

Corporate governance principles – Gasgrid Finland Oy

1. Introduction

Gasgrid Finland Oy ("Gasgrid Finland" or the "Company") is a gas transmission system operator with system responsibility in Finland. Gasgrid Finland provides its customers with safe, reliable and cost-efficient gas transmission services and actively promotes the development of gas markets. Gasgrid aims to be a transparent and reliable company that operates responsibly, supporting society's transition towards carbon-neutrality with the help of gas fuels.

Gasgrid Finland's decision-making and governance always comply with the applicable revision of the Limited Liability Companies Act, the Natural Gas Markets Act, the Act on the Separation of the Natural Gas Transmission Network Operator, and the Special Act on Procurements and Access Rights Contracts for Units in the Energy Supply Sector. The company's operations are also guided by its Articles of Association and the Code of Conduct, instructions and procedures confirmed by Gasgrid Finland's Board of Directors and Management Team. Gasgrid Finland complies with the applicable sections of the Corporate Governance Code for listed companies prepared by the Securities Market Association. The Code is available at www.cgfinland.fi (the "Corporate Governance Code"). Gasgrid Finland also complies with the applicable Government ownership steering policy.

The Company's Board of Directors and CEO are responsible for corporate governance. Gasgrid Finland has one statutory auditor who is elected by the shareholders at the general meeting (the "General Meeting").

Gasgrid Finland's Board of Directors is responsible for ensuring compliance with the ownership steering and corporate governance principles set out herein. The Board of Directors approves and implements the rules of procedure, which include the evaluation and development of its own work, every year.

2. Auditor

Gasgrid Finland has one auditor, which must be an auditing entity approved by the Finnish Patent and Registration Office. The General Meeting elects an external auditor annually for a term of office that ends upon the conclusion of the first General Meeting following the election. The auditor must report to the Company on additional services beyond the scope of the audit annually. The Company also reviews whether it needs to use different auditors at regular intervals.

3. Governing bodies

Gasgrid Finland's General Meeting, Board of Directors, CEO and Management Team are the decision-making bodies (Figure 1) that manage the Company and oversee its operations.



Figure 1. Governing bodies

3.1 General Meeting of Shareholders

The General Meeting is Gasgrid Finland's supreme decision-making body. The shareholders exercise their decision-making authority via the General Meeting. At the General Meeting, decisions are primarily made according to a simple majority of votes.

The General Meeting must be held in Greater Helsinki by the end of June every year. The General Meeting must cover the following matters:

- Presentation and adoption of the financial statements
- Presentation of the Board of Directors' annual report and the auditor's statement
- Presentation of the remuneration report
- Presentation of the sustainability report
- Use of the profit for the financial period and distribution of assets to shareholders
- Decision on whether to release the members of the Board of Directors and the CEO from liability
- Decision on the number and remuneration of members of the Board of Directors and the auditor
- Election of the members and chair of the Board of Directors and the auditor

If necessary, the Board of Directors may convene an extraordinary general meeting. Extraordinary general meetings may also be convened upon the request of the Company's auditor or a group of shareholders representing one-tenth of the votes conferred by the Company's shares. In addition, the law may require such meetings to be convened.

In addition, the Board of Directors proposes the remuneration policy to the General Meeting, providing information about the remuneration for the members of the Board of Directors and Management Team. Any significant alterations to the remuneration policy must be presented to the General Meeting. Alterations to the

remuneration policy must also be presented by the next General Meeting if the majority of the shareholders opposed the policy at the previous General Meeting.

The shareholders may unanimously decide to hold a General Meeting without making preparations for the meeting by signing the appropriate minutes to the meeting.

3.2 Board of Directors

The shareholders elect the members of the Board of Directors at the General Meeting. The members of the Board of Directors are elected for indefinite terms. The number of members of the Board of Directors is specified in the Company's Articles of Association.

The Board of Directors is responsible for the Company's strategic development and for the business and management supervision of Gasgrid Finland, as well as for significant decisions related to the strategy, investments, organisation and financing. In addition, the Board of Directors represents the Company and takes responsibility for the appropriate arrangement of the Company's financial statements and financial oversight in accordance with the Articles of Association and the Limited Liability Companies Act. In addition, the Board of Directors ensures that the Company complies with the rules and regulations applying to it, as well as the Articles of Association and the decisions of the General Meeting.

