13.11.2017

Green Bond presentation

FINGRID

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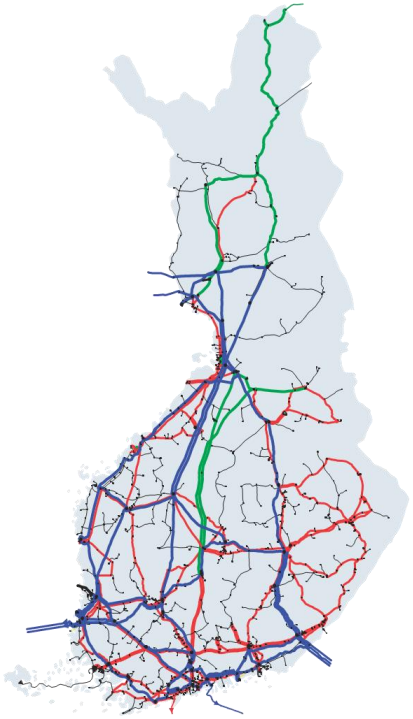
Fingrid: Finland's Transmission System Operator

Fingrid is the sole electricity transmission system operator (TSO) in Finland

- Transmits in its own network approximately 78% of all electricity transmitted in Finland
- Manages cross-border connections to Sweden, Estonia, Russia and Norway
- Ensures power system balance in Finland at all times
- Participates actively in promoting the development of European electricity markets

"Efficient operations, outsourcing and digitalization are the key success factors"



Fingrid Oyj (public limited company)

- Headquarters: Helsinki, Finland
- Founded: 1996
- Industry: Electric Utilities
- President and CEO: Jukka Ruusunen

14 600 km of power lines, 116 substations, reserve power plants

Network coverage and strength ensures one price area

99.9998 %

Transmission network reliability

The perspectives of Fingrid's strategy

Customers and society

We secure reliable electricity and a well-functioning electricity market for society.
We offer affordable services that meet our customers' needs.

Finance

We operate cost-effectively and bring value to our owners.

Internal processes

Adequacy of the transmission system

We carry out investments and maintenance safely and efficiently at the right time.

System operation

We operate the national grid proactively and reliably.

Promoting the electricity market

We actively maintain and develop the electricity market.

Personnel and expertise

An open, collaborative, renewing and target-oriented work community.

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Fingrid has achieved its targets in 2011 - 2016

	2011	2016
Net profit	MEUR 33	MEUR 139
Return	Clearly below regulatory allowed	Almost at regulatory allowed
Dividend	MEUR 7	MEUR 98
Efficiency	High benchmark study rankings	High benchmark study rankings
Investments	In schedule and budget	In schedule and budget

Fingrid has a proven track record of continuously executing its defined strategy

Fingrid's efficient operations are highly recognized

- Excellent results from international benchmark studies
- Fingrid has continuously ranked among the best TSOs in the International Transmission Operations and Maintenance Study (**ITOMS**)*
- Fingrid ranked the best in the latest International Transmission Asset Management Study (**ITAMS)**
- Fingrid was "exceptionally efficient" in 2013 in a study done for the Council of European Energy Regulators (**CEER**)

Publicly Available Specification (PAS)

PAS 55 is the British Standards Institution's (BSI) Publicly Available Specification for the optimized management of physical assets - it provides clear definitions and a 28-point requirements specification for establishing and verifying a joined-up, optimized and whole-life management system for all types of physical assets. Now internationally recognized, PAS 55 is proving to be an essential, objective definition of what is required to demonstrate competence, establish improvement priorities and make better, clearer connections between strategic organizational plans and the actual day-to-day work and asset realities.

Source: http//:pas55.net

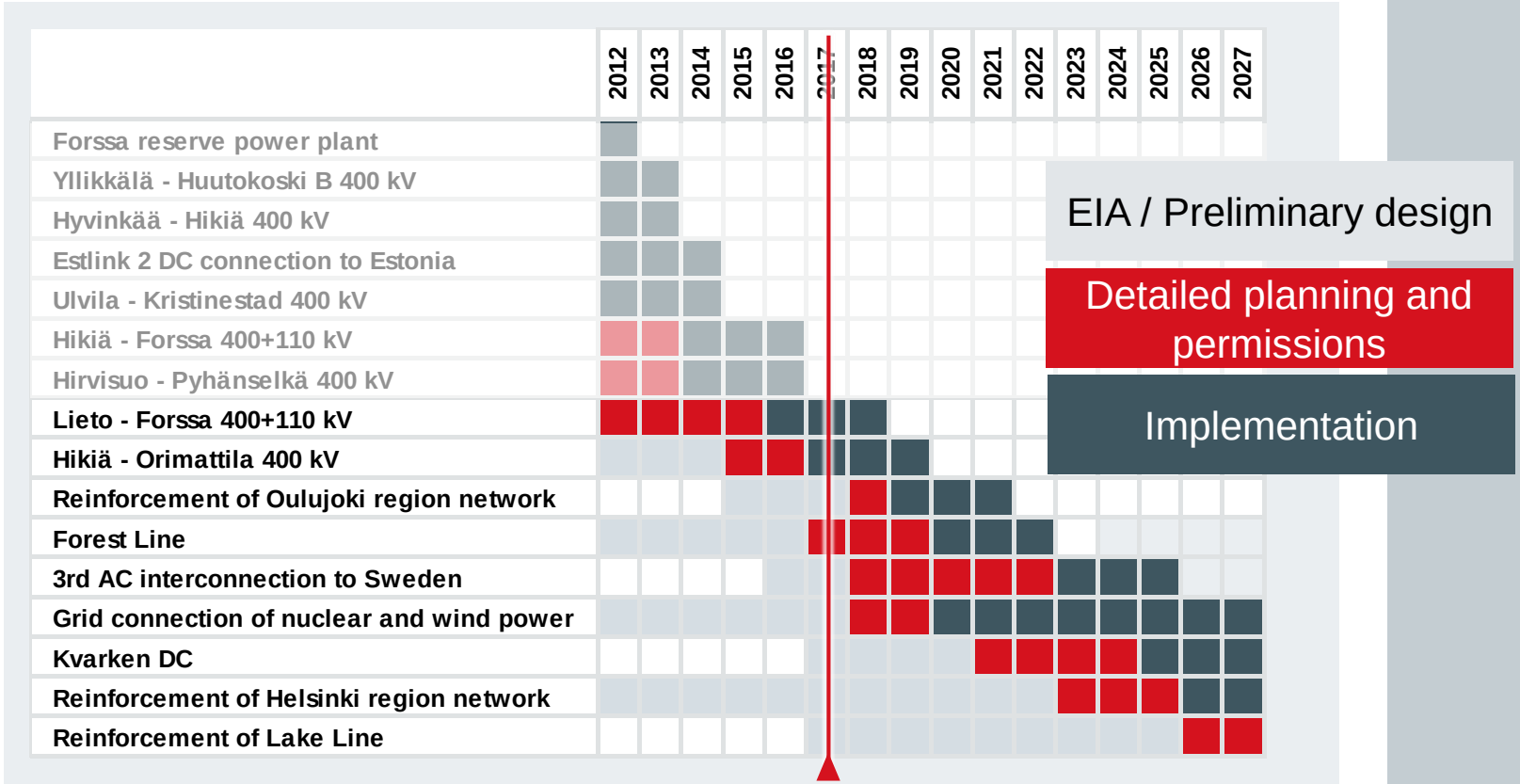
In 2016 Fingrid's asset management again received Publicly Available Specification **PAS 55** certificate.

