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Table of Contents

Corporate Governance Policy - Gasgrid Finland Oy..... 2

1 Introduction 2

2 External Auditor 3

3 Administrative Bodies 4

3.1 General Meeting of Shareholders..... 4

3.2 Board of Directors 5

3.2.1 Independence of Board Members 6

3.2.2 Competence, Compliance and Diversity of the Board of Directors..... 6

3.2.3 Board Committees 6

3.3 Chief Executive Officer (CEO)..... 6

3.4 Executive Management Team 6

3.5 Stakeholder Collaboration Forums 7

4 Code of Conduct and Compliance Programme 8

5 Remuneration 9

6 Reporting 10

7 Internal Control..... 11

8 Internal Audit 13

9 Risk Management 14

Corporate Governance Policy - Gasgrid Finland Oy

1 Introduction

Gasgrid Finland Oy ("Gasgrid Finland" or the "Company") is the system responsible gas transmission operator in Finland. Gasgrid Finland brings safe, reliable and cost-efficient gas transmission services to its customers and actively promotes the gas market. Gasgrid aims to be a transparent company operating at high level of sustainability and corporate responsibility, supporting the transition towards carbon neutrality with gaseous fuels.

The decision-making and administration of Gasgrid Finland complies with the Limited Liability Companies Act (624/2006, as amended), the Natural Gas Market Act (587/2017, as amended), the Act on Unbundling the Gas Transmission System Operator (588/2017, as amended) and the Act on Procurement and Right of Use Agreements for Specific Industries (1398/2016, as amended) as well as the Articles of Association and the policies, guidelines and procedures approved by the Board of Directors and the Executive Management Team of Gasgrid Finland. Gasgrid Finland adheres to the Finnish Corporate Governance Code for listed companies, available at www.cgfinland.fi (the "Corporate Governance Code"). As Gasgrid Finland is owned by the Finnish state, it also follows the at each time effective Resolution on State-Ownership Policy of the Government of Finland.

The Board of Directors and CEO are responsible for the management of the Company. Gasgrid Finland has one statutory auditor elected by the shareholders at the Annual General Meeting of Shareholders (the "AGM"). The Company's head office is in the Helsinki metropolitan area.

The Board of Directors of Gasgrid Finland is liable for compliance with corporate governance and the administration principles specified herein. The Board of Directors accepts and executes Rules of Procedures including evaluation and development of its own work annually.

2 External Auditor

Gasgrid Finland has one external auditor, which shall be an audit firm certified by the Central Chamber of Commerce. The external auditor is elected annually by the AGM for a term of office that expires at the end of the first AGM following the election. The external auditor is required to report non-audit services to the Company annually. The Company also review periodically possible needs to rotate the external auditor.

3 Administrative Bodies

The decision-making bodies (Figure 3-1) managing and overseeing Gasgrid Finland's administration and operations are the General Meeting of Shareholders, the Board of Directors and Chief Executive Officer (CEO), supported by the Executive Management Team.

