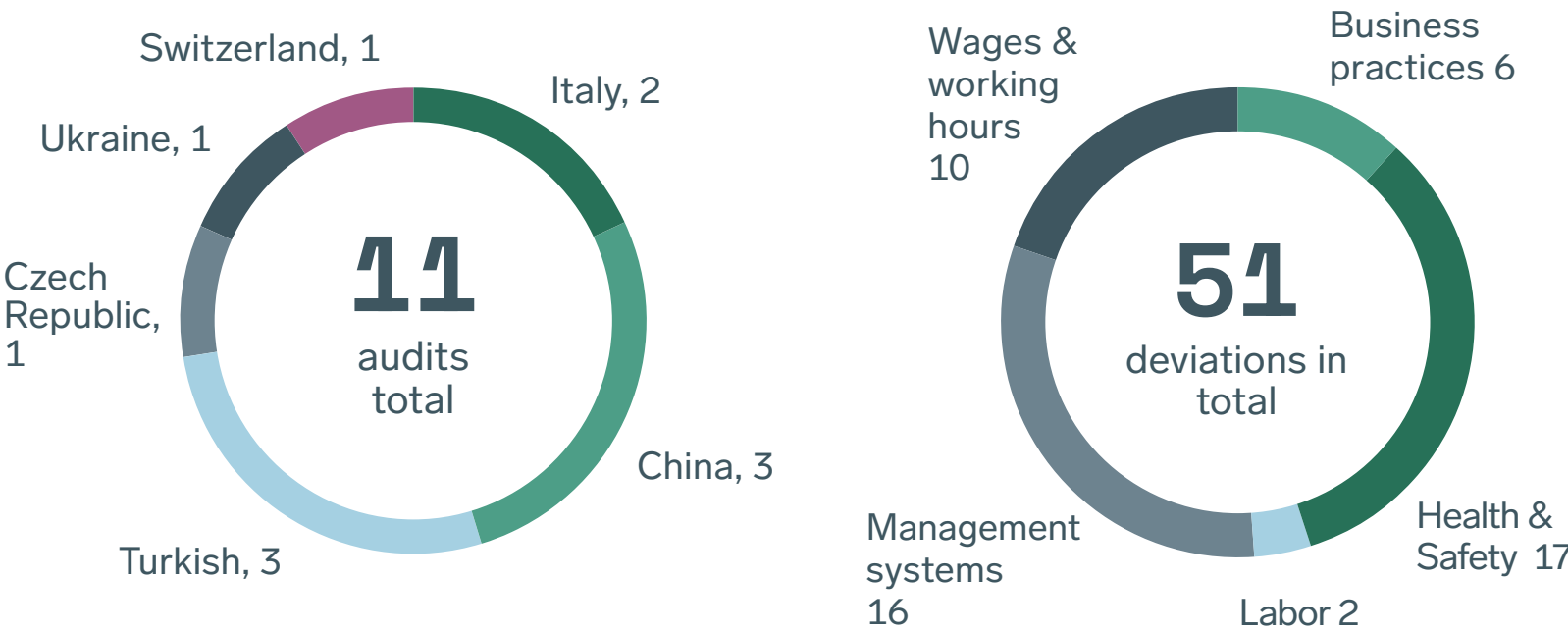
CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

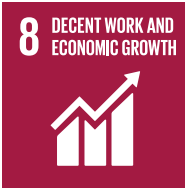

audited plants included insulator plants, transformer and instrument transformer plants, steel tower factories and GIS device plants. The total number of audits was 11 as follow-up audits can be conducted at the same plant in order to rectify non-compliance. There were altogether four of these follow-up audits. The audited companies included both Fingrid's di-

rect contractual partners and their suppliers, but also possible future material and equipment suppliers. In the audits at contractual partners, deviations were typically related to occupational health and safety. Audits were also carried out at possible future material and equipment suppliers. These audits also revealed deviations in working hours.

Audits related to international material sourcing by country and distribution of findings



OCCUPATIONAL SAFETY AND THE SAFETY OF THE MAIN GRID

Responsibility vision	Short-term target 2025	Long-term target 2035	Corporate responsibility viewpoint and UN's SDG
Each of our employees and everyone working at a Fingrid worksite returns home healthy and in one piece – at the end of every workday.	Low LTIF (less than 5). No serious occupational safety deviations. Fingrid is known for exceptional occupational safety.	Zero workplace accidents. No serious occupational safety deviations. Fingrid is known for exceptional occupational safety.	Social responsibility Occupational safety and the safety of the main grid 
Main grid does not cause harm to the public.	The main grid is safe, no accidents or health impacts.	The main grid is safe, no accidents or health impacts.	

Occupational health and safety come first in all of Fingrid's activities. 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. Each employee 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.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

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, maintenance and reserve power plants. 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. Contract terms concerning Fingrid’s safety are appended to all 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 equipment and material suppliers.

Identifying hazards, risk assessment and investigation

We continuously improve our occupational health and safety performance. 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 with 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 seve-

rity classification. The investigation, 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 occupa-

tional 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. In addition they 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.

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 conve-

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > **Social responsibility**
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

nes 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 also 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. It is discussed in the internal occupational safety group and OHS

committee. Developing safety skills is the responsibility of each Fingrid employee and their supervisor.

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 organised the 'Think before you act' campaign, which included several occupational safety videos and a video competition for service providers and Fingrid's personnel. We held several occupational safety briefings and webinars for Fingrid's personnel and service providers. We implemented a project on safe work at height at substations, which involved an inspection of the climbable structures by a consultant. We also performed testing using a video link in worksite responsibility audits.

Occupational safety 2021

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 0 (2) lost-time workplace accidents were recorded among Fingrid's own personnel. A total of 17 (14) absences due to accidents at the workplace were recorded among the service providers. Among the lost-time accidents, 1 (5) led to an absence from work of more than 30 days and was classified as serious. The service providers' and Fingrid's combined lost time injury frequency (LTIF) decreased from the previous year to 9.1 (11.1) absences due to accidents at the workplace per million worked hours.

Slipping and tripping caused a significant share of workplace accidents in 2021. Additionally, several workplace accidents that occurred last year still have in common the fact that they could have been prevented through relatively small measures such as by deciding on a safe way of working before starting the work. This is why the goal of Fingrid's 2021 campaign 'Think before you act' was to make the 'think before you act' mentality a permanent practice at Fingrid's worksites. Fingrid's own

personnel experienced 4 (2) recordable workplace accidents and the service providers 27 (26) recordable workplace accidents. The service providers' and Fingrid's combined TRIF rate was 16.6 (19.4) recordable workplace accidents per million hours worked.

We also measure the work carried out to achieve occupational safety. The number of safety observations grew year-on-year. Fingrid's personnel made 26 (17) and the service providers made 508 (460) safety observations. In 2021, we reported for the first time on near misses as part of the SASB standard-compliant reporting.