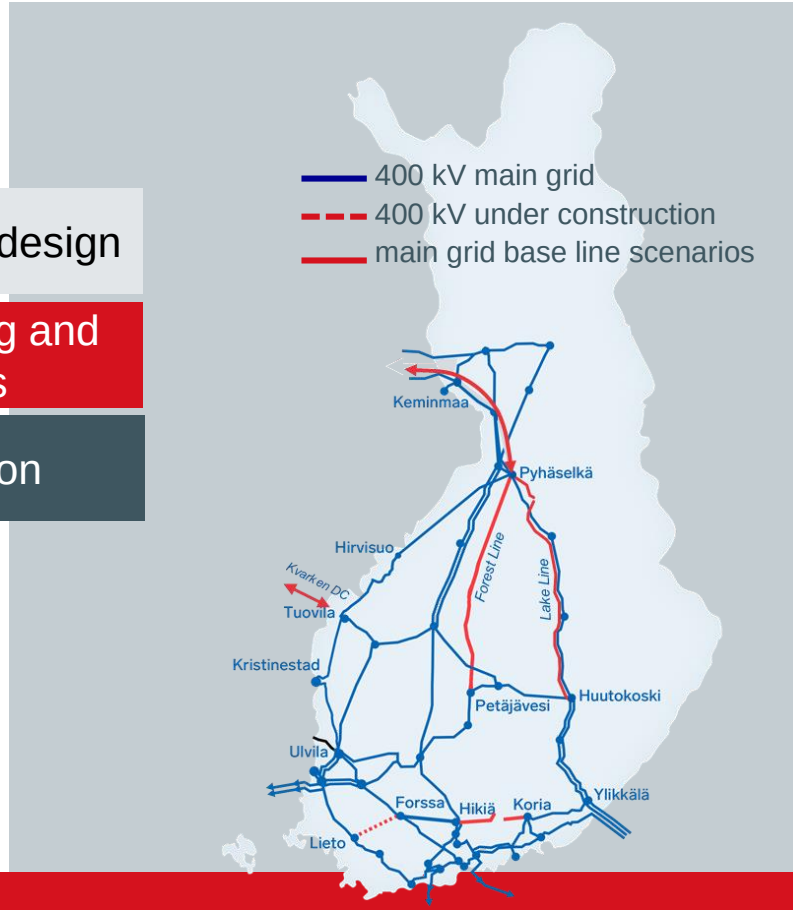
Fingrid also received new ISO 55001 certification that sets out standards for asset management