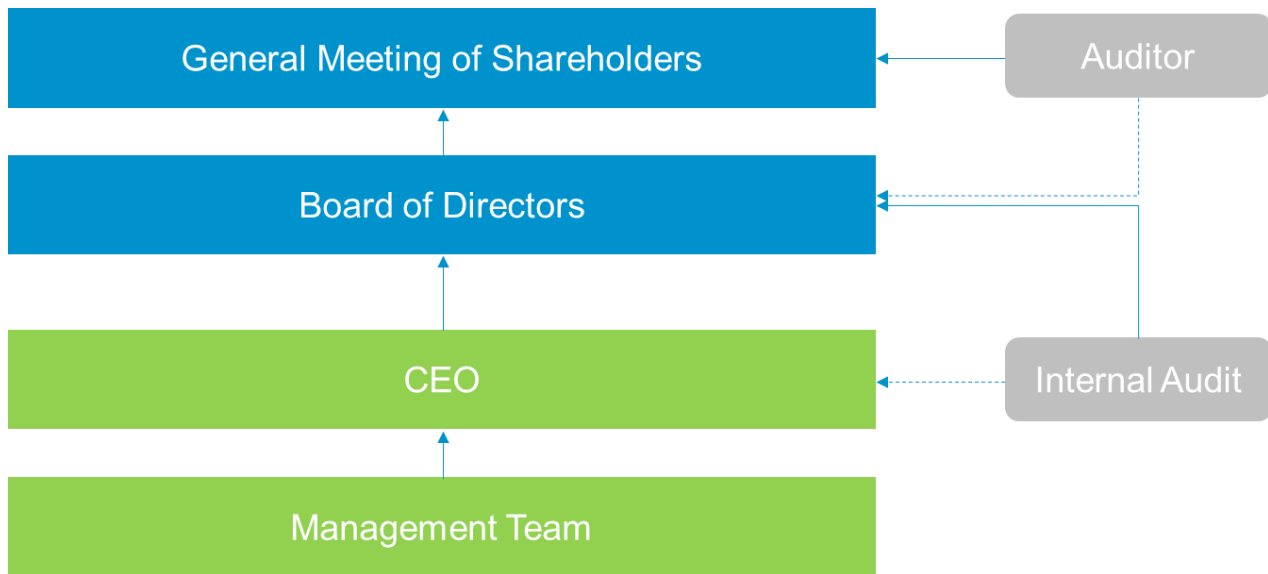


Figure 3-1 Governing Bodies of the Gasgrid Finland Oy

3.1 General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body of Gasgrid Finland. The shareholders exercise their ownership rights through the shareholders' meeting. Decisions at the General Meeting of Shareholders are primarily made by a simple majority of votes.

An AGM is to be held once a year, in June at the latest, in the Helsinki metropolitan area. The following matters must be dealt with at the AGM:

- presentation and adoption of the annual accounts
- presentation of the report of the Board of Directors in Annual Report and the Auditor's report
- presentation of a remuneration report
- presentation of a sustainability reporting
- use of the result and deciding on the dividend, or distribution of funds to the shareholders
- resolution concerning discharge of the members of the Board of Directors and CEO from liability
- decision on the number and the remuneration of the members of the Board of Directors and the External Auditor

- election of the Chairman and the members of the Board of Directors as well as the External Auditor

An Extraordinary General Meeting of Shareholders ("EGM") of Shareholders is convened when necessary by the Board of Directors, required by the Articles of Association or when requested by the auditor or shareholders together holding a minimum of one-tenth of all the shares or when it is required by law to convene such a meeting.

In addition, the Board of Directors shall at least every four years present to the AGM a remuneration policy that provides information on how remuneration has been arranged for the members of the Board of Directors and the CEO. An amended remuneration policy must be presented to the AGM or EGM whenever substantial changes have been made to the policy. An amended remuneration policy must also be presented no later than at the next AGM, if a majority of shareholders have opposed the policy at the previous AGM or EGM. The first remuneration policy of the Company shall be presented at the AGM 2020, and the first annual remuneration report shall be presented at the AGM 2021.

If the decision is unanimous, an AGM or EGM can be held without an assembled physical meeting by preparing and signing appropriate Minutes of the Meeting.

3.2 Board of Directors

The shareholders at the General Meeting of Shareholders elect the members to the Board of Directors for a one-year term of office expiring at the end of the first General Meeting of Shareholders following the election. The directors shall not have also ownership or management position in other companies operating in retail, wholesale or energy generation businesses of the gas or electricity sectors. The number of members of the Board of Directors is defined in the Articles of Association of the Company.

The Board of Directors is responsible for the Company's strategic development and for supervising and steering Gasgrid Finland's business and management and deciding on significant matters relating to strategy, investments, organization and finance. Further, under the Articles of Association and in line with the Finnish Companies Act (624/2006, as amended), the Board of Directors represents the Company and is responsible for the proper arrangement of the control of the Company's accounts and finances. 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 AGM or EGM.

The Board has a responsibility in maintaining the integrity of the Company's financial reporting and the Board's control functions. In addition to the list of duties presented in Recommendation 16 of the Corporate Governance Code, , the Board shall assess the audit plan of both the internal and statutory auditor. The Board makes recommendations regarding the appointment of external

auditor for the Company. The Board also evaluates and develops its own operating procedures regularly.

The Board of Directors is also responsible for defining the principles for monitoring and evaluating transactions with related parties of the Company, as well as maintaining a list of its identified related parties.

3.2.1 Independence of Board Members

The Company's policy is that based on an overall evaluation by the Board of Directors, all members of the Board shall be independent of Gasgrid Finland.