CORPORATE RESPONSIBILITY AND
SUSTAINABLE DEVELOPMENT

> [Fingrid's corporate responsibility
management and targets](#)

> [Environmental responsibility](#)

> [Social responsibility](#)

> [Good governance](#)

> [Corporate responsibility GRI
and SASB disclosures](#)

Workplace accidents, own personnel	2021		2020		2019	
Absences due to illness	1%/2.1 days/person		1%/1.5 days/person		1%/2.6 days/person	
	Workplace	Business travel	Workplace	Business travel	Workplace	Business travel
No. of accidents leading to absences	0	0	2	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	4	5	0	0	2	2
No. of recordable workplace accidents	4	5	2	1	2	3
Lost-time injuries frequency, workplace accidents resulting in absence (LTIF)*	0	0	3.3	1.6	0	1.7
Total recordable injury frequency (TRIF)	5.9		3.3		3.5	
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	26		17		23	

*LTIF in line with Zero Accidents. LTIF does not include Fingrid Datahub Oy.

Workplace accidents, service providers	2021	2020	2019
No. of workplace accidents leading to absences	17	14	7
of which serious (No. of absences of more than 30 days and/or permanent injury)	1	5	2
No. recordable workplace accidents, no absence	10	12	
Total no. of recordable workplace accidents	27	26	
Lost-time injuries frequency, workplace accidents resulting in absence (LTIF)	14.2	16.8	9.3
Total recordable injury frequency (TRIF)	22.6	31.2	
No. of safety observations	508	460	567

Combined workplace accidents (own personnel and service providers)	2021	2020	2019
Combined lost time injury frequency (own personnel and service providers), workplace accidents resulting in absence (LTIF)*	9.1	11.1	5.3
Combined total recordable injury frequency (TRIF, own personnel and service providers)	16.6	19.4	

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> Fingrid's corporate responsibility management and targets

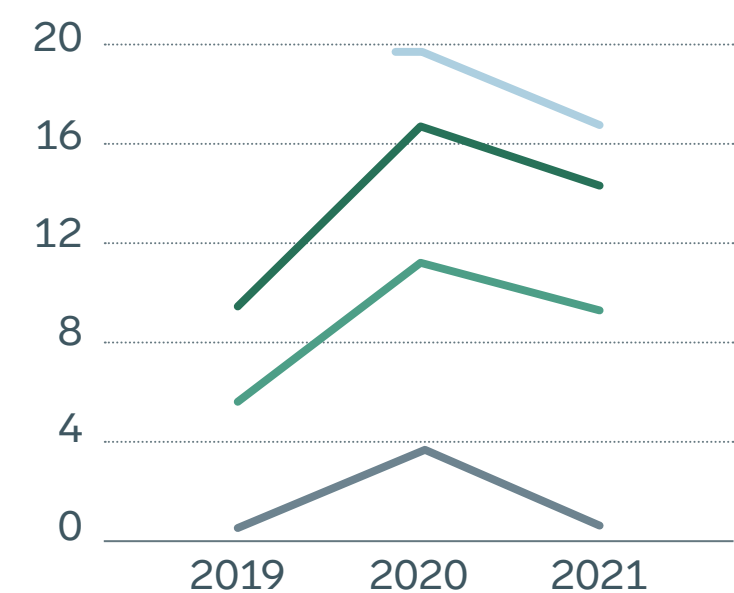
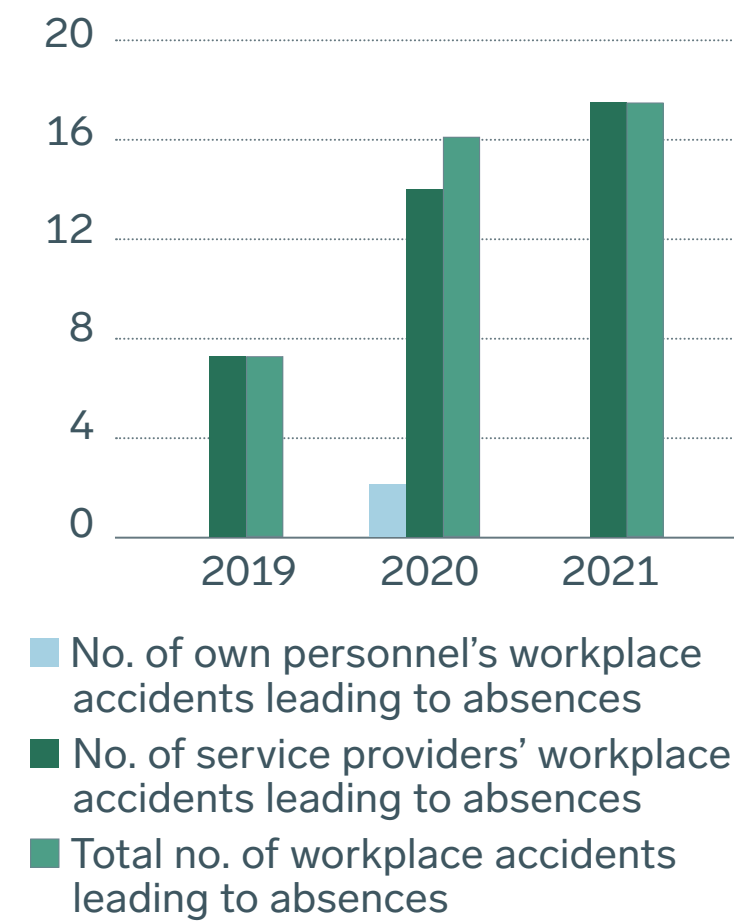
> Environmental responsibility

> **Social responsibility**

> Good governance

> Corporate responsibility GRI and SASB disclosures

Lost Time Injury Frequency (LTIF) and workplace accidents



■ LTIF, Fingrid's personnel
 ■ LTIF, service providers
 ■ Combined LTIF (Fingrid's personnel & service providers)
 ■ Combined total recordable injury frequency (TRIF, own personnel and service providers)

CASE

Extra safety for work at height at substations

In spring 2021, Fingrid initiated a project aiming to improve the safety of employees working at height at substations. The objective is to find a way for improvement in structures that can be climbed for trials and identify good practices for working at height. The first step was to conduct trial climbs, which took place at a total of six substations during the year. Among these are an air-insulated switchgear, a GIS station and an HVDC station. The aim is to analyse the various climbable structures in as much depth as possible.

The trial climbs involve activities such as climbing onto the top of a main transformer using a ladder and identifying safe ways of using existing structures. At the same time, the needs for improvements to the structures are analysed to determine if there are enough anchorage points for fall protection and whether they are in the correct places. It is not necessary to climb



onto every structure because certain installations can be inspected from the ground or by using a personnel lift.

