

REMUNERATION PRINCIPLES AND REMUNERATION STATEMENT FOR 2019

REMUNERATION PRINCIPLES

Remuneration at Fingrid is guided by the creation of shareholder value, good performance in carrying out basic tasks and the sustainability targets set for the company. The owners', especially the state ownership policy's and Ilmarinen's, principles have been taken into account in remuneration. Remuneration must be reasonable, fair and competitive.

Principles guiding remuneration at Fingrid

Fingrid's basic tasks		
<ul style="list-style-type: none"> • system security and continuity management • promoting the electricity market • developing the transmission grid 		
Competitive overall remuneration	Incentive systems in line with the basic tasks	Rewards for good performance
Value creation: increasing the value created by the company for shareholders, customers and society		
Owners' remuneration principles		

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.

Fingrid's remuneration principles determine the principles of remuneration for the company's Board of Directors and executive management.

The remuneration principles, as they pertain to the members of the company's Board of Directors, comply with the principles set forth by the state's and the other owners' policies, which require remuneration to be open, reasonable and market-based. As regards the remuneration of the President & CEO, the company also abides by the same principles as those pertaining to the members of the Board of Directors and by the remuneration principles outlined in the company in general. The President & CEO's remuneration metrics are partly the same as those for the other members of the executive management group and the company's personnel. In addition, the same principles are applied to the President & CEO's remuneration and benefits as those applied to the entire personnel, for example when determining the company car benefit and supplementary pension plans. The company's remuneration committee prepares for the Board of Directors the principles of the remuneration system for executive management and other personnel as well as the remuneration for the President & CEO and the members of the executive management group. This strengthens the consistency of the company's remuneration principles.

Description of the decision-making process

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

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

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

plementation thereof based on a proposal made by the remuneration committee.

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

Description of the Board's remuneration

The general meeting decides on the Board's remuneration based on a proposal made by the Shareholders' Nomination Board. The remuneration of the members of the Board of Directors consists of fixed monthly fees and meeting fees. An increased fixed fee is paid to the Board Chair and Deputy Chair. Meeting fees are paid to Board members also for attending the various committees' and the Nomination Board's meetings. The members of the Board have no share or share-related remuneration schemes or supplementary pension schemes. Fingrid also does not pay pension fees for the Board's remuneration. The decisions of the general meeting concerning the Board members' remuneration are published in the same stock exchange release as the other decisions made by the general meeting.

Description of the remuneration of the President & CEO

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

Components of remuneration used and their relative shares

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

Basis for determining the variable pay components

The bonus schemes are based on a policy stance according to which the annual maximum limit for the total variable remuneration is 40 per cent of the remuneration recipient's fixed annual salary, however such that if the company's and remuneration recipient's performance is exceptionally good, the total annual amount of remuneration can be a maximum of 80 per cent of the fixed salary. This is also in line with the state ownership policy's stance on variable pay in unlisted commercial companies.

The Board of Directors annually decides on the criteria for Fingrid's President & CEO's one-year bonus scheme and their lower and upper limits. As a general rule, the criteria for the one-year bonus are determined based on two company-level KPIs (usually financial result and customers' trust), one management-related KPI and one KPI related to a strategic project

or personal performance. The metrics are based, for example, on the results of customer and employee surveys and on the quantitative and qualitative criteria set for the strategic projects. The Board of Directors decides on the final realisation of the metric's value based on the proposal of the remuneration committee.

The Board of Directors annually decides on the earnings criteria for the President & CEO's long-term bonus schemes and their lower and upper limits, separately for each earnings period. The metrics of the ongoing schemes for the President & CEO in 2019 were related to system security (calculated cost of disturbances for society and customers), electricity market functionality (negative impacts of the electricity transmission restrictions between Finland and Sweden on the electricity market) and increasing shareholder value.

The metrics are based on criteria defined by the Board of Directors, and the decision on the final realisation of the metric's value is made by the Board of Directors based on the proposal of the remuneration committee.

Corporate social responsibility is taken into account in both the one-year and long-term incentive schemes, since part of the metrics used in the remuneration schemes are also the company's key sustainability KPIs.

As a general rule, the variable remuneration components are paid in the beginning of the year following the earnings period in accordance with the payment date confirmed by the Board of Directors. In specified situations, the Board of Directors is entitled to cancel the bonus, cut the bonus or defer the bonus payment date. The payment of the variable remuneration components additionally requires that the President & CEO's service relationship with the company is in force on the bonus payment date, excluding specified exceptional situations.

Other key conditions applicable to the service relationship

Fingrid's President & CEO's mutual period of notice is six months. 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. There is no share or share-based remuneration scheme or supplementary pension scheme in place for the President & CEO on behalf of the company.

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

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

Conditions for deferral and possible clawback of remuneration

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

REMUNERATION REPORT

The remuneration report describes the realisation of the company's remuneration principles. The report describes the remuneration of the company's Board of Directors, President & CEO and other executives during the previous financial year.

In 2019, the remuneration of Fingrid's Board of Directors, President & CEO and other executives complied with the remuneration principles defined by the company. This has had a positive effect on the company's performance in the tasks set for it, its long-term financial success and its responsible operations.

The development of the Board of Directors' and President & CEO's remuneration in relation to the company's employees' average annual earnings has been fair. In addition, the company's financial performance is in line with the bonuses that have been paid. The development of the Board of Directors' and President & CEO's remuneration in relation to the average remuneration of the company's employees and the company's financial performance over the five previous financial years is described in the table below.

