



Corporate governance statement

16 February 2011

Fingrid Oyj



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1 Corporate governance statement

Fingrid Oyj's corporate governance statement has been drawn up in accordance with recommendation 54 of the Finnish Corporate Governance Code. The statement has been presented as a report separate from the annual review. Fingrid is a public company whose shares are not subject to public trading. Since Fingrid has issued other publicly-quoted securities such as bonds, the company follows the applicable sections of the Finnish Corporate Governance Code published by the Finnish Securities Association, which came into effect on 1 October 2010. The Code in full is available at www.cgfinland.fi.

Fingrid Oyj's audit committee and Board of Directors have reviewed this statement. Fingrid's auditing organisation PricewaterhouseCoopers Oy has verified that this statement has been provided and that the general description of the internal control and risk management systems pertaining to the financial reporting process is consistent with the financial statements of the company.

Departure from Corporate Governance Code

Fingrid departs from recommendations 14, 26, 32 and 51 of the Corporate Governance Code. The grounds for the departures are given below.

Recommendation	Grounds
14.	The majority of the directors are not independent of the company or its significant shareholders. However, the Board of Directors considers that the objective and professional handling of matters by the Board has been ensured. In addition to the stipulations laid down in the Finnish Companies Act, Securities Markets Act and corresponding general regulations, Fingrid's decision making is especially subject to obligations prescribed by the Electricity Market Act concerning the unbiased treatment of customers and an obligation to develop the market with a view to the overall interests.
26.	All members of the audit committee are not independent of the company. The Board of Directors considers it important that practical expertise in the energy industry is also represented in the audit committee, which is why it is deemed necessary that Anja Silvennoinen, Senior Vice President, Energy Business Area, UPM-Kymmene Oyj, is a member of the audit committee.
32.	The majority of the members of the remuneration committee are not independent of the company. Of the members, Arto Lepistö is independent of the company. The Board of Directors considers that the composition of the committee ensures such handling of the matters that leads to an optimum outcome in view of the shareholders and the company.
51.	Since Fingrid's shares or securities entitling shares are not subject to public trading, the insider recommendations are not applicable to the company, which is why there is nothing to report of insider administration.

Further information on Fingrid's corporate governance is available on the company's website at www.fingrid.fi and in the report of the Board of Directors.

2 Board of Directors and committees of the Board

The primary duties and principles of Fingrid's Board of Directors are specified in the working order (available on the company's website). The Board of Directors is responsible for the administration and the proper organisation of the operations of the company. Moreover, the Board of Directors makes sure that the company adheres to the relevant rules and regulations, articles of association of the company, and guidelines provided by the Board of Directors, such as:

- decides on strategic policies such as the grid tariff applied and changes to the specification principles concerning the nation-wide transmission grid,
- accepts the management principles and other business principles of the company, and confirms the values to be followed by the company,
- accepts the annual action plan and budget on the basis of the strategy and supervises its fulfilment,
- accepts the total amount of capital investments and its distribution on the various sectors, and decides separately on budgeted capital investments in excess of 10 million euros and on capital investments outside the budget in excess of 2 million euros,
- summons the general meetings,
- appoints the audit committee and remuneration committee,
- appoints and dismisses the President of the company,
- accepts the basic organisation and composition of the executive management group of the company,
- reviews annually the risks relating to the company's operations and the management of such risks,
- reviews and accepts the interim reports, annual review and financial statements,
- decides on the principles of the remuneration system,
- assesses its work once a year,
- deals with other business which the Chairman of the Board, a Board member or the President has proposed to be included in the agenda.

Further information on the Board of Directors and its committees as well as the remuneration principles is available on the company's website www.fingrid.fi.