When the structures are climbed, the project team studies various solutions for anchoring fall protectors as effectively as possible. The

aim is to ensure easy use of the Always Attached method for safe and ergonomic work and movement at height. In addition, the project team identifies the best method for helping an injured person down in the event of an emergency.

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures



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 2021, 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, while 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 2021, inspections were performed on some 4,700 kilometres of transmission line. Around 5,700 hectares of clearings were cleared, and roughly 60,000 cubic metres of wood was felled in the bordering forests. More

than 8,000 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 2021, Fingrid issued about 240 statements on land-use plans and environmental impact assessments. In addition, we directed the construction and operations taking place near grid ins-

tallations by issuing roughly 510 statements that included safety instructions and land-use restrictions. We implemented several reviews related to these and offered training. We were still involved in the reform of the Land Use and Building Act into the planning and building act. In our statement, we stressed the importance of regional land use planning and its steering impacts on Fingrid, and taking the main grid into account in the land use planning system.

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. However, 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 2021, we continued to publish, jointly with an independent expert party, status reports on global, medically 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.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

FINGRID'S SOCIAL RESPONSIBILITY INDICATORS

Social target indicators and target				
Indicator	Description		2025	Target monitoring: how we did in 2021
Personnel		UN's SDG		
Finland's best workplaces	Result of personnel survey	<div>8DECENT WORK AND ECONOMIC GROWTH</div>	Among Finland's best workplaces	Great Place to Work study: Trust Index 87 and 'As a whole this is a good workplace' 94% Most Responsible Employer 2021 in the Oikotie survey
Healthy and happy personnel	Absences due to illness Retired	<div>8DECENT WORK AND ECONOMIC GROWTH</div>	<2% no premature retirement	Absences from work 1% and one premature retirement
Diverse work community	Equal opportunity, non-discrimination and diversity	<div>5GENDER EQUALITY</div>	No incidents of discrimination More diverse personnel structure	No incidents of discrimination. Broad age structure. Small pay gap between women and men, and 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	<div>8DECENT WORK AND ECONOMIC GROWTH</div>	The goal is to increase the amount of green financing in the company's total financing	In 2021, the company significantly grew the volume of green financing in its total financing. A EUR 300 million revolving credit facility tied to the responsibility targets and EUR 70 million in a green investment loan.
Financial efficiency	Development of costs in relation to the general price level.	<div>7AFFORDABLE AND CLEAN ENERGY</div>	Rise in costs slower than the general development in the industry.	In 2021, the company's operational cost development exceeded the long-term average due to the general rise in the cost level in the operating environment, but was among the industry's best.
Effective tax rate	Paying taxes according to Finland's corporate income tax rate.	<div>16PEACE, JUSTICE AND STRONG INSTITUTIONS</div>	Paying taxes according to the corporate income tax rate in force at any given time.	Fingrid paid EUR 33.5 mill. in taxes in 2021. In 2020, 19th largest corporate income tax payer.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Indicator	Description		2025	Target monitoring: how we did in 2021
Customers		UN's SDG		
System security Well-functioning markets				defined under climate targets
Customer satisfaction	cNPS	<div>9</div> <div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div>	>50	cNPS was 41. The 2021 target was >35.
Affordability of grid service fees	ENTSO-E price comparison	<div>9</div> <div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div>	among 3 most affordable	2021 result not yet known. Ranked 2nd in 2020.
Other key stakeholders				
Satisfaction of landowners	Satisfaction with the management of investment projects (1–5)	<div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div>	>4	The result was 3.4.
Company's reputation among different stakeholders	Stakeholder surveys	<div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div>	Fingrid is a well-known company and sought-after partner among all stakeholders	The employer image among technology professionals remained almost unchanged. The employer image among the general public rose. Awareness of the company still needs to be increased.
Willingness of service providers to work with Fingrid	Functioning of service provider market	<div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div>	Competitive, well-functioning and high-quality service provider markets	We renewed the supplier register approval procedures in 2020. The service provider market is liquid.

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Indicator	Description		2025	Target monitoring: how we did in 2021
Occupational safety		UN's SDG		
Lost-time injuries frequency	Combined lost time injury frequency (own personnel and service providers), (LTIF)		<5	LTIF was 9.1.
Safety of the main grid	Number of accidents to the public		0	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 or problems in contractor obligation or employment relationship matters

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND
SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > **Good governance**
- > Corporate responsibility GRI and SASB disclosures

04

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.



CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

OPENNESS

Corporate culture

Responsibility theme, vision	Short-term target 2025	Long-term target 2035	Corporate responsibility viewpoint and UN's SDG
We commit to and require others to commit to responsibility and listed companies' good governance in line with our values.	Our entire work community is committed to a responsible way of working and open communications.	Fingrid is known for its exemplary responsibility work and open external reporting.	Good governance <div><div>8</div>DECENT WORK AND ECONOMIC GROWTH</div> <div><div>7</div>AFFORDABLE AND CLEAN ENERGY</div> <div><div>16</div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div>
Balanced risk-return ratio for the owners and financiers.	The company's guidelines are in line with legislation and the company's personnel has received training in the rules and know the guidelines.	From the owners' and financiers' point of view, Fingrid is an open, stable and productive company.	
The continuity and profitability of our operations through good risk management.	Dividend income in line with shareholders' targets.	Fingrid is known for its high-quality information security and ability to protect personal data and business critical data.	
Open and comprehensive external reporting and communications.	High credit rating.		
High-level information security and responsibility for data.	No significant information security and data protection breaches resulting in adverse business impacts.		

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 performance of its task. Sharing information can help merge the competence of different professionals across borders and bolster the organisation's practices. At the same time, it can help 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 fo-

ums 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. This allows for a bold exchange of ideas and the expression of different opinions. Everyone is equal in the work community and the management is closely involved 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

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> Fingrid's corporate responsibility management and targets

> Environmental responsibility

> Social responsibility

> Good governance

> Corporate responsibility GRI and SASB disclosures

to break down silos better and to increase collaboration. The personnel are strongly committed to the company's values. The company's values were updated in 2020 in collaboration with the entire personnel.

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. The main channel is the company's website www.fingrid.fi, where all of the news and stock exchange releases, investor information, newsletters and magazines for customers, the company's events and brochures, and project news for landowners are published.

Our website 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 electricity area price on the day-ahead market for both the historical and coming hours.

Another key service for the electricity market and customers is Fingrid's open data service (<http://data.fingrid.fi>) 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. The open data service has received plenty of feedback from stakeholders, which is why Fingrid has launched a project for updating the service. The aim is to create a more user-friendly information retrieval channel.