* Thirty-one TSOs from around the world participated in the 2015 study

Flexible and long-term investment strategy

Note: Click to view National ten year grid development plan in Finland





Fingrid has a long-term planning horizon for investments

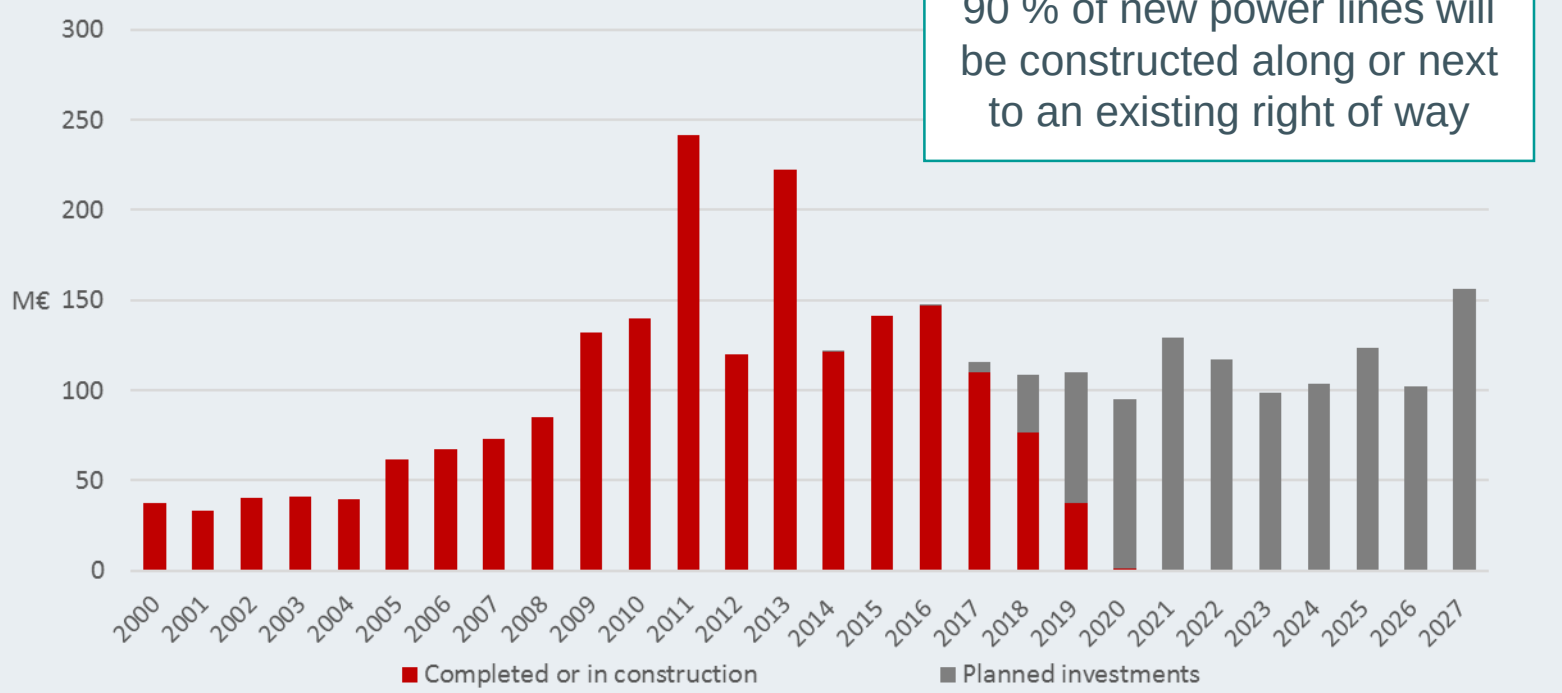
Major investment projects

- "Forest Line": New overhead 400 kV North-South line, from Oulu to Petäjävesi. Expected completion in 2022
- "Lake Line": Doubling of the capacity on an existing North-South line in Eastern Finland
- "Iron Lady the Second": Renewal of last parts of original 110kV line Iron Lady from 1928
- 400kV line to Helsinki
- Additional cross-border capacity to Sweden in Northern Finland and cross the Bay of Bothnia
- Total of 32 investments projects to be completed in 2017

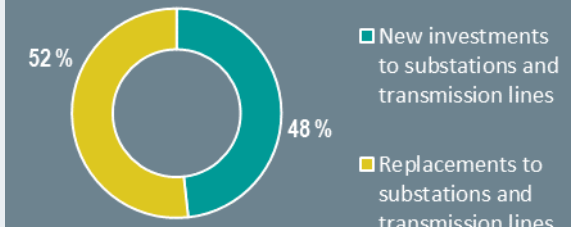
"We shape the clean, market-oriented power system of the future."

Focus on North-South transmission line investments to enable growing imports from Northern Sweden

Investments in 2000–2027



Investments in 2018-2027 MEUR 1150

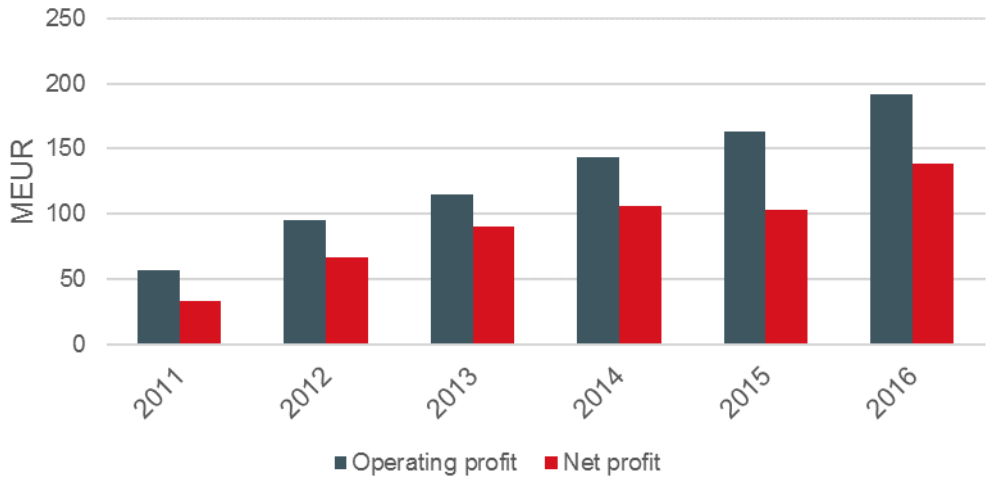


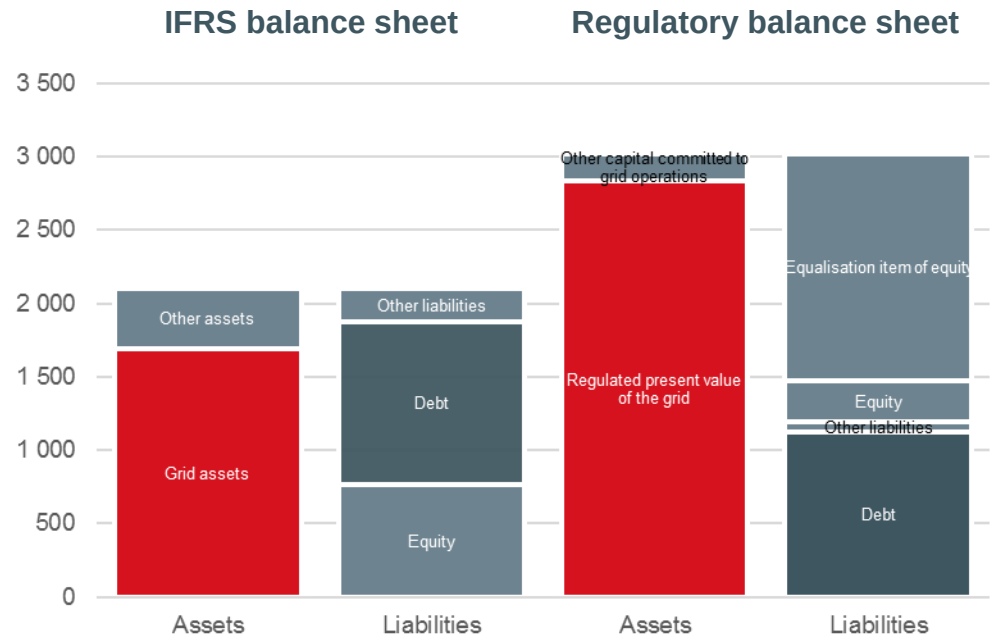
Investments are driven by network aging, market development and connecting new production capacity

