



FINGRID

ANNUAL REPORT 2022

Report of the Board of Directors

REPORT OF THE BOARD OF DIRECTORS

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The company's employees gave us a net promoter score (eNPS) of 72

Fingrid is committed to responsible and ethical practices to promote sustainable development

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Financial result and financing

Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS). Unless otherwise indicated, the figures in parentheses refer to the same period of the previous year. Fingrid's consolidated financial statements have been drawn up in accordance with the same accounting principles as in 2021.

The exceptional circumstances that began on the energy market in the autumn of 2021 were further intensified when Russia invaded Ukraine. Even before the invasion, the prices of gas and electricity had gone up. The war has further increased the price of electricity such that the high price of gas in Europe has also increased the price of electricity in the Nordic countries. Western sanctions resulted in an end to Finland's electricity imports from Russia on 14 May 2022.

The electricity system of Finland worked without any interruptions despite the end of Russian electricity imports. During the year under review, imports from Russia were replaced by imports from Sweden and Estonia, by growing domestic electricity generation, and by reduced and flexible electricity consumption. The exceptional situation on the energy markets and the high price of electricity increased Fingrid's key market-based cost items, such as electricity system reserves, loss power procurement costs and cross-border congestion costs. In addition, sales revenue from the Russian cross-border transmission connection dried up after imports ended, and Fingrid is no longer procuring power system reserves from Russia. However, the overall impacts caused by the exceptional situation in the energy market were minor for the company, as the increase in congestion



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income offset the increased costs and the lost sales revenue from the Russian cross-border transmission connection.

The Group's turnover reached a record-high EUR 1,815.2 (1,090.9) million. The remarkable increase in turnover is attributed to the high price of balancing power, which Fingrid collects to balance the power imbalances of balance responsible parties, and increases in balance service tariffs. The turnover from balance services was EUR 1,160.2 (613.8) million. Grid service revenue decreased to EUR 333.7 (394.3) million, due to lower

electricity consumption and to Fingrid waiving the grid service fees for December. Electricity consumption in Finland totalled 81.7 (87.1) terawatt hours during the year. Cross-border transmission between Finland and Russia ended in May 2022. Cross-border transmission income from that connection amounted to EUR 11.1 (34.4) million. The exceptional situation on the electricity market increased the volume of inter-TSO transmission, which caused greater area price differences on Finland's border compared to previous years. Inter-TSO Compensation (ITC) income grew to EUR 23.1 (22.6)

million. The congestion income received by Fingrid increased significantly. In 2022, a total of EUR 229.5 (0.0) million in congestion income was recognised in turnover, and EUR 18.8 (0.0) million in other operating income. Other operating income increased to EUR 171.4 (64.9) million. The increase was due to recognising congestion income as turnover and to the increase in the fair value of derivatives related to business operations.

The Group's costs excluding the change in the value of commodity derivatives were EUR 1,695.8 (945.0) million. With the high price of balancing power, electricity trade costs of the balance service increased to EUR 1,141.2 (584.7) million. The exceptional market situation and the high price of electricity increased the costs of market-based loss power and power system reserves, as well as increased congestion costs, which arise from the transmission of electricity across borders from more expensive price areas to lower-priced areas. Loss power costs amounted to EUR 103.9 (65.6) million. The volume of loss power remained at the previous year's level. The realised average price of loss power procurement was EUR 60.32 (41.34) per megawatt hour. The cost of reserves to safeguard the grid's system security

increased to EUR 186.9 (68.4) million. Congestion costs increased to EUR 69.4 (24.2) million. Depreciation amounted to EUR 107.9 (99.9) million and grid maintenance costs to EUR 19.6 (19.9) million. Personnel costs grew to EUR 38.1 (33.6) million. The headcount was increased in response to a growing workload, as operations expanded both domestically and in international cooperation.

The Group's operating profit was EUR 290.4 (210.8) million. To recognise changes in the fair value of electricity derivatives and the currency derivatives related to capital expenditure and other operating expenses, EUR 140.6 (62.2) million was recorded in operating profit. The Group's profit before taxes was EUR 257.4 (187.6) million. Profit for the financial year was EUR 205.8 (150.1) million. The increase in costs and the lower level of grid service income was compensated by recognising EUR 248.3 (0.0) million of congestion income as turnover and other operating income. The equity ratio at the end of the financial year was 22.4 (25.3) per cent. The decline was caused, above all, by the increase in the total balance sheet caused by the accumulated congestion income, which decreased the share of equity in the total balance sheet.

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The company currently has a EUR 3 billion investment programme under way for the next ten years. Fingrid's total capital expenditure in 2022 amounted to EUR 276.1 (213.5) million. This included a total of EUR 246.0 (180.3) million invested in the transmission grid and EUR 3.7 (2.4) million for reserve power. ICT investments amounted to EUR 11.0 (28.6) million. Of the individual ICT investments, the largest was the Datahub system, a centralised information exchange system for the retail market, which went live in February 2022. A total of EUR 1.8 (3.0) million was used for R&D projects during the year under review.

The parent company's turnover was EUR 1,808.7 (1,091.1) million, profit for the financial year EUR 114.4 (133.5) million and distributable funds EUR 166.0 million.

Based on the company's own calculations, the result according to the regulatory model that governs transmission grid operations amounted to a surplus of around EUR 5 million for 2022. In the regulatory period 2020–2023, the result was cumulatively slightly lower than the allowed regulatory profit.

As a consequence of the exceptional situation, the area price differences at the borders of Finland and Sweden and Finland and Estonia grew. This resulted in an increase in congestion income, to EUR 942.9 (283.8) million. The Energy Authority decides on the use of the congestion income received by Fingrid for investments, to cover costs and for use as turnover in line with EU regulation. A regulatory letter submitted to Fingrid by the Energy Authority on 5 October 2022 specified the use of congestion income in 2022 and 2023. The decision concerning the use of congestion income is provided in conjunction with the company's regulatory decision after each regulatory period. In 2022, a total of EUR 119.6 million of the accumulated congestion income was used for completed investments, mainly the Forest Line, and is reserved for future investment projects that will increase the cross-border transmission capacity. Furthermore, a total of EUR 248.3 (0.0) million in congestion income was recognised as turnover and other operating income to compensate for the strong growth in market-based costs, and also enabled the waiving of grid service fees in December. Fingrid's unused congestion

income is recorded in the balance sheet under short- and long-term non-interest-bearing liabilities and cash and cash equivalents and financial assets.

Fingrid's credit rating remained high, reflecting the company's strong overall financial situation, its key role as an implementer of climate targets, and its debt service capacity. During the year under review, Fitch Ratings (Fitch) raised Fingrid's long-term company rating to 'A+' and unsecured senior debt rating to 'AA-'. The Group's net financial costs were EUR 32.7 (23.2) million, including EUR 0.6 million in interest expenses on the lease liabilities booked into the balance sheet. Net financial costs grew due to the rise in market interest rates. The Group's net interest expenses on loans during the year totalled EUR 16.7 (12.6) million. The change in the fair value of financial derivatives was EUR 24.8 million negative (EUR 9.4 million negative).