Composition of the Board of Directors in 2010

Lauri Virkkunen, Chairman

M.Sc. (Econ), M.Sc. (Tech.), born in 1956
Chairman of the Board from 1 July 2010

Main position: President & CEO, Pohjolan Voima Oy

Dependent on the company and significant shareholders

Timo Karttinen, First Deputy Chairman

M.Sc. (Tech.), born in 1965

Main position: Executive Vice President, Fortum Oyj, Electricity Solutions and Distribution

Dependent on the company and significant shareholders

Arto Lepistö, Second Deputy Chairman

Lic. Tech., born in 1952

Main position: Deputy Director General, Head of the Energy Markets Group, Ministry of Employment and the Economy, Energy Department

Independent of the company and dependent on significant shareholders

Risto Autio

M.Sc. (Econ.), born in 1958

Main position: Director, Alternatives, Varma Mutual Pension Insurance Company

Independent of the company and dependent on significant shareholders

Ari Koponen

M.Sc. (Econ.), born in 1964

Main position: Vice President, Fortum Distribution

Dependent on the company and significant shareholders

Ritva Nirkkonen

M.Sc. (Econ.), born in 1946

Main position: Fund Raising Manager, University of Jyväskylä, special tasks

Independent of the company and significant shareholders

Anja Silvennoinen

M.Sc. (Tech.), MBA, born in 1960

Main position: Senior Vice President, Energy Business Area, UPM-Kymmene Oyj

Dependent on the company and independent of significant shareholders

Timo Rajala

M.Sc. (Tech.), born in 1947

First Deputy Chairman of the Board until 16 March 2010 and Chairman 17 March - 30 June 2010

Main position: President & CEO, Pohjolan Voima Oy

Dependent on the company and significant shareholders

Fingrid departs from Corporate Governance Code recommendation 14, which requires that the majority of the Board members must be independent of the company, and at least two of the members representing this majority must be independent of significant shareholders of the company. Fingrid's Board of Directors has considered that of the seven Board members, Arto Lepistö, Ritva Nirkkonen and Risto Autio are independent of the company. Ritva Nirkkonen and Anja Silvennoinen are independent of the significant shareholders.

The Board of Directors considers that the objective and professional handling of matters by the Board has been ensured. In addition to the stipulations laid down in the Finnish Companies Act, Securities Markets Act and corresponding general regulations, Fingrid's decision making is especially subject to obligations prescribed by the Electricity Market Act concerning the unbiased treatment of customers and an obligation to develop the market with a view to the overall interests.

Personal deputy members of the Board in 2010:

Timo Ritonummi, Senior Engineer, Ministry of Employment and the Economy
 Jussi Hintikka, Executive Vice President, Pohjolan Voima Oy
 Juha Laaksonen, Chief Financial Officer, Fortum Oyj
 Kari Koivuranta, Senior Adviser, Fortum Sähkönsiirto Oy
 Pekka Kettunen, Ministerial Adviser, Prime Minister's Office, State ownership steering
 Jukka Mikkonen, Director, Energy Finland, Stora Enso Oyj
 Jorma Tammenaho, Portfolio Manager, appointed by investor shareholders

Operations of the Board of Directors in 2010

The Board of Directors assembled seven times in 2010, with one of these being an audio conference. The attendance of the Board members in the meetings is described in the table on page 8. The table below describes the work of the Board in 2010.

The audio conference on 29 September 2010 concerned the capital investment decision for the EstLink 2 project. In a Board meeting following a meeting of the audit committee and remuneration committee, the Board always reviews the matters that were in the agenda of these committees. Moreover, the other Board members are delivered the same material as the members of the audit committee.

Time	Main topic
February	annual review and financial statements, account of corporate governance systems, summoning the annual general meeting, proposal concerning the Board members and auditor, increase in fast disturbance reserve, assessment of operations, principles of corporate finances, principles of financing, principles of loss energy procurement
April	interim report, election of secretary of Board, election of audit committee, grid capital investment in Hikiä-Hyvinkää region, principles of management, principles of grid development, construction and maintenance management
May	EstLink 2 capital investment decision (conditional), grid reinforcements at Anttila, strategic preliminary debate

August	interim report, accepting the strategy, grid tariff and Russian cross-border transmission tariff 2011, renting of new head office, management system, succession plan for executive management group
September	final capital investment programme for EstLink 2
October	interim report, updating of MTN programme, risk management principles, principles of system security management, Ulvila-Kristinestad 400 kV capital investment, composition of Advisory Committee
December	accepting the action plan and budget, structure of grid tariff, renewal of revolving credit facility, accepting of working orders, guideline for adherence to competition legislation

The Board of Directors has two committees: audit committee and remuneration committee. The Board of Directors confirms the main content of the working order of the committees.