Strong financial position enables sufficient debt service capacity

Key figures 2016 (IFRS)	
Net cash flow after capex	Net profit
94 MEUR	**139 MEUR**
Total assets	Regulatory capital
2,101 MEUR	**2,950 MEUR**
Gross debt	Net debt to EBITDA
1,108 MEUR	**3,5x**

Continuosly improved operating profit since 2011





- Regulated present value of the grid was approximately 2,850 MEUR in 2016
- Net debt accounted for 35% of regulatory assets
- Regulatory assets are expected to remain stable in the forthcoming years

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Key investment considerations

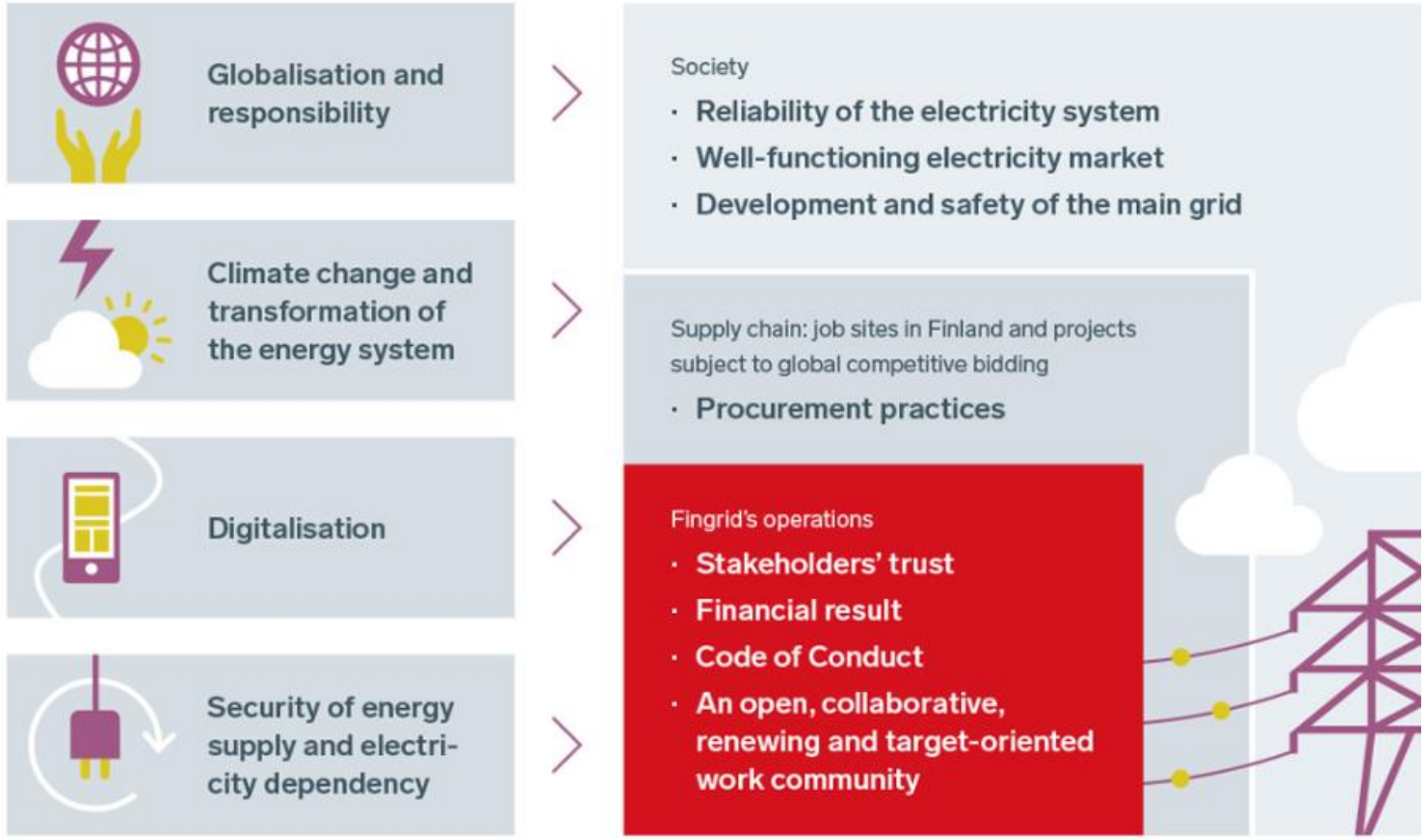
Regulation	Fair, stable and predictable regulatory model
Ownership	The Finnish state owns 53% and Finnish financial institutions 47%
Strategic importance	Considered as strategically important holding to the Finnish state*
Operating leverage	Construction and maintenance of the network is outsourced
Efficiency & Quality	Fingrid is one of the most cost efficient and reliable TSOs worldwide
Financials	Continuously improved operating profitability in past three years
Rating	Fingrid benefits from AA-/A+ ratings (S&P, Fitch)

* Source: Prime Minister's Office, Finland. (2016). *Government resolution on state-ownership policy.*

Fingrid provides a solid long-term investment in a stable operating environment

Corporate responsibility

From global megatrends to material sustainability aspects for Fingrid



Fingrid's corporate responsibility work focuses on matters that are important with respect to the ***company's strategy*** and ***operations***

Corporate responsibility is an important and natural element of the company’s way of operating

- Fingrid's values: In all our operations we are transparent, impartial, efficient and responsible
- Corporate responsibility management is founded on the company's strategy and guided by the company's Code of Conduct, which is based on the UN Global Compact and the Guiding Principles on Business and Human Rights
- We require responsible business practices from our contractual partners
- Engagement of the personnel and suppliers
- By operating responsibly in all areas of sustainability we can best bring value to our stakeholders and ensure the acceptance of our projects by society