Interest-bearing borrowings totalled EUR 1,056.2 (1,158.1) million, of which non-current borrowings accounted for EUR 990.4 (1,022.6) million and current borrowings for EUR 65.8 (135.5) million. At the end of the year, the company's interest-bearing

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Turnover and other operating income, € million	Jan-Dec/22	Jan-Dec/21	July-Dec/22	July-Dec/21
Grid service revenue	333.7	394.3	128.8	185.9
Sales of imbalance power	1,160.2	613.8	776.9	401.7
Cross-border transmission income	11.1	34.4	-0	16.9
Congestion income	229.5		189.7	
Peak load capacity income*	7.2	10.8	0.1	3.6
ITC income	23.1	22.6	7.8	12.4
Datahub income	15.0		8.8	
Other turnover	35.5	15.0	11.3	4.8
Other operating income	171.4	64.9	-80	58.5
Turnover and other income total	1,986.6	1,155.9	1,043.3	683.7

Costs, € million	Jan-Dec/22	Jan-Dec/21	July-Dec/22	July-Dec/21
Purchase of imbalance power	1,141.2	584.7	761.9	394.2
Loss power costs	103.9	65.6	64.2	38.1
Depreciation	107.9	99.9	55.5	50.6
Cost of reserves	186.9	68.4	109.9	32.8
Personnel costs	38.1	33.6	18.7	16.6
Grid maintenance costs	19.6	19.9	11.5	11.8
Cost of peak load capacity*	6.9	10.4	0.0	3.5
ITC charges	18.1	13.6	9.1	7.1
Other costs	73.3	48.9	45.5	24.4
Costs total	1,695.8	945.0	1,076.4	579.0
Operating profit excluding the change in the fair value of commodity derivatives	149.8	148.6	66.3	48.1
Operating profit of Group, IFRS	290.4	210.8	-33.1	104.7

* Peak load capacity income and costs are related to the securing of sufficient electricity supply during peak consumption hours in compliance with the Finnish Peak Load Capacity Act.

borrowings included a total of EUR 29.8 million in lease liabilities, consisting of EUR 2.7 million in short-term liabilities, to be paid within a year.

Fingrid's congestion income significantly increased the company's financial assets and thus decreased its net debt. Unused congestion income is part of the company's liquidity management. The company's cash assets are, in line with the Treasury Policy, mainly invested in low-risk fixed income instruments. The company's liquidity remained very good. Cash and cash equivalents and other financial assets totalled EUR 733.4 (219.6) million on 31 December 2022.

The company's interest rate, currency and commodity price risks were hedged in line with Fingrid's hedging policies. The counterparty risk arising from derivative contracts relating to financing was EUR 8.8 (16.7) million.

Fingrid has credit rating service agreements with S&P Global Ratings (S&P) and Fitch Ratings (Fitch). The credit ratings valid on 31 December 2022 remained high and were as follows:

- S&P's rating for Fingrid's unsecured senior debt and long-term company credit rating at 'AA-' and the short-term company credit rating at 'A-1+', with a stable outlook.
- Fitch's rating for Fingrid's unsecured senior debt at 'AA-', the long-term company credit rating at 'A+', and 'F1' for the short-term company credit rating, with a stable outlook.

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Operations

Strategy

Fingrid is Finland's transmission system operator, whose main owners are the State of Finland and Finnish pension and insurance companies. The company's mission is to secure a reliable supply of electricity for society through efficient operations, promote a clean energy system of the future and implement a market-based power system. Fingrid's strategy extends to the year 2030. The key drivers of the strategy are achieving the climate targets and the related change required in the energy system in which European TSOs play a decisive role. Fingrid's task is to cost-effectively secure reliable electricity for our customers and society, and to enable the implementation of a clean, market-oriented power system of the future. Fin-

grid produces grid and electricity market services for its customers. The task of electricity market services is to offer industry players an effective domestic electricity market, which is now being implemented in a unified price area in Finland, and harness the benefits of open European electricity markets. Fingrid is, in accordance with its value proposition, the most pro-market TSO. The task of grid services is to secure reliable transmission of electricity in the main grid to meet the needs of electricity companies and energy intensive industry and to enable connections to the power system. In accordance with its value proposition, the company offers the possibility to connect to the electricity system, as well as reliable and affordable electricity transmission.



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Fingrid's operations are based on Finnish and EU legislation. In accordance with the Finnish Electricity Market Act, the company develops the main grid, connects new production and consumption to the main grid, maintains a balance between electricity consumption and generation, and promotes the electricity market. The EU Regulation on the internal market for electricity obligates Fingrid to cooperate within ENTSO-E, the European Network of Transmission System Operators for Electricity, and also regionally within the Baltic Sea region, to improve the effectiveness of the internal market in electricity. The company's task is to participate in the drawing up and implementation of the market, operating and connection codes and the proposals prescribed in them. Fingrid's operations are supervised and regulated nationally by the Energy Authority, which has granted the company a licence for the transmission grid operations.

Vision:

We are a forerunner for electricity network operations and respected and influential in energy matters in Finland and abroad.

Values:

Our values guide us in everything we do, and they lay a solid foundation for our corporate culture. We measure, report on and discuss the realisation of our values as part of monitoring our operations. Fingrid is open, fair, efficient and responsible in all its operations.

Way of working:

Our corporate culture is open, collaborative and renewing, and complies with good governance practices. We are known for our expertise. We develop our operations for the long term and in cooperation with our customers, authorities, partners and other stakeholders. We treat everyone impartially and with respect. We are achieving the purposeful and ambitious goals that we have set for our operations in cooperation with various stakeholders. High productivity and quality lay the groundwork for planning and executing our operations. Continuous change requires further development of our operating models and partnerships. To achieve our goals, we combine our core expertise with that of the best operators in the industry. We always work responsibly, effectively, and through open interaction. This is also how we earn the trust of our customers and stakeholders.

Fingrid has made the following strategic choices:

Focusing on the core mission

- Fingrid excels in accomplishing its core mission in a changing operating environment. The company does not aim to expand into new businesses or to participate in competitive business.

Customer focus

- Business operations and operating models are actively developed together with customers and with society's interests at heart.

World-class expertise

- The necessary core competencies are maintained in-house, and Fingrid cooperates with the best partners. Employees' own expertise is developed through a coaching style of management. Fingrid innovatively utilises the best technologies.

Market focus

- Fingrid applies a market-oriented approach in all areas because effective markets will produce the best and most innovative solutions. Fingrid actively promotes the inte-

gration of the electricity markets in Europe and the Baltic Sea region, while also taking into account Finland's best interests.

Efficiency of operations

- Operations are kept cost-effective as a whole and productivity is ensured. Changes are anticipated using joint situational awareness; clear goals are shared, operations are prioritised and measured. This is how concrete results and high-quality and efficient operations are ensured.

Security and responsibility

- Fingrid secures the existing good level of system security in a power system under transformation. Investments are made with the aim of achieving climate targets. Corporate responsibility and safety are highlighted in all activities.