The Board of Directors is responsible for upholding the reliability of the Company's financial reporting and for the Board of Directors' oversight activities. In addition to the list of tasks set out in the Corporate Governance Code, the Board of Directors assesses the audit plans of the internal audit function and the statutory auditor. The Board of Directors issues recommendations to Company on the appointment of an auditor. The Board of Directors also evaluates and develops its own operating procedures regularly.

The Board of Directors is also tasked with specifying the principles for monitoring and evaluating insider transactions and keeping a list of identified insiders.

3.2.1 Independence of members of the Board of Directors

The Company's policy is that all members of the Board of Directors should be independent of Gasgrid Finland on the basis of a comprehensive analysis by the Board of Directors. Otherwise, the independence of members of the Board of Directors is assessed with particular reference to the independence criteria laid down in the Act on the Separation of the Natural Gas Transmission Network Operator. Therefore, members of the Board of Directors must not have any direct or indirect control or considerable controlling influence in companies engaged in the production or supply of natural gas or electricity. The members of the Board of Directors must provide the Board of Directors with sufficient information to enable the Board of Directors to assess their independence, and they must notify the Board of Directors of any changes in such information.

3.2.2 Competence, compliance and diversity of the Board of Directors

In order for the Board of Directors to successfully discharge its duties, it must possess diversity in its membership, competence and experience, and it must take into consideration the personal characteristics of individual members.

Gasgrid Finland's objective is for both sexes to be represented on the Board of Directors.

3.2.3 Board committees

Due to the limited scope of Gasgrid Finland's business, the Company has not established the committees that typically operate under the Boards of Directors of listed companies, such as audit, remuneration and appointment committees. Gasgrid Finland integrates the duties of these committees into the Board of Directors' annual management process in order to enable the duties assigned to these committees under the Limited Liability Companies Act and the Corporate Governance Code to be discharged appropriately.

3.3 CEO

The CEO manages operations in accordance with the Limited Liability Companies Act. The CEO oversees the Company's day-to-day management in accordance with the instructions and regulations issued by the Board of Directors. The CEO prepares the information necessary for the Board of Directors to discharge its duties.

The CEO must also ensure that the Company's financial statements comply with the legal requirements and that the Company's financial affairs have been arranged diligently.

3.4 Management Team

The chair of the Management Team is the CEO. The CEO appoints the members of the Management Team with the Board of Directors' approval. The Management Team assists the CEO in managing the Company's operations, implementing its strategy and coordinating its business guidelines. The Management Team's obligations include ensuring that the Company is managed efficiently and operates according to its purpose.

3.5 Forums for stakeholder collaboration

The Board of Directors ensures that the Company has regular stakeholder collaboration forum(s). The forum plays an advisory role, gathering the views and expectations of customers and stakeholders on the gas transmission system, gas markets and gas fuels as part of the energy system and society, as well as the services offered to customers. The participants in the forum may represent various stakeholders in the gas sector, such as citizens, local and regional authorities, shareholders, importers and traders, suppliers, local residents, the media and environmental organisations, gas producers and end-users. Forums may target different stakeholders, and the meetings may cover different themes. Gasgrid Finland must have at least one such forum in operation.

4. Code of Conduct and compliance

Gasgrid Finland is responsible for Finland's gas transmission network and infrastructure. Gasgrid Finland complies with national and EU legislation, international treaties, the OECD's principles and recommendations, and the Code of Conduct approved by the Company. In addition, Gasgrid Finland complies with the Government's instructions and decision-making principles.

The Code of Conduct lays the ethical foundation for all of Gasgrid Finland's work. The Board of Directors approves the Code of Conduct. All employees are responsible for reporting any suspected malpractice to their supervisors, other members of the management or, if necessary, directly to internal audit.

The Company's compliance with laws and commitments is evaluated regularly in accordance with the Company's separate operating procedural guidelines. The compliance assessment ensures that the Company has identified the legislation guiding its activities and evaluated its compliance together with the people responsible.

5 Salaries

Gasgrid Finland complies with the applicable ownership steering policy on the remuneration paid to the CEO, Board of Directors, Management Team and other governing bodies. The Company complies with the relevant collective agreements, including the provisions on the salary development of employee's and other agreed items. Gasgrid Finland's Board of Directors makes annual decisions on the application, targets and performance level of the remuneration model.