We are committed to taking care of people and the environmental impacts of our operations, and complying with good corporate governance practices

Sustainable procurement practices

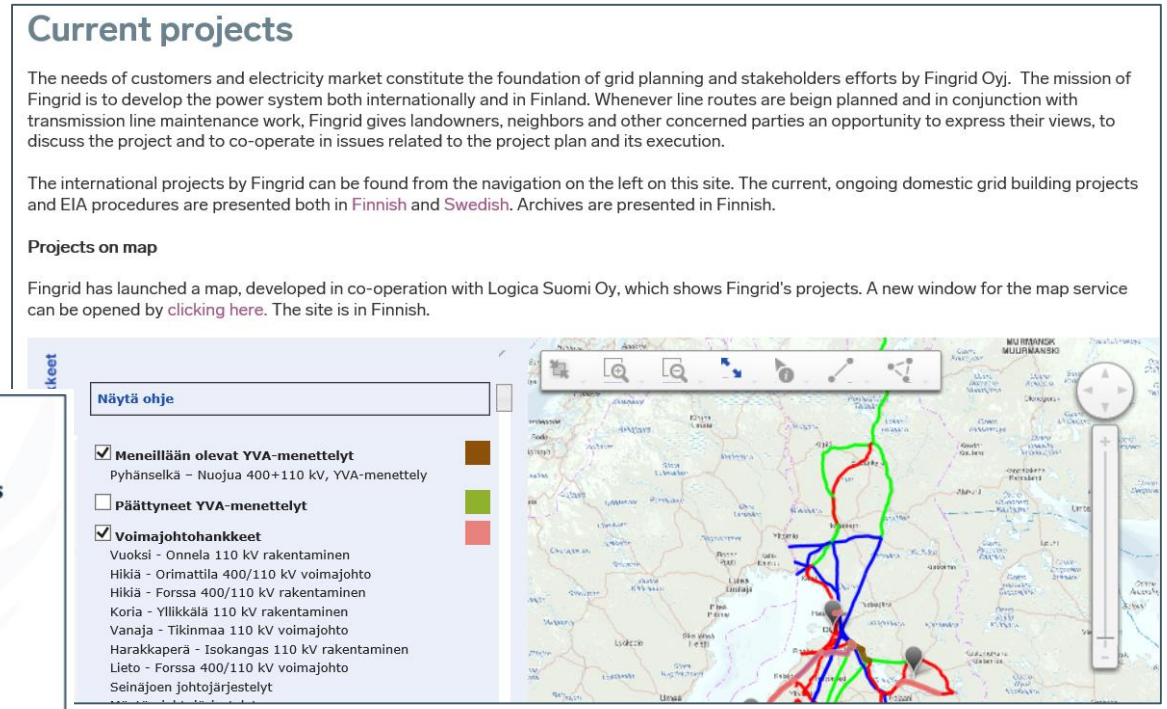
- Fingrid's Supplier Code of Conduct for service and goods suppliers
- Commitment to the Supplier Code of Conduct as a requirement for supplier registers used in recurring substation and power line procurements
- An evaluation process of new suppliers is done annually. Only qualified suppliers in Fingrid's supplier register are invited to bid for outsourced works
- Fulfilment of the requirements is monitored on a risk basis

"We thoroughly asses the environmental impacts of our operations and pay special attention to controlling environmental risks. In addition to our personnel, we also engage our contractors and service suppliers participating in grid construction and maintenance in environmental sustainability with the help of contractual terms, auditing and environmental training."

Source: http://www.fingrid.fi/en/grid_projects/environment/Pages/default.aspx

Comprehensive and transparent reporting

- Global Reporting Initiative (GRI) framework since 2011. GRI G4 reporting applied
- Communication on Progress (COP) report in compliance with the UN Global Compact initiative
- Environmental Impact Assessment (EIA) materials on investment projects are available on the corporate website



Sustainability in practice – selected achievements in 2017

Green Bonds

Green Bonds are part of Fingrid's overall focus on responsible operations

Fingrid's Green Bonds Framework

- Our Green Bonds Framework is developed in alignment with the Green Bond Principles 2017
- Fingrid has defined eligible investment projects as those i) reducing losses, ii) connecting renewable power* iii) cross-border projects and/or iv) smart grids
- Direct investments to fossil fuel generation or connecting nuclear power will not be financed with green bond proceeds

* Wind, hydro, solar and bioenergy

Eligible Projects are defined in our Green Bonds Framework

Energy efficiency

1. Development, construction and reconstruction of Transmission Networks to

   a) decrease network losses and/or

   b) enhance transmission capacity for clean energy (wind, hydro, solar and bioenergy); or

2. Development, construction and reconstruction of Transmission Networks to connect new, clean energy production to areas of demand through national grid enhancement; or

3. Development, construction and reconstruction of Transmission Networks to increase the share of renewable energy in the grid by connecting Finland's grid to neighbouring countries (and/or areas therein) where

   a) the electricity generation mix has a *higher* share of renewables and Finland is a net *importer* of electricity or

   b) the electricity generation mix has a *lower* share of renewables and Finland is a net *exporter* of electricity; or

4. Development and construction of smart grids.

Source: Fingrid Green Bonds Framework

Fingrid's green bond framework is verified by second opinions provider CICERO

Second Party Opinion by CICERO

- Fingrid's Green Bond Framework (GBF) receives a Medium Green* shading
  * Scale: dark green, medium green, light green, brown
- Cicero considers many of Fingrid's project categories dark green, but there is the possibility of light and medium green projects
- **Strenghts** of the Green Bond Framework
  - Established management and governance structures
  - Specified criteria for selection
  - Capable committee for project evaluation and selection
  - Reporting and Review
- **Weaknesses**
  - Cicero finds no obvious weaknesses in the Fingrid GBF

"Overall, Fingrid's Green Bond Framework together with its land use and environmental policy, commitments to corporate social responsibility, implementing Codes of Conduct, and alignment with the Finnish National Climate and Energy Strategy provide a sound base for climate-friendly investments."