Feedback channels and reporting breaches

Fingrid's personnel and external stakeholders have access to several feed-

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By request of the personnel, the company has developed, for instance, remote work and working hour flexibility in recent years.

back and reporting channels. The personnel have been provided instructions for their use on Fingrid's intranet and in induction training. Feedback is collected through personnel and stakeholder surveys. Feedback can also be given personally to supervisors or supervisors' supervisors based on the 'one above' principle. Shop stewards or the HR unit can also be given feedback.

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 [whistleblowing channel](#) is also 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 confidentially 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 2021, Fingrid received one report through the whistleblowing channel concerning a suspicion of overcharging. An inspection of the invoicing and approval chains did not yield any suspicious results and no more information was forthcoming from the reporter.

In 2021, no breaches of anti-competition laws, incidents of bribery or other corruption, human rights violations or discrimination incidents occurred in Fingrid's operations. One complaint was directed at the company concerning the privacy of private individuals, which resulted in corrective actions.

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Information security and data protection

During 2021, Fingrid continued to invest strongly in the personnel's information security skills as the personnel plays a significant role in identifying and reporting different types of deviations. Info sessions were held for personnel using remote connection solutions. A continuous investment in the personnel has brought about clear improvements in Fingrid's information security level. The information security management model was made compliant with the ISO 27001 standard and the company decided to apply for certification.

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. Fingrid has created its own written guidelines on data protection and data protection issues are also part of the online induction programmes. In addition, targeted training and exercises

are held for people operating in different roles. Data responsibility plays a key role in Fingrid's information security and data protection operating models.

During the year under review, a key part was played in personal data management by the continued preparations for the centralised information exchange system, the Datahub, taking into account the legal requirements concerning the processing of personal data. Datahub's data protection capabilities were the object of an internal audit towards the end of 2021.

Code of Conduct

Fingrid makes a commitment and expects its contractual partners to make a commitment to responsibility and good governance in line with the company's values. Even during the exceptional circumstances of the Covid-19 pandemic in 2021 the company was not made aware of any significant deviations having occurred in the compliance with the company guidelines and good governance. 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.



FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

The Code of Conduct includes our human rights commitment. We expect the service and goods suppliers who operate as our contractual partners to comply with our Supplier Code of Conduct or other corresponding separately agreed on requirements. In 2021, we looked into incorporating our corporate responsibility requirements into our public procurements. With a few individual exceptions, the Supplier Code of Conduct was part of our contracts pertaining to public procurements.

Our managers and the entire work community ensure that behaviour is in line with the Code of Conduct. To support this we use an online induction course, which we updated in 2021. We require all of our employees to take part in the induction course. In the 2021 personnel survey, 96 per cent of the respondents felt that Fingrid employees comply with responsible practices. 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 2021. Fingrid's result in the Status of Human Rights Performance of Finnish Companies (SIHTI) project was 42.3 (average of all companies 23.9). We continued to monitor corporate responsibility regulation and, as a result, the progress made in the new requirements for reporting and business.

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 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.

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

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> [Fingrid's corporate responsibility management and targets](#)

> [Environmental responsibility](#)

> [Social responsibility](#)

> [Good governance](#)

> [Corporate responsibility GRI and SASB disclosures](#)

Financial steering

Steering measures include operating guidelines and procedures that we follow in order to ensure that key measures for risk management, as defined by the management, are implemented effectively.

The process and steering descriptions that support significant expenditure, decision-making and risk management, and good governance and the quality of operations are maintained in the company's guideline database within the sphere of automatic monitoring and a uniform approval process.

The effectiveness of the steering is monitored regularly as part of management. The Board of Directors and the audit committee regularly monitor the company's financial result and performance. At the same time, they monitor whether the company has sufficient processes with which to assess risks and the effectiveness of steering in terms of financial reporting at all levels of the organisation. The audit committee supervises the company's finances, financial reporting, risk management, and internal control and au-

dit as part of the company's corporate governance.

Deficiencies in internal control are communicated in a timely manner to the parties responsible for corrective actions and, if needed, to the management and Board. Internal audit annually assesses the internal control of the financial reporting processes and the related processes and procedures as part of its audits of business processes. The role of the internal auditor is held by an independent third-party auditor who reports directly to the Board's audit committee.

Anti-corruption and anti-terrorism measures

Fingrid combats the grey economy, and does not engage in money laundering or corruption, such as blackmail and bribery. Fingrid requires each employee to commit to this by adopting the Code of Conduct and external contractual partners to commit by adopting the Supplier Code of Conduct.

In addition, Fingrid has several operating models in place to prevent corruption, bribery and other financial irre-

gularities. These are related to, among other things, the use of funds, verifying invoices and receipts, accepting gifts and hospitality, verification of commitments, counterparty verification and sanctions screening. Third-party service providers are used in sanctions screening. In public procurement, exclusion criteria approved by Fingrid are used, preventing the grey economy and ensuring the suppliers' reliability and ability to operate. Fingrid ensures that corruption, bribery and other financial irregularities are prevented through up-to-date principles, guidelines, steering and induction.

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 independent auditor that meets the quality requirements for internal auditing, 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.