Implementation of the strategy:

Fingrid's strategy is implemented through four perspectives: Customers & Society, Finance, Internal Processes, and Personnel & Expertise. According to the approach chosen by Fingrid for implementing its strategy, all four perspectives are

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implemented and developed in a mutually balanced way. Our personnel are at the heart of our strategy implementation. This way, the internal processes can function optimally and efficiently produce services and financial benefits for shareholders, customers and the whole of society. The strategic perspectives play a key role in the day-to-day management of the company.

From the customer perspective, the company's goal is to be the network operator with the best service. Fingrid offers its customers connections and electricity transmission to meet their needs, as well as pro-market solutions.

From the Finance perspective, the company's objective is to act in accordance with best management practices and good governance to ensure the productivity and responsibility of the operations when implementing the strategy. Fingrid maximises owner and customer value responsibly and for the long term, bearing in mind the interests of society. Key capital and risks are managed effectively.

The **perspective of Internal Processes** consists of the company's three operational processes:

- **Adequacy of the transmission system:** Transmission capacity meets customers' and society's needs. We operate safely and efficiently. Quality and capacity are at the correct level. Responsibility means actions.
- **System operation:** Electricity is supplied reliably to a carbon-neutral society, and a balance between electricity production and consumption is retained under all circumstances.
- **Promoting the electricity market:** The electricity market enables a clean electricity system. The electricity market is developed in Finland according to EU and national legislation by ensuring the interests of customers.

Fingrid is an open, collaborative, renewing and high-performing work community. The objective of the **Personnel & Expertise** perspective is to be at the leading edge of change and to prepare for the future with world-class expertise. Fingrid is an excellent employer who attracts and retains the best employees.

Customers

Fingrid's operations are largely based on performing statutory duties. This duty

is performed with maximum customer focus, on impartial and equal terms. Fingrid provides grid services and electricity market services to its customers (DSOs, electricity producers, electricity-consuming industry and other electricity market operators). The goal is to continuously develop Finland's competitiveness by improving Fingrid's services to cater for the different needs of customers. In 2022, we were highly successful in accomplishing our promise to offer customers reliable and affordable electricity transmission.

Based on the latest European comparison, Fingrid's transmission fees are the second most affordable in a peer group of some 20 countries. Fingrid's objective is to continue to operate cost effectively and thus also do its part to offer a competitive advantage to companies operating in Finland. The high price of electricity and major area price differences have increased Fingrid's congestion income. Fingrid waived grid service fees in December 2022. Fingrid plans to waive grid service fees for six months in 2023. This would reduce main grid customers' current payments by some EUR 300 million.

Grid services secure reliable transmission of electricity in the main grid and

connection to the electricity network in accordance with the needs of utility companies and energy intensive industry. Fingrid's value proposition is to offer reliable and affordable electricity transmission to customers. Grid services consist of connection into the main grid and developing, operating and maintaining the grid according to the customer's transmission needs. During the year under review, the enquiries regarding renewable energy connections continued to increase. The total power of new connection enquiries in 2022 was approximately 80,000 megawatts, which is nearly six times the production capacity in Finland at the end of 2022. The sufficiency of connection capacity and the technical functioning of the electricity system already represent a constraint in some places. Not all projects in the planning phase are likely to be implemented, but the number of enquiries indicates that Finland is a very attractive and competitive country for renewable energy producers and, similarly, for energy intensive industries. Electricity consumption is also joining the electrification trend. Electricity generation investments and growth in production capacity create possibilities for consumption investments. An acceleration was seen in the number of enquiries from

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customers looking to connect new types of electricity consumption sites, such as data centres, hydrogen production and battery storage, directly to the main grid.

Electricity market services offer all industry players a unified price area for electricity trade in Finland, and the opportunity to buy and sell imbalance power. They maintain and expand the reserve markets required to balance the power system and offer the benefits of open European electricity markets. The company maintains and develops the marketplaces for reserve and balancing power. The power balances are settled and the imbalance power is supplied to the balance responsible parties. Fingrid Datahub Oy, our subsidiary, offers an effective information exchange platform for retail market parties. Another of our subsidiaries, Finextra Oy, provides services related to guarantees of origin (GO) by granting GO certificates for renewable forms of energy and nuclear power.

Customer satisfaction with Fingrid's services is assessed through an annual survey. In the 2022 survey, Fingrid's net promoter score from customers increased to +50 from the previous year's score of +41. This is a good result for a

business-to-business monopoly company. Two major Fingrid Current customer events and an event for DSOs and the media concerning managing the electricity shortage were arranged in 2022. During the year, Fingrid's employees took part as experts in several info sessions and webinars organised by various parties.

Main grid

Development of the main grid is based on anticipating the needs of customers and society, correctly timed grid construction, promoting the functioning of the electricity market, cost-effectiveness, and managing the ageing of the grid. The long-term planning of the main grid and the related investment programme support the implementation of Finland's climate and energy strategy and promote industry's business goals, maintain the main grid's system security, increase electricity transmission capacity, and promote the electricity market.

Finland's goal of being a carbon-neutral society by 2035 means a significant increase in emission-free electricity production and consumption. In autumn, Fingrid published four scenarios on the power system's development. The pur-

pose of the electricity system vision work is to provide clearer situational awareness of the energy transformation and its impacts and to analyse the main grid's development needs.

Wind power is projected to be built in Finland in the amount of up to roughly 2,000 megawatts per year this decade. The total power of new connection enquiries for renewable energy that Fingrid received in 2022 was roughly 80,000 megawatts. In addition to onshore wind energy, interest in connecting offshore wind and solar energy to the main grid is growing strongly.

In spring, Fingrid increased its ten-year investment programme from two to three billion euros. The growth in investments is a consequence of the electrification of society and the transition of electricity production forms to renewable energy. This is reflected in a growing north-south transmission demand and the need for new cross-border transmission connections to Sweden and Estonia. Moreover, the connections between production centres and electricity consumption and the transmission connections between them must be further strengthened as electricity consumption increases.



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In 2022, Fingrid completed 16 substations and 500 kilometres of transmission lines. A total of 740 kilometres of transmission lines were under general planning, and four projects reached the environmental impact assessment phase. During the year under review, four investment decisions to build transmission lines were made. The most significant project completed in 2022 is the roughly 300-km-long, 400-kilovolt Forest Line, which strengthens the electricity transmission capacity between northern and southern Finland. Modernisation work on the Oulujoki and North Karelia electricity networks was also completed during the year under review.

North-south transmission capacity and cross-border connections are being further reinforced. Construction of the Aurora Line, i.e. the electricity transmission connection between Finland and Sweden, began in autumn 2022. The Aurora Line will increase the transmission capacity between the two countries: from Finland to Sweden by roughly 900 megawatts, and from Sweden to Finland by some 800 megawatts. Fingrid is also planning the construction of the new Aurora Line 2 together with Svenska kraftnät. At the end of 2022, a decision was made to reinforce the Lake Line connection,

which will increase Finland's north-south transmission capacity.

