

draft



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Corporate governance statement

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1 **Compliance with Corporate Governance Code at Fingrid**

Fingrid complies with the Finnish Corporate Governance Code ("Code") which came into effect in 2010. Fingrid Oyj's corporate governance statement is compiled in accordance with recommendation 54 of the Code. The statement has been presented as a report separate from the annual review.

Fingrid's shares are not subject to public trading. This is why the company is not obliged to maintain an insider register as stated under recommendation 51 of the Code. Unlike stipulated under section 1 of the Code, Fingrid does not place the minutes of its general meetings on its website. This is due to the small number of shareholders in the company and the fact that the minutes of the general meetings are sent to every shareholder.

The Finnish Corporate Governance Code is available in full at www.cgfinland.fi.

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

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

2 **Board of Directors and committees of the Board**

The primary duties and principles of Fingrid's Board of Directors are specified in a written working order.

The Board of Directors is responsible for the administration and the proper organisation of the operations of the company. Moreover, the Board of Directors makes sure that the company adheres to the relevant rules and regulations, articles of association of the company, and guidelines provided by the general meeting. Other duties of the Board include:

- decision-making concerning the strategic policies of the company
- accepting the annual action plan and budget on the basis of the strategy and the supervision of its fulfilment
- reviewing and accepting the interim reports, annual review and financial statements
- approving Fingrid's management system and other business principles to be determined on the Board level, and confirming the values to be followed in Fingrid's operations
- reviewing annually the risks relating to the company's operations and the management of such risks

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- approving the total amount of purchases and capital investments and its distribution over the various sectors, and decision-making concerning separately budgeted purchases and capital investments in excess of 10 million euros and on purchases and capital investments outside the budget
- appointing and dismissing the CEO of the company
- approving the basic organisation and composition of the executive management group of the company
- decision-making concerning the principles of the remuneration system and the wages of the CEO and the executive management group
- assessment of its work once a year
- appointing a consulting Advisory Committee which serves as a link between the Board and the management of the company on one hand and the consumers of electricity and other stakeholders on the other hand
- appointing the members of the audit committee and remuneration committee
- dealing with other business which the Chairman of the Board, a Board member or the CEO has proposed for inclusion on the agenda
- the Board also assembles without the presence of executive management

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

Composition of the Board of Directors

In accordance with the articles of association, Fingrid's Board of Directors consists of five members who are elected by a general meeting for a term that lasts until the closing of the next annual general meeting. The general meeting also elects a personal deputy member for each Board member. There is no specific order of appointment for the Board members.

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In the annual general meeting held on 27 May 2013, the following persons were elected to the Board of Directors:

Helena Walldén**Chairperson of Fingrid Oyj's Board of Directors since 2011**

Education: M.Sc. (Tech.)

Born in 1953

Current position: Professional Board Member

Independent of the company and significant shareholders

Juha Majanen**Vice Chairman of Fingrid Oyj's Board of Directors since 2012**

Education: LL.M.

Born in 1969

Current position: Ministry of Finance, Head of Fiscal Policy Unit, Budget Counsellor

Independent of the company, non-independent of significant shareholders

Sirpa Ojala**Member of Fingrid Oyj's Board of Directors since 2012**

Education: M.Sc. (Tech.)

Born in 1963

Current position: Digita Networks Oy, CEO, Board member

Independent of the company and significant shareholders

Esko Torsti**Member of Fingrid Oyj's Board of Directors since 2012**

Education: Lic. Pol.

Born in 1964

Current position: Ilmarinen Mutual Pension Insurance Company, Head of Non-listed Investments

Independent of the company, non-independent of significant shareholders

Matti Rusanen**Member of Fingrid Oyj's Board of Directors since 2013**

Education: M.Sc. (Agriculture and Forestry), eMBA

Born in 1961

Current position: Ilmarinen Mutual Pension Insurance Company, Head of listed securities

Independent of the company and non-independent of significant shareholders

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The Board of Directors in the following composition served until the annual shareholders' meeting held on 27 May 2013:

<p>Helena Walldén Chairperson of Fingrid Oyj's Board of Directors</p> <p>Education: M.Sc. (Tech.) Born in 1953 Current position: Professional Board Member Independent of the company and significant shareholders</p>
<p>Juha Majanen Vice Chairman of Fingrid Oyj's Board of Directors</p> <p>Education: LL.M. Born in 1969 Current position: Ministry of Finance, Head of Fiscal Policy Unit, Budget Counsellor Independent of the company, non-independent of significant shareholders</p>
<p>Sirpa Ojala Member of Fingrid Oyj's Board of Directors</p> <p>Education: M.Sc. (Tech.) Born in 1963 Current position: Digita Networks Oy, CEO, Board member Independent of the company and significant shareholders</p>
<p>Esko Torsti Member of Fingrid Oyj's Board of Directors</p> <p>Education: Lic. Pol. Born in 1964 Current position: Ilmarinen Mutual Pension Insurance Company, Head of Non-listed Investments Independent of the company, non-independent of significant shareholders</p>
<p>Esko Raunio Member of Fingrid Oyj's Board of Directors</p> <p>Education: Lic. Pol. Born in 1962 Current position: LocalTapiola Mutual Pension Insurance Company, Director, Private Market Investments Independent of the company and significant shareholders</p>

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Personal deputy members of the Board in 2013:

from 27 May 2013

Timo Ritonummi, Ministry of Employment and the Economy, Industrial Counsellor
Niko Ijäs, Ministry of Finance, Counsellor
Marja Hanski, Ministry of Employment and the Economy, Counsellor
Ari Hakala, Ilmarinen Mutual Pension Insurance Company, lawyer
Katja Salovaara, Ilmarinen Mutual Pension Insurance Company, Senior Portfolio Manager

until 27 May 2013

Timo Ritonummi, Ministry of Employment and the Economy, Industrial Counsellor
Niko Ijäs, Ministry of Finance, Counsellor
Marja Hanski, Ministry of Employment and the Economy, Counsellor
Jari Eklund, LocalTapiola Mutual Insurance Company, Group Director
Matti Rusanen, Ilmarinen Mutual Pension Insurance Company, Head of listed securities

Operations of the Board of Directors in 2013

In the year 2013 the Board convened 16 times, of which five were conducted as written meetings. An illustrative table depicting the participation of Board members can be found on page 7.

In 2013, the Board decided on issues such as Fingrid's strategy 2014 – 2023, grid pricing and the budget for 2014, as well as significant investments such as the acquisition of Estlink 1 and several substation and transmission line projects. In its meetings, the Board discusses matters that have been on the agenda of board committees.

The Board has two board committees: an audit committee and a remuneration committee. The Board of Directors confirms the working orders of the committees.

2.1 Audit committee

The audit committee is appointed by the Board of Directors and it assists the Board. The Board of Directors has specified the duties of the audit committee in accordance with recommendation 27 of the Corporate Governance Code, in addition to which the audit committee assesses the audit plans of the auditor and internal auditor and supervises compliance with legislation and with the governance principles set by the Board.

Juha Majanen (Chairman), Esko Torsti and Helena Walldén served as the members of the audit committee. All members of the audit committee are independent of the company, and Helena Walldén is also independent of significant shareholders.

During 2013, the committee convened 6 times. An illustrative table depicting the participation of board committee members in meetings can be found on page 7. The President and CEO has participated in the meetings of the audit committee.

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The audit committee has handled in its meetings issues such as the audit plans and audit reports of the auditor and internal audit, risks and risk management principles, financing principles, and corporate governance statement.

2.2 Remuneration committee

The remuneration committee is appointed by the Board of Directors and it assists the Board. The remuneration committee is to prepare for the Board of Directors the principles of the remuneration system applied to the executive management and other personnel. The committee also prepares for the Board, on the basis of accepted principles, a proposal concerning the remuneration to be paid to the CEO and other members of the executive management group. Moreover, the committee prepares the appointments of the CEO and members of the executive management group and evaluates their successors.

Helena Walldén (Chairman) and Sirpa Ojala, as well as Matti Rusanen from 27 May 2013, served as the members of the remuneration committee. Of the remuneration committee members, Helena Walldén and Sirpa Ojala are independent of the company and significant shareholders, Matti Rusanen is independent of the company but not from significant shareholders. The CEO attends the meetings of the committee.

During 2013, the remuneration committee convened 5 times. The meetings dealt with matters such as nominating members for the executive management group, remuneration systems applied to the personnel and the executive management group, and their successor planning.

Meetings of Fingrid Oyj's Board of Directors and committees in 2013

Fingrid Oyj's Board members' participation in Board and committee meetings in 2013:

Name	Position	Board Directors meetings	of	Audit committee	Remuneration committee
Helena Walldén	Chairman	16/16		6/6	5/5
Juha Majanen	Deputy Chairman	15/16		6/6	
Sirpa Oja	Member	15/16			5/5
Esko Raunio*)	Member	6/8			
Esko Torsti	Member	16/16		6/6	
Matti Rusanen**)	Member	8/8			3/3
Marja Hanski	Deputy Member	1/16			

