

# Corporate Governance Statement 2020

## Introduction

Gasgrid Finland Oy is a wholly state-owned 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. The company aims to be a transparent and reliable company that operates sustainably, supporting society's transition towards carbon-neutrality with the help of gaseous 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.

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](http://www.cgfinland.fi). The most significant deviations from the Corporate Governance Code are due to the fact that Gasgrid Finland has only one owner: the state of Finland. In addition, the state has specified some of the matters included in the recommendations in a government decision-in-principle concerning the state ownership policy, so it is neither appropriate nor possible to comply with every part of the Corporate Governance Code.

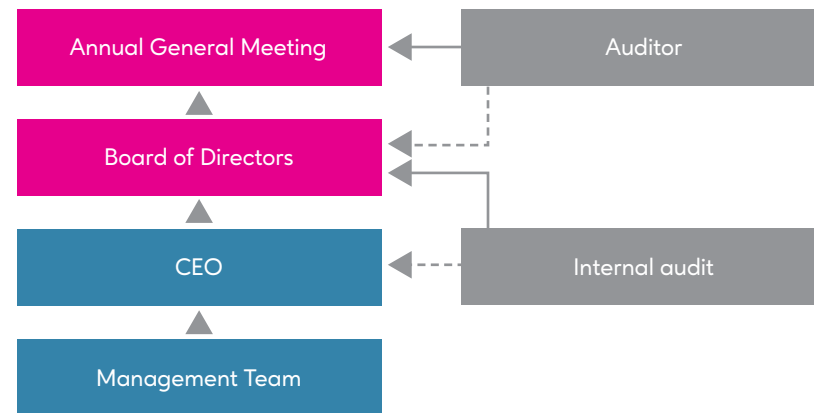
## Corporate governance

The company's governance is guided by its Articles of Association and the operating principles, instructions and procedures confirmed by Gasgrid Finland's Board of Directors and Management Team.

## Annual General Meeting

The Annual General Meeting is Gasgrid Finland's highest decision-making body. The Annual General Meeting approves the financial statements, decides on the distribution of profits and elects the auditor and the Board of Directors, elects the Chairman of the Board, decides on the remuneration of the Board, and discharges the members of the Board and the President and CEO from liability. In addition, the Annual General Meeting discusses the company's remuneration policy and sustainability programme

## Organisational structure



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Gasgrid Finland's shares are divided into two classes: A shares and K shares. A Series A share carries one vote when voting at the Annual General Meeting and a Series K share carries ten votes. The shareholders have not appointed a nomination committee.

The company's operations began on 1 January 2020, which is why the Annual General Meeting was not held in the first year of operation. Kai-Petteri Purhonen (Chairman of the Board), Päivi Nerg and Asta Sihvonen-Punkka have been elected to the Board of Directors of Gasgrid Finland as of 1 January 2020 by a unanimous decision of the shareholders in accordance with the Companies Act. In addition, the Board of Directors was supplemented by a resolution of the shareholders on September 18, 2020. At this point, Jero Ahola and Saija Kivinen were elected as new members of the Board.

## Members of the Board of Directors

The shareholders elect the members of the Board of Directors at the General Meeting. The aim is to ensure the diversity of the Board of Directors so that both sexes are represented. The diversity of the Board of Directors supports the achievement of the company's business targets. The members of the Board of Directors must have sufficient and complementary experience and expertise in the various areas of the company's business and societal role. In addition, the equality targets set in the state ownership steering policy are taken into consideration when evaluating the diversity of the Board

of Directors. In 2020, 60% of the members of Gasgrid Finland's Board of Directors were women, and 40% were men.

Based on the Board of Directors' overall assessment, all members of the Board are independent of Gasgrid Finland. 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.

Due to the scale of its business, Gasgrid Finland has not established any Board committees such as the Audit, Remuneration, or Nomination Committee. 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.

## Rules of procedure of the Board of Directors

Gasgrid Finland's Board of Directors is responsible for ensuring compliance with the ownership steering guidelines and corporate governance principles, as well as for implementing the decisions made at the General Meeting. The aim of the Board of Directors is to improve the company's strategic capabilities by sparring, sharing information and utilising the competence backgrounds of its members. The Board's approach also includes evaluating and developing its own work annually.

In line with the rules of procedure, the key duties of the Board of Directors are:

- Deciding on Gasgrid Finland's strategy
- Approving the annual budget and operating plan prepared on the basis of the strategy
- Monitoring the realisation of the budget and operating plan
- Monitoring the company's financial position and related forecasts
- Monitoring the company's business development and management
- Sparring and overseeing the development and management of the company's business
- Appointing and dismissing the company's CEO

- Approving the company's organisation and the composition of the Management Team
- Approving Gasgrid Finland's key guidelines: the corporate governance principles, code of conduct and risk management policy
- Deciding upon the remuneration policy, as well as the remuneration for the CEO and members of the Management Team
- Reviewing the company's risks and measures taken to manage risks twice a year
- Deciding upon an annual plan for internal audit and processing internal audit reports
- Approving the financial audit plan, financial statements and annual report
- Preparing proposals for decisions to be made by the General Meeting in line with the Limited Liability Companies Act
- Approving the corporate governance statement and the remuneration report of the bodies
- Holding part of a meeting without the executive management at least once a year
- Evaluating its activities and working methods, as well as the effectiveness of its activities, once a year
- Discussing other matters that the chair or members of the Board of Directors or the CEO have proposed for inclusion on the agenda.