Finland's main grid comprised altogether 14,500 kilometres of transmission lines and 121 substations in 2022. The main grid represents a totality of assets amounting to several billion euros, which is why, besides building a new network, high-quality maintenance management and correctly timed replacement investments are also important components of the main grid's life-cycle management.

Fingrid has in place a digital condition monitoring concept that aims to automate maintenance processes and cooperation between partners, as well as time maintenance measures according to need. Digital condition monitoring is cost effective and provides better information than before on the condition of the equipment. This enables maintenance measures to be targeted precisely to where they are needed rather than based on the age of the equipment.

Fingrid owns a total of eight reserve power plants, which can provide approximately 900 megawatts of electricity to the main grid in 15 minutes in a disturbance situation. Reserve power plants are used only in larger power system disturbances,

for example, if there is a failure at a large power plant. The reserve power plants are not used for commercial electricity production. Reserve power plants are maintained and developed also in case of a major disturbance, or a blackout. In addition, reserve power plants are being developed for the grid's voltage control in exceptional situations.

Fingrid's asset management has been certified since 2016 according to the international ISO 55001 standard, and it was re-certified in October. Lloyd's Register carried out a certification-related audit at Fingrid. No deviations arose during the audit.

Power system

In 2022, Finland's electricity consumption decreased by roughly six per cent compared to the previous year. The biggest decline took place in the second half of the year. Behind the decrease in consumption is the mild winter and the major electricity saving measures in Finland related to the exceptional situation caused by Russia's attack on Ukraine. The at-times record-high price of electricity contributed to the reduction of consumption.

Electricity consumption in Finland

amounted to 81.7 (87.1) terawatt hours in 2022. Fingrid transmitted a total of 70.1 (72.9) terawatt hours of electricity in its grid, representing 78.4 (77.0) per cent of the total transmission volume in Finland (consumption and inter-TSO).

In winter 2021/2022, electricity consumption peaked at 13,767 (14,267) MWh/h on 11 January 2022 between 8 and 9 am, with Finland's electricity production contributing 11,215 MWh/h and the remaining 2,552 MWh/h being imported. The area price of electricity on the day-ahead market in Finland was €201.93/MWh during the peak consumption hour. The electricity supply was not in jeopardy during the peak consumption hour. Finland's production peak was reached between 6 pm and 7 pm on 12 December with 12,532 MWh/h.

The electricity transmitted between Finland and Sweden mostly consisted of large imports from Sweden to Finland. In 2022, 16.6 (15.9) terawatt hours of electricity was imported from Sweden to Finland, and 1.2 (0.9) terawatt hours was exported from Finland to Sweden. The electricity transmissions between Finland and Estonia were dominated by exports from Finland to Estonia, totalling 6.8 (6.7) terawatt hours. Electricity transmission

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from Russia to Finland amounted to 3.6 (9.2) terawatt hours. Finland's electricity imports from Russia ended in May 2022. In 2022, 0.4 (0.3) terawatt hours of electricity was imported from Norway to Finland.

The transmission reliability rate during the year under review was 99.99993 (99.99992) per cent. An outage in a connection point in the main grid caused by a disturbance in Fingrid's transmission system lasted an average of 4.7 (0.9) minutes. The cost of the disturbances (regulatory outage costs) was EUR 2.0 (2.3) million, and including the quick reclosures, EUR 4.7 (5.8) million.

The usability and reliability of Fingrid's DC connections have been at a very good level. There were fewer disturbances in 2022 than in 2021, and capacity was rapidly recovered for use in the markets. The total duration of disturbances was affected, in particular, by a prolonged fault in the EstLink 1 connection at the end of the year. The exceptional situation on the electricity markets also affected the planned maintenance outage schedules, which were removed from the spring and winter seasons on a risk basis.

	Jan- Dec/22	Jan- Dec/21	July- Dec/22	July- Dec/21
Power system operation				
Electricity consumption in Finland TWh	81.7	87.1	39.1	42.6
Inter TSO transmission in Finland, TWh	7.8	7.6	3.5	4.2
Transmission within Finland, TWh	89.5	94.7	42.6	46.8
Fingrid's transmission volume TWh	70.1	72.9	33.6	36.9
Fingrid's electricity transmission to customers, TWh	62.0	65.2	29.8	32.6
Fingrid's loss power volume TWh	1.6	1.5	0.8	0.8
Electricity transmission Finland - Sweden				
Exports to Sweden TWh	1.2	0.9	0.4	0.5
Imports from Sweden TWh	16.6	15.9	8.9	8.2
Electricity transmission Finland - Estonia				
Exports to Estonia TWh	6.8	6.7	3.3	3.7
Imports from Estonia TWh	0.0	0.1	0.0	0.0
Electricity transmission Finland-Norway				
Imports from Norway TWh	0.4	0.3	0.2	0.2
Electricity transmission Finland - Russia				
Imports from Russia TWh	3.6	9.2	0.0	4.8
Counter trade				
Counter-trade between Finland and Sweden, €M	3.8	0.3	3.8	0.0
Counter-trade between Finland and Estonia, €M	1.7	0.2	0.2	0.2
Counter-trade between Finland's internal connections, €M	1.8	2.0	1.2	0.7
Total counter-trade, €M	7.3	2.5	5.2	0.9

Reserves required to maintain the power balance of the power system were procured from Finland, other Nordic countries, Estonia and, in early 2022, Russia. There were challenges at times in the availability of reserves, and reserve costs increased significantly. As a consequence of the high price level on the electricity markets, production capacity was diverted to the day-ahead markets and there was flexibility in the adjustable consumption resources, guided by the price level of the day-ahead markets, which reduced the reserve bids. On the other hand, during peak situations in wind power production, hydroelectric power ran at minimum output, which led to a scarcity in the supply of reserves.

Countertrade costs arise from, among other things, transmission grid disturbances and problem situations. Countertrade costs totalled EUR 7.3 (2.5) million. The costs were raised by, among other things, the high price of electricity, disturbances in cross-border transmission connections and countertrade resulting from local transmission outages around Finland.

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Electricity market

Record-high electricity prices on the electricity markets dominated public debate throughout the year. Problems related to the availability of fuels and high fuel prices increased the price of electricity everywhere in Europe. The supply crisis was exacerbated by problems related to the usability of France's and Sweden's nuclear power plants. In particular, the scarcity of hydroelectric power in southern Norway raised the price level in the Nordic countries. In Finland, the market was anticipating the successful test run of Olkiluoto 3 in summer 2022 and the start date for its commercial operation, which ultimately did not happen during the year under review.

The second half of the year was marked by concern over the adequacy of electricity. The crisis set in motion a series of political measures at both the EU level and within member states. In autumn, the EU agreed on a Council Regulation to address high energy prices and reduce electricity demand. Finns were urged to prepare for possible power outages caused by electricity shortages. Fingrid launched a voluntary power system support procedure for using electricity sparingly in November 2022.

High electricity prices were reflected in the electricity derivative markets. The strong price increase in the day-ahead market increased the collaterals required from the parties and caused liquidity problems for companies. Support packages and loan arrangements aimed at securing the operating conditions of companies were rolled out in Europe and Finland.