3.2.2 Competence, Compliance and Diversity of the Board of Directors

The successful management of the tasks of the Board of Directors requires a diverse composition, diverse competence and experience, as well as consideration of the personal qualities of individual members.

It is Gasgrid Finland's goal that different genders are being represented on the Board of Directors.

3.2.3 Board Committees

Due to the focused scope of its business and its size, Gasgrid Finland has not established similar board committees typical to stock exchange-listed or similar companies, such as an Audit, Remuneration or Nomination Committees. Gasgrid Finland will integrate the tasks of these committees as part of the annual management process of the Board of Directors in order to ensure proper management of the tasks assigned to these committees under the Limited Liability Companies Act and the Corporate Governance Code.

3.3 Chief Executive Officer (CEO)

The CEO acts as regulated by the Finnish Companies Act. The CEO oversees the day-to-day management of the Company in accordance with instructions and orders issued by the Board of Directors. The CEO shall supply the Board of Directors with the information necessary for the performance of their duties.

The CEO shall also see to it that the accounts of the Company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

3.4 Executive Management Team

The Management Team is chaired by the CEO. The members are appointed by the CEO and

approved by the Board of Directors. The Management Team assists CEO in the Company's operative management, strategy execution and co-ordination of business guidelines. The duty of the Management Team is to ensure the Company is managed efficiently and that the Company fulfils the purpose of its operations in an efficient manner.

3.5 Stakeholder Collaboration Forums

The Board of Directors ensures that the Company has a regular stakeholder collaboration forum or forums. A forum has an advisory role and it collects customers' and stakeholders' viewpoints and expectations concerning the gas transmission system, gas markets, the role of gaseous fuels in the energy system and society as well as on the services provided to customers. Forum participants may represent different gas stakeholders, such as national, regional and local authorities, the shareholder, shippers and traders, suppliers, local residents, the media and environmental organizations, gas producers and end users. Forums may be targeted at different stakeholder groups and the topics covered in the meetings may vary. Gasgrid Finland must have at least one such forum operational.

4 Code of Conduct and Compliance Programme

Gasgrid Finland has the responsibility of the Finnish gas transmission system and infrastructure. Gasgrid Finland complies strictly with applicable national and EU laws, international agreements, OECD principles and recommendations as well as company's approved policies. Moreover, Gasgrid Finland adheres to state instructions and decision-making principles.

The Code of Conduct form the ethical basis for all work at Gasgrid Finland. The Code of Conduct is approved by the Board of Directors. All employees are responsible for reporting any suspected misconduct to their own supervisors, to other management members or, if necessary, directly to Internal Audit.

5 Remuneration

Gasgrid Finland follows the at each time effective Resolution on State-Ownership Policy of the Government of Finland regarding the remuneration of the CEO, Board of Directors, Executive Management Team and other corporate bodies. The Company follows applicable collective bargaining agreements, including their provisions on employee salary development and other agreed items as well as applicable benchmarks for management salary development. Gasgrid Finland's Board of Directors decides annually on the applicability, targets and outcome of performance-based remuneration.

6 Reporting

Gasgrid Finland aims at high level of transparency and comprehensiveness of reporting to stakeholders. Gasgrid Finland will prepare financial and sustainability reports at least twice a year. The main reports will be published once a year together with the annual accounts. Non-audited interim reports will be condensed to cover the main areas of reporting. Gasgrid Finland will also report to the Ministry of Finance of Finland according to at each time effective principles. A special focus is given to remuneration and sustainability topics.

7 Internal Control

Gasgrid Finland's Executive Management Team and Internal Audit are responsible for preparing the Company's principles for internal guidelines and reporting systems that support internal control and presenting the principles to the Board of Directors. The principles shall be approved by a decision by the Board of Directors. Internal control is carried out throughout the organization and covers financial reporting and other monitoring. Internal control refers to those management activities that seek to ensure:

- Achievement of the goals and objectives set for Gasgrid Finland
- Economical, appropriate and efficient use of resources
- Management of operational risks
- Reliable and correct financial and other management information
- Adherence to external regulations and internal policies
- Adherence to appropriate procedures related to customer relationships
- Sufficient security of operations, information and property
- Arrangement of adequate and appropriate manual and IT systems to support operations

Internal control is divided into: (i) proactive control, such as defining Gasgrid Finland's values and general operational and business principles, as well as its goals and strategy; (ii) daily control, such as general control and follow-up with operational systems and work guidelines, related to operational steering; and (iii) subsequent control, such as different management evaluations and inspections, comparisons and verifications, the aim of which is to ensure that the goals are met and that the agreed operational and control principles are followed. Gasgrid Finland's corporate culture, governance and the approach to control together create the basis for the entire process of internal control.