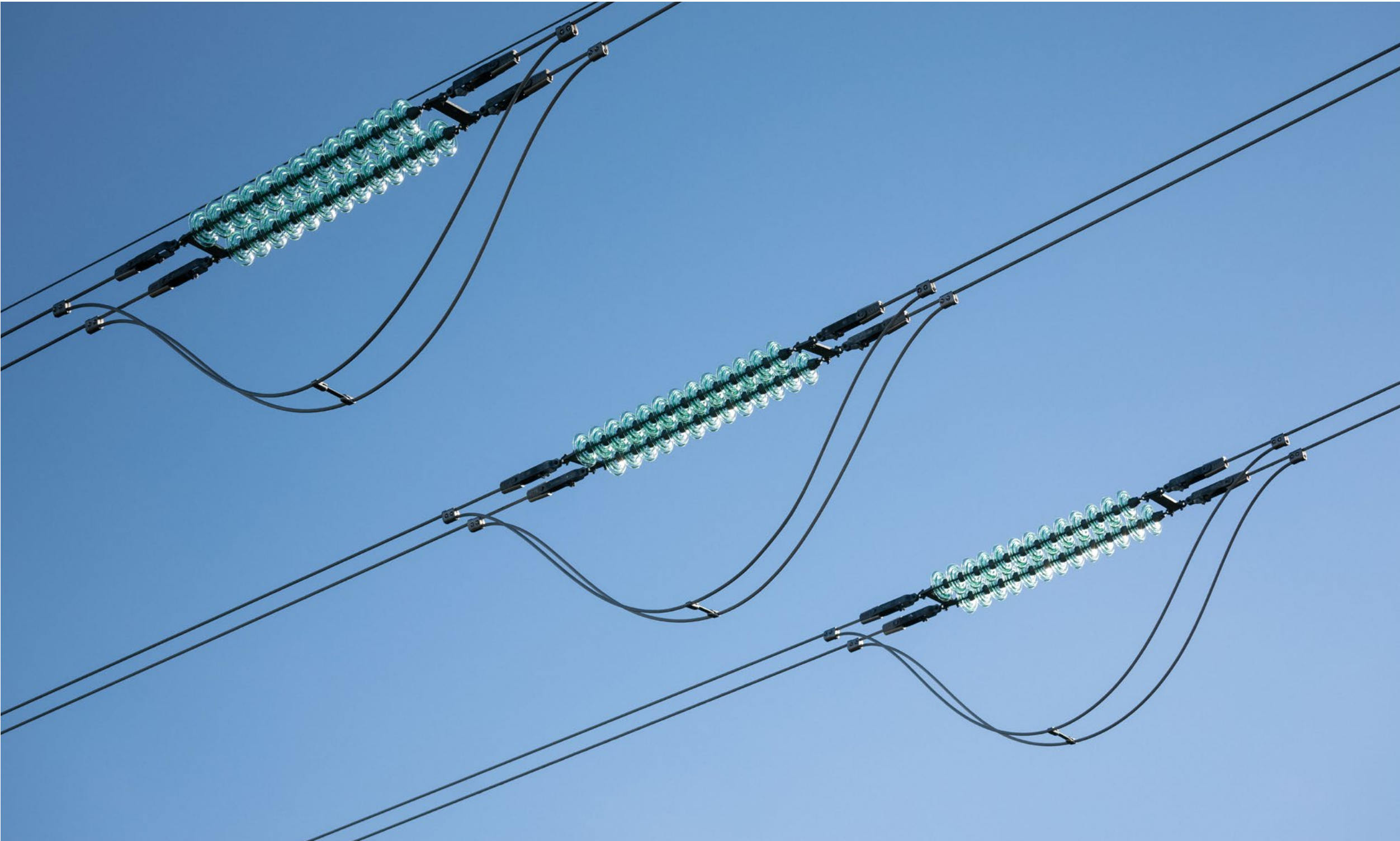
More on internal audits can be found in the [Corporate Governance Statement](#). The internal audit reports for 2021 concerned the company's reserve power plants' asset management, archiving principles, information management and contract archive, and the overall assessment of the capacity of Fingrid Datahub Oy's data protection practices.

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures



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 circumstances. 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 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 steering targets are always taken into account. Our goal is a balanced risk-return ratio for the owners and financiers.

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 has been 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.

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

FINGRID'S INDICATORS RELATED TO GOOD GOVERNANCE

Indicators and target levels related to good governance

Indicator	Description		2025	Target monitoring: how we did in 2021
Code of Conduct		UN's SDG		
Personnel's view on responsibility of ways of working	Personnel surveys: score for responsible operations (1–5)		>4	In the personnel survey, 96 per cent of the respondents felt that Fingrid employees comply with responsible practices. In Oikotie's Responsible Employer survey, Fingrid employees' view on the responsibility of practices was 4.25/5.
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.	All principles and policies are updated at least according to the annual cycle.
Internal audits			No critical shortcomings identified in internal audits	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.	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.	No significant information security and data protection breaches resulting in adverse business impacts detected

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Indicator	Description		2025	Target monitoring: how we did in 2021
Finance – owners and financiers		UN's SDG		
Credit rating	Credit rating (S&P, Fitch) at least 'A-' (at least from one)		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		Absolute amount of dividend and share of parent company's profits (%)	Dividend income in line with shareholders' targets was achieved

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND
SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

05

Corporate responsibility GRI and SASB disclosures

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.

In 2021, we prepared for the global standardisation of corporate responsibility reporting by adding the contents of the industry-specific SASB standard to our reporting. SASB, or the Sustainability Accounting Standards Board, has published the sustainability reporting topics and indicators that are material for the Electric Utilities & Power Generators sector.

The Report of the Board of Directors also includes non-financial information. In 2021, we looked into developing reporting in accordance with the EU's Taxonomy Regulation. The reporting obligation under this regulation concerning the financing of climate and eco-friendly projects is not, so far, obligatory for Fingrid, but the company reports in compliance with the regulation on a voluntary basis. The taxonomy's classification system defines electricity transmission to be part of sustainable economic activity

(eligible), with technical assessment criteria in place for assessing compliance with the taxonomy. In terms of climate change mitigation, the transmission of electricity has been defined as an enabling activity with which other sectors' greenhouse gas emissions can be significantly reduced. In terms of adapting to climate change, the criteria concern the electricity transmission's preparedness for the risks related to physical changes in the climate system.



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Material topics for Fingrid	Management performance procedure at Fingrid	Fingrid’s management indicators	Material topics for Fingrid’s operations
Climate change	Principles for managing system security Main grid development and maintenance management principles Contingency policy Company security policy Grid design policy Grid construction policy Grid maintenance policy	Connecting emission-free production to the grid Project’s degree of completion: Third AC connection to Sweden, North–South transmission: Forest Line, North–South transmission: Lake Line II SF6 emissions Transmission losses, CO2 emissions Energy efficiency, energy savings	GRI: Economic performance GRI: Environmental Compliance GRI: Energy GRI: Emissions
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	System security: Transmission reliability in the grid Safety of the main grid: Number of accidents to the public	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
Well-functioning electricity market	Principles for promoting the electricity market Loss power policy Transmission capacity allocation and congestion management policy	Well-functioning markets: Maintaining Finland as a single price area Project’s degree of completion: All markets in 15-min periods	GRI: Stakeholder engagement
Business ethics and compliance	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 policy ICT policy Insider guidelines Corporate finance principles Financing policy	Score for responsible operations in personnel survey Up-to-dateness of principles and policies steering operations Internal audits Risk management, continuity management Protection of business critical and personal data (personal data, grid model) Credit rating (S&P, Fitch) Dividend payout capacity: Moderate dividend income for owners that takes into account the company’s financing needs Green financing: Total amount in company’s financing arrangements Financial efficiency: Development of costs in relation to the general price level. Effective tax rate: Paying taxes according to Finland’s corporate income tax rate.	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 GRI: Economic performance