Prices on the European day-ahead market reached the highest possible level allowed by the price cap. In April, France and the Netherlands came close to the price cap in the markets at the time, i.e. EUR 3,000 per megawatt hour, triggering an increase of EUR 1,000 per megawatt hour in the price cap as required by the automatic mechanism under European regulation. The new price cap of EUR 4,000 euros per megawatt hour was reached in Lithuania, which restarted the automatic increase mechanism. The increase was not imposed, because the EU's energy ministers demanded a freeze on the price cap. Since the freezing of the price cap in the Nordic balancing power markets did not happen, the price cap in Finland's balancing power market rose, in line with the Energy Authority's decision, to EUR 10,000 per megawatt

hour on 1 November 2022. The average market price of spot electricity on the power exchange (Nordic system price) was EUR 135.86 (62.31) per megawatt hour.

The cross-border transmission capacity limitations as a result of the Swedish transmission grid's congestion also affected the markets in 2022. The most significant limitation for Finland was the limitation of electricity exports from Finland to Sweden using the Fenno-Skan link. The technical availability of cross-border connections were good during the year.

Transmission outages related to maintenance work, investments and fault repairs were implemented both on the cross-border connections between Sweden and Finland and on connections within the countries.

Fingrid's congestion income from cross-border transmission lines totalled EUR 942.9 (283,8) million, of which the cross-border transmission lines between Finland and Sweden accounted for EUR 775.6 (221.0) million. The links between Finland and Estonia generated EUR 167.4 (62.7) million in congestion income.

Electricity market	Jan-Dec/22	Jan-Dec/21	July-Dec/22	July-Dec/21
Nordic system price, average €/MWh	135.86	62.31	155.75	82,25
SArea price Finland, average €/MWh	154.03	72.34	202.53	96.82
Congestion income between Finland and Sweden, € million*	1 551.1	442.1	1 071.4	345.9
Congestion hours between Finland and Sweden %**	74.7	60.1	74.6	62.3
Congestion income between Finland and Estonia, € million*	334.7	125.5	188.9	100.8
Congestion hours between Finland and Estonia %	38.2	40.3	33.2	53.3

* The congestion income between Finland and Sweden and between Finland and Estonia is divided equally between the relevant TSOs. The income and costs of the transmission connections are presented in the tables under 'Financial result'.

** The calculation of a congestion hour between Finland and Sweden refers to an hour during which Finland's day-ahead area price differs from Sweden's SE1 or SE3 area price.

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To increase the cross-border transmission capacity between Finland and Sweden, a third AC connection, called the Aurora Line, is under construction in cooperation with the Swedish TSO. The increased transmission capacity will support a decrease the price disparities between the countries. The transmission link is due to be completed by 2025 at the latest. During the year under review, Finland's internal transmission connections were reinforced as the Forest Line between central Finland and Oulujoki was completed. The Forest Line will significantly increase the north–south transmission capacity necessary for the Finnish power system and help to keep Finland as a sin-

gle price area in electricity trading. After the Forest Line, north-south transmission capacity will be reinforced between Lappeenranta and Oulu in connection with the Lake Line, which is scheduled for completion in 2026.

At the end of the year under review, Fingrid and the Estonian TSO Elering adopted transmission rights for the Finland–Estonia border in order to support the operations of the wholesale electricity markets. Transmission rights give market operators new opportunities to hedge electricity prices in long-term electricity trade.

Fingrid's task is to develop the electricity market. The market access of versatile and flexible resources as well as diverse trading opportunities close to the electricity consumption hour promote the efficient operation of the electricity market and the market entry of new players. Key projects include the Nordic Balancing Model and transmission capacity calculation development. Moreover, a wide array of development work is under way to promote the market entry of flexible resources that support the functionality of the electricity system.

The Nordic countries will adopt a 15-minute imbalance settlement period (ISP). The 15-minute imbalance settlement period go-live in Finland has been confirmed, based on a decision by the Energy Authority, to be 22 May 2023. Initially, the go-live will mean processing the electricity grid's metering data and settling imbalances in 15-minute time periods.

The changes in the electricity system will increase the need for automatically activated reserves in balancing the power system. During the year under review, the capacity market for aFRRs initially operated nationally, but at the end of the year, approval for limited cross-border

trade from authorities was obtained. Finland joined the Nordic markets and trading began on 24 December 2022. In Finland, unlike other Nordic countries, cross-border transmission capacity can only be allocated against the current transmission direction of the day-ahead electricity market. Fingrid can therefore only purchase aFRR down regulation capacity from other Nordic countries, and correspondingly, other Nordic TSOs can only purchase aFRR up regulation capacity from Finland.

On 21 February 2022, Finland introduced a centralised information exchange system for the retail market of electricity, called Datahub, which stores, in accordance with the Electricity Market Act, data from some 3.8 million electricity accounting points. In December, Datahub was successfully upgraded to version 2.0, which enables, among other things, support for the 15-minute measurement period and imbalance settlement, and energy communities.

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Personnel

The operating environment of Fingrid's personnel has changed quite a bit in recent years, and 2022 was no exception. The energy transformation and the unprecedented main grid construction programme that supports it, as well as the requirements for the development of the electricity market, have increased the workload. The modernisation of the electricity system calls not only for more manpower, but also for entirely new competence, particularly for managing weather-dependent electricity production in the power system.

Fingrid Oyj employed 489 (451) persons, including temporary employees, at the end of the year. The number of permanent employees was 439 (400) and the average age was 43 (44). At the end of the year, 25 (26) per cent of the personnel were women and 75 (74) per cent were men.

Fingrid surveyed the well-being of its employees in 2022 with a PeoplePower employee experience survey. According to the results, Fingrid's strengths include atmosphere at work, trust in the employer and commitment. Fingrid again achieved the excellent AAA PeoplePower rating, with an index of 83.4 on a scale from 1 to 100. Only around six per cent of all the surveyed organisations annually achieve the highest AAA rating category. The company's employees gave us a net promoter score (eNPS) of 72.

Fingrid ranked in third place in the Great Place to Work survey's list of large Finnish companies in 2022. Achieving third place in this list is a testimony to Fingrid's long-term efforts in areas such as developing bold supervisory work.

As technology and the entire operating environment evolve, working life changes



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continuously, which means people must have the ability to adapt, initiative and the drive to learn new things. The energy transformation challenges the company, which must take care of its constantly changing sector expertise, service competence and success factors.

Fingrid responds to changes by offering its employees opportunities to develop and grow their competence. The approach of securing expertise as a strategic choice improves the quality of personnel planning and helps the company to better prepare for future needs.

The aim is to secure competence by offering personnel internal and external training, and through job rotation and switching up duties within teams. In 2022, each Fingrid employee received an average of 5 (3) days of training, and the training costs amounted to EUR 1.4 (1.0) million.

Fingrid's goal is zero accidents and zero serious occupational safety deviations.