Source: CICERO second opinion

Decision making process for Eligible Projects

- Eligible Projects will be:

  1. Evaluated by the Grid Planning, Land Use and Environment and Finance and Treasury departments based on Fingrid's long term capex plan;

  2. Selected as Potential Eligible Projects if they meet the criteria in the Green Bonds Framework;

  3. Approved as Eligible Projects unanimously in Fingrid's internal Steering Committee for Finance and Business development with representatives also from the Grid Planning and the Land Use and Environment departments including the manager responsible for Corporate Sustainability

"The Committee will only approve Projects, which meet the criteria of this Green Bonds Framework, i.e. Projects, which have a high likelihood for positive, net, long-term environmental effects

Source: Fingrid Green Bonds Framework

Potential for MEUR 100 Green Bond issue

- Identified green bond eligible investment costs of around MEUR 150 to 16 investment projects mainly in 2015-2018
- Green bond proceeds to be used for a pool of new projects and refinancing
  - Financing of new projects i.e. Eligible Projects completed in 2017 or thereafter
  - Refinancing of Eligible Projects completed 2015 and 2016
- The remaining around MEUR 50 will act as a buffer for any project exclusions or time schedule changes (not expected at the moment) until full allocation

Costs estimated/incurred from identified Eligible Projects

	Project name	2013	2014	2015	2016	2017	2018	2019	2020	2021
Refinance	Expansion of Keminmaa substation			2						
	Reconductoring of Isohaara - Raassakka 110 kV transmission line		1	1						
	New 110 kV substation Kuolajärvi		1	3	1					
	New 110 kV substation Siikajoki			3	1					
	Refurbishment and expansion of Taivalkoski substation			1	4					
	Expansion of Tuovila substation		1	2	1					
	Expansion of Pirttikoski substation and a new 400/100 kV transformer		1	6	1					
	New Hikiä - Forssa 400 kV transmission line	3	11	14	5					
New projects	Renewal of Petäjäskoski 220 kV substation and a new 400/220 kV transformer		3	7	6	1				
	New 400/110 kV transformer substation Isokangas			3	13	1				
	New 400/110 kV transformer at Kristinestad substation				6	1				
	New Vihtavuori - Koivisto 110 kV transmission line					3				
	New 220/110 kV transformer at Seitenoikea substation				1	2				
	New Lieto - Forssa 400 kV transmission line			2	10	10	1			
	New Lempiälä - Vuoksi 400 kV transmission line					1	5	2		
	New Hikiä - Orimattila 400 kV transmission line					3	10	9	1	
Totals	Refinance MEUR 64	3	15	33	14					
	New projects MEUR 90		3	12	37	21	16			
	Total MEUR 154	**3**	**18**	**45**	**50**	**22**	**16**			

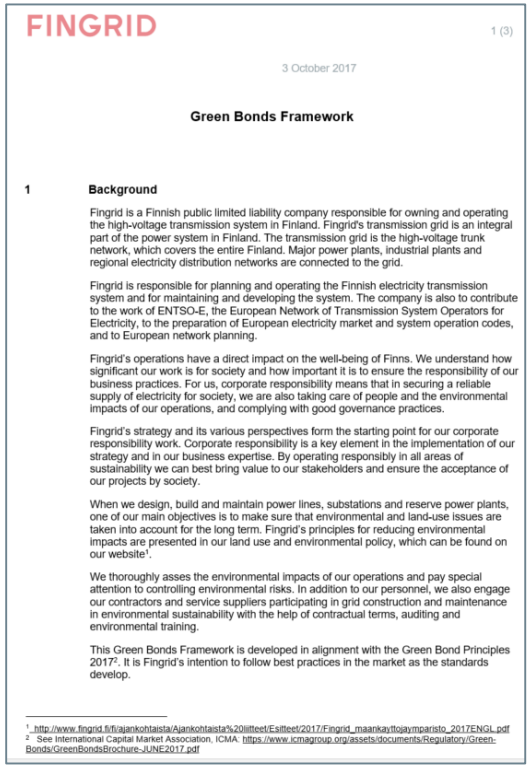
Description of identified Eligible Projects*

Project	Description
New Hikiä - Forssa 400 kV transmission line	Old 110 kV line was replaced by 400+110 kV power line resulting in **significant drop in losses**
New Hikiä - Orimattila 400 kV transmission line	An old 110 kV power line is going to be replaced with 400+110 kV power line to increase capacity to Lahti region. Old coal fired CHP is going to be shut down and replaced with BIO district heating plant. New power line results also in **significantly lower losses**
New 400/110 kV transformer substation Isokangas	Network was enhanced in order **to connect new wind power and existing hydro power**
Expansion of Keminmaa substation	Expansion of existing substation in order **to enhance capacity for wind and existing hydro power**
Reconductoring of Isohaara – Raasakka 110 kV transmission line	Conductors were changed **to connect more wind power and reduce losses**
New 400/110 kV transformer at Kristinestad substation	A second 400/110 kV transformer was needed **to connect more wind power**
New 110 kV substation Kuolajärvi	New substation for **connecting new wind power**
New Lempiälä - Vuoksi 400 kV transmission line	Old 110 kV line is going to be replaced by 400 kV power line resulting in **significant drop in losses**
New Lieto - Forssa 400 kV transmission line	Old 110 kV line was replaced by 400+110 kV power line resulting in **significant drop in losses**
Renewal of Petäjäskoski 220 kV substation and a new 400/220 kV transformer	A new transformer that enables **more wind power and reliable connection for existing hydro power**
Expansion of Pirttikoski substation and a new 400/100 kV transformer	A new transformer that enables **more wind power and reliable connection for existing hydro power**
New 220/110 kV transformer at Seitenoikea substation	Old 220/110 kV transformer was replaced by a bigger one in order **to connect new wind power**
New 110 kV substation Siikajoki	New substation for **connecting new wind power**
Refurbishment and expansion of Taivalkoski substation	A substation was refurbished and expanded in order **to connect wind power and existing hydro power**
Expansion of Tuovila substation	Part of new 400 kV network on western coast that enables **connection of new wind power**, better transmission capacity for FI-SE cross-border lines and north-south connection
New Vihtavuori - Koivisto 110 kV transmission line	A new power line is needed to **connect biopower plant** in new Äänekoski bioproduct mill. New power line results also i**n lower losses**