**) Membership of the Board of Directors until 27.5.2013

**) Membership of the Board of Directors starting from 27.5.2013.

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3 President & CEO

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

<http://www.fingrid.fi/en/investors/governance/Pages/default.aspx>

Jukka Ruusunen**President & CEO**

Education: Doctor of Technology

Born in 1958

President & CEO of Fingrid Oyj since 2007

Member of the executive management group since 2007

Employed by the company since 2007

4 Description of the main features of internal control and risk management related to the financial reporting process

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

Control environment of the financial reporting process

The Fingrid Group encompasses the parent company Fingrid Oyj and its fully-owned subsidiary Finextra Oy. The associated companies are Porvoon Alueverkko Oy (holding 33.3%), eSett Oy (holding 33.3%) and Nord PoolSpot AS (holding 18.8%). The Group has no joint ventures.

The financial administration of the company is responsible for the Group's centralised financial reporting and for the internal control and risk management of financial reporting. There is monthly reporting of the financial situation to the executive management group and those with budget responsibility as well as to the heads of functions and units. The reporting includes information on the proceeds, costs and capital investments in the relevant area of responsibility. In addition to financial accounting reports, the reporting

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covers comprehensive reports which contain business information. These are produced by means of cost accounting and the financial control system.

The interpretation and application of the standards governing financial statements are centralised at the financial administration of the Group, which monitors the accounting standards (IFRS, IAS, FAS), maintains an account scheme, draws up internal guidelines for the financial statements, and is responsible for the financial reporting process. The process is documented and it specifies issues such as the schedule and order in which the month-end accounts are drawn up.

Fingrid draws up the consolidated financial statements and interim reports in accordance with the IFRS reporting standards accepted by the European Union and in accordance with the Finnish Securities Market Act. The annual review and the financial statements of the parent company of the Group are prepared in accordance with the Finnish Accounting Act as well as the guidelines and statements of the Finnish Accounting Standards Board.

The internal control and risk management systems and procedures related to the financial reporting processes, described in more detail below, have been devised so as to make sure that financial reporting by the company is reliable, coherent and timely and that the financial reports published provide an essentially true and fair view of Fingrid's finances.

Roles and responsibilities

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

The finance department of the Group is responsible for developing the financial reporting process through means such as monitoring the development needs of controls related to financial reporting, by supervising the sufficiency and efficiency of these controls, and by making sure that external reporting is correct and up to date and that the regulations pertaining to reporting are followed.

The company's internal audit has been outsourced to an external service provider. The company's internal audit reports to the CEO. The CEO has delegated the administrative responsibility for the internal audit to Fingrid's senior General Counsel. The audits are reported to the audit committee.

Risk management and control measures, and follow-up

As part of risk management, Fingrid identifies the risks threatening the achievement of the company's financial objectives and specifies the likelihood and monetary value of such risks. Moreover, risk management measures, responsible persons and implementation schedule are specified for the identified risks.

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Controls pertaining to risk management are set throughout the Group, on all levels and units of the Group. Examples of the controls include internal guidelines, acceptance procedures and authorisations, cross-checking with cost accounting, matching, checking, assessment of operative efficiency, securing of assets, and differentiation of tasks. The financial administration of the Group is responsible for the corresponding control structures relating to the financial reporting process.

The control of the budgeting process is based on the budgeting guidelines, with the financial administration of the Group being responsible for their specification, centralised maintenance, and for monitoring compliance with them. The principles are applied uniformly throughout the Group, and there is a common reporting system in use.

The monthly financial reporting to the executive management group together with the related analyses constitute the primary control and monitoring process in securing the efficiency and appropriateness of the functions and the correctness of financial reporting. The analyses compare the achieved business result to the budget and to the previous year as far as the various proceed and cost components are concerned, and the budget is compared to the quarterly forecast. The monitoring of cash flow and capital investments is part of this process.

Verifying the correctness of monthly reporting employs the company's financial control system, which the controllers and heads of units of the company can use for finding essential errors and anomalies. The correctness of financial reporting is also ensured by taking care of good data security and data management. The goal is to avoid risky work combinations wherever possible. User rights are checked regularly, and user rights are determined by the position of a person in the organisation. Backups are taken regularly of the databases used in the financial control system and accounting system. The company has a data security manager.

The company's internal audit carries out risk-based audits relating to the various processes of the company. The audits conducted in 2013 included audits of the backup of telecommunications connections, procurement process, reserve procurement and frequency-controlled maintenance, data security of substations as well as continuity planning. Controls for the financial reporting processes are developed as part of internal control. The personnel are given training in how to monitor the correctness of the information produced by the financial reporting process of the company, concerning cost unit follow-up, posting, acceptance procedures for invoices and receipts, as well as for budgeting and actual result follow-up.