The main grid must be safe for all and it does not cause accidents or health impacts to those living and working in the vicinity of the grid. Occupational health and safety management is steered by Fingrid's occupational health and safety policy and goals and an OHS management system based on the ISO 45001 standard, the scope of which has been limited to the functions and units working with grid construction, maintenance and reserve power plants. The Occupational Safety and Health Act requires an action plan for occupational health and safety, which applies to Fingrid's entire personnel. In 2022, Fingrid's own personnel had 0 (0) lost-time accidents and service providers' personnel 10 (17). Among the lost-time accidents, 6 (1) led to an absence from work of more than 30 days and was classified as serious. The service providers' and Fingrid's combined lost time injury frequency (LTIF) decreased from the previous year to 5.4 (9.1) per million worked hours.



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04

Corporate responsibility

Fingrid is committed to responsible and ethical practices to promote sustainable development. The company is charged with a mission of high responsibility and great societal significance. Fingrid secures reliable electricity for Finns and invests in the main grid, enabling the clean power system of the future. The most material impacts of Fingrid's operations are related to the reliability and security of the electricity system, climate change mitigation (enabling more renewables connected to the grid), and an effective electricity market. All of these issues are material topics in terms of corporate responsibility, and are also at the core of the company's strategy. Information security and data protection and the impacts of power lines on land use and scenic values were recognised as new key topics during the year under review, as Fingrid needs to continuously build new grid sections to enable the green transition.

Fingrid promotes through its operations particularly the UN's global Sustainable Development Goals (SDGs) related to climate actions, energy and infrastructure. Fingrid's responsibility targets are divided into environmental responsibility, social responsibility and good governance based on the ESG model (Environment, Social, Governance). Targets for 2025 and 2035 have been set for each key factor, with which the implementation of corporate responsibility is steered. Responsibility aspects have an impact on the remuneration of the President & CEO and other executives, as most of the metrics used in the remuneration schemes are also the company's key sustainability KPIs.

Corporate responsibility and compliance management are integrated with Fingrid's strategy, management system and risk management practices. Fingrid's



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Board of Directors approves the company's Code of Conduct and monitors the achievement of the goals. The President & CEO is responsible for arranging corporate responsibility management and its integration into business operations. The President & CEO and the heads of functions are each responsible for compliance management and corporate responsibility ESG targets within their areas of responsibility.

Since 2016, Fingrid has committed to the United Nations' Global Compact initiative. The company's Code of Conduct is in line with the principles of this global corporate responsibility initiative on human rights, labour, environment and anti-corruption. In the 2022 survey, Fingrid's personnel gave a score of 4.4 (on a scale from 1 to 5) when surveyed about sustainability compliance. The net promoter score of Fingrid's employees (eNPS) was 72, and customers' cNPS was 50.

Fingrid's Code of Conduct includes a requirement to promote diversity in all activities. The company guarantees equal opportunities, rights and treatment to all employees and complies with the principles of non-discrimination, equality and diversity in its personnel policy. Fingrid has made a pledge to support human rights and included it in the Code

of Conduct. To ensure that we correctly understand our human rights impacts, Fingrid has carried out an overall assessment in compliance with the due diligence process recommended in the UN's Guiding Principles on Business and Human Rights. Human rights and environmental due diligence has for long been a part of applying Fingrid's Code of Conduct and is also included in the Code of Conduct document.

Respect for human rights is also included in the corporate responsibility commitment Fingrid expects from its suppliers and their realisation is monitored using a risk-based approach. Contract terms are additionally applied to the use of subcontractors and workforce, and to occupational safety and environmental matters. In international goods sourcing, altogether 23 (11) third-party sustainability audits were carried out in 2022.

Fingrid's operations have a significant positive impact on the climate. Achieving Finland's climate goals requires that the transmission grid under Fingrid's responsibility has sufficient geographical coverage and transmission capacity. The company's other significant environmental aspects are related to landscape changes and land use restrictions, impacts on natural habitats, the climate

impact of power losses during electricity transmission, possible contingencies at substations and reserve power plants, and the consumption of natural resources and the climate impact during grid construction and maintenance. From a climate risk viewpoint, Fingrid prepares for the physical risks of extreme weather phenomena, which are becoming more common and more powerful, in grid construction and operations. The transition risk, i.e. the transfer to a clean power system, is being prepared for by building the main grid rapidly enough to achieve the climate goals, which means proactive environmental impact assessments, successful stakeholder engagement, fast project permit processes and effective project management.

In 2022, Fingrid's direct CO₂ emissions and the indirect emissions due to the company's own electricity consumption and electricity transmission losses (Scope 1 and 2) amounted to roughly 106,000 CO₂ equivalent tonnes. CO₂ emissions totalled roughly 251,000 CO₂ equivalent tonnes when including also the indirect emissions from business travel and purchased transmission line materials (Scope 1, 2 and 3). In 2022, altogether 1,940 megawatts of wind power were connected to Fingrid's main grid, which will help to indirectly avoid annual emissions of

around 357,000 CO₂ equivalent tonnes in the coming years. In addition, during the year, Fingrid concluded agreements on connecting a total of approximately 770 megawatts of wind power production to the electricity grid. Once realised, this will lead to a substantial positive climate impact, indirectly avoiding emissions worth around 141,000 million carbon dioxide equivalent tonnes. A real-time factor for electricity consumed (average of 60 g CO₂/kWh in 2022) is used in the emissions reporting; the data is published on Fingrid's website as a part of the open electricity market data.

Landowners and other stakeholders were taken into account when building and maintaining the main grid, and environmental impacts were mitigated at all life-cycle stages in accordance with Fingrid's land use and environmental policy. An environmental impact assessment (EIA) procedure was underway in 2022 for four transmission line projects. Similarly to occupational safety standards, outsourced contractors and service providers were required to commit to environmentally responsible operating practices through contract terms, training and audits. In 2022, compliance with environmental requirements, occupational safety and contractor obligations was verified in a total of 11 (13) of Fingrid's

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worksites or maintenance operations. No significant environmental deviations occurred in grid building and maintenance. The total volume of waste was approximately 12,000 (8,900) tonnes, of which 99 (99) per cent was utilised in some way and 82 (78) per cent was recycled. The management of the reserve power plants' environmental impacts was supported by ISO 14001 environmental certification. A total of 6,006 (5,494) units (tCO₂) of emission rights were returned, 100 per cent of which consisted of purchased emission right units.

Fingrid's good governance is based on openness and a responsible operating model. Fingrid's Code of Conduct includes a prohibition on money laundering and corruption, such as blackmail and bribery. Personnel and external stakeholders have a confidential and independent whistleblowing channel available to them. In 2022, two reports were made through the channel. They did not present any concrete cases of suspected misconduct, but instead concerned a request for information delivered to Fingrid and statements made by the company's representatives in the media. No breaches of anti-competition laws, incidents of bribery or other corruption, human rights violations or discrimination incidents occurred in Fingrid's operations. No significant

information security and data protection breaches resulting in adverse business impacts were detected. One breach was detected in connection with the privacy of landowners. The case concerned two attached documents handed over to municipalities during an expropriation permit process; some of the personal data contained in the documents had been missed when blocking it out. According to Fingrid's assessment, the case did not cause high risk for the registered persons' rights and it also did not result in any major impact on Fingrid's business operations. The company modified its practices concerning expropriation permit processes to prevent any similar incidents in the future. The company does not support religious or political activities. Fingrid reports on its tax footprint and refrains from any special arrangements to minimise taxes. Fingrid was Finland's 26th largest corporate income tax payer in 2021.