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Material topics for Fingrid	Management performance procedure at Fingrid	Fingrid’s management indicators	Material topics for Fingrid’s operations
Occupational safety	Fingrid's occupational health and safety management Occupational safety handbook	LTIF: Combined lost time injury frequency (own personnel and service providers), (LTIF)	GRI: Occupational health and safety GRI: Customer health and safety
Personnel well-being	Management principles HR policy Equal opportunity and non-discrimination plan	Finland’s best workplace: Result of personnel survey Healthy and happy personnel: Absences due to illness, Retired Diverse work community: Equal opportunity, non-discrimination and diversity	GRI: Employment GRI: Education GRI: Diversity and equal opportunities
Responsible sourcing practices	Fingrid's Supplier Code of Conduct Procurement policy	Deviations or problems in contractor obligation or employment relationship matters	GRI: Procurement practices
Trust of stakeholders	Fingrid's Code of Conduct Land use and environment policy Communications policy	Satisfaction of landowners: Satisfaction with the management of investment projects Company’s reputation among different stakeholders: Stakeholder surveys Willingness of service providers to work with Fingrid: Functioning of service provider market	GRI: Stakeholder engagement Local communities
Customer satisfaction	Fingrid's Code of Conduct Communications policy	Customer satisfaction: cNPS Affordable grid service fees: ENTSO-E price comparison	GRI: Economic performance GRI: Stakeholder engagement
Circular economy and material efficiency	Land use and environment policy	Recycling rate Utilisation rate Office waste to final disposal	GRI: Waste
Protection of nature values and biodiversity	Land use and environment policy	Completed biodiversity improving projects Utilising old transmission line routes Positive environmental impacts of technical solutions Environmental deviations	GRI: Biodiversity

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

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 2021 and specified in the GRI- and SASB- indices ("the Report") for the reporting period 1st January to 31st December 2021. 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 the Responsibility information presented in the Report according to the Principles for defining report quality 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, SASB Utilities and

Power Generators Sustainability Accounting Standard 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;

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

- Reviewing data at source and following this through to the corporate responsibility information presented in the Report;
- Reviewing whether the evidence, measurements, and scope of the corporate responsibility information is prepared in accordance with the Criteria; and
- Reviewing the Report and narrative accompanying the corporate responsibility information 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.
- 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.

- Fingrid advances the transition towards climate change mitigating power system. The reduction of greenhouse gas emissions requires significant changes in structures of power production, transmission grid and electricity market.

Fingrid brings forward these changes and develops the grid in cooperation with stakeholders. In 2021 Fingrid has progresses in the line with targets set in the grid investments needed in connecting renewable power generation and development projects related to electricity market. We recommend that Fingrid continues to focus on enabling climate change mitigation actions in the line with company's basic task, and reports progress against the long-term climate commitments.

- Fingrid has further developed target-driven management of corporate responsibility. The results in different areas of corporate responsibility have mainly been in the line with the targets set for 2021. The safety performance of contractors and service providers did not fully develop as targeted. When the company's investment program continues the amount of working sites and external workforce will increase. We recommend that Fingrid continues to invest in the development of the safety culture of

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

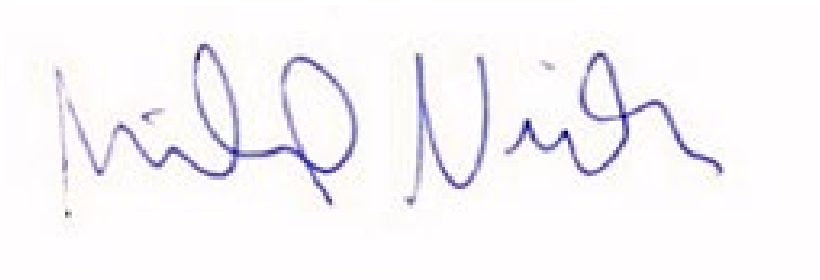
- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

contractors and services providers and preventive safety work.

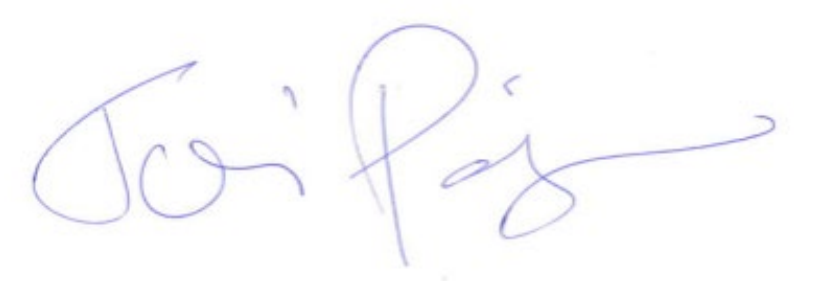
- Fingrid aims to act as a responsible procurer and to advance responsible business practices in global supply chains together with its business partners. Fingrid has established the responsibility requirements for its suppliers and business partners. In 2021 Fingrid has continued procedures to monitor compliance with the requirements through risk-based audits. We recommend that Fingrid further develops activities to ensure transparency and responsibility in the whole value chain.

Helsinki, Finland, 3rd February 2022

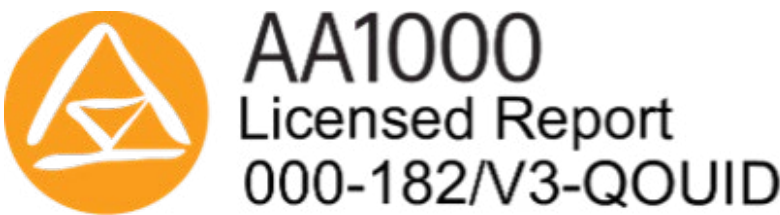
Mitopro Oy



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Independent Sustainability Practitioner



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Independent Sustainability Practitioner



CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

CORPORATE RESPONSIBILITY GRI DISCLOSURES

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	
	Activities, brands, products and services	Fingrid's corporate responsibility management and targets – Fingrid delivers. Responsibly. Business Review 2021: Strategy		
GRI 102-2				
GRI 102-3	Location of headquarters		Fingrid's headquarters are located in Helsinki.	
	Location of operations; number and names of countries where the organisation has operations or that are relevant to the topics covered in the report	Report of the Board of Directors		
GRI 102-4				
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		
	Information on employees and other workers; number of employees by employment type and contract, by region and by gender	Business Review 2021: Personnel		6
GRI 102-8	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 2021, grid building and maintenance operations amounted to roughly 1 194,000 work hours, equalling 703 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 2021: Main grid	The main grid owned by Fingrid encompasses approximately 14,000 kilometres of 400-, 220- and 110-kilovolt transmission lines, plus 116 substations, and 3 HVDC stations.	