2.1 Audit committee

The audit committee is appointed by the Board of Directors and it assists the Board. The duties of the audit committee are to:

- review the audit plans of the auditor and internal auditor,
- review the reports of the auditor and internal auditor,
- monitor the statutory audit of financial statements and consolidated financial statements,
- monitor the process of financial statements reporting,
- monitor the financial reporting process,
- monitor the efficiency of internal control, internal audit and risk management systems,
- review the description of the main features of the internal control and risk management systems related to the financial reporting process, included in Fingrid's corporate governance statement,
- supervise adherence to acts and governance principles specified by the Board,
- assess the independence of the auditing organisation and especially the provision of ancillary services to the company,
- prepare the competitive tendering concerning the auditor for the Board of Directors,
- upon its discretion, handle other matters belonging to the audit committee,
- take care of other duties specifically decided by the Board of Directors.

The members of the audit committee in 2010 were Ritva Nirkkonen (Chairperson), Risto Autio, Arto Lepistö and Anja Silvennoinen. In accordance with recommendation 26 of Corporate Governance Code, the members of the audit committee should be independent of the company. The Board of Directors considers it important that practical expertise in the energy industry is also represented in the audit committee, which is why it is deemed necessary that Anja Silvennoinen is a member of the audit committee.

The committee had three meetings in 2010. The attendance of the members of the committee in the meetings is described in the table on page 8.

In its spring meeting, the audit committee reviewed the audit plans of the internal auditor and auditor, and the measures carried out on the basis of the observations of the audit of 2009. The autumn meeting of the audit committee reviewed the report of Fingrid's risk management, and the risk management principles. The December meeting discussed the audit of Fingrid's continuity plans, audit of outsourced payroll management, review by the auditor and internal auditor of the audit observations in 2010, description of the supervision and risk management related to the company's financial reporting, and the fulfilment of the working order of the audit committee.

2.2 Remuneration committee

The remuneration committee approves the remuneration to be paid to the President and other members of the executive management group on the basis of principles specified by the Board of Directors. The committee also prepares the appointments of the President, deputy of the President and persons belonging to the executive management group as well as surveys their successors.

In 2010, the remuneration committee consisted of Lauri Virkkunen (Chairman from 1 July 2010), Timo Rajala (Chairman until 30 June 2010), Timo Karttinen and Arto Lepistö. In accordance with recommendation 32 of Corporate Governance Code, the majority of the members of the remuneration committee should be independent of the company. Of the members of the remuneration committee, Arto Lepistö is independent of the company. The Board of Directors considers that the composition of the committee ensures such handling of the matters that leads to an optimum outcome in view of the shareholders and the company.

The remuneration committee had three meetings in 2010. The meetings handled matters such as the salary increases of the President and members of the executive management group and development of the company's long-term remuneration system.

The table below describes the attendance of the members of the Board of Directors of Fingrid Oyj in the meetings in 2010.

Name	Position	Board meetings	Audit committee	Remuneration committee
Lauri Virkkunen	Chairman (from 1 July 2010)	4/7	-	2/3
Timo Karttinen	First Deputy Chairman	7/7	-	3/3
Arto Lepistö	Second Deputy Chairman	7/7	-	3/3
Ari Koponen	Member	7/7	3/3	-
Ritva Nirkkonen	Member	7/7	3/3	-
Anja Silvennoinen	Member	4/7	2/3	-
Risto Autio	Member	7/7	3/3	-
Timo Rajala	First Deputy Chairman until 16 March and Chairman 17 March - 30 June 2010	3/7	-	1/3

3 President

The President attends to the administrative routines of the company in accordance with guidelines provided by the Board of Directors. The President serves as the Chairman of the Board of the subsidiaries and is responsible for the operations of the company assisted by the executive management group. Further information on the President and his remuneration principles is available on the company's website www.fingrid.fi.