Corporate responsibility performance is reported according to the Global Reporting Initiative framework and the data is verified by an independent external party. The preparations for disclosure in alignment with the EU Taxonomy Regulation continued in 2022. The taxonomy is designed to support sustainable finance by channelling financing into



projects that are sustainable in terms of climate change and the environment. The reporting obligation under the taxonomy regulation is not, for the time being, obligatory for Fingrid. The transmission of electricity is classified as taxonomy-eligible, i.e. sustainable economic activity eligible to be included in the taxonomy system, with technical assessment criteria in place for assessing compliance. In terms of climate change mitigation, the transmission of electricity has been defined as an enabling activity with which other sectors' greenhouse gas emissions can be significantly reduced. In terms of adapting to climate change, the criteria concern the electricity transmission's preparedness for the risks related to physical changes in the climate system. In 2022, preliminary calculations were made on the proportions of Fingrid's operations that are taxonomy-eligible and meet the assessment criteria related to climate change mitigation. Another aspect of the

assessment was to verify that Fingrid's operations contributing significantly to climate change mitigation do not cause significant harm to the other environmental taxonomy targets applicable to electricity transmission. Furthermore, it was verified that Fingrid's operations comply with the minimum safeguards for social sustainability as defined in the Taxonomy Regulation and have in place appropriate procedures for supervising social sustainability compliance both in its own operations and in its business relationships, in compliance with an appropriate due diligence obligation. More information on the results of the preliminary assessment for 2022 and the company's corporate responsibility work as a whole is available in the Corporate Responsibility and Sustainable Development Report, which will be published on 15 March 2023.

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Internal control and risk management

Fingrid's risks are managed according to the internal control and risk management principles approved by the Board of Directors.

Organisation of internal control

Fingrid's internal control is an integral part of the company's operations and addresses all those operating methods and procedures whose objective it is to ensure:

- effective and profitable operations in line with the company's strategy,
- the reliability and integrity of the company's financial and management information,
- protection of the company's assets,
- compliance with the applicable legislation, guidelines, regulations, agreements and the company's own governance and operating guidelines as well as the quality thereof,

and

- a high standard of risk management.

Risk management is planned holistically, with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks.

Continuity management is a part of risk management. Its objective is to improve the organisation's capacity to prepare and to react in the best possible way should risks occur, and to ensure the continuity of operations in such situations.

Further information on internal control, risk management and the foremost risks and factors of uncertainty is available on the company's website.



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Board of Directors

The company's Board of Directors is responsible for organising internal control and risk management, and it approves the principles of internal control and risk management every two years or more often, if necessary. The Board defines the company's strategic risks and related management procedures as part of the company's strategy and action plan and monitors their implementation. The Board decides on the operating model for the company's internal audit. The Board regularly receives internal audit and financial audit reports as well as a status update at least once a year on the strategic risks, major business risks and continuity threats relating to the company's operations, and their management and realisation.

Line management and other organisation

Assisted by the executive management group, the President & CEO is responsible for implementing and steering the company's governance, decision-making procedures, control and risk management, and for the assessment of strategic risks, major business risks and continuity threats at the company level, and their related risk management.

The heads of functions are responsible

for the practical implementation of the governance, decision-making procedures, controls and risk management for their areas of responsibility, as well as for the reporting of deviations, and the sufficiency of detailed guidelines. The directors appointed to be in charge of threats to continuity management are responsible for drawing up and maintaining continuity management plans and guidelines, and for arranging sufficient training and practice.

The Chief Financial Officer is responsible for arranging procedures, controls and monitoring at the company level as required by the harmonised operating methods of internal control and risk management. The company's General Counsel is responsible at the company level for assuring the legality and regulation compliance of essential contracts and internal guidelines, taking into account the company's interests, as well as for the procedures these require. Each Fingrid employee is obligated to identify and report any risks or control deficiencies she or he observes and to carry out the agreed risk management procedures.

Financial audit

An authorised public accounting company selected by the Annual General Meeting acts as auditor for the company.

The company's financial auditor inspects the accounting, financial statements and financial administration for each financial period and provides the AGM with reports required by accounting legislation or otherwise stipulated in legislation. The financial auditor reports on his or her work, observations and recommendations for the Board of Directors and may also carry out other verification-related tasks commissioned by the Board or management.

Internal audit

The Board of Directors decides on the operating model for the company's internal audit. The internal audit acts on the basis of plans processed by the audit committee and approved by the Board. Audit results are reported to the object of inspection, the President & CEO, the audit committee and the Board. Upon decision of the Board, an internal audit outsourced to an authorised public accounting company acts within the company. From an administrative perspective, the internal audit is subordinate to the President & CEO. The internal audit provides a systematic approach to the assessment and development of the efficacy of the company's risk management, monitoring, management and administrative processes, and ensures their sufficiency and functionality as an

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Fingrid plays a significant role in Finnish society, the impact of risks is assessed from both the company's and society's perspective.

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independent party. The internal audit has the authority to carry out reviews and to access all information that is essential to the audit. Fingrid's internal audit carries out risk-based auditing on the company's various processes.

Foremost risks

Since Fingrid plays a significant role in Finnish society, the impact of risks is assessed from both the company's and society's perspective. Strategic risks are considered to be events that may lead to a material deterioration in the company's ability to operate or in its corporate image or, in the worst-case scenario, events that may lead to the company's operations being called into question by society.

The most significant of the company's three identified strategic risks is a severe disturbance related to the functioning of the power system, leading to a regional or nationwide blackout. Extensive disturbances to the power system can be caused by a technical malfunction, an extreme weather event, human error, an accident or vandalism. A blackout can paralyse society's functions and cause major damage to Finnish business and industry.

A significant negative change in regulation constitutes a material strategic risk for the company's operations. Financial regulation directly impacts shareholder value, financing and credit ratings.

The third strategic risk for the company's operations is the possibility of a distortion in the corporate culture under the monopoly's protection, which can surface in the form of disregard for sustainability requirements or other unprofessional behaviour.

In addition to strategic risks, business risks identified as substantial, such as accident, asset, information security, procurement, regulatory interest rate and counterparty and refinancing risks, are reported to the company's Board of Directors.

Fingrid's risk management and foremost risks are explored in greater detail in the company's annual report and on its website. Fingrid's financing risks are described in more detail in sections 6.2 and 6.3 of the consolidated financial statements. No substantial risks were realised in 2022.



