

**FINGRID**

ANNUAL REPORT 2021

# Remuneration Report

A man and a woman in business attire are seated at a white table, reviewing documents. The man is wearing glasses and a blue cardigan, and the woman is wearing a white blouse. They are both looking at a document on the table. The background is a bright yellow wall.

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- > Fees paid to the Board of Directors
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FEES PAID TO THE BOARD OF DIRECTORS IN 2021.

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## 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.



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### 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

|  |  |                              |
|--|--|------------------------------|
| <b>Fingrid’s basic tasks</b> <ul style="list-style-type: none"> <li>• system security and continuity management                             <ul style="list-style-type: none"> <li>• promoting the electricity market</li> <li>• developing the main grid</li> </ul> </li> </ul> |  |                              |
| 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   |  |                              |

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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.

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## 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   |



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**Fees paid to Board members 2021**

| Total fees, €            | falling due from<br>2021 | paid in<br>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.

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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        |
| <b>TOTAL</b>                  | <b>237,000</b>        | <b>485,000</b>        | <b>251,000</b>        | <b>736,000</b> |

### 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.



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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                                    |
| 25 %            | 25 %   | Leadership, personnel survey results     | between target and maximum (President & CEO), 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.

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### 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 shareholders  | 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 shareholders  | 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.

# 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](http://www.fingrid.fi)

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