* Subject to committee approval

Reporting

- Annual Green Bond Investor Letter publicly available on Fingrid's web site:
  a. list of the Projects financed including a brief description and expected impact
  b. information about the division of the allocation of Green Bond proceeds between new Projects and refinancing
  c. a summary of Fingrid's Green Bond development
- Quantitative and/or qualitative impact reporting on financed Projects in the Investor Letter when feasible
- Fingrid will have an annual verification of the allocation of proceeds by a third party once reporting is started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3 October 2017

Green Bonds Framework

1 Background

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

Fingrid is responsible for planning and operating the Finnish electricity transmission system and for maintaining and developing the system. The company is also to contribute to the work of ENTSO-E, the European Network of Transmission System Operators for Electricity, to the preparation of European electricity market and system operation codes, and to European network planning.

Fingrid's operations have a direct impact on the well-being of Finns. We understand how significant our work is for society and how important it is to ensure the responsibility of our business practices. For us, corporate responsibility means that in securing a reliable supply of electricity for society, we are also taking care of people and the environmental impacts of our operations, and complying with good governance practices.

Fingrid's strategy and its various perspectives form the starting point for our corporate responsibility work. Corporate responsibility is a key element in the implementation of our strategy and in our business expertise. By operating responsibly in all areas of sustainability we can best bring value to our stakeholders and ensure the acceptance of our projects by society.

When we design, build and maintain power lines, substations and reserve power plants, one of our main objectives is to make sure that environmental and land-use issues are taken into account for the long term. Fingrid's principles for reducing environmental impacts are presented in our land use and environmental policy, which can be found on our website[1].

We thoroughly asses the environmental impacts of our operations and pay special attention to controlling environmental risks. In addition to our personnel, we also engage our contractors and service suppliers participating in grid construction and maintenance in environmental sustainability with the help of contractual terms, auditing and environmental training.

This Green Bonds Framework is developed in alignment with the Green Bond Principles 2017[2]. It is Fingrid's intention to follow best practices in the market as the standards develop.

[1] http://www.fingrid.fi/fi/ajankohtaista/Ajankohtaista%20liitteet/Esitteet/2017/Fingrid_maankayttojaymparisto_2017ENGL.pdf
[2] See International Capital Market Association, ICMA. https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf


°CICERO
Center for International Climate Research

SEI STOCKHOLM ENVIRONMENT INSTITUTE

'Second Opinion' on Fingrid's Green Bond Framework

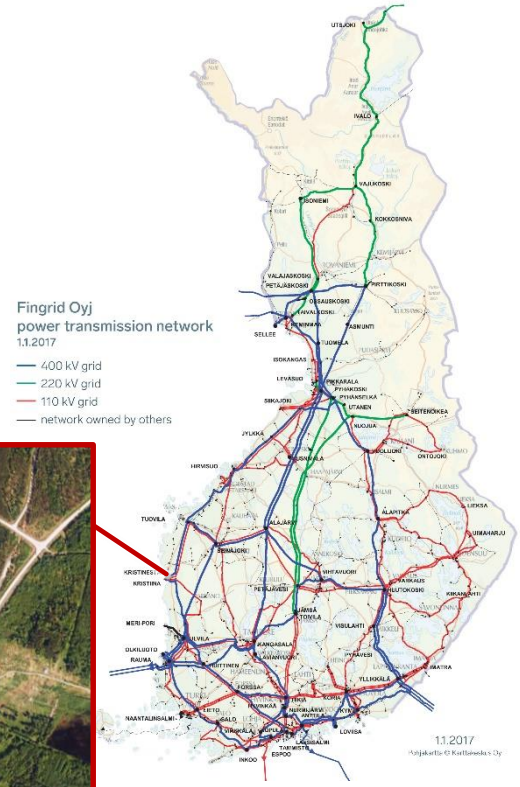
18. oktober 2017

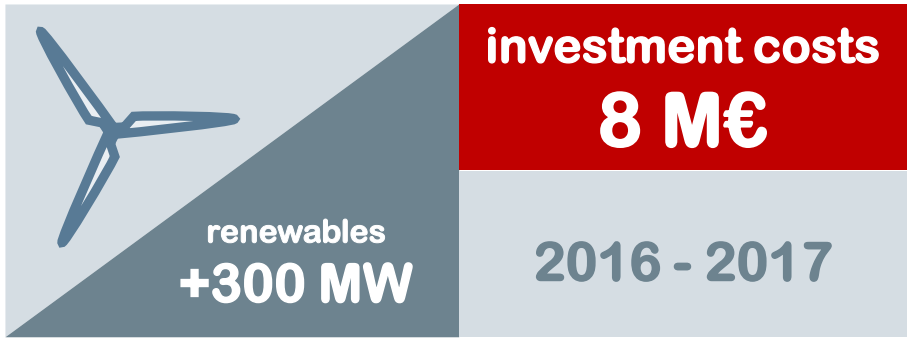
Project examples

Connecting renewable power

New 400/110 kV transformer at Kristinestad substation

- Kristinestad substation was built in 2014 in the center of one of the best wind power areas in Finland
  - Kristinestad substation replaced an old substation that was situated 6 km from the new substation next to oil and coal fired condensing power plants. These power plants have now been closed
- A **second 400/110 kV transformer** was added to Kristinestad in 2017
- Connection **capacity for wind power increased 300 MW** totaling 500-600 MW
  - The transformer also made it possible to change the use of surrounding 110 kV network. New wind power can now be connected to grid without the need of building new power lines