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Standard	GRI content	Location	Additional information	Global Compact
	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 5,344 (5,000) 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 2021–2030. Purchased emission right units amounted to 5,105 in 2021. Emissions trading had minor financial significance for Fingrid.	
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 2021: Review by the President & CEO		

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Standard	GRI content	Location	Additional information	Global Compact
GRI 102-15	Key impacts, risks, and opportunities	Fingrid's corporate responsibility management and targets – Fingrid delivers. Responsibly. Material corporate responsibility topics and Fingrid's corporate responsibility targets		
Ethics and integrity				1-10
GRI 102-16	Values, principles, standards, and norms of behaviour	Code of Conduct		
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 Strategic corporate responsibility management		
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	Strategic 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 Strategic 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		

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

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	Report of the Board of Directors	The Executive Management Group approves the Corporate Responsibility and Sustainable Development Report.	
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 customers		
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 customers		
GRI 102-43	Approach to stakeholder engagement	Stakeholders and customers		
GRI 102-44	Key topics and concerns raised; through stakeholder engagement	Stakeholders and customers Landowners		
Report profile				
GRI 102-45	Entities included in the consolidated financial statements	Business Review 2021		

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Standard	GRI content	Location	Additional information	Global Compact
GRI 102-46	Defining report content and topic Boundaries	Fingrid's corporate responsibility management and targets – Fingrid delivers. Responsibly.	Fingrid's materiality analysis 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	Fingrid's corporate responsibility management and targets – Fingrid delivers. Responsibly.	The matters prioritised as material for Fingrid and their corresponding GRI reporting aspects are presented in the Corporate Responsibility and Sustainable Development Report.	
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 2021.	
GRI 102-51	Date of most recent report		The previous annual report was published on 31st March 2021.	
GRI 102-52	Reporting cycle		The annual report is published every year.	

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> Fingrid's corporate responsibility management and targets

> Environmental responsibility

> Social responsibility

> Good governance

> Corporate responsibility GRI and SASB disclosures

Standard	GRI content	Location	Additional information	Global Compact
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	Fingrid's corporate responsibility management and targets – Fingrid delivers. Responsibly. Fingrid's environmental responsibility indicators Fingrid's social responsibility indicators Fingrid's indicators related to good governance Strategic 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	Fingrid's corporate responsibility management and targets – Fingrid delivers. Responsibly. Reliability of the electricity system Economy – society Stakeholders and customers		

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Standard	GRI content	Location	Additional information	Global Compact
Procurement practices				
GRI 103	Management Approach	Supply chain		
Anti-corruption				10
GRI 205-3	Confirmed incidents of corruption and actions taken	Feedback channels and reporting breaches	No incidents of corruption during the reporting period.	
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.	
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 2021: Power system		
Research and development				
GRI 103	Management Approach	Business Review 2021: Research and development		
System efficiency				
GRI 103	Transmission and distribution losses	Electricity transmission losses and energy efficiency		

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Standard	GRI content	Location	Additional information	Global Compact
ENVIRONMENTAL RESPONSIBILITY STANDARDS				
Energy				7, 8
GRI 302-1	Energy consumption within the organisation	Electricity transmission losses and energy efficiency		
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				7, 8
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.	
Biodiversity				8
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		
Emissions				7, 8
	Greenhouse gas emissions	Greenhouse gas impacts of Fingrid's operations		
GRI 305-1	Direct (Scope 1) GHG emissions	Greenhouse gas impacts of Fingrid's operations Substations' SF6 gases		
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Greenhouse gas impacts of Fingrid's operations		
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		

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Standard	GRI content	Location	Additional information	Global Compact
GRI 305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Greenhouse gas impacts of Fingrid's operations		
Effluents and waste				8
GRI 306-1	Waste generation and significant waste-related impacts	Circular economy and material efficiency		
GRI 306-2	Management of significant waste-related impacts	Circular economy and material efficiency		
GRI 306-3	Waste generated	Circular economy and material efficiency		
GRI 306-4	Waste diverted from disposal	Circular economy and material efficiency		
GRI 306-5	Waste directed to disposal	Circular economy and material efficiency		
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		

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Standard	GRI content	Location	Additional information	Global Compact
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		
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 2021: 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 2021: 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		

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Standard	GRI content	Location	Additional information	Global Compact
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.	
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 Business Review 2021: Business operations		
	Average power outage duration	Report of the Board of Directors Business Review 2021: Business operations		
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.	

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

REPORTING BASED ON THE SASB STANDARD

Code	SASB Accounting Metric	Fingrid Disclosures	2021	Unit of measure	More information
Greenhouse Gas Emissions & Energy Resource Planning					
IF-EU-110a.1	(1) Gross global Scope 1 emis-sions, percentage covered under:	Greenhouse gas emissions, scope 1	5 300	Metric tons (t) CO ₂ -e	
	(2) emissions-limiting regulations	Percentage of scope 1 emissions covered by the EU emission trading system	94	Percentage (%)	
	(3) emissions-reporting regula-tions	Percentage of scope 1 emissions covered by the the reporting obligation of the EU emission trading system	94	Percentage (%)	
IF-EU-110a.2	Greenhouse gas (GHG) emissions associated with power deliveries	Greenhouse gas emissions, scope 2 from transmission losses (location-based)	132 000	Metric tons (t) CO ₂ -e	Fingrid uses a real-time factor for electricity con-sumed (average in 2021 91 g CO2/kWh) https://www.fingrid.fi/en/electricity-market/electricity-market-information/real-time-co2-emissions-estimate/

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Code	SASB Accounting Metric	Fingrid Disclosures	2021	Unit of measure	More information
IF-EU-110a.3	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets.	Short-term targets 2025: <i>Finland climate neutral by 2035</i> <ul style="list-style-type: none">Fingrid's investments and development projects enable the reduction of carbon dioxide emissions in electricity production.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. <i>Emission-free transmission losses:</i> <ul style="list-style-type: none">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.Improved energy efficiency based on commitments <i>Main grid does not cause SF6 emissions:</i> <ul style="list-style-type: none">Reducing SF6 gas emissions using modern technologies and preparing for adoption of new technologies.The roadmap for new technologies has been drawn up and a pilot project is underway.The grid's SF6 emissions are low compared with other TSOs			Fingrid Corporate Responsibility and Sustainable Development Report 2021, p. 11 , 15 and 18

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

> Fingrid's corporate responsibility management and targets

> Environmental responsibility

> Social responsibility

> Good governance

> Corporate responsibility GRI and SASB disclosures

Code	SASB Accounting Metric	Fingrid Disclosures	2021	Unit of measure	More information
		<p>Long-term targets 2035:</p> <p><i>Finland climate neutral by 2035</i></p> <ul style="list-style-type: none"> Enabling the emission-free electricity production required for a climate neutral Finland and increased demand for electricity. The main grid does not restrict Finland’s transition to climate neutrality, the markets balance out production and consumption, good system security <p><i>Emission-free transmission losses:</i></p> <ul style="list-style-type: none"> In a climate neutral Finland, transmission losses do not cause any CO2 emissions. Fingrid is energy efficient in all of its operations <p><i>Main grid does not cause SF6 emissions:</i></p> <ul style="list-style-type: none"> SF6 gas emissions at a minimum, all new gas-insulated switching substations comply with the selected new technology and are SF6-free. The lowest SF6 gas emissions caused by a main grid in the world, when compared with other TSOs. 			Fingrid Corporate Responsibility and Sustainable Development Report 2021, p. 11 , 15 and 18
IF-EU-110a.4	(1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market	Not applicable to Fingrid operations			
Air Quality					
IF-EU-120a.1	Air emissions of the following pollutants:				
	(1) NOx (excluding N2O)	Nitrogen oxides, Nox	24.8	Metric tons (t)	
	(2) Sox	Sulphur dioxide, SO2	0.6	Metric tons (t)	
	(3) particulate matter (PM10)	Not relevant in Fingrid's operations			
	(4) lead (Pb)	Not relevant in Fingrid's operations			
	(5) mercury (Hg)	Not relevant in Fingrid's operations			
	percentage of each in or near areas of dense population	Fingrid's reserve power plants are not located in areas of dense population.		Percentage (%)	