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Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on 30 March 2022. In 2022, the Board of Directors consisted of Hannu Linna (Chair as of 30 March 2022), Juhani Järvi (Chair and member until 30 March 2022), Päivi Nerg (Deputy Chair), Sami Kurunsaari (from 30 March 2022–30 November 2022), Jukka Reijonen (as of 30 March 2022), Sanna Syri and Esko Torsti (until 30 March 2022).

PricewaterhouseCoopers Oy was elected as the auditor of the company, with Martin Grandell, APA, serving as the responsible auditor.

The Board of Directors has two committees: the audit committee and the remuneration committee.

The members of the audit committee were Hannu Linna (Chair), Juhani Järvi (member until 30 March 2022), Sami

Kurunsaari (member from 30 March 2022–30 November 2022) and Päivi Nerg. Following the resignation of Sami Kurunsaari as a member of the Board of Directors, it was decided that all Board members will participate in the audit committee's meetings as members until the next Annual General Meeting.

The members of the remuneration committee were Hannu Linna (Chair and member as of 30 March 2022), Juhani Järvi (Chair and member until 30 March 2022), Jukka Reijonen (member as of 30 March 2022), Sanna Syri and Esko Torsti (member until 30 March 2022).

Jukka Ruusunen serves as President & CEO of the company. Fingrid has an Executive Management Group which supports the President & CEO in the company's management and decision-making.



A Corporate Governance Statement, required by the Finnish Corporate Governance Code, has been provided separately. The statement and other in-

formation required by the Code are also available on the company's website at www.fingrid.fi.

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Share capital

The company's share capital is EUR 55,922,485.55. Fingrid shares are divided into Series A shares and Series B shares. The number of Series A shares is 2,078 and the number of Series B shares is 1,247. The voting and dividend rights related to the shares are described in more detail in the notes to the financial statements and in the articles of association available on the company's website.



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Legal proceedings and proceedings by authorities

Teollisuuden Voima Oyj (“TVO”) has lodged a request for an investigation with the Energy Authority on 25 May 2022 related to the claims by TVO that Fingrid has neglected its obligation to develop the main grid as stated in the Finnish Electricity Market Act and/or other applicable legislation, and that, as a result, it has placed unlawful restrictions on connecting the Olkiluoto 3 nuclear power plant to the grid, and that Fingrid is in breach of its administrative obligations linked to carrying out its public administrative task. Fingrid’s view is that the claims made by TVO are unfounded. Fingrid lodged a statement of defence with the Energy Authority concerning the claims made by TVO in its request for an investigation.

The EU Agency for the Cooperation of Energy Regulators (ACER), on 14 September 2022, made a decision on long-term price risk hedging opportunities between Finland and Sweden. In its decision, ACER requested that the Finnish and Swedish TSOs ensure the availability of other long-term cross-zonal hedging products and develop the necessary arrangements for providing hedging products. Fingrid, on 14 November 2022, filed an appeal against the decision to ACER’s Board of Appeal.



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Events after the review period and future outlook

On 16 February 2023, the National Emergency Supply Agency (NESAs) transferred, without compensation, 288 shares of the transmission system operator Fingrid Oyj to the State of Finland, represented by the Ministry of Finance. After the share transfer, the State will directly own a total of 1,227 of Fingrid Oyj's Series A shares, which corresponds to a 36.9 per cent shareholding. NESAs holds a total of 540 Fingrid Oyj's Series A shares, which corresponds to a 16.2 per cent shareholding. No cash consideration was paid for the share transfer, and the transfer does not cause a change in Fingrid Oyj's ownership steering and share management by the State. The State of Finland will thus own, directly and through NESAs, 53.1 per cent of Fingrid's Series A shares, which gives the State 70.9 per cent of the voting rights in Fingrid.

Fingrid Group's result for the 2023 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to increase compared to 2022. This estimation includes the recording of congestion income in the company's turnover and other operating income. The implementation of the investment programme is proceeding, which raises the level of investments in 2023. The sustained exceptional situation on the electricity markets increases the uncertainty of the company's market-based costs. Increasing weather dependence in electricity production poses a challenge to forecasting electricity transmission and increases fluctuations in the national power balance and its maintenance. The company's debt service capacity is expected to remain stable.



The company has analysed the risks linked to the war in Ukraine from the perspective of the company and Finland's power system. Based on the analysis, the direct risks to Fingrid are minimal, and Finland is not dependent on electricity imported from Russia. The impacts of the war are seen at Fingrid mainly through the market prices of electricity. Area price differences at the borders between Finland and Sweden and Finland and Estonia will accumulate Fingrid's share of congestion income during the financial period. The Energy Authority decides on the use of the congestion income received by Fingrid in line with EU regulation. A regulatory letter submitted to Fingrid by the Energy Authority on 5 October 2022 specifies the use of congestion income in 2023. The decision concerning the use

of congestion income is provided in conjunction with the company's regulatory decision after each regulatory period. The current regulatory period for steering the reasonable return ends on 31 December 2023.

On 12 October 2022, Fingrid announced that it would waive grid service fees for January, February and June of 2023. The company moreover plans to waive grid service fees for three other months in the latter half of 2023. A separate decision on that will be made by summer 2023. The goal is also, in future, to use congestion income actively for investments that will increase cross-border transmission capacity and to cover operating costs to benefit Fingrid's customers.

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Board of Directors' proposal for the distribution of profit

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividends. When making the decision, however, the economic conditions, the company's near-term capital expenditure and development needs as well as any prevailing financial targets of the company are always taken into account.

Fingrid Oyj's parent company's profit for the financial year was EUR 114,372,621.08 and distributable funds in the financial statements total EUR 165,966,204.21. Since the close of the financial year, there have been no material changes in the company's financial position and, in the Board of Directors' view, the proposed dividend distribution does not compromise the company's solvency.

After the closing date, the Board of Directors has proposed to the Annual General Meeting of shareholders that, on the basis of the balance sheet adopted for the financial period that ended on 31 December 2022, a dividend of 52,500.00 at maximum per share be paid for Series A shares and EUR 19,200.00 at maximum for Series B shares, for a total of EUR 133,037,400.00 at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 35,000.00 for each Series A share and EUR 12,800.00 for each Series B share, totalling EUR 88,691,600.00 in dividends, shall be paid on 5 April 2023. The second instalment of EUR 17,500.00 at maximum per share for each Series A share and EUR 6,400.00 at maximum per share for each Series B share, totalling EUR 44,345,800.00 at maximum in dividends, shall be paid according to the Board's decision after the half-year report has been confirmed,



based on the authorisation given to the Board in the Annual General Meeting. The Board has the right to decide, based on the authorisation granted to it, on the payment of the second dividend instalment after the half-year report has been confirmed and it has assessed the company's solvency, financial position

and financial development. The dividends that have been decided on with the authorisation given to the Board shall be paid on the third banking day after the decision. It will be proposed that the authorisation remains valid until the next Annual General Meeting.

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Annual General Meeting 2023

Fingrid Oyj's Annual General Meeting is scheduled to be held on 31 March 2023 in Helsinki.

In Helsinki, on 2 March 2023

Fingrid Oyj
Board of Directors



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

Fingrid Oyj

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