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## The Board of Directors convened 10 times in 2020.

Attendance of members of the Board of Directors	Number of meetings
Kai-Petteri Purhonen, chair of the Board of Directors since 1 January 2020	10
Päivi Nerg, member of the Board of Directors since 1 January 2020	10
Asta Sihvonen-Punkka, member of the Board of Directors since 1 January 2020	10
Jero Ahola, member of the Board of Directors since 18 September 2020	2
Saija Kivinen, member of the Board of Directors since 18 September 2020	2

In addition to the members of the Board of Directors, the CEO, CFO and secretary of the Board of Directors regularly attended the meetings.

### CEO

The CEO manages Gasgrid Finland's 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. The CEO is not a member of the company's Board of Directors.

The company's CEO is Olli Sipilä. No deputy CEO has been appointed.

### 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.

### Internal control and risk management

Gasgrid Finland's corporate culture and corporate governance lay the foundation for internal control and risk management. Gasgrid Finland's Management Team is responsible for arranging the company's internal control, risk management and reporting.

### Internal audit

Internal audit is conducted throughout the organisation, and it covers financial reporting and other monitoring: Internal audit 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.

The company's financial reporting is based on Finnish practices for financial statements and the Energy Authority's regulations on the unbundling of accounts for different businesses. The finance unit is responsible for implementing the financial reporting process and performance measurement, as well as for regulatory compliance. The CFO reports the financial results of the company's activities and the business forecasts to the Board of Directors regularly.

The approval authorisations applying to expenses, significant agreements and investments are specified for various organisational levels. Decisions concerning gas market activities must be made with expert personnel in accordance with the applicable laws, regulations and rules. The Management Team 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. The largest investments are submitted to the Board of Directors for separate approval.

### 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 CFO is responsible for ensuring that Gasgrid Finland has adequate insurance cover for its risk status.

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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.

### Other reporting information

#### Internal audit

The Company's internal audit is an independent, impartial verification function tasked with audited and assessing the appropriateness and effectiveness of the Company's management and governance processes, internal control organisation, risk management, and management and governance processes.

Gasgrid Finland has outsourced its internal audit functions to Deloitte. Internal audit conducts regular audits of the company's various functions in line with the plan approved by the Board of Directors. Internal audit also assesses the sufficiency of risk management and supervision. In 2020, audits were conducted on the company's cyber security, risk management and corporate governance principles. Internal audit reports its findings to the Board of Directors and the CEO and, as an independent function, it is not involved in the company's operational development projects.

Internal audit is authorised to conduct audits and access all information relevant to the audit.

#### Related-party transactions

Gasgrid Finland's related parties consist of the Group's wholly-owned subsidiaries, Baltic Connector Oy, Gasgrid Finland Services Oy and Suomen Kaasunsiirtopalvelut Oy, as well as the Finnish state, Suomen Kaasuverkko Oy and the company's management team and their related parties. When decisions are made concerning related-party transactions, Gasgrid Finland ensures that it takes any conflicts of interest into consideration and

prevents related parties from deciding on the related-party transaction.

The related-party transactions in 2020 were intra-Group transactions, which were executed on ordinary commercial terms. There were no transactions with related parties outside the Group.

#### Audit

The General Meeting elects Gasgrid Finland's auditor. In 2020, the company's auditor was the audit firm Oy Tuokko Ltd, and the auditor in charge was Timo Tuokko, Authorised Public Accountant. The auditor's fees for 2020 were EUR 42,000, which consisted entirely of fees for auditing services.

## Board of Directors



### Kai-Petteri Purhonen

Board Professional  
Chair of the Board  
MSc (Economics), born 1965  
Member of the Board since 2020  
Independent of the company  
Independent of significant shareholders



### Päivi Nerg

The Permanent Under-Secretary for Governance Policy, Ministry of Finance  
Member of the Board of Directors  
MSc (Agriculture and Forestry), born 1958  
Member of the Board since 2020  
Independent of the company  
Non-independent of significant shareholders



### Asta Sihvonen-Punkka

Executive Vice President, Fingrid Plc  
Member of the Board of Directors  
LicSc (Economics), MSc (Forestry), born 1962  
Member of the Board since 2020  
Independent of the company  
Independent of significant shareholders



### Jero Ahola

Professor, LUT University  
Member of the Board of Directors  
DSc (Electrical Engineering), born 1974  
Member of the Board since 2020  
Independent of the company  
Independent of significant shareholders



### Saija Kivinen

General Counsel, Telia Finland  
Member of the Board of Directors  
LLM, born 1967  
Member of the Board since 2020  
Independent of the company  
Independent of significant shareholders

# Management Team



**Olli Sipilä**

CEO

MSc (Economics), born 1978



**Janne Grönlund**

Senior Vice President, Transmission Platform and Customers

MSc (Technology), born 1986

Customers, Services, Investments, Operation



**Anni Sarvaranta**

Senior Vice President, Strategy and Market Development

MSc (Technology), born 1985

Gas market development, Transmission pricing, Strategy, Communications



**Petri Dahlström**

Chief Financial Officer

MSc (Economics), born 1970

Finance, Administration, HSEQ, IT