6 Reporting

Gasgrid Finland aims for and implements comprehensive, transparent communications with its stakeholders. Gasgrid Finland prepares financial and sustainability reports at least once per year. The Company published an integrated annual report, which includes the sustainability report and financial statements. Gasgrid Finland also reports to the Ministry of Finance on the targets that its business has reached in accordance with the principles of the applicable ownership steering policy. The reporting pays special attention to sustainability and remuneration.

7 Internal control

Gasgrid Finland's Management Team is responsible for guidelines to support the Company's internal control, arranging reporting, and presenting these principles to the Board of Directors. The Board of Directors decides whether to approve the principles. Internal control is conducted throughout the organisation, and it covers financial reporting and other monitoring. Internal control refers to governance activities that seek to ensure the following:

- The achievement of the targets set for Gasgrid Finland
- The appropriate, efficient and economical use of resources
- Operational risk management
- Reliable and correct financial and other information

- Compliance with external regulations and internal policies
- Compliance with appropriate procedures related to customer relationships
- The adequate security of operations, data and assets
- Appropriate information management systems to support operations.

Internal control is divided into the following activities:

- i) Proactive control, such as defining Gasgrid Finland's values, the Code of Conduct, business targets and strategy;
- ii) Day-to-day control related to operational steering, such as general control and monitoring of operational systems and work instructions; and
- iii) Control that seeks to ensure that targets are reached and agreed operational and oversight principles are respected by means of a variety of management assessments, audits, comparisons and verifications.

Gasgrid Finland's corporate culture and corporate governance lay the foundation for the internal control process as a whole.

Financial data is reported monthly. The finance department evaluates the monthly earnings and reports them to the Management Team. The monthly meetings of the Management Team cover the trends in business profitability as well as business risks and opportunities. The results are reported to Gasgrid Finland's Board of Directors monthly.

The finance department works with the management to monitor customer receivables appropriately.

The approval authorisations applying to expenses, significant agreements and investments are specified for various organisational levels (Appendix 1). Decisions concerning gas market activities must be made with expert personnel in accordance with the applicable laws, regulations and rules.

The finance department is responsible for approving and monitoring investments in accordance with the budget approved by the Board of Directors and within the limits of its authorisation (Appendix 1). Larger investments are submitted to the Management Team and Board of Directors for separate approval.

8 Internal audit

The Company's internal audit is an independent, impartial verification function tasked with auditing and assessing the appropriateness and effectiveness of the Company's management and governance processes, internal control organisation, risk management, and management and governance processes. The professional standards governing internal audits form the basis for the internal audit.

The Board of Directors decides upon the operating model for internal audit. Internal audit activities are based on plans approved by the Board of Directors. The results of audits are reported to the audited body, CEO and Board of Directors. The Board of Directors may also decide to outsource the internal audit function.

From a governance perspective, internal audit is subordinate to the CEO. Internal audit offers a systematic approach to the evaluation and development of the effectiveness of the Company's risk management,

monitoring, management and governance processes, as well as an assurance of their adequacy and functionality from an impartial standpoint. Internal audit is authorised to conduct audits and access all information relevant to the audit.

9 Risk management

Risk management is an integral part of Gasgrid Finland's business management and planning. Risk management is a part of everyday decision-making, operational monitoring and internal control, and it promotes the Company's progress towards its objectives and ensures they are achieved.

The effective combination of business management and risk management is based on the risk management policy approved by Gasgrid Finland's Board of Directors. The risk management policy aims to ensure that the risk management process remains well defined, easy to understand and sufficiently practical. The risks and trends in risks are reported to the Board of Directors regularly. The finance department coordinates Gasgrid Finland's insurance cover and obtains competitive quotes from insurance companies.

The main goal of risk management is to identify, assess and monitor the risks, threats and opportunities that could affect the realisation of the strategy and the achievement of short- and long-term targets. Large investment projects also include a separate analysis of the risks.

The Company is responsible for gas transmission on behalf of Finnish society. For that reason, the operating environment and any associated changes are monitored in regular risk assessments in accordance with the risk management policy. The risk environment and related changes are assessed and monitored regularly as a part of annual and strategic planning. The identified risks and the means of managing the risks are reported to the Company's management and Board of Directors at least twice per year. Business risks are also associated with opportunities, and these can be utilised within the agreed risk limits. Conscious risk-taking measures must always be based on factors including the risk-carrying capacity and a comparison of the potential benefits and losses.