	Jukka Ruusunen Doctor of Technology, born in 1958
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4 Description of the main features of internal control and risk management related to the financial reporting process

Internal control and risk management intend to make sure that Fingrid works efficiently and productively, that financial reporting is reliable, and that the applicable acts, regulations and the company's own procedural guidelines are followed. The internal control systems related to the financial reporting process are part of a bigger overall system of Fingrid's internal control, also encompassing comprehensive risk management and internal audit. Further information on internal control and risk management is available on the company's website at www.fingrid.fi. Moreover, the foremost risks and factors of uncertainty that have come to the attention of the Board of Directors are also available on the website of the company and in the report of the Board of Directors.

Control environment of financial reporting process

The Fingrid Group encompasses the parent company Fingrid Oyj and its fully-owned subsidiary Finextra Oy (former Fingrid Verkko Oy). The associated companies are Porvoo Alueverkko Oy (holding 33.3%) and Nord Pool Spot AS (holding 20.0%). 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. There is monthly reporting of the financial situation to the executive management group and those with budget responsibility, and to the supervisors of units and functions on the proceeds, costs and capital investments in the relevant area of responsibility. In addition to financial accounting reports, financial administration produces comprehensive reports which contain business information and cost accounting reports to the executive management group, those with budget responsibility and to the supervisors of units and functions by means of the financial control system.

The interpretation and application of the financial reporting standards are centralised at the financial administration of the Group, which monitors the accounting standards (IFRS, IAS, 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 issues such as the schedule and order in which the month-end accounts are drawn up.

Fingrid draws up the consolidated financial statements and interim reports in accordance with the IFRS reporting standards accepted by the European Union and

in accordance with the Finnish Securities Market Act. The annual review and the financial statements of the parent company of 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, described 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

Fingrid's Board of Directors is primarily responsible for the specification of the principles for internal control and risk management related to financial reporting, and the Board of Directors makes sure that these principles are followed in the company. The Board of Directors reviews and accepts the interim reports, annual review and financial statements. The audit committee assists the Board of Directors in this by monitoring the efficiency of internal control, internal audit and risk management systems of the company.

The financial 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.

Internal audit carries out audits concerning the processes of the financial function and reports these to the audit committee.

Risk management and control measures, and follow-up

So that the risks related to financial reporting could be controlled, Fingrid identifies the risks threatening the achievement of the company's financial objectives and specifies the likelihood and monetary value of such risks. Moreover, risk management measures, responsible persons and implementation schedule are specified for the identified risks.

Controls pertaining to risk management are set throughout the Group, on all levels and units of the Group. Examples of the controls include internal guidelines, acceptance procedures and authorisations, cross-checking with cost accounting, matching, checking, 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 uniform 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 correctness of financial reporting. This reporting is reviewed monthly in the meetings of the executive management group. The analyses compare the achieved business result to the

budget and to the previous year as far as the various proceed and cost components are concerned, and the budget is compared to the quarterly forecast. The monitoring of cash flow and capital investments is part of this process.

Verifying the correctness of monthly reporting employs the company's financial control system, which the controllers and heads of units of the company can use for finding essential errors and anomalies. Internal audit also verifies the correctness of issues such as invoicing, expense receipts, payments, and recording of items in the balance sheet and in property, plant and equipment, and carries out internal audits of capital investments and of refurbishment and maintenance projects.

The correctness of financial reporting is also ensured by taking care of good data security and data management. The goal is to avoid risky work combinations wherever possible. User rights are checked regularly, and user rights are determined by the position of a person in the organisation. Backups are taken regularly of the data bases used in the financial control system and accounting system. The company has a data security manager. The company's internal audit commissions audits of data security and data systems. These audits are used for supervising user rights, data material security, and adherence to general data security principles.

Controls for the financial reporting processes are enhanced as part of internal control. The personnel are given training in how to monitor the correctness of the information produced by the financial reporting process of the company, concerning cost unit follow-up, posting, acceptance procedures for invoices and receipts, and budgeting and follow-up of actual situation.