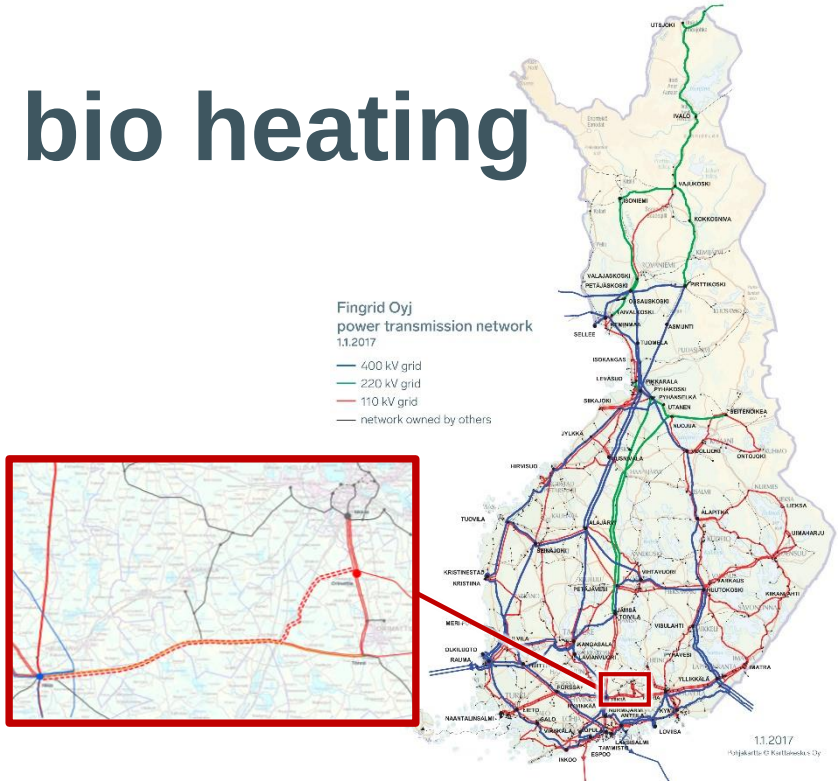




Reducing losses and facilitating bio heating

New Hikiä - Orimattila 400 kV transmission line

- Oldest 110 kV power line in Finland is being replaced with a new one
- New power line has **80% lower transmission losses** and almost **500% higher transmission capacity**
  - Power line structure makes it possible to upgrade voltage from 110 to 400 kV → Even higher capacity and lower losses
- The new transmission line will provide (replacement) transmission capacity to a region where a coal fired combined heat and power plant is being closed and replaced with bio district heating plant, which has no electricity production



Fingrid has developed a new type of transmission line tower for use on arable fields. The new tower has been designed to minimise the disadvantage inflicted on agriculture and to improve occupational safety. The product development project for the new field tower has been awarded the Fennia Prize 2012 Grand Prix in industrial design.

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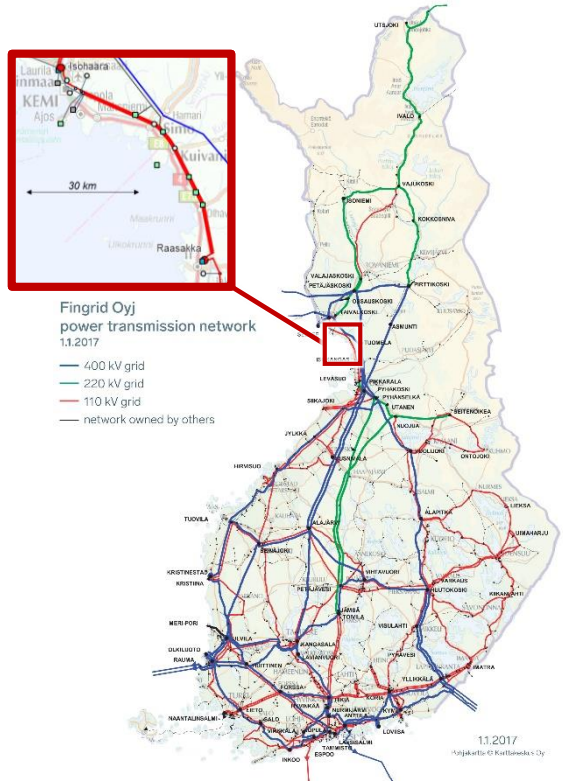
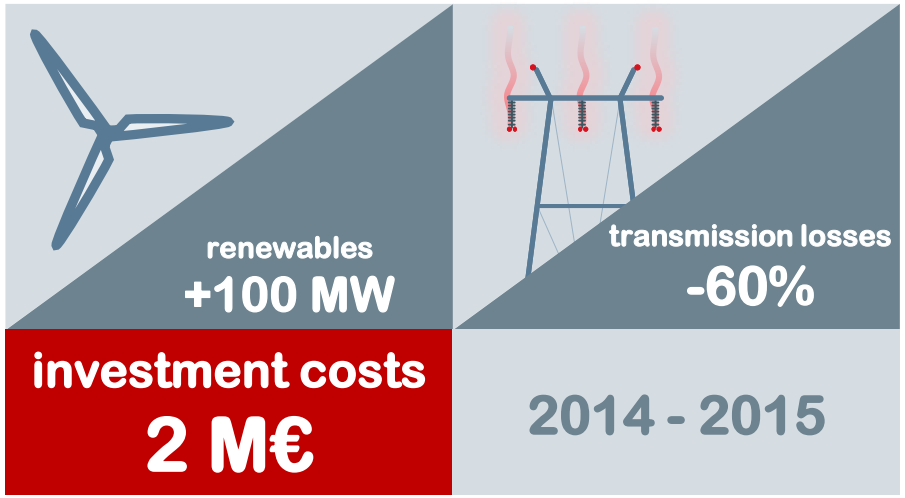
Connecting renewable power and reducing losses

Reconductoring of Isohaara– Raasakka 110 kV power line

- Single conductors were changed to thicker double conductors
- **Transmission losses reduced >60%**
- Higher transmission capacity made it possible to connect **extra 100 MW new wind power** with minimum connection costs
- No new right of way was needed so the **negative environmental impact** was **negligible**
- Project also included new lightning conductors which resulted to much higher reliability: Less failures caused by lightning or snow adhesion to lightning conductors





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