Financial figures are reported each month. The finance organization evaluates monthly performance and reports it further to the Executive Management Team. Business profitability development and business risks and opportunities are discussed monthly in the Executive Management Team meetings. The results are reported to the Board of Directors of Gasgrid Finland each month. Gasgrid Finland's Financial Reporting Manual will be established during the year 2020 and it describes the reporting and control regulations and the reporting procedure in detail. The Board of Directors shall approve the Financial Reporting Manual and any subsequent amendments made thereto.

Appropriate credit control is carried out by the finance organization in cooperation with the management.

Authorization rights concerning expenses, significant contracts and investments have been specified stepwise for different organizational levels, according to the decision-making order confirmed by the Board and the authority separately granted by the CEO and other management

personnel (Appendix 1). Decisions regarding gas market operations must be done by qualified persons following laws, regulations and rules in effect.

Investment approval and follow-up is carried out by the asset management organization and the financial organization according to the decision-making order and budget approved by the Board of Directors. The most significant investments are separately submitted for approval by the Executive Management Team and the Board of Directors.

8 Internal Audit

The Company's Internal Audit is an independent and objective assurance function that is responsible for examining and evaluating the appropriateness and effectiveness of the Company's management and corporate governance processes, internal control system, risk management, as well as the management and corporate governance processes. The Standards for the Professional Practice of Internal Audit of the Institute of Internal Auditors form the basis for the work of Internal Audit.

The Board of Directors decides on the operating model for the Company's internal audit. The internal audit acts based on plans prepared and presented by the internal audit for the Board and approved by the Board. Audit results are reported to the object of inspection, the CEO and the Board of Directors. The Board of Directors may also decide that an internal audit function outsourced to an authorized public accounting company acts within the Company.

From an administrative perspective, the internal audit is subordinate to the 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 independent party. The internal audit has the authority to carry out reviews and to access all information that is essential to the audit.

9 Risk Management

Risk management is an essential part of Gasgrid Finland's standard business planning and leadership. Risk management is part of daily decision-making, operational follow-up and internal control, and it promotes the objectives set by the Company and ensures that they are met.

Linking business management efficiently with risk management is based on the operational principles confirmed by Gasgrid Finland's Board of Directors; the aim of the principles is to maintain risk management as a process that is well defined, understandable and sufficiently practical. Risks and their development are reported on a regular basis to the Board of Directors. Centralized risk management also takes care of the coordination and competitive bidding for Gasgrid Finland's insurance coverage.

The most crucial objective of risk management is to identify, evaluate and monitor those risks, threats and opportunities which may have an impact on the implementation of the strategy and on how short-term and long-term objectives are met. A separate risk review is also included in the most significant investment proposals.

The identification, evaluation and monitoring risks as well the risk management process of the Company shall take into account the fact, that the Company can be considered to be an entity performing vital functions which are critical for the functioning of society. This includes, among others, an elevated risk of being subjected to cyber-attacks and other disruptive actions, which may have significant economic and social impacts.

The risk environment and related changes are regularly evaluated and monitored as part of annual and strategic planning. The risks identified and their means of control are reported to the Company's management and the Board of Directors at least twice a year. Business risks also involve opportunities, and they can be utilized within the boundaries of the agreed risk limits. Conscious risk-taking decisions must always be based on an adequate evaluation of the risk-bearing capacity and the profit/loss potential, among other things.

The operational principles and risk management responsibilities in Gasgrid Finland are as follows:

- The Board of Directors is responsible for Gasgrid Finland's risk management and confirms the Company's risk management policy
- The CEO and the members of the Executive Management Team are responsible for the specification and adoption of the risk management principles. They are also responsible for ensuring that the risks are considered in the Company's planning processes and that risk reporting is adequate and appropriate
- A separately nominated member of the Executive Management Team oversees the development and coordination of the risk management process, the performance of risk assessment and the essential insurance decisions

- Business responsables identify and evaluate the essential risks related to their own areas of responsibility in their planning processes, prepare for them, take necessary preventive action and report on the risks as agreed
- The most significant risks and uncertainties are described in the report of the Board of Directors