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Code	SASB Accounting Metric	Fingrid Disclosures	2021	Unit of measure	More information
Water Management					
IF-EU-140a.1	(1) Total water withdrawn (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Not relevant in Fingrid's operations Water consumption and waste water are not significant 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.			
IF-EU-140a.2	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	Not relevant in Fingrid's operations			
IF-EU-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	Not relevant in Fingrid's operations			
Coal Ash Management					
IF-EU-150a.1	Amount of coal combustion residuals (CCR) generated, percentage recycled	Not applicable to Fingrid operations No coal combustion in Fingrid's operations			
IF-EU-150a.2	Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	Not applicable to Fingrid operations No coal combustion in Fingrid's operations			
Energy Affordability					
IF-EU-240a.1	Average retail electric rate for (1) residential, (2) commercial, and (3) industrial customers	Not applicable to Fingrid operations. Fingrid is Finland's national transmission system operator (TSO). Fingrid does not set retail electric rates.			

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > Fingrid's corporate responsibility management and targets
- > Environmental responsibility
- > Social responsibility
- > Good governance
- > Corporate responsibility GRI and SASB disclosures

Code	SASB Accounting Metric	Fingrid Disclosures	2021	Unit of measure	More information
IF-EU-240a.2	Typical monthly electric bill for residential customers for (1) 500 kWh and (2) 1,000 kWh of electricity delivered per month	Not applicable to Fingrid operations. Fingrid is Finland's national transmission system operator (TSO). Fingrid does not have residential customers.			
IF-EU-240a.3	Number of residential customer electric disconnections for non-payment, percentage reconnected within 30 days	Not applicable to Fingrid operations. Fingrid is Finland's national transmission system operator (TSO). Fingrid does not have residential customers.			
IF-EU-240a.4	Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory	According to a study carried out by the European Network of Transmission System Operators for Electricity (ENTSO-E) in 2020, the transmission tariffs for electricity in the Finnish main grid are the second lowest in Europe, when compared with transmission systems of a similar size. In 2021 Fingrid announced that the company is raising the fees for electricity transmission in the main grid by an average of two per cent in 2022. One of the key reasons for the increase is the rising cost of market-based reserves. Reserves ensure that generation and consumption are in balance in the power system.			Fingrid Corporate Responsibility and Sustainable Development Report 2021, p. <u>52</u>
Workforce Health & Safety					
IF-EU-320a.1	(1) Total recordable incident rate (TRIR)	Combined total recordable injury frequency (TRIF, own personnel and service providers)	16.6	Rate	
	(2) fatality rate	Number of work-related fatalities	0	Rate	
	(3) near miss frequency rate (NMFR)	Near miss frequency rate	68.7	Rate	Fingrid Corporate Responsibility and Sustainable Development Report 2021, p. <u>58-59</u>
End-Use Efficiency & Demand					
IF-EU-420a.1	Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM)	Not applicable to Fingrid operations.			

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

- > [Fingrid's corporate responsibility management and targets](#)
- > [Environmental responsibility](#)
- > [Social responsibility](#)
- > [Good governance](#)
- > [Corporate responsibility GRI and SASB disclosures](#)

Code	SASB Accounting Metric	Fingrid Disclosures	2021	Unit of measure	More information
IF-EU-420a.2	Percentage of electric load served by smart grid technology	Not applicable to Fingrid operations.			
IF-EU-420a.3	Customer electricity savings from efficiency measures, by market	Not applicable to Fingrid operations.			
Nuclear Safety & Emergency Management					
IF-EU-540a.1	Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column	Not applicable to Fingrid operations. No nuclear power in Fingrid's operations			
IF-EU-540a.2	Description of efforts to manage nuclear safety and emergency pre-preparedness	Not applicable to Fingrid operations. No nuclear power in Fingrid's operations			
Grid Resiliency					
IF-EU-550a.1	Number of incidents of non-compliance with physical and/or cyber-security standards or regulations	No incidents in 2021	0	Number of incidents	
IF-EU-550a.2	(1) System Average Interruption Duration Index (SAIDI)	System Average Interruption Duration Index per connection point (CP)	0.88	minutes/CP	
	(2) System Average Interruption Frequency Index (SAIFI)	System Average Interruption Frequency Index (SAIFI)	0.19	Quantity/CP	
	(3) Customer Average Interruption Duration Index (CAIDI), inclusive of major event days	Customer Average Interruption Duration Index (CAIDI)	4.6	minutes/event	
Activity Metrics					
IF-EU-000.A	Number of: (1) residential, (2) commercial customers and (3) industrial customers served	Customers connected to the Fingrid's grid.	120	Number	
IF-EU-000.B	Total electricity delivered to: (1) residential, (2) commercial, (3) industrial, (4) all other retail customers, and (5) wholesale customers	Fingrid's transmission volume, TWh	72.9	Terawatt hours (TWh)	

FINGRID

ANNUAL REPORT 2021

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

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Code	SASB Accounting Metric	Fingrid Disclosures	2021	Unit of measure	More information
IF-EU-000.C	Length of transmission and distribution lines	The main grid owned by Fingrid encompasses approximately 14,000 kilometres of 400-, 220- and 110-kilo-volt transmission lines, plus 116 substations, and 3 HVDC stations.	14,000	Kilometres (km)	
IF-EU-000.D	Total electricity generated, percentage by major energy source, percentage in regulated markets	Electricity is generated with the fuels consumed by Fingrid's own reserve power plants and leased reserve power plants. Electricity is generated in the trial operations of the plants to ensure their reliable operation, and when electricity produced on market terms is not sufficient to maintain the balance of the power system. Fingrid's own power plants and leased power plants are not used for commercial electricity production.			
		Own reserve power plants	5.0	Gigawatt hours (GWh)	
		Leased reserve power plants	1.4	Gigawatt hours (GWh)	
		Percentage in regulated markets	100	Percentage (%)	
IF-EU-000.E	Total wholesale electricity purchased	Reserve power plants' auxiliary energy and electricity of Fingrid's own premises	35.3	Gigawatt hours (GWh)	

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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