The Remuneration Report is published simultaneously with the financial statements and the annual review and it is part of the Corporate Governance Statement. The report is presented to the annual general meeting and it is available on the company's website.

Year	Fees paid to the Board of Directors in total (€)	Salaries and benefits of the President & CEO (€)	Personnel costs/person (€)*	Turnover (M€)
2019	121 200 (0,015%)**	522 000 (0,066%)**	68 773 (0,009%)**	789
2018	126 300 (0,015%)**	452 000 (0,053%)**	85 612 (0,010%)**	853
2017	121 800 (0,018%)**	416 000 (0,062%)**	83 480 (0,012%)**	672
2016	122 340 (0,021%)**	352 000 (0,060%)**	85 113 (0,015%)**	586
2015	114 000 (0,019%)**	324 000 (0,054%)**	80 890 (0,013%)**	600

* Personnel costs/average number of employees. Personnel costs decreased in 2019 mainly as a result of the capitalisation of personnel costs related to investment projects.

**% of turnover.

Fees paid to the Board of Directors for the previous financial year

The general meeting confirmed the following monthly fees for the members of Fingrid's Board of Directors:

- Chair of the Board EUR 2,400
- Deputy Chair of the Board EUR 1,300
- Board members EUR 1,000.

In addition, Board members were paid a meeting fee of EUR 600 for each Board meeting and committee and Nomination Board meeting attended by the member.

Total fees paid to Board members in 2019:

	On the Board in 2019	Fees total 2019	On the Board in 2018	Fees total 2018
Juhani Järvi, Chair	1.1. - 31.12.	42 000	1.1. - 31.12.	40 800
Juha Majanen, Deputy Chair	-	-	1.1. - 28.3.	5 100
Päivi Nerg, Deputy Chair	1.1. - 31.12.	19 800	28.3. - 31.12.	15 600
Anu Hämäläinen, Board member	1.1. - 31.12.	20 400	1.1. - 31.12.	21 600
Sanna Syri, Board member	1.1. - 31.12.	21 000	1.1. - 31.12.	21 000
Esko Torsti, Board member	1.1. - 31.12.	20 400	1.1. - 31.12.	22 200

There are no share or share-based remuneration schemes, supplementary pension schemes or other financial benefits, such as incentive systems, in place for the members of the Board of Directors on behalf of the company.

None of the Board members are in an employment or service relationship with the company.

Remuneration of the President & CEO and executive management group for the previous financial year

The information concerning the remuneration of Fingrid's President & CEO and executive management group for 2019 is as follows:

	Salaries and benefits 2019	Variable merit pay 2019*	Total remuneration in 2019	Merit pay maturing in 2020**
President & CEO	309 000	213 000	522 000	195 000
Executive management group	1 206 000	495 000	1 701 000	382 000
TOTAL	1 515 000	708 000	2 223 000	577 000

* Merit pay earned in 2018 and paid in 2019.

** Merit pay earned in 2019 and payable in 2020.

The service terms of the President & CEO have been specified in a separate President & CEO service contract which is approved by the Board of Directors. The retirement age and pension accrual of the President & CEO are determined in accordance with general pension legislation.

The total remuneration of the President & CEO consisted in 2019 of a fixed total salary, a one-year bonus scheme (max. 40 per cent of the annual pay for the earnings year), and a three-year long-term incentive scheme (max. 35 per cent of the annual pay for the earnings year in the 2016–2018 scheme and max. 40 per cent in the 2017–2019 scheme maturing in 2020).

The criteria for the President & CEO's one-year bonus scheme in both 2018 and 2019 were the company's results, customers' trust, success in developing the electricity market, functionality of the workplace community, and leadership. As strategic projects, success in developing the electricity market was measured in 2018 and success in key investment projects (construction of the 'Forest Line' transmission connection and the establishment of Datahub Oy) was measured in 2019.

The metrics for the long-term incentive schemes were system security, electricity market functionality and shareholder value, in both the long-terms schemes 2016–2018 and the 2017–2019 scheme maturing in 2020. Corporate social responsibility has been taken into account in both the one-year incentive scheme and the long-term incentive scheme when determining their metrics, which are partly the same as the responsibility KPIs defined by the company.

In 2018, Fingrid showed exceptional performance across all areas of its business, which led to higher-than-usual remuneration for both the President & CEO and the personnel. The rewards earned in 2018 were paid in spring 2019.

There is no share or share-based remuneration scheme or supplementary pension scheme in place for the President & CEO on behalf of the company.

The mutual President & CEO period of notice is six months. 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.

Remuneration of the executive management group

The total remuneration of the members of the executive management group consisted 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 was 25 per cent of the annual pay for the earnings year. The annual maximum amount of the long-term incentive scheme was also 25 per cent of the annual pay for the earnings year.

The metrics for the executive management's one-year bonus scheme in 2019 were the company's results, customers' trust, functionality of the workplace community, and leadership. The metrics additionally comprised the attainment of the key objectives of each member of the executive management group. The metrics for the long-term incentive scheme are system security, electricity market functionality and shareholder value.

Corporate social responsibility has been taken into account in both the one-year incentive scheme and the long-term incentive scheme when determining their metrics, which are partly the same as the responsibility KPIs defined by the company.

There is no share or share-based remuneration scheme or supplementary pension scheme in place for Fingrid's executive management group on behalf of the company.

Remuneration of the personnel

Personnel salaries comprised 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. Remuneration was 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. Incentive bonuses are paid for good performance as part of the daily management of personal performance.

The CEO-to-employee annual median income ratio in 2019 was 7:1, and the female-to-male annual median income ratio was 0.9:1.