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## **Working order of the Board of Directors**

### **1 General**

In its business, Fingrid Oyj adheres to the Finnish Corporate Governance Code (Finnish Securities Market Association 20 October 2008).

By virtue of the Finnish Companies Act, articles of association and shareholder agreement, the corporate governance is divided between the general meeting, Board of Directors and President.

In accordance with the articles of association, the shares of the company are divided into series A shares and series B shares. In accordance with the articles of association, a series A share confers three (3) votes each in a general meeting; except when electing members of the Board of Directors, a series A share confers ten (10) votes each in a general meeting and series B share confers one (1) vote each. The founding shareholders of the company (owners of series A shares) – Fortum Oyj, Pohjolan Voima Oy and the State of Finland – own the series A shares, and the investor shareholders (owners of series B shares) own the series B shares. The articles of association stipulate the annual dividend.

The owners of series A shares signed a mutual shareholder agreement in 1996, and the mutual shareholder agreement between the owners of series A and B shares was signed in 1997. The shareholder agreement for series A and B shares was amended in 2006.

The shareholder agreement between the owners of series A shares provides a more accurate specification of the objectives of the founding shareholders concerning the operations of the company than that in the articles of association.

The shareholder agreement between the owners of series A and B shares secures the position of the investor shareholders. The agreement contains stipulations which require that the amendment of certain articles in the articles of association calls for the acceptance of the investor shareholders. Moreover, the agreement states that the owners of series B shares have, under certain conditions, a right to appoint one member of the Board and that member's personal deputy member.

### **2 General meeting**

The general meeting is the supreme decision-making body of the company. The annual general meeting is held annually no later than June. The general meeting accepts issues such as the financial statements, and elects the auditor and Board of Directors of the company, which consists of seven persons elected for a year by the general meeting plus their seven personal deputy members. The general meeting elects the Chairman and the First and Second Deputy Chairmen among the Board members.

### **3 Advisory Committee**

Fingrid's executive management is assisted by an Advisory Committee with 10 to 12 members appointed by the Board of Directors. The Advisory Committee serves as a

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preparatory body and discussion forum in matters concerning the customer interface of the company. The term of office of the members of the Advisory Committee is primarily three years. The Advisory Committee represents Fingrid's customers and electricity market parties comprehensively. The Advisory Committee is not a decision-making body.

#### **4 Board of Directors**

The Board constitutes a quorum when more than half of its members are present. The decisions of the Board of Directors are made through a majority of three quarters counted on the basis of the Board members present in the meeting and on the basis of the deputy members representing prevented Board members.

The Board of Directors is responsible for the administration and the proper organisation of the operations of the company, and for example for the following issues:

- 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,
- 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 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 have proposed to be included in the agenda.

#### **5 Duties of Chairman and Deputy Chairmen**

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- The Chairman heads the work of the Board of Directors so that the duties are carried out.
- The Chairman accepts the agendas prepared by the President, summons the meetings of the Board of Directors and decides on summoning other persons to a meeting.
- The Chairman together with the Deputy Chairmen signs the minutes of the meeting, and if some of them is not present, another Board member appointed by the same shareholder signs the minutes instead of the absent person, and if that person is also absent, the deputy member appointed by that shareholder signs the minutes.
- The Chairman is responsible for planning and assessing the operations of the Board of Directors, keeps contacts with the President and monitors the operations of the company.

## 6 Committees of the Board

The Board of Directors appoints 3 to 7 members in the **audit committee** and the chairman of the committee. The audit committee prepares, guides and assesses internal control, audit, risk management, and financial reporting in accordance with a separate working order confirmed by the Board of Directors.

The Chairman of the Board and the Deputy Chairmen constitute the **remuneration committee**. This 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. The Board of Directors confirms the working order of the committee.

## 7 Duties of 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.

## 8 Meeting practice and supply of information

The Board of Directors handles the following business in its meeting:

- accepting the minutes of the previous meeting,
- review of current situation,
- financing report,
- matters to be decided,

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- other matters,
- next meeting (confirmation).

The annual Board meetings with their main topics and timing are as follows:

#### February

- annual review and financial statements, summoning the general meeting, proposal concerning the Board members and auditor, principles of business economy, principles of financing, principles of loss energy procurement, assessment of operations

#### April

- interim report, verifying the decisions made in the general meeting, election of secretary of Board, election of audit committee, and principles of grid development, construction and maintenance management

#### May

- preliminary discussion concerning strategy

#### August

- interim report, accepting the strategy, management system, corporate visit

#### October

- interim report, risk management principles and measures

#### December

- accepting the action plan and budget, working orders of the Board, audit committee and remuneration committee, annual report

The committees give a review of their operations to the Board in a Board meeting which assembles after a committee meeting.

In other respects, the Board assembles whenever necessary.

The Board can also arrange its meeting as an audio conference, for example for the accepting of an interim report.

The material concerning topics handled in a meeting of the Board of Directors is delivered to the Board members no later than three working days before the meeting. All material delivered to the Board members and the handling of matters in the Board are confidential.

If a Board member is prevented to attend a Board meeting, the member shall make sure that the deputy member attends the meeting and that the deputy member has the necessary information as far as participating in the meeting is concerned.

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When the operations of the Board are assessed, it is discussed whether the working methods and other procedures of the Board are efficient, and the results of the company's operations and the control system for the operations are assessed. Furthermore, it is assessed what kinds of expectations the stakeholders of the company have with respect to the operations of the Board.

The secretary draws up minutes of the meetings, containing at least the issues decided. Other information and reviews are presented in the appendices to the minutes, if reference to them is specifically made in the text of the actual minutes. A copy of the minutes is distributed to the Board members after the minutes have been examined and signed, within two weeks from a Board meeting.

Other information on significant matters having bearing on the company's operations is provided immediately by e-mail or letter after a relevant matter has surfaced.